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

2019
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. SHEN Difan *(Chief Executive Officer)*
Mr. WANG Qiang

Non-executive Directors
Mr. WU Yongming *(Chairman)*
Mr. WANG Lei
Ms. ZHANG Yu

Independent Non-executive Directors
Mr. LUO Tong
Mr. WONG King On, Samuel

Audit Committee
Mr. WONG King On, Samuel *(Chairman)*
Mr. LUO Tong

Remuneration Committee
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. SHEN Difan
Ms. LEW Aishan, Nicole

COMPANY SECRETARY
Ms. LEW Aishan, Nicole

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

AUDITOR
Ernst & Young
Certified Public Accountants

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BRANCH SHARE REGISTRAR (IN HONG KONG)
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PRINCIPAL BANKERS
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The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank Co., Ltd.
Bank of Ningbo Co., Ltd.
JPMorgan Chase Bank
Agricultural Bank of China

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

"The wise adapts to change." In 2018, the PRC government's successive introduction of supporting national policies for the medical and pharmaceutical sector, the rapid evolution of technologies (including cloud computing, Internet of Things and artificial intelligence), the demand for digitalization upgrade and operating model transformation among traditional medical institutions and pharmaceutical enterprises, as well as people's diversified pursuits of healthy living together provided the right timing and favorable background and social conditions. Alibaba Health decisively seized the opportunity and accurately rode the trends to continue to create value for the country and the public in the healthcare sector.

"It is only the farmer who faithfully plants seeds in the Spring, who reaps a harvest in the Autumn." The financial data in our annual results announcement bear testament to the results we have achieved after a year of hard work. As Alibaba Group's healthcare flagship, we are pleased to see rapid year-on-year growth of revenue and gross profit. Meanwhile, the continued business injection by Alibaba Group and our strategic cooperation with Ant Financial during the year has also laid a solid foundation for our further strategic development.

2018 was a milestone year for China's medical and healthcare industry. It has been ten years since the launch of the "New Medical Reform" program in 2009. Implementation of new policies involving the healthcare, medical insurance and pharmaceutical industries in the previous year not only provided direction for the industries' future development, but also ushered in many new opportunities for us.

Alibaba Health is currently engaged in, among other areas, pharmaceutical and healthcare product sales, consumer healthcare, internet healthcare and intelligent medicine businesses. In 2018, the State Council successively promulgated various relevant supporting policies, including the Opinions on Promoting the Development of "Internet + Healthcare" (《關於促進「互聯網+醫療健康」發展的意見》) and the Trial Notice on the Tiered Evaluation Standards for Hospital Smart Services (《關於醫院智慧服務分級評估標準體系（試行）的通知》). At the same time, reforms such as "separating prescription and dispensation", implementation of the "4+7" centralized drug procurement solution and consistent evaluation of generic drugs greatly expanded the ex-hospital drug circulation market and its future growth potential. With regards to drug regulation, stronger comprehensive supervision of drugs and vaccines were again emphasized in the Report on the Work of the Government 2019 (《2019年政府工作報告》). These policies respond to social needs and also objectively prove the reasonableness of Alibaba Health's business deployment, thereby strengthening our confidence and resolve.

To capitalize on such trends, we continued to consolidate the foundation of our pharmaceutical e-commerce business during the year. Through the acquisition of the e-commerce platform business in relation to the categories of medical devices and healthcare products, sexual health and family planning products, contact lens, and medical and healthcare services from Alibaba Group, our business now covers all categories of Tmall Pharmacy. Our gross merchandise volume (GMV) for the year exceeded RMB59.5 billion while annual active consumers exceeded 130 million. During the same period, we launched the "emergency drug delivery" service in 105 cities nationwide, continuing our committed investment in online-to-offline (O2O) business.

CHAIRMAN'S STATEMENT

With great power comes great responsibility, we fully understand our role in helping to ensure medication safety. During the year, we continued to share our decade-established experience in drug and vaccine tracking technology with, and offer our Ma Shang Fang Xin* (碼上放心) query platform to, the public, and participated in various initiatives to address urgent consumer needs for the public good.

In the past year, we identified strong end-user demand against the backdrop of consumption upgrade. In response to the popularization and demand for preventive treatment and the pursuit of health and beauty as life ideologies, the Group has been committed to optimizing our operations in consumer healthcare businesses such as aesthetic medicine, physical examination, vaccination and oral health. By placing emphasis on the regulation of the consumer healthcare market and products, we offer users safe, professional and transparent medical and healthcare services. We aim to continually enhance industry service standards in general, build a desirable business environment and contribute to the sound and sustainable development of the whole industry.

We fully understand the pain points of the medical sector, including unsatisfactory medical treatment experience, unreasonable medical resource allocation and the shortage of clinicians at the basic level. In view of the above, we strive to improve user experience and increase efficiency using Internet technology, so that patients can experience online consultation, offline treatment and health management smoothly and conveniently. In addition, we proactively cooperate with governments, hospitals, research institutes, colleges and other external organizations to explore the intelligent medicine business based on digital information, artificial intelligence and big data technologies. We therefore promote breakthrough developments in China's medical service and medical technology industries with the aim of contributing to the progress of national medical reform by improving the supply of medical resources and reducing the cost of medical services.

Shareholders, in this ever-changing era, Alibaba Health aims to fully leverage on our own advantages and strengths in terms of platform and technology, to collaborate with leading industry players and business partners towards changing the future.

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

WU Yongming
Chairman

May 16, 2019

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2018, China's national economy continued to grow steadily within a reasonable range with a year-on-year increase in gross domestic product (GDP) of 6.6% for the year, achieving the RMB90 trillion milestone for the first time. This has provided a solid foundation for the stable development of various industries, including the medical and healthcare industry. 2018 was also a milestone year for China's medical and healthcare industry. It has been ten years since the launch of the "New Medical Reform" program in 2009. Based on the guiding ideology of the "tripartite medical reform" (medical care, medical insurance and pharmaceutical industries), China continued to explore and make breakthroughs in the highly complicated and difficult area of medical reform in the past year. The concurrent launch of new policies in respect of the medical care, medical insurance and pharmaceutical industries provided direction for the industries' future development and ushered in many new opportunities.

As one of the important components of medical reform, reform in China's drug supply side continued to intensify and in the process, the structure of the drug retail market was further optimized with the aim of achieving sustainable development. The Opinions on Promoting the Development of "Internet + Healthcare" (《關於促進「互聯網+醫療健康」發展的意見》) issued by the General Office of the State Council in April 2018 set out the development direction of "Internet + Drug Circulation", and encouraged "the regulated development of Internet drug sales and medical logistics and distribution through the inter-connection and real-time sharing of prescription information from medical and healthcare institutions and retail information on drug consumption". Meanwhile, reform in relation to "separating prescription and dispensation" was further intensified. Policies prohibiting the entrustment of hospital pharmacy operations were issued successively in various provinces and municipalities, with the aim of breaking the practice of "subsidizing medical services through drug dispensations". At the national level, reform measures such as the "4+7" centralized drug procurement solution and consistent evaluation of generic drugs further facilitated and promoted the "outflow of prescription drugs" on top of the structural optimization of medical insurance payment, which also greatly expanded the ex-hospital drug circulation market and its future growth potential. With regards to drug regulation, following the issue of the Guiding Opinions of the China Drug Administration on the Construction of IT-Based Drug Tracking Systems (《國家藥監局關於藥品信息化追溯體系建設的指導意見》) in November 2018, the Premier once again emphasized stronger comprehensive supervision of drugs and vaccines in the Report on the Work of the Government 2019 (《2019年政府工作報告》) during the "two sessions" in 2019. These initiatives will further advance the construction of drug tracking systems and the sustainable development of related industries.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2018, Internet healthcare was expressly supported at the national level and was finally regulated by law. According to the relevant data of the National Health Commission of the PRC, the number of medical treatments received in China reached 8.31 billion in 2018, representing an increase of nearly three times from a decade ago. Although there was significant progress made in the construction of medical teams in the same period, given people's continual growing healthcare needs and compared to the level of supply of doctors in developed countries, China still faces issues such as shortages and an uneven distribution of physicians and needs better ways and quality of delivering medical services. The implementation of the Internet healthcare policy will pave the way for the downward extension of quality medical resources from developed regions and the promotion of optimal allocation of medical resources, and drive and direct the healthy development of China's Internet healthcare industry. Meanwhile, China also strengthened its supervision of Internet healthcare operations and Internet healthcare supervision platforms were launched in places such as Zhejiang and Guangdong, which have put forward new requirements in relation to the information technology levels of medical institutions. Policies such as the Opinions on Strengthening Performance Appraisal in Class III Public Hospitals (《關於加強三級公立醫院績效考核工作的意見》) issued in January 2019 and the Trial Notice on the Tiered Evaluation Standards for Hospital Smart Services (《關於醫院智慧服務分級評估標準體系(試行)的通知》) issued in March 2019 will effectively promote the long-term development of digital technology-related industries, including "Internet + remote healthcare", medical AI and Internet of Things.

According to statistics and estimates from relevant organizations, the overall market size of China's consumer healthcare industry, including aesthetic medicine, oral health, physical examination, vaccination and maternity, exceeded RMB560 billion in 2018 and will continue to increase at a compound annual growth rate of nearly 20% in the next five years. Strong end-user demand and continual industry supply-demand optimization will make the consumer healthcare sector a new growth driver of the medical and healthcare industry in the future.

BUSINESS REVIEW

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

Pharmaceutical and healthcare product and service sales business

The Group has been actively utilizing Internet technologies to build an omni-channel healthcare product and service supply and new retail system that covers the whole industry chain. Capitalizing on its established online platform strengths and its thorough understanding of the market and users, the Group connects upstream industry chain players (e.g. manufacturers and leading distributors) to offline pharmaceutical retail chains to facilitate product circulation along the whole chain and strives to offer quality and diversified products and services to downstream players and consumers at competitive prices in a convenient manner. A comprehensive supply system helps to boost up efficiency in the supply chain by bringing manufacturers, distributors and consumers closer together so that manufacturers can deliver their professional services more directly to consumers. Such enhanced connection is conducive to serving consumers as well as exploring and creating new consumption demand.

During the year, the Group continued to actively expand its cooperation with quality upstream brands. As at the end of the year, a number of well-known international pharmaceutical companies, including AstraZeneca, SANOFI, Merck and Pfizer, have established strategic partnerships with Alibaba Health. Meanwhile, the Group has also established key business partnerships with about 40 pharmaceutical and nutritional product brands, including Dong-E E-Jiao (東阿阿膠), Mayinglong (馬應龍), Jiuzhitang (九芝堂) and other renowned national brands.

- **Pharmaceutical e-commerce platform business**

  In June 2017, the Group acquired the health food category e-commerce platform business from Alibaba Group. During the year, the Group further acquired the e-commerce platform business in relation to the categories of medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare services from Alibaba Group. The Group's pharmaceutical e-commerce platform business now covers all categories of the Tmall Pharmacy platform^ (天貓醫藥館) through the above acquisitions or by way of provision of outsourced and value-added services.

  During the year, the gross merchandise volume (GMV) generated by Tmall Pharmacy platform as operated by the Group was approximately RMB59.5 billion. Annual active consumers of Tmall Pharmacy platform (consumers who made one or more actual purchase(s) on Tmall Pharmacy platform in the past 12 months) for the year ended March 31, 2019 exceeded 130 million. In October 2018, the Group entered into an agreement with Taobao China Holding Limited to provide outsourced and value-added services such as merchant business development, customer service for merchants, marketing event planning and technical support for certain healthcare products on the Tmall Global platform (www.tmall.hk) and Tmall Supermarket (chaoshi.tmall.com). The provision of such services will help enrich the product categories provided by the Group and contribute more revenue in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

As the GMV generated from and the number of users of Tmall Pharmacy platform continued to grow, the Group implemented a number of innovative marketing initiatives to empower merchants of the platform in different categories during the year. As a result, we were able to further consolidate and enhance our platform's influence in the industry while continuing to optimize the industry's ecology. Taking the contact lens sector as an example, we promoted and popularized knowledge relating to contacts lens usage scenarios and good habits through consumer-focused healthcare education and the introduction of popular brands from overseas. Meanwhile, by assisting our partner chain retailers in the information technology upgrade and modification of their offline stores to enhance inventory and customer management standards, we were able to foster the healthy development of the contact lens sector, and also increase the Group's absolute influence in the industry. With regards to the nutritional products sector, in response to severe homogenization of certain products and lacking product standards, we took the initiative to formulate Tmall "best choice" industry standards to serve as the basis of consumer product selection. As a result, we were able to further discover and unleash consumption demand to foster industry development while building on promoting product and market standardization and enhancing user experience.

Future prospects

There is extensive room for the sustainable growth of the Group's pharmaceutical e-commerce platform business. As China's largest pharmaceutical e-commerce platform, the Group will continue to benefit from the increased online penetration rate of pharmaceutical e-commerce product sales. In the future, the Group will coordinate with partners and enterprises to further enrich the platform's product offerings and innovate marketing methods. By increasing the utilization of our brand development center and strategy center, we will be able to carry out precise identification of, and more detailed operations in relation to, target consumers, to help the platform's merchants achieve scale and performance, thereby realizing sustainable growth and considerable revenue for the Group. As Tmall's user base and scale continue to grow, the Group will also benefit and leverage on the opportunity to continue to grow the customer base of the Tmall Pharmacy platform.

- **Pharmaceutical self-operated business**

During the year, the Group's pharmaceutical self-operated healthcare product and service sales business maintained rapid revenue growth. Fueled by the Group's further extension of its branding advantage, our business team's continual accumulation of operational experience and its efficient execution, as at March 31, 2019, our self-operated online stores (AliHealth Pharmacy^ (阿里健康大藥房) and AliHealth Overseas Flagship Store^ (阿里健康海外旗艦店)) accumulated more than 27 million annual active consumers (consumers who made one or more actual purchase(s) on our self-operated online stores in the past 12 months), suggesting more than 90% year-on-year growth. During the year, we continued our efforts to diversify our product categories. Not only did we add more types of over-the-counter (OTC) and imported products, but we also introduced new categories such as maternal, infant and cosmeceutical products, to satisfy different needs of the consumers. We also provided value-added services, including brand promotion, member management and supply chain optimization, for over 30 core brands to help them reach out to more consumers, and increase their brand influence and market share. At the same time, we continued to work on optimizing supply chain and enhancing efficiency. By increasing the proportion of direct supply from brands, and enhancing the complementary system and service capabilities in terms of warehousing, delivery and customer service, our business team maintained effective control over our increasingly diversified products and our service quality. At the same time, we also improved our recognition and understanding of the individual needs of our continually expanding consumer base.

Future prospects

Since its launch in September 2016, the Group's self-operated business has maintained strong growth momentum. As a young Internet healthcare enterprise in the promising pharmaceutical retail industry, the Group has the potential to grow rapidly. In the future, we will leverage on the supply of differentiated products, professional quality examination and control procedures, quality warehousing, delivery and customer services to continue to improve the shopping experience and loyalty of our existing customer base. Meanwhile, we will maximize the utilization of traffic resources from various portals of Alibaba Group to continually acquire new customers and expand our customer base. In recent years, frequent capital market activities in the national pharmacy chain market have accelerated industry consolidation. As a result, the Group will benefit from increased market concentration. With the launch and implementation of relevant policies such as that of "4+7" bulk purchase procurement, as well as accelerated "prescription outflows", which together have significantly expanded the drug retail market outside of hospitals, the Group will also make active strategic deployments to capitalize on this unprecedented opportunity.

MANAGEMENT DISCUSSION AND ANALYSIS

- **New retail model**

Based on an online-to-offline (O2O) business model, the Group continued its active in-depth exploration of the development strategy and path of its pharmaceutical new retail business. In August 2018, the Group launched 24-hour express delivery trial services in Hangzhou to deliver drugs "within 30 minutes during the day and within 1 hour at night", which were well-received by consumers and enterprises at large. At the beginning of 2019, the Group launched intelligent pharmaceutical vending machines in Hangzhou and Guangzhou on a trial basis, to satisfy the need for express night-time drug delivery. In March 2019, as a key part of the upgrade process in Alibaba Group's establishment of Wuhan as the first "New Retail Town" in Central China, the Group cooperated with Koubei and Ele.Me to jointly empower Hubei Tianji Pharmacy^ (湖北天濟大藥房) to experiment with the new chain pharmacy retail points and successfully rolled out a 24/7 drug delivery service in Wuhan. The service has been lauded by Internet users as the most heartwarming new retail delivery service, and has become an iconic convenience service in Alibaba Group's "New Retail Town".

By the end of the year, based on the success of Hangzhou, we have expanded the 24/7 30-minute drug delivery service to a total of five cities, including Beijing, Guangzhou, Shenzhen and Wuhan. At the same time, we launched the "emergency drug delivery" service in 105 cities nationwide, and will roll this out to more cities in the future. During the year, the Group deepened its cooperation with OTC brands such as Dong-E E-Jiao, to continuously explore the new retail model and connect online to offline to provide an omni-channel, multi-scenario service experience that will enable the revitalization of traditional brands.

The Group also actively invested in the offline pharmaceutical retail market. Currently, we have already strategically invested in regionally leading pharmaceutical chains including Anhui Huaren Health^ (安徽華人健康), Shandong ShuYu Civilian^ (山東漱玉平民), Guizhou Ensure^ (貴州一樹) and Gansu Deshengtang^ (甘肅德生堂) for full business cooperation. Going forward, the Group will strengthen its cooperation with its offline partners to forge an integrated online and offline omni-channel sales network, upgrade the new pharmaceutical retail system and expand the pharmacies' service capabilities, to provide an improved service experience to consumers.

Future prospects

The Group will continue to accumulate and learn from its experience and further explore and develop the new pharmaceutical retail sector by innovating the retail elements of people, goods and scenarios. We will seek to cover and assist more traditional brands not only to become a quality sales channel for them, but also to provide strong support for their brand-building, product innovation and customer services. At the same time, we will also enable pharmaceutical new retail through technology, using the promotion of intelligent pharmaceutical vending machines as a starting point. While helping pharmacies to lower costs and increase efficiency, we will further nurture and develop buying pharmaceutical products online as a consumer habit, so as to lay the foundation for the larger chronic illness drug delivery market.

- **Tracking business**

The Group is committed to building the Ma Shang Fang Xin^ (碼上放心) tracking platform into the largest pharmaceutical cloud in China. Leveraging the strong computational and data processing capacity of Alibaba Cloud, the platform is capable of processing megasized big data and supporting several hundred thousand corporate users at the same time with its sound compatibility, accessibility and security. Extensive utilization of Ma Shang Fang Xin platform helps to bring online, digitize and improve the transparency of, the pharmaceutical supply chain, and to provide basic tools and value-added services to pharmaceutical industry participants for their daily management and online and offline integration, which include drug tracking and recall, channel management, patient education, vaccine cold chain tracking and medical insurance premium control.

As at the end of the year, the number of pharmaceutical manufacturers which had signed up to and renewed subscriptions to the Group's Ma Shang Fang Xin platform accounted for more than 85% of the total number of pharmaceutical manufacturers in China. In particular, coverage of key categories in China such as vaccines was over 95%. Leveraging on and utilizing the accumulated data of the Ma Shang Fang Xin platform and the Group's technological capability, the Group joined in various initiatives for public good to address urgent consumer needs during the year. Following the Changsheng Bio-Technology vaccines incident in July 2018, the Group launched a quick search service for vaccines and rolled out the vaccine quick search tool online within 20 hours, with the webpage recording over 26 million visits in just three days. In March 2019, the Group and its partners commenced its third expired drug collection campaign for households across the country, using the tracking service to aid public good, and providing greater security and assurance to consumers at large in the use of pharmaceutical products.

Future prospects

The tracking business acts as infrastructure for the Group's pharmaceutical business, and its future development will continue to benefit from the relevant regulatory policies newly introduced by the government and increasing consumer needs. The Group will follow the new policies and continue its construction and development of the Ma Shang Fang Xin platform. Leveraging our tracking capability, we will provide more parties engaged in the pharmaceutical sector with service assurance in respect of safety and compliance and channel management, etc. At the same time, we will continue our support of public initiatives, promote consumer education, and further enhance Alibaba Health's brand and business promotion on the foundation of providing consumers with more convenient and efficient drug information query tools.

Consumer healthcare business

The Group's consumer healthcare business covers segments such as aesthetic medicine, oral health, vaccination and physical examination. We are committed to forging an entire ecological chain in the industry in the long run. On this basis, we will reshape the consumer healthcare environment and provide consumers with convenient, reliable, transparent and localized professional medical services.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group's consumer healthcare business grew rapidly with GMV increasing by more than 140% year-on-year. During Tmall's "Singles Day" and other shopping festivals, consumer healthcare GMV grew explosively at a rate that was among the highest across all Tmall industry categories. Having fully rationalized the consumer healthcare industry chain and based on our in-depth understanding of the consumer healthcare business, we continued to focus on channel establishment, content operation and the development of quality brands and merchants. During the year, building on the foundation of our operations on mobile Taobao, we tapped into high-traffic portals such as Alipay, DingTalk and Koubei to integrate quality consumer healthcare services into other daily scenarios and created a localized mode for mobile Taobao's daily life services, which significantly improved our operational efficiency. We also strengthened the building and operation of consumer healthcare content and developed content-based shopping scenarios, including VLOG store visit videos, beauty diaries and fun games, to increase user interaction as well as consolidate and expand our user base by altering and optimizing the traditional shelf-based sales model. At the service delivery level, we also actively developed and introduced quality merchants. By opening overseas healthcare channels, we signed on dozens of quality institutions from Japan and Korea to offer more than a hundred types of quality healthcare services.

In the upstream industry chain, we connected with and brought in a series of internationally renowned quality brands relevant to the various business segments that our consumer healthcare business currently covers. In the aesthetic medicine segment, we deepened our cooperation with Allergan, a leading pharmaceutical company in the world, to establish an authenticity tracking system for Juvederm and BOTOX, which helped its brands to accumulate over ten million targeted customers. In the vaccination segment, we established partnerships with Merck Sharp&Dohme, GlaxoSmithKline and Sanofi Pasteur. In the oral health segment, we built an online platform for oral health content with Invisalign, a leading aligner brand in the world, to educate users in an interactive way through activities such as video Q&A sessions, to promote oral health consultation digitization as well as consumption upgrade.

During the year, the Group also made progress with service extension and model innovation in the physical examination segment. We are committed to strengthening a service mentality in the physical examination industry. We became the first to create the "examine first and pay later" model on Alipay by granting micro-credit to users for physical examination, which has made us become the preferred choice for most consumers. Moreover, we offer basic protection for users of physical examination services by customizing industry insurance coverage to achieve service upgrade through the entire process from appointment and examination to post-examination health assurance.

Future prospects

The improving living standards of Chinese people, the demand for consumption upgrade, as well as the popularization and advocacy of preventive treatment and the pursuit of health and beauty as life ideologies provide huge room for the development of the Group's consumer healthcare business. Going forward, we will continue to introduce quality healthcare service brands and merchants. By strengthening content operation and consumer education, we will assist consumers to select good service providers, find authentic products and identify and obtain quality and economical consumer healthcare services. Meanwhile, we will also empower our merchants with platform, data, customer service, technology, user management and other related capabilities to help them realize the ability to continually accumulate and maintain customers as well as to build operation and management capabilities, thereby enhancing the service standards of the industry in general, building a desirable business environment and contributing to the sound and sustainable development of the whole industry.

Internet healthcare business

During the year, the Group relied on the previously established Alibaba Health Network Hospital Limited^ (阿里健康網絡醫院有限公司) to organize professionals such as medical practitioners, pharmacists and nutritionists to provide multi-faceted, multi-level, professional and convenient health consultation services and guidance for, among others, Taobao, Tmall and Alipay end-users. As at the end of the year, over 24,000 medical practitioners, pharmacists and nutritionists had signed up with the Group to provide online health consultation services, with more than 15,000 of those attending, being associate chief or chief physicians.

The Group provides an array of medical and healthcare services to users through Alipay and further strengthened its cooperation with Ant Financial during the year. In November 2018, the Group entered into a strategic cooperation agreement with Alipay to establish an exclusive and independent healthcare channel for Alipay users and to be fully responsible for managing the healthcare industry partners featured on such channel. As at the end of the year, Alipay had over 9,000 contracted medical institutions, including more than 3,000 Class II and Class III hospitals. Since the Group became fully responsible for the management of such medical and healthcare service channel and the healthcare industry partners, the number of users in the hospital scenarios covered by the products operated by the Group grew rapidly. In March 2019, the number of monthly active users using the medical and healthcare services operated by the Group in hospital scenarios exceeded 12 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has been working to enhance supply and efficiency using technology to satisfy users' needs for offline treatment, online consultation and convenient healthcare management. During the year, we made good progress in relation to Internet healthcare. In January 2019, the "Zhejiang Internet Hospital Platform", which was constructed by Zhejiang Bianque Health Data Technology Co., Ltd^ (浙江扁鵲健康數據技術有限公司) ("Zhejiang Bianque"), a company jointly invested by the Group and Ant Financial, was officially launched. This is the first Internet hospital platform in China that integrates supervision and service capabilities (business-to-government-to-business-to-consumer) (B2G2B2C), achieving a significant milestone in the field of Internet healthcare. The platform serves as the main gateway to Internet hospitals and Internet consultation services in Zhejiang Province and consists of a service sub-platform and a supervision sub-platform. The patient-oriented service sub-platform acts as a unified gateway to Internet hospital services on Alipay. The supervision sub-platform is the platform for competent authorities to supervise the process before, during and after Internet consultation activities are carried out by medical institutions. From the beginning of the year to April 2019, more than 20 medical institutions, including Class III A hospitals, have been registered on the platform, and applications from more than 300 medical institutions have been received. The "Zhejiang Internet Hospital Platform" has become a model project of the National Health Commission of the PRC as a result of its professional operation and healthy development. In March 2019, the Group jointly announced a future hospital project with Alipay and Wuhan Central Hospital (Class III A). The project started by the Group will improve the hospital's operational efficiency, effectively address patients' difficulties in seeking medical treatment and enhance their experience by making all the onsite consultation processes available online. Furthermore, the project integrates many of the capabilities of Alibaba Group to provide patients with inclusive features and services, including online registration, waiting reminders, examination report viewing and online payment from medical insurance pooled accounts. The Group's innovative closed-loop design also enables patients to seek remote video follow-up consultations and obtain their medicines without leaving their homes.

During the year, the Group continued to build up its medical and healthcare popular science content. Since the Group launched the "Yizhilu^ (醫知鹿)" medical knowledge database in May 2018, it has continually expanded the volume of content, as well as improved the depth, level and relevance of the content. As at the end of the year, "Yizhilu" had over 2,500 entries covering guidance for severe illnesses, health knowledge and disease information. We also exported the content of "Yizhilu" to Alipay, UC and other channels, with such content garnering an average daily viewing count of over 1 million people.

Future prospects

The Group will promote the in-depth development of the Internet healthcare business by capitalizing on its resources and competitive advantages, based on its deep understanding, accumulated experience, business positioning and strategic deployment in the Internet healthcare industry. Capitalizing on our strong foothold on Alipay, we will enrich and strengthen our online medical and healthcare product and service offerings through the complementary resources and business synergies of the Group and Ant Financial, and continue to expand Alipay's medical and healthcare services user base. In addition, we will develop and connect with more quality medical institutions and doctor resources offline, and help offline hospitals carry out information technology upgrade to improve service standards and operational efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

We will also follow the guidance of various favorable policies in relation to Internet healthcare and leverage on the opportunity to promote the in-depth development of the Internet healthcare business. We will adopt the guidance of the Health Commission of the PRC and Zhejiang Province and related policies to develop the "Zhejiang Internet Hospital Platform" into a benchmark Internet healthcare project in China, making it the gateway to and portal for the Internet hospital business carried out by the province's physical hospitals. By providing patients with follow-up consultation and prescription services for common and chronic diseases in the platform combined with the offline distribution capabilities of the Alibaba ecosystem, we aim to provide inclusive and efficient Internet healthcare services to the general public. We will also link up this business with our other business segments, including our pharmaceutical product sales business, to incubate new business models in areas such as prescription circulation.

Intelligent medicine business

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

During the year, the Group continued to assist the government and hospitals in information technology construction with its technologies to provide inclusive and convenient medical and healthcare services to the public. In September 2018, the "Electronic Health Card Platform for Zhejiang Residents" constructed by Zhejiang Bianque was launched. The electronic health card was co-developed by Zhejiang Bianque and the Health Commission of Zhejiang Province for easy access to medical institutions in Zhejiang Province and can be used online and offline in different institutions and regions. As at April 2019, more than 16 million electronic health cards had been issued since the launch of the platform. We will continue to optimize and upgrade the platform to offer better medical and healthcare services to the general public.

Capitalizing on its strong cloud-based medical big data mining and analytical capabilities and through internal and external cooperation, the Group is committed to building an AI medical system that can be applied in real-life situations. In September 2018, the Group and Alibaba Cloud deepened their cooperation and announced the co-establishment of the Alibaba Medical Artificial Intelligence System — "Medical Brain 2.0". During the year, the Group made steady progress in areas such as physiological signals (EEG engine and fetal heart monitoring), speech recognition and medical imaging. We successfully developed the "Smart Lung" product to detect common lung diseases, which was put into use in partner institutions. In addition, we developed an EEG epilepsy diagnosis product based on a deep learning model, which can significantly improve the EEG reading efficiency of doctors and has been recognized by China's authoritative experts in the field. Furthermore, the Group successfully carried out software redevelopment based on Alipay's underlying "face recognition" technology to apply the technology in medical situations, which has been used by hospitals to improve operational and management efficiency and has greatly enhanced the experience of patients seeking medical treatment.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the Group also established the AliHealth AI Center, which is a service platform launched by Alibaba Health based on the concept and objective requirements of precision medicine and which utilizes cutting-edge technologies such as medical big data, cloud computing and artificial intelligence. We connected fetal heart monitoring, imaging and other engines to the platform and explored models through which the AliHealth AI Center could service hospitals. We verified the feasibility of such models, with various regional imaging centers having already expressed their intention to cooperate with us. AliHealth AI Center will focus on freeing doctors from spending time on primary clinical diagnosis so that they can devote more time and energy to complex medical diagnosis, and on alleviating the issue of the shortage in doctors. In addition, the AliHealth AI Center will provide industry-leading, safe, reliable and affordable technologies and tools to the clinical and medical technology departments of medical institutions, thereby improving the level of medical intelligence at hospitals and promoting the implementation and development of the intelligent hospital rating system.

Future prospects

Based on the technologies and experience it has accumulated in practice, the Group will continue to help the government and industry partners to upgrade their healthcare services with information technology. Zhejiang Province is at the forefront of Internet innovation. The proposal of a "2-in-1 card in a single network" for electronic health cards and social security cards is already on the agenda of the provincial government. Going forward, we will coordinate with relevant government authorities and consolidate and utilize Alibaba's resources and capabilities to facilitate the integration of the two cards and the launch of online payment for medical insurance. We will also actively promote "access to medical services through facial recognition" in offline medical institutions before launching the product in the commercial market. We will continue our efforts in the field of medical AI based on our established advantages and achievements in text recognition, physiological signals and image recognition. Finally, we will continue to use the AI Center to consolidate quality resources inside and outside Alibaba Group for cooperative creation and construction, which in turn is aimed at promoting breakthrough developments in China's medical service and medical technology industries. Ultimately, the goal is to improve the supply of medical resources and reduce the cost of medical services through AI, thereby contributing to the progress of national medical reform.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The key financial figures of the Group for the years ended March 31, 2019 and March 31, 2018 are summarized as follows:

	2019	2018	Change
	RMB'000	*RMB'000*	*%*
Revenue	**5,095,867**	2,442,618	108.6
Gross profit	**1,331,263**	652,824	103.9
Gross profit margin	**26.1%**	26.7%	NA
Fulfilment	**(572,123)**	(338,763)	68.9
Sales and marketing expenses	**(454,838)**	(201,094)	126.2
Administrative expenses	**(181,016)**	(121,251)	49.3
Product development expenses	**(219,018)**	(126,220)	73.5
Other income and gains	**67,014**	52,393	27.9
Other expenses	**(2,502)**	(11,855)	(78.9)
Finance costs	**(27,966)**	(10,126)	176.2
Operating loss	**(59,186)**	(104,092)	(43.1)
Share of profits/(losses) of joint ventures	**(737)**	7,949	NA
Share of profits/(losses) of associates	**(907)**	998	NA
Loss for the year	**(91,764)**	(109,034)	(15.8)
Net loss attributable to owners of the parent	**(81,949)**	(106,974)	(23.4)
NON-HKFRS ADJUSTMENTS			
Adjusted net profit	**121,729**	8,000	1,421.6

MANAGEMENT DISCUSSION AND ANALYSIS

– Revenue

Revenue of the Group for the year ended March 31, 2019 amounted to RMB5,095,867,000, representing an increase of RMB2,653,249,000 or 108.6% as compared to RMB2,442,618,000 for the year ended March 31, 2018. The increase in revenue was mainly attributable to the rapid growth in revenue from pharmaceutical self-operated business, pharmaceutical e-commerce platform business and consumer healthcare business during the year.

– *Pharmaceutical E-commerce Platform Business*

Our pharmaceutical e-commerce platform business comprises the e-commerce platform business relating to health food and medical devices, etc., that the Group acquired from Alibaba Group, the business of providing outsourced services to Tmall Pharmacy platform (in respect of categories other than those that have already been acquired) and the pharmaceutical O2O business. Following the Group's acquisition of the health food category e-commerce platform business from Alibaba Group in June 2017, the Group further completed its acquisition of the e-commerce platform business relating to the medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare service categories from Alibaba Group in August 2018. In addition, the Group also actively expanded its pharmaceutical O2O business and efficiently connected consumers to their nearby pharmacies. During the year, the total revenue of the above businesses amounted to RMB689,980,000, representing a year-on-year increase of 296.8%.

– *Pharmaceutical Self-operated Business*

The pharmaceutical self-operated business of the Group comprises our self-operated B2C retail, related advertisement business and our B2B centralized procurement distribution business. During the year, the general revenue from pharmaceutical self-operated business reached RMB4,226,950,000, representing a year-on-year increase of 91.3%. The rapid growth in revenue was mainly due to the continual enrichment of the categories of goods sold through the Group's self-operated B2C and SKU, more detailed management of the self-operated business, optimization of the customer purchase experience and enhancement of repeated purchases by customers. Continuing to strengthen our cooperation with upstream quality brands, as at the end of the year, the Group had been authorized to undertake the management of or establish 37 flagship stores on the Tmall Pharmacy platform.

– *Tracking Business*

During the year, the Ma Shang Fang Xin^ (碼上放心) tracking platform, an effective solution for pharmaceutical tracking, covered over 85% of pharmaceutical manufacturers in China. Revenue from tracking business for the year was RMB38,720,000, representing a year-on-year increase of 59.0%.

– ***Consumer Healthcare Business***

Noticing consumers' increasing demands for beauty and health, the Group actively cooperates with aesthetic medical, physical examination, vaccination, oral health and other medical and healthcare service organizations through its online platform and self-operated stores, to provide users with safe, professional and transparent medical and healthcare services, as well as health education, consultation, reservation and other value-added services. The Group also provides integrated marketing services to many quality upstream pharmaceutical enterprises in the industry through its consumer healthcare platform, which has greatly enhanced the brand profile of Alibaba Health in the medical service industry. During the year, the consumer healthcare business grew rapidly, with revenue attributable to the business amounting to RMB128,254,000, representing a year-on-year growth of 275.5%.

– ***Other Innovative Businesses***

Other than the above businesses, the Group has been exploring fee models in the Internet healthcare and intelligent medicine areas. During the year, revenue from innovative businesses of the Group, including online health consultation, amounted to RMB11,963,000.

– **Gross profit and gross profit margin**

The Group recorded gross profit for the year ended March 31, 2019 of RMB1,331,263,000, representing an increase of RMB678,439,000 or 103.9% as compared to RMB652,824,000 for the preceding year. Gross profit margin for the year was 26.1% as compared to 26.7% for the preceding year. Gross profit margin declined slightly.

– **Fulfilment**

Warehousing, logistics and customer service expenditures incurred by the Group's self-operated pharmaceutical business were included in fulfilment costs. Fulfilment costs for the year ended March 31, 2019 amounted to RMB572,123,000, representing an increase of RMB233,360,000 or 68.9% from RMB338,763,000 for the preceding year mainly due to the rapid growth in revenue of self-operated B2C business.

– **Sales and marketing expenses**

Sales and marketing expenses for the year ended March 31, 2019 amounted to RMB454,838,000, representing an increase of RMB253,744,000 or 126.2% as compared to RMB201,094,000 for the preceding year. Such increase was mainly due to the increase in promotional costs to publicize self-operated stores by the Group. Besides, the Group also increased the headcount of its sales and operation functions and online pharmaceutical consultancy service staff.

MANAGEMENT DISCUSSION AND ANALYSIS

– Administrative expenses

Administrative expenses for the year ended March 31, 2019 amounted to RMB181,016,000, representing an increase of RMB59,765,000 or 49.3% as compared to RMB121,251,000 for the preceding year. Such increase was mainly attributable to rapid business growth which led to an increase in back-end supporting costs, travel expenses and professional costs.

– Product development expenses

Product development expenses for the year ended March 31, 2019 amounted to RMB219,018,000, representing an increase of RMB92,798,000 or 73.5% as compared to RMB126,220,000 for the preceding year. Such increase was mainly due to the increased headcount of the Company's research and development function. During the year, the Group continued to recruit more information technology engineers in order to expand its Internet healthcare and intelligent medicine businesses, as well as to support the rapid growth in its pharmaceutical business and consumer healthcare business.

– Other income and gains

Other income and gains for the year ended March 31, 2019 amounted to RMB67,014,000, representing an increase of RMB14,621,000 or 27.9% as compared to RMB52,393,000 for the preceding year. Such increase was mainly attributable to the increase in interest income and the increase in fair value of financial assets and liabilities measured at fair value through profit or loss. Besides, in November 2018, the Group disposed of its equity interests in Beijing Honglian 95 Information Industries Company Limited^ (北京鴻聯九五信息產業有限公司) ("HL95"), its 49%-owned joint venture, and recognized a gain of RMB12,417,000.

– Other expenses

Other expenses for the year ended March 31, 2019 amounted to RMB2,502,000, representing a decrease of RMB9,353,000 or 78.9% as compared to RMB11,855,000 for the preceding year. Such decrease was mainly attributable to other expenses arising from the decrease in fair value of financial assets measured at fair value through profit or loss of the period of RMB6,200,000 in the preceding year, while no such expenses were recorded during the year. Besides, inventory losses and donation expenses for the year also decreased as compared to the preceding year.

– Finance costs

Finance costs for the year ended March 31, 2019 amounted to RMB27,966,000, representing an increase of RMB17,840,000 or 176.2% from RMB10,126,000 for the preceding year. Such increase was mainly attributable to the increase in the average balance given the Group's borrowings from Alibaba Group during the year.

– **Share of profits/(losses) of joint ventures**

Share of profits/(losses) of joint ventures represented the share of net operating results of the Group's 49%-owned joint venture, HL95, our 45%-owned joint venture, Zhejiang Bianque and our 40%-owned joint venture, Yunnan Jiukangyixin Information Technology Service Company Limited^ (雲南久康一心信息技術服務有限公司) ("Jiukangyixin"). For the year ended March 31, 2019, share of losses of joint ventures was RMB737,000, while share of profits of joint ventures of RMB7,949,000 was recorded for the preceding year. The year-on-year decrease in share of profits of joint ventures was mainly attributable to the fact that Zhejiang Bianque and Jiukangyixin were at an early stage of investment and operation during the year. As at the end of February 2019, the Group acquired another 40% equity interests in Jiukangyixin, which was then combined into the Group. Upon completion of the transaction, Jiukangyixin would become an 80%-owned subsidiary of the Group.

– **Share of profits/(losses) of associates**

The Group actively invests in the healthcare sector. During the year, the Group made active deployments in the pharmaceutical retail market through its strategic investments in regionally leading pharmaceutical retail chains such as Anhui Huaren Health Pharmacy Company Limited^ (安徽華人健康醫藥股份有限公司), Guizhou Ensure Chain Pharmacy Company Limited^ (貴州一樹連鎖藥業有限公司), Shandong ShuYu Civilian Pharmacy Corp. Ltd.^ (山東漱玉平民大藥房連鎖股份有限公司) and Gansu Deshengtang Pharmaceutical Technology Co., Ltd.^ (甘肅德生堂醫藥科技集團有限公司) to deepen our business partnerships with them and to jointly explore a new pharmaceutical retail model. The share of losses of associates for the year ended March 31, 2019 amounted to RMB907,000, while share of profits of associates of RMB998,000 was recorded for the preceding year. Such change was mainly attributable to the fact that some of the Group's associates were still at an early stage of business development, while some were in the transformation or growing stage.

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

For the year ended March 31, 2019, the Group's loss amounted to RMB91,764,000, representing a decrease of RMB17,270,000 or 15.8% as compared to loss of RMB109,034,000 for the preceding year. For the year ended March 31, 2019, the Group's adjusted net profit amounted to RMB121,729,000, representing a significant increase of RMB113,729,000 as compared to adjusted net profit of RMB8,000,000 for the preceding year. The increase in adjusted net profit was mainly attributable to the speedy growth and economies of scale of the Group's pharmaceutical e-commerce platform business and pharmaceutical self-operated business, as well as the contribution from the consumer healthcare business to the Group's profit. The profitability of the Group continued to improve, which will enable us to further explore new pharmaceutical retail models in the future, and to invest in and make strategic deployments in respect of innovative businesses such as those engaged in Internet healthcare and intelligent medicine.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The adjusted net profit for the years ended March 31, 2019 and 2018 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRS (i.e., loss for the year):

	For the year ended March 31,	
	2019	2018
	RMB'000	*RMB'000*
Loss for the year	**(91,764)**	(109,034)
Excluding		
— Share-based compensation	**213,493**	117,034
Adjusted net profit	**121,729**	8,000

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The cash and other liquid financial resources of the Group as at March 31, 2019 and the corresponding comparative figures as at March 31, 2018 are summarized as follows:

	March 31, 2019	March 31, 2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**280,371**	1,397,197
Short-term investment at fair value through profit or loss		
— wealth management products	**1,736,713**	—
Cash and other liquid financial resources	**2,017,084**	1,397,197

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and cash equivalents decreased by RMB1,116,826,000 or 79.9% from RMB1,397,197,000 as at March 31, 2018 to RMB280,371,000 as at March 31, 2019. Such decrease mainly reflected the cash used in investments in associates and the cash used in short-term investment at fair value through profit or loss-wealth management products by the Group for the year being higher than the net cash inflows generated from the Group's operating activities and the borrowing amounts from Zhejiang Tmall Technology Co., Ltd. during the year.

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

Cash flows of the Group for the years ended March 31, 2019 and March 31, 2018 were as follows:

	2019	2018
	RMB'000	*RMB'000*
Net cash flows generated from/(used in) operating activities	**396,370**	(70,272)
Net cash flows used in investing activities	**(2,395,711)**	(1,210,814)
Net cash flows generated from/(used in) financing activities	**1,708,489**	1,248,117
Net decrease in cash and cash equivalents	**(290,852)**	(32,969)
Cash and cash equivalents at the beginning of the year	**508,419**	569,860
Effects of exchange rate changes	**62,804**	(28,472)
Cash and cash equivalents at the end of the year	**280,371**	508,419

– Net cash flows generated from operating activities

For the year ended March 31, 2019, net cash flows generated from operating activities amounted to RMB396,370,000, which was primarily attributable to our loss before income tax from continuing operations of RMB60,830,000, as adjusted by: (1) addition of non-cash or non-operating activities expense items, which primarily comprised share-based compensation expenses of RMB213,493,000 and finance costs of RMB27,966,000, deducting non-cash or non-operating activities income items, mainly including fair value gain of financial assets and financial liabilities at fair value through profit or loss of RMB26,248,000, gain on disposal of interests in a joint venture of RMB12,417,000; and (2) changes in working capital, which primarily comprised an increase in trade payables of RMB579,324,000, an increase in other payables and accruals of RMB230,879,000, an increase in trade receivables of RMB275,299,000, an increase in prepayments, deposits and other receivables of RMB181,368,000, and an increase in inventories of RMB141,473,000.

MANAGEMENT DISCUSSION AND ANALYSIS

– Net cash flows used in investing activities

For the year ended March 31, 2019, net cash flows used in investing activities was RMB2,395,711,000, which was primarily attributable to the net cash used in purchase of financial assets measured at fair value through profit or loss of RMB2,155,747,000, the net cash used in purchase of financial assets measured at fair value through other comprehensive gain of RMB119,801,000, the net cash used in capital injection in associates and joint ventures of RMB982,852,000, and the redemption on maturity of non-pledged time deposits with original maturity longer than three months of RMB888,778,000.

– Net cash flows generated from financing activities

For the year ended March 31, 2019, net cash flows generated from financing activities was RMB1,708,489,000, which was primarily attributable to the increase of borrowings from Zhejiang Tmall Technology Co., Ltd. by the Group amounting to RMB1,700,000,000.

– Gearing ratio

The Group's total borrowings as at March 31, 2019 were RMB1.7 billion (March 31, 2018: Nil), all of which were at fixed interest rate. As at March 31, 2019, the Group's balance of cash and other liquid financial resources exceeded total borrowings and hence no gearing ratio was shown (March 31, 2018: Nil).

As at March 31, 2019, the Group did not have any material contingent liabilities and did not pledge any Group assets for bank loans and banking facilities.

The Group's operations and transactions are principally conducted in the PRC. The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the year ended March 31, 2019. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group changed its presentation currency from Hong Kong dollars to Renminbi starting from the year ended March 31, 2016 to better reflect its operations in the PRC and to be consistent with the internal reporting portfolio reviewed by the directors of the Company (the "Directors"). The Group does not have a foreign exchange hedging policy, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum. The Group does not use any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at March 31, 2019 was 808 (484 as at March 31, 2018). Total staff costs of the Group for the year ended March 31, 2019 amounted to RMB550.7 million (RMB323.5 million for the year ended March 31, 2018). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

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

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

On May 28, 2018, the Company entered into a share purchase agreement with Ali JK Nutritional Products Holding Limited (the "Vendor"), a direct wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company acquired 100% equity interest in Ali JK Medical Products Limited ("Ali JK"), an offshore holding vehicle incorporated under the laws of the British Virgin Islands by the Vendor to hold the target business which comprises the ownership of all merchant relationships for the sales of certain medical devices and healthcare products, adult products and medical and healthcare services on Tmall.com and the employment relationships with the relevant marketing and operation personnel managing the relationships with these merchants. The aggregate consideration was HK$10,600,000,000 and was satisfied by the Company issuing 1,827,586,207 consideration shares to the Vendor at completion.

On June 1, 2018, Hongyun Jiukang Data Technology (Beijing) Company Limited^ (弘雲久康數據技術(北京)有限公司) ("Hongyun Jiukang"), Shanghai Yunxin Venture Capital Co., Ltd.^ (上海雲鑫創業投資有限公司) ("Shanghai Yunxin"), Hangzhou Yunting Data Technology Company Limited^ (杭州雲庭數據科技有限公司) ("Hangzhou Yunting") and Zhejiang Bianque (the "JV Company") entered into a capital increase agreement, pursuant to which Shanghai Yunxin and Hangzhou Yunting agreed to make respective capital contributions of RMB40 million and RMB15 million in cash to the registered capital of the JV Company. Prior to the capital increase agreement, the JV Company was indirectly wholly-owned by the Company with a registered capital of RMB45 million, which had been fully subscribed for by Hongyun Jiukang, a subsidiary of the Company. Upon completion, the registered capital of the JV Company was increased to RMB100 million, held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively. The JV Company then ceased to be a subsidiary of the Company.

On June 25, 2018, Alibaba Health Technology (China) Company Limited^ (阿里健康科技(中國)有限公司) ("Alibaba Health (China)"), a subsidiary of the Company, entered into a capital increase agreement with ShuYu Civilian Pharmacy Corp. Ltd.^ (漱玉平民大藥房連鎖股份有限公司) ("ShuYu Civilian") and the then existing shareholders of ShuYu Civilian, pursuant to which Alibaba Health (China) agreed to inject RMB454,400,000 in cash into ShuYu Civilian, of which RMB34,080,000 shall be contributed to the increase in its registered capital, and RMB420,320,000 shall be contributed to its capital reserve. Upon completion of the aforesaid capital increase agreement, Alibaba Health (China) held 9.34% of the equity interest in ShuYu Civilian. As the Group does not have board seat or veto rights in the board meeting or shareholders' meeting and hence does not have significant influence in ShuYu Civilian, the Group has not elected to recognise the fair value gain or loss through other comprehensive and the above equity investment was classified as financial asset at FVPL at approximately RMB457.8 million, which was equivalent to 7.7% of the total asset of the Company, as at March 31, 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

On August 3, 2018, Alibaba Health (Hong Kong) Technology Company Limited^ (阿里健康(香港)科技有限公司) ("Alibaba Health (Hong Kong)"), a subsidiary of the Company, entered into an equity transfer agreement with CITIC Guoan Information Industry Co., Ltd.^ (中信國安信息產業股份有限公司) and Hongxin Chuangxin (Tianjin) Information Technology Partnership Enterprise (Limited Partnership)^ (鴻信創新(天津)信息技術合夥企業 (有限合夥)) (the "Buyers"), pursuant to which Alibaba Health (Hong Kong) agreed to transfer its entire 49% interest held in HL95 to the Buyers at an aggregate consideration of approximately RMB65,988,000. Upon completion of the disposal, HL95 ceased to be a joint venture of the Company. The Group recorded a gain on disposal of its interest in HL95 of approximately RMB12.4 million.

On August 17, 2018, Alibaba Health (China) entered into certain share purchase agreements with certain shareholders of Guizhou Ensure Chain Pharmacy Company Limited^ (貴州一樹連鎖藥業有限公司) ("Guizhou Ensure") (the "Vendor Shareholders"), pursuant to which Alibaba Health (China) conditionally agreed to purchase, and the Vendor Shareholders conditionally agreed to sell, an aggregate of 14.54% of the equity interests in Guizhou Ensure with a consideration of approximately RMB421,759,000. In addition, Alibaba Health (China) entered into a capital increase agreement with Guizhou Ensure and the then existing shareholders of Guizhou Ensure, pursuant to which Alibaba Health (China) conditionally agreed to contribute approximately RMB404,322,000 to the capital of Guizhou Ensure. Following the completion of the above share purchase and capital increase agreements, Alibaba Health (China) held 25% of the total equity interests in Guizhou Ensure. As Alibaba Health (China) is contractually entitled to acquire additional 26% equity interest of Guizhou Ensure with consideration no more than the post-money valuation of such round of financing if certain business targets stated in such share purchase agreements are not achieved, the Group classified such contractual right as financial asset measured at FVPL at approximately RMB40.6 million, which was equivalent to 0.7% of the total asset of the Company, as at March 31, 2019.

On December 24, 2018, Alibaba Health (China) entered into a capital increase agreement with Gansu Deshengtang Pharmaceutical Technology Co., Ltd^ (甘肅德生堂醫藥科技集團有限公司) ("Deshengtang") and the then existing shareholders of Deshengtang, pursuant to which Alibaba Health (China) agreed to inject RMB188,888,000 in cash into Deshengtang, of which approximately RMB12,346,000 would be contributed to the increase in its registered capital, and approximately RMB176,542,000 would be contributed to its capital reserve. Upon completion of the aforesaid capital increase agreement, Alibaba Health (China) and/or its affiliate will hold 10% of the equity interests in Deshengtang. As Alibaba Health (China) is contractually entitled to withdraw a portion of its investment cost of RMB94,444,000 (representing a 5.2633% ownership interest) in Deshangtang at a minimum return of 10% interest per annum if it fail to achieve certain pre-determined operating targets in each of the three years ending December 31, 2019, the Group classified such contractual right as financial asset measured at FVPL at approximately RMB8.0 million, which was equivalent to 0.13% of the total asset of the Company, as at March 31, 2019.

On March 18, 2019, Ali JK, a subsidiary of the Company, and IK Healthcare Holdings Limited ("IK Healthcare") entered into a subscription agreement, pursuant to which Ali JK shall subscribe for 433,082 new shares in IK Healthcare for a total subscription price of US$17,842,978.40. Upon completion of the aforesaid subscription agreement, IK Healthcare shall be held as to not less than 1% by Ali JK.

In addition to the aforesaid investments and acquisitions, the Group engages in trading of short-term and liquid investments and financial assets ranging from unit trusts, structured deposits and other wealth management during the year in accordance with its treasury policy initially adopted in June 2015 to utilise surplus cash reserves for treasury management purpose. The Company's treasury policy sets out guidelines on the selection of acceptable short-term investments and financial assets with reference to its risk management policies and the relevant approval procedures. Under such treasury policy, the Company's investment products shall include investments in non-equity financial assets with strong liquidity which can be realised either at any time or within a short period of time. Such investments shall be purchased from an approved list of financial institutions which shall be reviewed bi-annually. During the year, these financial institutions included various branches of the China Merchant Bank, Bank of Ningbo, Pudong Development Bank, Huaxia Bank, Minsheng Bank, Bank of China, Ping An Bank, and Zijin Trust Co., Ltd.. According to the Company's current approval procedures, any investment decision on financial assets shall be subject to the approval by the Company's finance and treasury manager, and shall also be subject to approval by the financial controller or vice president of finance, depending on the size of such investment. As at March 31, 2019, the FVPL of such short-term investments was approximately RMB1,736.7 million, which was equivalent to 29.0% of the total asset of the Company, with the most sizeable investment having a FVPL of approximately RMB273.1 million, which was equivalent to 4.6% of the total asset of the Company. During the year, the Company realised fair value gains of approximately RMB11.1 million on financial assets at FVPL as a result of its trading in the aforesaid short-term investments.

^ For identification purpose only

DIRECTORS' REPORT

The board (the "Board") of directors (the "Directors") of Alibaba Health Information Technology Limited (the "Company", together with its subsidiaries, the "Group") present their report and the audited financial statements for the year ended March 31, 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is committed to providing Internet technology, service tools and platforms to industry partners, with the aim of providing accessible and affordable medical and healthcare services to the public so as to make good health achievable at the fingertips. The principal activities of the Group are pharmaceutical and healthcare product and service sales business, consumer healthcare business, Internet healthcare business and intelligent medicine business.

BUSINESS REVIEW

Review of Business

A review of the Group's business, including the principal risks and uncertainties faced by such business and its possible future development are described under the paragraphs headed "Business Review" in the section headed "Management Discussion and Analysis" of this report on pages 5 to 27.

Analysis of Performance and Financial Position

The key financial figures and financial position of the Group for the year ended March 31, 2019 and the relevant analysis are set out under the paragraphs headed "Financial Review" and "Financial Resources, Liquidity and Foreign Exchange Exposures", respectively, in the section headed "Management Discussion and Analysis" of this report on pages 5 to 27.

Environmental Policies and Performance

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

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with legal and regulatory requirements. Internal compliance and risk management policies and procedures are in place to ensure the Group's adherence and compliance with all significant legal and regulatory requirements in Hong Kong and the PRC. For the year ended March 31, 2019 and up to the date of this report, to the best knowledge of the Directors, the Group has complied in all material respects with the applicable laws and regulations of Hong Kong and the PRC which have a significant impact on the business and operations of the Group, including in respect of its principal businesses of the sale of pharmaceutical and healthcare product and service sales business, consumer healthcare business, Internet healthcare business and intelligent medicine business, employment and labour practices and environmental protection, etc. The Group has also obtained all licenses, approvals and permits from the relevant regulatory authorities that are material for its business operations in the PRC.

Relationships with Key Stakeholders

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

Employees

Employees are regarded as the most important and valuable assets of the Group. The number of full-time employees of the Group as at March 31, 2019 was 808 (484 as at March 31, 2018). The Group's policy is to maintain a competitive pay structure and employees are rewarded based on their performance and with appropriate incentives including cash bonuses and through the use of the Share Award Scheme, details of which are set out under the sub-section headed "Share Award Scheme" in this report.

Customers

The Group believes that effective communications are the key to maintaining a good relationship with its customers. Various means have been established to strengthen the communications between the Group and its customers, including seeking more regular feedback through direct engagement with customers and also through industry seminars and forums 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.

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended March 31, 2019 and the financial position of the Group as at that date are set out in the financial statements on pages 117 to 120.

The Board does not recommend the payment of a final dividend for the year ended March 31, 2019 (2018: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 240. This summary does not form part of the audited financial statements.

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

Details of movements in the Company's share capital, share options and RSUs during the year are set out in notes 27 to 28 to the consolidated financial statements.

DIRECTORS' REPORT

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended March 31, 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that a trustee of the Share Award Scheme purchased a total of 6,366,900 shares of the Company on the market to satisfy the Share Awards granted to connected employees of the Company upon vesting.

PRE-EMPTIVE RIGHTS

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

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 RMB19,966,843, 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, and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For the purpose of disclosing the environmental, social and governance (the "ESG") information in accordance with the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Company has engaged an external consultant to identify material ESG issues of the Group and assist in the reporting of the Group's performance based on its ESG management approach, strategy, priorities and objectives. For details of the Company's ESG policies and performance and its compliance with the relevant laws and regulations, please refer to pages 81 to 109 of this report.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Shen Difan *(Chief Executive Officer)*
Mr. Wang Qiang *(appointed on July 20, 2018)*

Non-executive Directors:

Mr. Wu Yongming *(Chairman)*
Mr. Wang Lei
Ms. Zhang Yu
Mr. Kang Kai *(retired on July 20, 2018)*

Independent Non-executive Directors:

Mr. Luo Tong
Mr. Wong King On, Samuel
Mr. Yan Xuan *(resigned on April 8, 2019)*

Since the date of the annual report of the Company for the 12 months ended March 31, 2018, the changes to the information which are required to be disclosed and had been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are as below:

- Mr. Wang Qiang has been appointed as an executive Director with effect from July 20, 2018.
- Mr. Kang Kai has retired as a non-executive Director with effect from July 20, 2018.
- Mr. Yan Xuan has resigned as an independent non-executive Director with effect from April 8, 2019.

In accordance with bye-law 99 and bye-law 102 of the bye-laws of the Company, Mr. Wang Lei, Mr. Luo Tong and Mr. Wong King On, Samuel will retire at the forthcoming annual general meeting of the Company to be held on July 10, 2019 (the "AGM"). Mr. Wang Lei, 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 of the Company, respectively.

DIRECTORS' REPORT

Upon resignation of Mr. Yan Xuan ("Mr. Yan") as an independent non-executive Director with effect from April 8, 2019, the number of independent non-executive Directors fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules. In addition, the number of members of the audit committee of the Company (the "Audit Committee") and the remuneration committee of the Company (the "Remuneration Committee") fall short of the requirements under Rules 3.21 and 3.25 of the Listing Rules, and the Company no longer fulfils the requirement of establishing a Remuneration Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules. With a view to comply with the above requirements under the Listing Rules and the terms of reference of the Audit Committee and the Remuneration Committee, the Company is endeavouring to identify a suitable candidate to fill the above vacancies as soon as practicable and in any event within three months from the effective date of Mr. Yan's resignation. Further announcement will be made by the Company in relation to such appointments as and when appropriate. Save for the above resignation of Mr. Yan, as an independent non-executive Director with effect from April 8, 2019, 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 and the senior management of the Group are set out on pages 56 to 59 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. The details of the Directors' emoluments are set out in note 8 to the consolidated financial statements in this report. During the year ended March 31, 2019, there was no arrangement under which a Director waived or agreed to waive any remuneration and no remuneration was paid by the Group to a Director as an inducement to join or upon joining the Group or as compensation for loss of office.

The Directors are also eligible to be granted Share Awards under the Company's Share Award Scheme. The details of the scheme are set out in note 28 to the consolidated financial statements.

SHARE AWARD SCHEME

At the special general meeting of the Company held on November 24, 2014 (the "Adoption Date"), the shareholders of the Company approved the adoption of the Share Award Scheme. Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date. The Share Award Scheme shall remain in effect until November 23, 2024. The validity period of the options granted under the Share Award Scheme shall be ten years from the date of grant and the options shall lapse at the expiry of the validity period.

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

The specific mandate granted to the Board at the annual general meeting of the Company held on September 30, 2015 (the "2015 Specific Mandate") to exercise all the powers of the Company to grant Share Awards lapsed at the conclusion of the annual general meeting of the Company held on August 18, 2016. The specific mandate was subsequently renewed by approval of the shareholders of the Company at the annual general meetings of the Company held on August 18, 2016 (the "2016 Specific Mandate"), July 26, 2017 (the "2017 Specific Mandate") and July 20, 2018 (the "2018 Specific Mandate"), respectively. The total number of shares underlying the Share Awards granted which remained outstanding as at March 31, 2019 amounted to 173,719,762, of which 34,452,685 were granted pursuant to the 2015 Specific Mandate, 30,462,250 were granted pursuant to the 2016 Specific Mandate, 78,875,761 were granted pursuant to the 2017 Specific Mandate and 29,929,066 were granted pursuant to the 2018 Specific Mandate. As at March 31, 2019, Share Awards in respect of a total of 264,599,183 underlying shares, which represent 2.26% of the total issued shares as at March 31, 2019, remain available to be granted under the Share Award Scheme under the 2018 Specific Mandate.

DIRECTORS' REPORT

Movements of the options and RSUs under the Share Award Scheme during the year ended March 31, 2019 were set out below:

Name of option holders/ grantees of RSU	Nature	Number of shares represented by options or RSUs outstanding as at April 1, 2018	Date of grant/ conditional Grant	Granted during the year	Exercise price *(HK$)*	Options exercised during the year	Options or RSUs lapsed/ cancelled during the year	RSUs vested during the year	Number of shares represented by options or RSUs outstanding as at March 31, 2019
Directors of the Company									
Mr. Shen Difan	Options	–	June 8, 2018[1]	8,190,000	7.240	–			8,190,000
	RSUs	–	June 8, 2018[17]	1,170,000		–			1,170,000
Mr. Wang Qiang	Options	4,000,000	October 10, 2017[2]	–	4.400	–			4,000,000
	RSUs	900,000	October 10, 2017[17]	–		–			900,000
	RSUs	–	June 8, 2018[17]	300,000		–			300,000
Mr. Wang Lei	Options	7,491,000	September 7, 2015[3]	–	5.184	–	–	–	7,491,000
	RSUs	642,000	September 7, 2015[17]	–	–	–	–	321,000	321,000
	Options	1,141,000	July 29, 2016[4]	–	5.558	–	–	–	1,141,000
	RSUs	285,000	July 29, 2016[17]	–	–	–	–	95,000	190,000
	RSUs	4,121,250	June 14, 2017[17]	–	–	–	–	1,213,500	2,907,750
Mr. Kang Kai	RSUs	296,000	October 10, 2017[17]	–	–	–	222,000	74,000	–
(retired on July 20, 2018)									
Employees	Options	14,636,250	September 7, 2015[5]	–	5.184	5,435,000[18]	521,750	–	8,679,500
	RSUs	2,369,250	September 7, 2015[17]	–	–	–	39,750	2,057,750	271,750
	Options	86,000	October 20, 2015[6]	–	5.550	64,500[18]	–	–	21,500
	RSUs	897,850	October 20, 2015[17]	–	–	–	385,110	335,240	177,500
	Options	3,324,000	April 28, 2016[7]	–	5.320	890,500[18]	735,500	–	1,698,000
	RSUs	4,025,940	April 28, 2016[17]	–	–	–	596,070	1,912,185	1,517,685
	Options	14,607,100	July 29, 2016[8]	–	5.558	3,795,500[18]	1,900,000	–	8,911,600
	RSUs	8,220,850	July 29, 2016[17]	–	–	–	1,049,700	3,139,000	4,032,150
	Options	1,021,000	October 11, 2016[9]	–	4.416	291,000[18]	–	–	730,000
	RSUs	362,300	October 11, 2016[17]	–	–	–	19,600	185,200	157,500
	RSUs	685,500	November 23, 2016[17]	–	–	–	25,300	361,400	298,800
	Options	4,813,000	February 2, 2017[10] & [11]	–	3.626	577,000[18]	–	–	4,236,000
	RSUs	2,852,000	February 2, 2017[17]	–	–	–	150,000	1,311,000	1,391,000
	Options	116,000	February 22, 2017[11] & [12]	–	3.610	–	–	–	116,000
	RSUs	1,437,900	February 22, 2017[17]	–	–	–	–	742,800	695,100
	Options	3,523,000	June 14, 2017[13]	–	3.902	–	–	–	3,523,000
	RSUs	24,531,150	June 14, 2017[17]	–	–	–	2,374,500	5,749,550	16,407,100
	Options	14,418,000	August 3, 2017[14]	–	3.686	700,250[18]	5,177,750	–	8,540,000
	RSUs	7,852,425	August 3, 2017[17]	–	–	–	1,888,750	1,418,575	4,545,100
	Options	7,739,000	October 10, 2017[15]	–	4.400	515,750[18]	2,358,000	–	4,865,250
	RSUs	7,694,500	October 10, 2017[17]	–	–	–	1,179,000	1,832,800	4,682,700
	Options	929,000	February 1, 2018[16]	–	4.144	–	–	–	929,000
	RSUs	3,480,932	February 1, 2018[17]	–	–	–	141,351	623,511	2,716,070
	RSUs	–	June 8, 2018[17]	41,953,576	–	–	2,984,380	931,555	38,037,641
	RSUs	–	July 31, 2018[17]	16,698,000	–	–	1,354,000	808,000	14,536,000
	RSUs	–	October 10, 2018[17]	8,363,864	–	–	170,000	34,000	8,159,864
	RSUs	–	January 31, 2019[17]	7,325,754	–	–	60,000	32,552	7,233,202

Notes:

(1) The closing price per share was HK$7.34 as stated in the daily quotation sheets issued by the Stock Exchange on June 7, 2018, being the trading day immediately before the date of grant. The options granted to Mr. SHEN Difan on June 8, 2018 shall vest as follows:

(i) 50% of the options granted shall vest on April 30, 2020;

(ii) 25% of the options granted shall vest on April 30, 2021; and

(iii) 25% of the options granted shall vest on April 30, 2022.

(2) The closing price per share is HK$4.01 as stated in the daily quotation sheets issued by the Stock Exchange on October 9, 2017, being the trading day immediately before the date of grant. The options granted to Mr. WANG Qiang on October 10, 2017 shall vest in accordance with vesting schedule as follows:

(i) as to 50% of the options granted shall vest on October 10, 2019;

(ii) as to 25% of the options granted shall vest on October 10, 2020; and

(iii) as to 25% of the options granted shall vest on October 10, 2021.

(3) The closing price per share is HK$5.02 as stated in the daily quotation sheets issued by the Stock Exchange on September 4, 2015, being the trading day immediately before the date of grant. The options granted to Mr. WANG Lei on September 7, 2015 shall vest as follows:

(i) 50% of the options granted shall vest on April 30, 2017;

(ii) 25% of the options granted shall vest on April 30, 2018; and

(iii) 25% of the options granted shall vest on April 30, 2019.

(4) The closing price per share is HK$5.55 as stated in the daily quotation sheets issued by the Stock Exchange on July 28, 2016, being the trading day immediately before the date of grant, and the options granted to Mr. WANG Lei on July 29, 2016 shall vest in 4 tranches of 25% each on July 31 of 2017, 2018, 2019 and 2020, respectively.

(5) The closing price per share is HK$5.02 as stated in the daily quotation sheets issued by the Stock Exchange on September 4, 2015, being the trading day immediately before the date of grant. The options granted on September 7, 2015 to the employees shall vest on or before October 10, 2019.

(6) The closing price per share is HK$5.69 as stated in the daily quotation sheets issued by the Stock Exchange on October 19, 2015, being the trading day immediately before the date of grant. The options granted on October 20, 2015 to the employees shall vest as follows:

(i) 50% of the options granted shall vest on October 10, 2017;

(ii) 25% of the options granted shall vest on October 10, 2018; and

(iii) 25% of the options granted shall vest on October 10, 2019.

(7) The closing price per share is HK$5.23 as stated in the daily quotation sheets issued by the Stock Exchange on April 27, 2016 being the trading day immediately before the date of grant, and the options granted on April 28, 2016 to the employees shall vest on or before April 30, 2020.

(8) The closing price per share is HK$5.55 as stated in the daily quotation sheets issued by the Stock Exchange on July 28, 2016 being the trading day immediately before the date of grant, and the options granted on July 29, 2016 to the employees shall vest on or before July 31, 2020.

(9) The closing price per share is HK$4.30 as per Share is stated in the daily quotation sheets issued by the Stock Exchange on October 7, 2016 being the trading day immediately before the date of grant, and the options granted on October 11, 2016 to the employees shall vest on or before October 10, 2020.

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

DIRECTORS' REPORT

(11) The options granted on February 2, 2017 and February 22, 2017, respectively, to the employees shall vest as follows:

(i) 50% of the options granted shall vest on January 21, 2019;

(ii) 25% of the options granted shall vest on January 31, 2020; and

(iii) 25% of the options granted shall vest on January 31, 2021.

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

(13) The closing price per share is HK$3.92 as stated in the daily quotation sheets issued by the Stock Exchange on June 13, 2017 being the trading day immediately before the date of grant. The options granted on June 14, 2017 to the employees shall vest as follows:

(i) 50% of the options granted shall vest on April 30, 2019;

(ii) 25% of the options granted shall vest on April 30, 2020; and

(iii) 25% of the options granted shall vest on April 30, 2021.

(14) The closing price per share is HK$3.63 as stated in the daily quotation sheets issued by the Stock Exchange on August 2, 2017 being the trading day immediately before the date of grant, and the options granted on August 3, 2017 to the employees shall vest on or before July 31, 2021.

(15) The closing price per share is HK$4.01 as stated in the daily quotation sheets issued by the Stock Exchange on October 9, 2017 being the trading day immediately before the date of grant, and the options granted on October 10, 2017 to the employees shall vest on or before October 10, 2021.

(16) The closing price per share is HK$4.09 as stated in the daily quotation sheets issued by the Stock Exchange on January 31, 2018 being the trading day immediately before the date of grant, and the options granted on February 1, 2018 to the employees shall vest on or before January 31, 2022.

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

(18) The weighted average closing price of the shares immediately before the dates on which the options granted to the employees were exercised calculated by the closing price per Share as stated in the daily quotation sheets issued by the Stock Exchange is HK$7.52 per share.

The Company estimated the fair values of its share options using the binomial model, which requires the Group to make estimates about inputs, such as expected volatility, expected dividend yield, exercise multiple, risk-free interest rate and expected forfeiture rate, and hence such estimates are subject to subjectivity and uncertainty. For the accounting policy adopted for the Share Awards and the fair value of the options granted during the year ended March 31, 2019, please refer to note 2.4 (Share-based payments) and note 28 to the Group's consolidated financial statements for the year ended March 31, 2019.

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

As at March 31, 2019, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

	Number of ordinary shares and underlying shares held, capacity and nature of interest		
Name of director	**Nature of Interest**	**Total interest in Shares**	**Percentage of the Company's share capital**
Mr. SHEN Difan	Equity derivative interests[1]	9,360,000	0.08%
Mr. WANG Qiang	Equity derivative interests[2]	5,200,000	0.04%
Mr. WU Yongming	Beneficial owner	1,262,000	0.01%
Mr. WANG Lei	Beneficial owner and equity derivative interests[3]	14,820,077	0.13%

Notes:

(1) Subject to vesting, Mr. SHEN Difan is interested in 9,360,000 shares underlying the 8,190,000 options and 1,170,000 RSUs granted to him in accordance with the Share Award Scheme.

(2) Subject to vesting, Mr. WANG Qiang is interested in 5,200,000 shares underlying the 4,000,000 options and 1,200,000 RSUs granted to him in accordance with the Share Award Scheme.

(3) Mr. WANG Lei beneficially held 2,769,327 ordinary shares and subject to vesting, is interested in 12,050,750 shares underlying the 8,632,000 options and 3,418,750 RSUs granted to him in accordance with the Share Award Scheme.

DIRECTORS' REPORT

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

Name of Director	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of issued shares of associated corporation
Mr. SHEN Difan	Beneficial owner, equity derivative interests and interests of spouse[(1)]	37,725	0.00%
Mr. WANG Qiang	Equity derivative interests[(2)]	3,000	0.00%
Mr. WANG Lei	Beneficial owner, equity derivative interests and interests of spouse[(3)]	221,269	0.01%
	Beneficiary of a trust[(4)]	60,000	0.00%
Ms. ZHANG Yu	Beneficial owner and equity derivative interest[(5)]	49,874	0.00%
Mr. WU Yongming	Beneficial owner and interests of spouse[(6)]	201,017	0.01%
	Interests in controlled corporation[(7)]	200,000	0.01%
	Founder of a discretionary trust[(8)]	6,268,690	0.24%
Mr. YAN Xuan[(9)]	Beneficial owner	3,000	0.00%

Notes:

(1) It represents 15,064 ordinary shares or underlying ordinary shares and 13,000 restricted share units beneficially held by Mr. SHEN Difan and 9,661 ordinary shares or underlying shares held by his spouse.

(2) It represents 3,000 restricted share units beneficially held by Mr. WANG Qiang.

(3) It represents 20,176 ordinary shares or underlying ordinary shares, 14,500 restricted share units and 180,000 investment units beneficially held by Mr. WANG Lei and 6,593 ordinary shares or underlying shares and restricted share units held by his spouse.

(4) It represents 60,000 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are the beneficiaries.

(5) It represents 13,132 ordinary shares or underlying ordinary shares and 36,742 restricted share units beneficially held by Ms. ZHANG Yu.

(6) It represents 1,017 ordinary shares 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 6,268,690 ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.

(9) Mr. YAN Xuan resigned as an independent non-executive Director on April 8, 2019.

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

Name of Director	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of issued shares of associated corporation
Mr. WANG Qiang	Equity derivative interests[(1)]	300,000	0.01%

Notes:

(1) It represents 300,000 ordinary shares or underlying shares beneficially held by Mr. WANG Qiang.

Save as disclosed above, as at March 31, 2019, none of the Directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" below and except for any perceived material interest in transactions between members of Alibaba Group and the Company due to their role as employees of Alibaba Holding or its subsidiaries as disclosed in the section headed "Biographical Information of Directors and Senior Management", no Director and controlling shareholders of the Company had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or any of its subsidiaries or not) to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year under review.

ARRANGEMENT TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' REPORT

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

As at March 31, 2019, the following interests or short positions in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name	*Notes*	Capacity and nature of interest	Number of shares/ underlying shares	% of the issued share capital of the Company
Alibaba Group Holding Limited	(1)	Interest of controlled corporation	7,878,139,215	67.27%
Perfect Advance Holding Limited	(1)	Beneficial owner	3,103,816,661	26.50%
	(1)	Persons acting in concert	1,316,811,347	11.24%
Alibaba Investment Limited	(1)	Interest of controlled corporation	4,420,628,008	37.75%
Innovare Tech Limited	(1)	Beneficial owner	1,316,811,347	11.24%
	(1)	Persons acting in concert	3,103,816,661	26.50%
Yunfeng Fund II, L.P.	(1)	Interest of controlled corporation	4,420,628,008	37.75%
Yunfeng Investment GP II, Ltd.	(1)	Interest of controlled corporation	4,420,628,008	37.75%
Yunfeng Investment II, L.P.	(1)	Interest of controlled corporation	4,420,628,008	37.75%
Mr. Yu Feng	(1)	Interest of controlled corporation	4,420,628,008	37.75%
Mr. Ma Yun	(1)	Interest of controlled corporation	4,420,628,008	37.75%
Ali JK Nutritional Product Holding Limited	(1)	Beneficial owner	3,457,511,207	29.52%
Uni-Tech International Group Limited	(2)	Beneficial owner	777,484,030	6.64%
21CN Corporation	(2)	Interest of controlled corporation	777,484,030	6.64%
Pollen Internet Corporation	(2)	Interest of controlled corporation	777,484,030	6.64%
Ms. Chen Xiao Ying	(2)	Interest of controlled corporation	777,484,030	6.64%

Notes:

(1) Perfect Advance Holding Limited ("Perfect Advance") holds 3,103,816,661 shares of the Company and Innovare Tech Limited ("Innovare") holds 1,316,811,347 shares of the Company.

On October 12, 2018, Innovare and Perfect Advance entered into a shareholders' agreement which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO, pursuant to which Perfect Advance enjoys a right of first refusal over the 1,316,811,347 shares in the Company held by Innovare.

Alibaba Investment Limited ("AIL") is wholly-owned by Alibaba Holding. Innovare is wholly controlled by Yunfeng Fund II, L.P., which is a direct wholly-owned subsidiary of Yunfeng Investment II, L.P. and an indirect wholly-owned subsidiary of Yunfeng Investment GP II, Ltd.. Yunfeng Investment GP II, Ltd. is owned by Mr. Ma Yun as to 40% and Mr. Yu Feng as to 60%. Accordingly, each of Yunfeng Fund II, L.P., Yunfeng Investment II, L.P., Yunfeng Investment GP II, Ltd., Mr. Ma Yun and Mr. Yu Feng is also deemed to have an interest in the 4,420,628,008 shares via Innovare within the meaning of Part XV of the SFO.

Ali JK Nutritional Products Holding Limited ("Ali JK") holds 3,457,511,207 shares. Ali JK is owned by Alibaba Holding as to 100%. Therefore Alibaba Holding is deemed to have an interest in an aggregate of 7,878,139,215 shares via Perfect Advance and Ali JK within the meaning of Part XV of the SFO.

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

Save as disclosed above, as at March 31, 2019, there were no other parties who had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended March 31, 2019, 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 February 14, 2018, Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司) ("Alibaba Health (China)"), an indirect wholly-owned subsidiary of the Company, entered into the fourth renewed cloud computing services agreement (the "Fourth Renewed Agreement") with Alibaba Cloud Computing Ltd.* (阿里雲計算有限公司) ("Alibaba Cloud"). Pursuant to the Fourth Renewed Agreement, Alibaba Cloud agreed to provide certain cloud computing services to the Group for a term of one year from April 1, 2018 to March 31, 2019. The annual cap for the service fees payable by Alibaba Health (China) to Alibaba Cloud under the Fourth Renewed Agreement was RMB9 million. The aggregate service fees incurred under the Fourth Renewed Agreement during the year ended March 31, 2019 amounted to approximately RMB5.1 million (2018: approximately RMB5.6 million).

On March 28, 2019, the same parties entered into the fifth renewed cloud computing services agreement (the "2020 Cloud Computing Services Agreement") to renew the Fourth Renewed Agreement for a term of one year from April 1, 2019 to March 31, 2020, with an annual cap of RMB49 million.

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

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

DIRECTORS' REPORT

(b) Continuing Connected Transaction — Outsourced Services Framework Agreement

On February 14, 2018 and May 28, 2018, Alibaba Health (China) entered into a renewed services agreement and a services amendment agreement (together, the "Renewed Services Agreement"), respectively, with Tmall Technology and Zhejiang Tmall Network Co., Ltd* (浙江天貓網絡有限公司) ("Tmall Network", together with Tmall Technology, the "Tmall Entities"), pursuant to which Alibaba Health (China) agreed to provide certain outsourced and value-added services (the "Outsourced Services") in relation to certain categories of products or services (the "Relevant Categories") sold on or offered on Tmall or Tmall Supermarket to the Tmall Entities, for a term of one year from April 1, 2018 to March 31, 2019. The annual cap for the service fees payable to the Group during the term of the Renewed Services Agreement was RMB241 million, as approved by the independent shareholders of the Company at the special general meeting held on March 29, 2018. The aggregate service fees received by the Group under the Renewed Services Agreement during the year ended March 31, 2019 amounted to approximately RMB138.4 million (2018: approximately RMB124.4 million). Moreover, the amendment on the Relevant Categories under the services amendment agreement was approved by the independent shareholders of the Company at the special general meeting held on August 1, 2018.

On January 30, 2019, Taobao Holding Limited ("Taobao Holding", together with its subsidiaries, "Taobao Group') and Alibaba Health Information Technology (Beijing) Co., Ltd* (阿里健康信息技術(北京)有限公司) ("Alibaba Health (Beijing)") entered into the renewed services agreement (the "2020 Outsourced Services Framework Agreement") for a term of one year from April 1, 2019 to March 31, 2020, pursuant to which Alibaba Health (Beijing) and its subsidiaries agreed to provide Taobao Group with the Outsourced Services on Tmall, Tmall Supermarket and Tmall Global. The annual cap for the service fees payable to the Group during the term of the 2020 Outsourced Services Framework Agreement was RMB148 million, as approved by the independent shareholders of the Company at the special general meeting held on March 29, 2019.

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

The Tmall Entities are members of Alibaba Group and Alibaba Holding controls Taobao Group. Accordingly, the Tmall Entities and Taobao Group are connected persons of the Group. The transactions contemplated under the Renewed Services Agreement and the 2020 Outsourced Services Framework Agreement thus constitute continuing connected transactions of the Company, and were approved by the independent shareholders of the Company at the special general meetings held on March 29, 2018 and March 29, 2019, respectively, in accordance with the Listing Rules.

(c) Continuing Connected Transaction — Platform Services Framework Agreement

On February 14, 2018, the Company (for itself and on behalf of its subsidiaries) entered into the renewed services framework agreement with Alibaba.com China Limited (阿里巴巴網絡中國有限公司) and Taobao China Holding Limited (淘寶中國控股有限公司) ("Taobao China", collectively, "AGH Contracting Parties") (for themselves and on behalf of their subsidiaries) (the "Renewed Services Framework Agreement"), pursuant to which AGH Contracting Parties and their affiliates (the "AGH Relevant Entities") shall provide various platform services to the Group, and the Group shall pay the service fees calculated in accordance with the standard terms and conditions as amended and published on the respective online sales platforms operated by the respective entities from time to time. The Renewed Services Framework Agreement, which commenced on April 1, 2018 and ended on March 31, 2019, enabled the Company to continue to market and sell products and services on online sales platforms operated by the respective parties and thus allowed the Company to reach out to more customers and improve its understanding of their needs. The annual cap for the service fees payable by the Group under the Renewed Services Framework Agreement for the year ended March 31, 2019 was RMB229 million, as approved by the independent shareholders of the Company at the special general meeting of the Company held on March 29, 2018. The aggregate service fees incurred under the Renewed Services Framework Agreement for the year ended March 31, 2019 amounted to approximately RMB151.5 million (2018: approximately RMB78.6 million).

On January 30, 2019, the Company and Alibaba Holding entered into the renewed services framework agreement (the "2020 Platform Services Framework Agreement") for a term of one year commencing on April 1, 2019 and ending on March 31, 2020, with an annual cap of RMB434 million. Pursuant to the 2020 Platform Services Framework Agreement, Alibaba Holding agreed that the AGH Relevant Entities will provide to the Group certain platform services.

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

As Alibaba Holding controls the AGH Relevant Entities, each of the members of the AGH Relevant Entities is a connected person of the Company. The transactions contemplated under the Renewed Services Framework Agreement and the 2020 Platform Services Framework Agreement thus constituted continuing connected transactions of the Company, and were approved by the independent shareholders of the Company at the special general meetings held on March 29, 2018 and March 29, 2019, respectively, in accordance with the Listing Rules.

(d) Continuing Connected Transactions — Agency Agreement

On April 20, 2018, Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司) ("Alimama"), Alibaba Health (Hong Kong) Technology Company Limited (阿里健康(香港)科技有限公司) ("Alibaba Health (HK)") and Shanghai Quan Tudou Cultural Communications Company Limited* (上海全土豆文化傳播有限公司) ("Youku") entered into the second renewed agency agreement (the "Second Renewed Agency Agreement") for a term of one year commenced on April 1, 2018 and ended on March 31, 2019. Pursuant to the Second Renewed Agency Agreement, Alibaba Health (HK) (for itself and on behalf of its subsidiaries), as the marketing agent, agreed to refer contracted clients of Alibaba Health (HK) and its subsidiaries (the "Alibaba Health Group") to purchase, and Alimama and Youku (the "Advertising Parties"), as the marketing services providers, agreed to provide to Alibaba Health Group's contracted clients, various marketing and advertising services on the marketing and branding platforms provided by the Advertising Parties and/or its affiliated companies (the "Marketing Services") during the term of the Second Renewed Agency Agreement. The annual cap for the incentive fees to be received by the Group under the Second Renewed Agency Agreement for the year ending March 31, 2019 was RMB8 million. The aggregate incentive fees received by the Group for the year ended March 31, 2019 amounted to approximately RMB3.1 million (2018: approximately RMB0.9 million).

On March 28, 2019, Alibaba Health (HK) and the Advertising Parties entered into the third renewed agency agreement (the "2020 Agency Agreement") in relation to the provision of the Marketing Services from the Advertising Parties to the contracted clients of the Alibaba Health Group, for a term of one year commencing on April 1, 2019 and ending on March 31, 2020, with an annual cap of RMB20 million.

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

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

(e) Continuing Connected Transactions — Logistics Services Framework Agreement

On February 14, 2018, the Company (for itself and on behalf of its subsidiaries) entered into the renewed logistics services framework agreement (the "Renewed Logistics Services Framework Agreement") with Hangzhou Cainiao Supply Chain Management Co., Ltd.* (杭州菜鳥供應鏈管理有限公司) ("Hangzhou Cainiao") (for itself and on behalf of its affiliates), pursuant to which Cainiao Smart Logistics Network Limited ("Cainiao Smart Logistics"), the ultimate controlling shareholder of Hangzhou Cainiao, and its subsidiaries (collectively the "Cainiao Group") agreed to provide various logistics services including but not limited to warehouse operation and storage services, domestic and international delivery services, customs registration and clearance services, standard and special packaging services and other value-added and logistics services (the "Logistic Services") to the Group and the Group agreed to pay the service fees. The term of the Renewed Logistics Services Framework Agreement commenced from April 1, 2018 to March 31, 2019. The annual cap for the service fees under the Renewed Logistics Services Framework Agreement was RMB59 million, as approved by the independent shareholders of the Company at the special general meeting held on March 29, 2018. The aggregate service fees incurred under the Logistics Services Framework Agreement for the year ended March 31, 2019 amounted to approximately RMB52.6 million (2018: approximately RMB22.9 million).

On March 28, 2019, Alibaba Health (HK) and Hangzhou Cainiao (each for itself and on behalf of its subsidiaries) entered into the renewed logistics services framework agreement (the "2020 Logistics Services Framework Agreement"), pursuant to which Hangzhou Cainiao has agreed that Cainiao Group will provide the Logistics Services to the Group for a term of one year commencing from April 1, 2019 and ending on March 31, 2020 with an annual cap of RMB92 million.

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

As Alibaba Holding holds majority interests in Cainiao Smart Logistics, the ultimate controlling shareholder of Hangzhou Cainiao, Hangzhou Cainiao and any other members of the Cainiao Group are associates of Perfect Advance, and hence the connected persons of the Company. The transactions contemplated under the Renewed Logistics Services Framework Agreement and the 2020 Logistics Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

DIRECTORS' REPORT

(f) Continuing Connected Transactions — Shared Services Agreement

On February 14, 2018, the Company entered into the renewed shared services agreement (the "Renewed Shared Services Agreement") with Alibaba Holding, pursuant to which Alibaba Holding shall procure certain shared service providers (the "Alibaba Services Providers"), including Alibaba Holding and persons controlled by it, to provide to the Group certain shared services (the "Shared Services"), including office premises sharing and support services, for a term of one year from April 1, 2018 to March 31, 2019. The annual cap for the service fees payable under the Renewed Shared Services Agreement was RMB42 million, as approved by the independent shareholders of the Company at a special general meeting held on March 29, 2018. The aggregate service fees incurred under the Shared Services Agreement for the year ended March 31, 2019 amounted to approximately RMB31.4 million (2018: approximately RMB17.5 million).

On March 28, 2019, the same parties entered into the renewed shared services agreement (the "2020 Shared Services Agreement"), pursuant to which the Alibaba Service Providers shall provide the Group the Shared Services, for a term of one year commencing from April 1, 2019 and ending on March 31, 2020 with an annual cap of RMB83 million.

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

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

(g) Connected Transaction — Share Purchase Agreement and Continuing Connected Transactions — Framework Technical Services Agreement

On May 18, 2017, the Company entered into the share purchase agreement (the "Share Purchase Agreement A") with Ali JK Nutritional Products Holding Limited (the "Vendor"), a direct wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company acquired a 100% equity interest in Ali JK Nutritional Products Limited, an offshore holding vehicle incorporated under the laws of the British Virgin Islands by the Vendor to hold the target business. The aggregate consideration of HK$3,800,000,000 was satisfied by the Company issuing 1,187,500,000 consideration shares to the Vendor at completion, which took place on June 30, 2017.

In connection with the transaction contemplated under the Share Purchase Agreement A, the Tmall Entities and Alibaba Health Technology (Hangzhou) Co., Ltd* (阿里健康科技(杭州)有限公司) (formerly known as Hangzhou Hengping Information Technology Co., Ltd* (杭州衡平信息科技有限公司) , an indirect wholly-owned subsidiary of the Vendor (the "WFOE A") entered into the framework technical services agreement (the "Framework Technical Services Agreement A") on May 18, 2017. The term of the Framework Technical Services Agreement A commenced on July 1, 2017 and will end on March 31, 2020, unless otherwise mutually agreed between the parties. Pursuant to the Framework Technical Services Agreement A, the Tmall Entities shall provide infrastructure technical support for the operation of Tmall.com to the WFOE A for a service fee. The annual cap for the service fees payable under the Framework Technical Services Agreement A was RMB40 million, RMB65 million and RMB85 million for each of the years ending March 31, 2018, 2019 and 2020, respectively. The aggregate service fees incurred under the Framework Technical Services Agreement A during the year ended March 31, 2019 amounted to approximately RMB48.4 million (2018: approximately RMB27.1 million).

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

As the Vendor is a direct wholly-owned subsidiary of Alibaba Holding, the Vendor is a connected person of the Company, and the transaction contemplated under the Share Purchase Agreement A constituted a connected transaction of the Company in accordance with the Listing Rules. As the Tmall Entities are members of Alibaba Group, they are also connected persons of the Company and the Framework Technical Services Agreement A, and the transactions contemplated thereunder also constitute continuing connected transactions of the Company. Independent shareholders of the Company approved the Share Purchase Agreement A and the Framework Technical Services Agreement A and the transactions contemplated thereunder at the special general meeting held on June 29, 2017.

(h) Connected Transaction — Share Purchase Agreement and Continuing Connected Transactions — Framework Technical Services Agreement

On May 28, 2018, the Company entered into another share purchase agreement (the "Share Purchase Agreement B") with the Vendor, pursuant to which the Company acquired 100% equity interest in Ali JK Medical Products Limited, an offshore holding vehicle incorporated under the laws of the British Virgin Islands by the Vendor to hold the target business. The aggregate consideration of HK$10,600,000,000 was satisfied by the Company issuing 1,827,586,207 consideration shares to the Vendor at completion, which took place on August 2, 2018.

In connection with the transaction contemplated under the Share Purchase Agreement B, the Tmall Entities and Lukang Pharmacy (Hangzhou) Co. Ltd* (鹿康大藥房(杭州)有限公司) (formerly known as Hangzhou Hengping Health Technology Co., Ltd* (杭州衡憑健康科技有限公司)) (the "WFOE B") entered into the framework technical services agreement (the "Framework Technical Services Agreement B") on May 28, 2018. The term of the Framework Technical Services Agreement B commenced on the day following completion of the Share Purchase Agreement B and will end on March 31, 2021, unless otherwise mutually agreed between the parties. Pursuant to the Framework Technical Services Agreement B, the Tmall Entities shall provide software technical support services relating to the operation of Tmall.com to the WFOE B for a service fee. The annual cap for the service fees payable under the Framework Technical Services Agreement B was RMB315 million, RMB590 million and RMB825 million for each of the financial years ending March 31, 2019, 2020 and 2021, respectively. The aggregate service fees incurred under the Framework Technical Services Agreement B during the year ended March 31, 2019 amounted to approximately RMB242.3 million.

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The Company believes that its acquisition of the business of the target business will enable it to: (a) further develop into Alibaba Group's healthcare flagship platform; (b) bring in an even broader set of merchants into the online healthcare community to enrich the ecosystem, and to organically complement and supplement the Company's existing healthcare product sales and services, Internet-based medical services and personal health management platform, intelligent medicine and tracking services businesses; and (c) obtain more stable and sustainable revenue growth. In addition, the Company considers the entering of the Framework Technical Services Agreement B necessary because the technical support and services from Tmall.com to the Company are crucial to allow the relevant merchants to operate on Tmall.com.

As the Vendor is a direct wholly-owned subsidiary of Alibaba Holding, the Vendor is a connected person of the Company, and the transaction contemplated under the Share Purchase Agreement B constituted a major and connected transaction of the Company in accordance with the Listing Rules. As the Tmall Entities are members of Alibaba Group, they are also connected persons of the Company and the transactions contemplated under the Framework Technical Services Agreement B thus constitute continuing connected transactions of the Company. Independent shareholders of the Company approved the Share Purchase Agreement B and the Framework Technical Services Agreement B and the transactions contemplated thereunder at the special general meeting held on August 1, 2018.

(i) Continuing connected transactions — Payment Services Framework Agreement

On February 14, 2018, the Company (for itself and on behalf of its subsidiaries) entered into the renewed payment services framework agreement (the "Renewed Payment Services Framework Agreement") with Alipay.com Co., Ltd.* (支付寶(中國)網絡技術有限公司) ("Alipay"), pursuant to which Alipay agreed to provide the payment services (the "Payment Services") to the Group and the Group agreed to pay the service fees. The term of the Payment Services Framework Agreement was from April 1, 2018 to March 31, 2019. The annual cap for the service fees payable under the Renewed Payment Services Framework Agreement was RMB23 million. The aggregate service fees incurred under the Renewed Payment Services Framework Agreement during the year ended March 31, 2019 amounted to approximately RMB18.9 million (2018: approximately RMB7.8 million).

On March 28, 2019, the same parties entered into the renewed payment services framework agreement (the "2020 Payment Services Framework Agreement"), pursuant to which Alipay agreed to provide the Payment Services to the Group, for a term of one year commencing from April 1, 2019 and ending on March 31, 2020 with an annual cap of RMB73 million.

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

Alipay is a wholly-owned subsidiary of Ant Small and Micro Financial Services Group Co., Ltd.* (浙江螞蟻小微金融服務集團股份有限公司) ("Ant Financial"), which, together with its subsidiaries, were confirmed as deemed connected persons of the Company by the Stock Exchange on July 10, 2017 under Rule 14A.19 of the Listing

Rules. Accordingly, Alipay has been deemed as a connected person of the Company since July 10, 2017 and the transactions contemplated under the Payment Services Framework Agreement, the Renewed Payment Services Framework Agreement and the 2020 Payment Services Framework Agreement constitute continuing connected transactions for the Company in accordance with the Listing Rules.

(j) Continuing connected transactions — Tracking Services Agreement

On September 26, 2017, Alibaba Health Technology (China), an indirect wholly-owned subsidiary of the Company, entered into the tracking services agreement (the "Tracking Services Agreement") with Taobao China Holding Limited ("Taobao China"), pursuant to which Alibaba Health Technology (China) agreed to provide to Taobao China certain tracking services for a term commencing on September 26, 2017 and ending on August 31, 2018. On The annual cap for the service fees payable under the Tracking Services Agreement was RMB9.0 million. The aggregate service fees incurred under the Tracking Services Agreement for the year ended March 31, 2019 amounted to approximately RMB2.7 million.

On September 7, 2018, Alibaba Health (China), an indirect wholly-owned subsidiary of the Company, entered into the renewed tracking services agreement (the "Renewed Tracking Services Agreement") with Taobao China Holding Limited ("Taobao China"), pursuant to which Alibaba Health (China) agreed to provide to Taobao China certain tracking services for a term commencing on September 7, 2018 and ending on March 31, 2019. The annual cap for the service fees payable under the Renewed Tracking Services Agreement was RMB5.8 million. The aggregate service fees incurred under the Renewed Tracking Services Agreement for the year ended March 31, 2019 amounted to approximately RMB4.8 million.

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

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

(k) Connected transactions — Capital Increase Agreement

On June 1, 2018, Hongyun Jiukang Data Technology (Beijing) Company Limited* (弘雲久康數據技術(北京)有限公司) ("Hongyun Jiukang"), Shanghai Yunxin Venture Capital Co., Ltd.* (上海雲鑫創業投資有限公司) ("Shanghai Yunxin"), Hangzhou Yunting Data Technology Company Limited* (杭州雲庭數據科技有限公司) ("Hangzhou Yunting") and Zhejiang Bian Que Health Data Technology Co., Ltd* (浙江扁鵲健康數據技術有限公司) (the "JV Company") entered into a capital increase agreement (the "Capital Increase Agreement") in relation to capital increase of RMB40 million and RMB15 million to the JV Company by Shanghai Yunxin and Hangzhou Yunting, respectively. Upon completion of the capital increase, the registered share capital of the JV Company was increased to RMB100 million, which was held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively.

DIRECTORS' REPORT

The JV Company will utilize the capital contributed by each of the Parties to develop health data service platforms by combining and leveraging on our Group's expertise in the provision of medical and healthcare related services, Hangzhou Yunting's expertise in dataprocessing related technological development, and Ant Financial's expertise in the provision of digital payment services. The Company believes that the formation of the joint venture through the Capital Increase Agreement will create synergies in relation to the Internet medical and healthcare service platform through the integration and cross transfer of the skills, knowledge and expertise among the Group, Ant Financial and Hangzhou Yunting.

Before completion of the capital increase, the JV Company was wholly owned by Hongyun Jiukang, which was in turn a wholly-owned subsidiary of the Company. Therefore, the JV Company was an indirect wholly-owned subsidiary of the Company. Upon completion of the capital increase, Hongyun Jiukang's equity interest in the JV was diluted from 100% to 45% and the JV Company ceased to be a subsidiary of the Company, which constituted a deemed disposal of the JV Company under Rule 14.29 of the Listing Rules. Shanghai Yunxin is a wholly-owned subsidiary of Ant Small and Micro Financial Services Group Co., Ltd* ((浙江螞蟻小微金融服務集團股份有限公司), which together with its subsidiaries, were confirmed as deemed connected persons of the Company by the Stock Exchange in July 2017 under Rule 14A.19 of the Listing Rules. Accordingly, Shanghai Yunxin has been a connected person of the Company since July 2017. The transactions contemplated under the Capital Increase Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(I) Continuing connected transactions — Supply and Purchase Framework Agreement

On February 14, 2018, the Company entered into the renewed supply framework agreement (the "Renewed Supply Framework Agreement") with Alibaba.com Singapore E-Commerce Private Limited ("Alibaba Singapore"), pursuant to which the Company agreed to procure the Group to supply to Alibaba Group various products including but not limited to health products, nutritional supplements and family planning products for a term commencing on April 1, 2018 and ending on March 31, 2019. The annual cap for the purchases under the Renewed Supply Framework Agreement was HK$23 million. The aggregate purchases incurred under the Renewed Supply Framework Agreement for the year ended March 31, 2019 amounted to approximately RMB0.3 million (2018: approximately RMB19.3 million).

On March 28, 2019, the same parties entered into the renewed supply and purchase framework agreement (the "2020 Supply and Purchase Framework Agreement") for a term of one year commencing from April 1, 2019 and ending on March 31, 2020 with annual caps of RMB20,000,000 (in relation to supply of products under the 2020 Supply and Purchase Framework Agreement) and RMB20,000,000 (in relation to purchase of products under the 2020 Supply and Purchase Framework Agreement), respectively. Pursuant to the 2020 Supply and Purchase Framework Agreement, the Group will supply and/or purchase various products to or from Alibaba Group on the platforms or stores operated by Alibaba Group from time to time.

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

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

(m) Continuing connected transactions — Advertising Services Framework Agreement

On February 14, 2018, the Company (for itself and on behalf of its subsidiaries) and Alimama (for itself and on behalf of its subsidiaries and affiliates, together the "Alimama Group") entered into the advertising service framework agreement (the "Advertising Service Framework Agreement") for a term commencing from April 1, 2018 and ending on March 31, 2019 with an annual cap of RMB54 million. The aggregate service fees incurred under the Advertising Service Framework Agreement for the year ended March 31, 2019 amounted to approximately RMB52.6 million. Pursuant to the Advertising Service Framework Agreement, the Group shall engage Alimama and its subsidiaries and affiliates to provide the advertising services, including but not limited to the display of advertisements on the various platforms supported by Alimama Group (the "Advertising Services"), in return for an advertising fees which shall be calculated in accordance with the underlying standard advertising services agreements and the standard terms and conditions as amended and published on Alimama Group's online platforms from time to time.

On January 30, 2019, the Company and Alibaba Holding entered into the renewed advertising services framework agreement (the "2020 Advertising Services Framework Agreement") for a term commencing on April 1, 2019 and ending on March 31, 2020, with an annual cap of RMB252 million, as approved by the independent shareholders of the Company at the special general meeting held on March 29, 2019. Pursuant to the 2020 Advertising Services Framework Agreement, Alibaba Group has agreed that it will provide to the Group the Advertising Services.

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

Alimama is an indirect wholly-owned subsidiary of Alibaba Holding. Accordingly, Alimama is an associate of Perfect Advance and also a connected person of the Company. The transactions contemplated under the Advertising Service Framework Agreement and the 2020 Advertising Services Framework Agreement constitute continuing connected transactions for the Company in accordance with the Listing Rules. Moreover, the 2020 Advertising Services Framework Agreement was approved by the independent shareholders of the Company at the special general meeting held on March 29, 2019, in accordance with the Listing Rules.

DIRECTORS' REPORT

(n) Connected Transactions — Subscription Agreement

On March 18, 2019, Ali JK Medical Products Limited (the "Subscriber") and IK Healthcare Holdings Limited (the "Target Company") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber subscribed for 433,082 new shares in the issued share capital of the Target Company for a subscription price of US$17,842,978.40. Upon completion of the Subscription Agreement, the Target Company was held as to not less than 1% by the Subscriber.

In line with the Company's mission to "make good health achievable at the fingertips" and its vision of "facilitating medicine through big data and using the Internet to change the face of healthcare to provide fair, affordable and accessible medical and healthcare services to 1 billion people", the Company will closely cooperate with the Target Company in the areas of medical examination membership operations, online and offline omnichannel services, and diagnostic and predictive artificial intelligence for diseases, etc., through its investment in the Target Company.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and each of Taobao China and Treasure Cottage Limited ("Treasure Cottage") is an indirect wholly-owned subsidiary of Alibaba Holding. Innovare Tech Limited ("Innovare") is a substantial shareholder and a connected person of the Company, and Innovare and Yunfeng IK Investment Limited ("Yunfeng IK") are associates of the same indirect shareholder who is a connected person of the Company. Accordingly, each of Taobao China, Treasure Cottage and Yunfeng IK is a connected person of the Company under Chapter 14A of the Listing Rules. Since Taobao China is a substantial shareholder of the Target Company and Yunfeng IK held more than 30% interest in the Target Company as at the date of the Subscription Agreement, the Subscription Agreement constitutes a connected transaction of the Company under the Listing Rules.

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

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

RELATED PARTY TRANSACTIONS

During the year, save as disclosed in note 34 to the consolidated financial statements, the Group had no material transactions with its related parties.

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

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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors 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.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

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

DIRECTORS' REPORT

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

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

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

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

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

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

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

SHEN Difan
Chief Executive Officer and Executive Director

Hong Kong
May 16, 2019

* *For identification purpose only*

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. SHEN Difan, aged 40, was appointed as an executive Director and chief executive officer of the Company on March 29, 2018. Prior to his current position, he was the general manager of Alibaba Group's AliExpress business from March 2012, and led the rapid expansion of AliExpress, growing Alibaba Group's overseas brand influence. Mr. Shen joined Alibaba Group in 2004 and had held various positions in Alibaba Group, including in relation to B2B product operations, and in the security department and advertising product department. Mr. Shen holds a bachelor's degree in computing from Yantai University. Mr. Shen also acts as a consultant to Alibaba Group.

Mr. WANG Qiang, aged 41, was appointed as an executive Director on July 20, 2018. Mr. Wang joined the Group as chief financial officer since September 2017, and is responsible for the Group's financial management, capital markets, internal controls and procurement. He currently serves as a director of certain subsidiaries of the Company and also acts as a consultant to Alibaba Group Holding Limited (the ultimate controlling Shareholder of the Company, and the American depository shares of which are listed on the New York Stock Exchange) and its subsidiaries. Prior to joining the Group, Mr. Wang was the vice president of Intime Retail (Group) Company Limited ("Intime") since January 2014 and chief financial officer of Intime since July 2014, and was responsible for the company's financial management, cost control, investment development, legal affairs, information management, capital markets and investor relations. He had been assistant to president of Intime since February 2012 and general manager of financial management department of Intime since March 2008, responsible for Intime's financial management. Prior to joining Intime, he took various financial management positions in Veolia Water, Asia Pacific and ABB China from 1999 to 2008. Mr. Wang was also a director of Wuhan Department Store Group Co., Ltd. (SZSE: 00501) from December 2013 to June 2018. He graduated from the accounting department of Renmin University of China in 1999 and obtained a bachelor's degree in economics.

NON-EXECUTIVE DIRECTORS

Mr. WU Yongming, aged 44, 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 is currently a director of Momo, Inc., the shares of which are listed on NASDAQ (stock code: MOMO) since December 2018. Mr. Wu was previously a director of AutoNavi Holdings Limited, a then NASDAQ-listed company, from May 2013 to July 2014. Mr. Wu graduated from college of information engineering of Zhejiang University of Technology, PRC in June 1996.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Lei, aged 39, was re-designated as a non-executive Director on March 29, 2018. Mr. Wang currently serves as vice president of Alibaba Group Holding Limited and chief executive officer of Ele.me. Prior to this position, Mr. Wang was the general manager of Alibaba Group's Taobao Diandian business from September 2013. Mr. Wang held various positions within Alibaba Group since he joined Alibaba Group in 2003, including senior director of the B2B advertising service department and senior director of the mobile Internet business department's O2O workshop. Mr. Wang holds a bachelor's degree in precision instruments from China Jiliang University. Mr. Wang is a consultant to Alibaba Group.

Ms. ZHANG Yu, aged 46, was appointed as a non-executive Director on December 29, 2017. She joined Alibaba Group in November 2015, and is the vice president of finance at Alibaba Group. She is also a director of Suning Commerce Group Co., Ltd. (蘇寧雲商集團股份有限公司) (a company listed on the Shenzhen Stock Exchange) since March 2017, a supervisor of Ant Small and Micro Financial Services Group Co., Ltd.* (浙江螞蟻小微金融服務集團股份有限公司) since December 2016 and the financial controller and the supervisor of various subsidiaries of Alibaba Group. Ms. Zhang is a non-executive director of Alibaba Pictures Group Limited (SEHK: 1060) since March 5, 2019. She was a partner of the Corporate Finance Audit (CFA) function in Siemens AG's East Asia Pacific Region since October 2010 where she managed a team of professionals across the finance, operations, IT, compliance and forensic audit disciplines, serving regions and countries such as the PRC, Southeast Asia, Korea, Japan, Australia and New Zealand. Before joining Siemens AG, Ms. Zhang was a partner at KPMG, where she had worked for more than 14 years serving large multinational companies and PRC companies. Ms. Zhang holds a bachelor's degree in economics from Renmin University of China and a master's degree in accounting from University of Denver, the United States. She is also a Certified Public Accountant in the PRC and the United States.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YAN Xuan, aged 56, was appointed as an independent non-executive Director on May 9, 2014 and resigned from this position on April 8, 2019. Appointed in June 2011, Mr. Yan was President of Nielsen Holdings N.V. Greater China. He became Chairman of Growth Markets of Nielsen Holdings N.V. in January 2018. 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.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LUO Tong, aged 52, was appointed as an independent non-executive Director on May 9, 2014. Mr. Luo is currently the chief strategy officer of Yiguo Information Technology Co., Ltd. Mr. Luo has over 20 years of experience of retailing operation and management. Before joining the Board of the Company, he worked as the regional general manager for Walmart's Zhejiang Province Operations, the vice president of operations and development for China Nepstar Chain Drugstore Ltd., the vice president of operations for Tesiro Jewellery Company and the general manager of retail development of Guangzhou Pharmaceuticals Corporation. Mr. Luo has obtained a diploma in business administration from Guangzhou Finance and Trade Management Institute and a diploma in English from Guangdong Social Science College.

Mr. WONG King On, Samuel, aged 66, was appointed as an independent non-executive Director on May 9, 2014. During the period from October 2010 to November 2013, Mr. Wong was an independent non- executive director and chairman of the audit committee of Yashili International Holdings Limited (Stock code: 1230) which was listed on the Hong Kong Stock Exchange Limited. Mr. Wong has over 30 years of experience in accounting and finance. Mr. Wong joined Ernst & Young in October 1979 and was elected to its partnership in January 1993. Mr. Wong was the managing partner, China Central of Ernst & Young and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in 2010. Mr. Wong was a professor of practice (accounting) of the school of accounting and finance of the Hong Kong Polytechnic University from September 2013 to August 2016, and also an adjunct professor of the school of accounting & finance of the Hong Kong Polytechnic University from 2002 to 2010. Mr. Wong was the president of Association of Chartered Certified Accountants (ACCA) Hong Kong for 1998–1999 and a member of the global council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA for 2003–2004. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, a member of the ACCA and a Certified Practising Accountant Australia. Mr. Wong obtained a master of business administration degree from the University of Bradford, United Kingdom in December 1978. Mr. Wong was awarded the Binder Hamlyn Prize for the best student in financial management in 1978.

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 is qualified to practice law in England and Wales. She was admitted as a solicitor of the High Court of Hong Kong in 2008 and is a current member of the Law Society of Hong Kong.

For details of the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), please refer to the section headed "Directors' and Chief Executive's Interest and Short Positions in Shares and Underlying Shares".

* 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, 2019, 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 matter:

Code Provision A.6.7 stipulates that generally independent non-executive directors and other non-executive directors of the Company should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Wang Lei and Ms. Zhang Yu, being non-executive Directors, were not able to attend the special general meetings of the Company held on August 1, 2018 and March 29, 2019, respectively, and Mr. Luo Tong, an independent non-executive Director, was not able to attend the special general meeting of the Company held on March 29, 2019, due to conflicts of prior scheduled engagements with the meeting times. However, the Company reported to the relevant directors on the items discussed at the general meetings and the feedback from the shareholders.

THE BOARD

Composition

During the year, the Board comprised eight Directors, including (i) two executive Directors, namely Mr. Shen Difan (Chief Executive Officer) and Mr. Wang Qiang; (ii) three non-executive Directors, namely Mr. Wu Yongming (Chairman), Mr. Wang Lei, and Ms. Zhang Yu; and (iii) three independent non-executive Directors ("INED(s)"), namely Mr. Yan Xuan (resigned on April 8, 2019), Mr. Luo Tong and Mr. Wong King On, Samuel. The names and biographical details of each Director are disclosed on pages 56 to 58 of this annual report. The non-executive Directors and the INEDs are appointed for a term of one year and their appointment shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of their appointment unless terminated by the Company in accordance with the term of their appointment letters and the provisions of the bye-laws of the Company, respectively.

During the year 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 had been independent of the Company throughout the year ended March 31, 2019 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. Save as disclosed, there is no relationship (including financial, business, family or other material or relevant relationship) between each Director (including INED) and the other members of the Board or the senior management and between the Chairman and the Chief Executive Officer.

Function

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

The 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.

Chairman and Chief Executive Officer

Mr. Wu Yongming is the chairman of the Board and Mr. Shen Difan is the chief executive officer of the Company. As such, the Company has fully complied with the code provision A.2.1 of the CG Code during the year ended March 31, 2019.

CORPORATE GOVERNANCE REPORT

The Board held 7 Board meetings during the year ended March 31, 2019. 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 general meetings during the year ended March 31, 2019 are set out in the table below:

	Number of meetings attended/Number of meetings eligible to attend					
Directors	**Annual General Meeting**	**Special General Meeting**	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Executive Directors						
Mr. Shen Difan	1/1	1/2	7/7	N/A	N/A	N/A
Mr. Wang Qiang (appointed on July 20, 2018)	N/A	2/2	5/5	N/A	N/A	N/A
Non-executive Directors						
Mr. Wu Yongming *(Chairman)*	1/1	2/2	6/7	N/A	1/1	1/1
Mr. Wang Lei	1/1	0/2	6/7	N/A	N/A	N/A
Mr. Kang Kai (retired on July 20, 2018)	1/1	N/A	2/2	N/A	N/A	N/A
Ms. Zhang Yu	1/1	0/2	5/7	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Yan Xuan (resigned on April 8, 2019)	1/1	2/2	7/7	3/3	1/1	N/A
Mr. Luo Tong	1/1	1/2	7/7	3/3	N/A	1/1
Mr. Wong King On, Samuel	1/1	2/2	7/7	3/3	1/1	1/1

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, 2019, all of the following Directors participated in continuous professional development by attending seminars or by self-studying of materials on topics related to corporate governance, regulations and business:

Executive Directors

Mr. Shen Difan	Attending seminars and self-study
Mr. Wang Qiang	Attending seminars and self-study

Non-executive Directors

Mr. Wu Yongming	Self-study
Mr. Wang Lei	Self-study
Mr. Kang Kai (retired on July 20, 2018)	Self-study
Ms. Zhang Yu	Attending seminars and self-study

Independent Non-executive Directors

Mr. Yan Xuan (resigned on April 8, 2019)	Self-study
Mr. Luo Tong	Self-study
Mr. Wong King On, Samuel	Self-study

Board Committees

Throughout the year ended March 31, 2019, 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.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

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

The main duties of the Remuneration Committee include:

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

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

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

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

The Remuneration Committee held one meeting for the year ended March 31, 2019. The Remuneration Committee discussed and made recommendations on the remuneration to be paid to the Directors for the year ended March 31, 2019, and the grant of share options and restricted share units under the share award scheme of the Company adopted by the Company on November 24, 2014.

Audit Committee

During the year, the Audit Committee comprised Mr. Wong King On, Samuel (Chairman), Mr. Yan Xuan (resigned on April 8, 2019) 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 auditor may wish to discuss;

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

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

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

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

The Audit Committee held three meetings for the financial year ended March 31, 2019. The Audit Committee reviewed the financial statements of the Company for the year ended March 31, 2018 and for the six months period ended September 30, 2018, re-appointment of Ernst & Young as auditor of the Company, internal controls and risk management system and Ernst & Young's audit plan for the year ended March 31, 2019, and made relevant recommendations to the Board for its approval.

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

Nomination Committee

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

The main duties of the Nomination Committee include:

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

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

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

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

The Nomination Committee held one meeting for the year ended March 31, 2019. The Nomination Committee, assessed the independence of the independent non-executive Directors, reviewed the retirement schedule, made recommendations on the retirement and re-election of Directors and reviewed the composition, size and diversity of the Board.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

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

Selection Criteria

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

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

Directors Nomination Procedures

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

(a) Appointment of New Director

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

(b) Re-election of Director at General Meeting

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

Board Diversity Policy

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules (the "Model Code") to regulate the Directors' dealings in the Group's securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2019.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

AUDITOR'S REMUNERATION

The remuneration paid to Ernst & Young for audit and non-audit services for the year ended March 31, 2019 amounted to approximately RMB1,330,000 and RMB921,000, respectively. The non-audit services provided by Ernst & Young to the Group were in relation to the review service on the interim results, limited assurance services on continuing connected transactions, other professional service related to the environmental, social and governance assessment and tax review service.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is also responsible for making appropriate assertions on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee 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. In connection with this, the Board formed a risk management committee on November 23, 2016 to discharge its role in monitoring and in exercising oversight over the risk management of the Company.

The Audit Committee and the Board performed its annual review of the Group's risk management and internal controls and concluded that for the year ended March 31, 2019, (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.

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

Shareholders' meetings

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

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

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

Shareholder Privacy

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

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

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

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

Procedures for putting forward proposals at general meetings

Shareholders holding not less than 5% of the total voting rights of all shareholders having a right to vote at the general meeting or not less than 100 shareholders can submit a written request stating a resolution to be moved at the annual general meeting (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 enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

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

DIVIDEND POLICY

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

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

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

The statement of the Company's auditor about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on pages 110 to 116 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

1. RISK MANAGEMENT AND INTERNAL CONTROL

The Group considers risk management and internal control to be a core part of its operational management and business activities. The Group is committed to:

(i) establishing a comprehensive risk management system which is in line with the Group's strategy and its specific business characteristics;

(ii) continually optimizing its risk management organizational structure;

(iii) standardizing its risk management processes; and

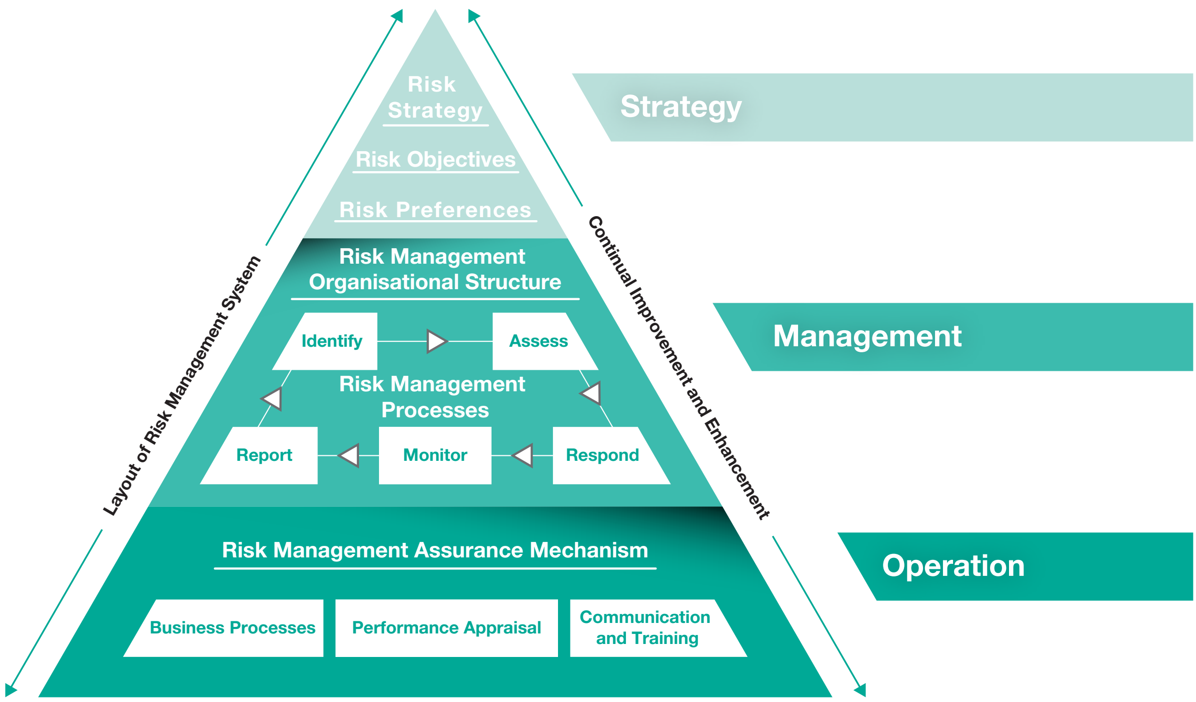
(iv) adopting quantitative and qualitative approaches to drive better identification, evaluation and mitigation of risks,

to achieve a balance between risks and rewards, and to achieve sustainable business development while appropriately managing risks.

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

RISK MANAGEMENT AND INTERNAL CONTROL



- **Risk Management Strategy**

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

- **Risk Management Objectives**

The Company's risk management objectives include:

(1) Strategic objective — to construct our risk management and internal control systems so that they are compatible with the Company's strategic objectives and support the achievement of its strategic goals and sustainable business development;

(2) Operational objective — to continuously improve the Company's risk management capabilities, thereby reducing uncertainties in the achievement of our operational goals, supporting our business expansion and innovative activities, and ensuring the efficiency and effectiveness of our operational activities;

RISK MANAGEMENT AND INTERNAL CONTROL

(3) Reporting objective — to ensure the validity, accuracy and completeness of our financial and operation management reporting; and

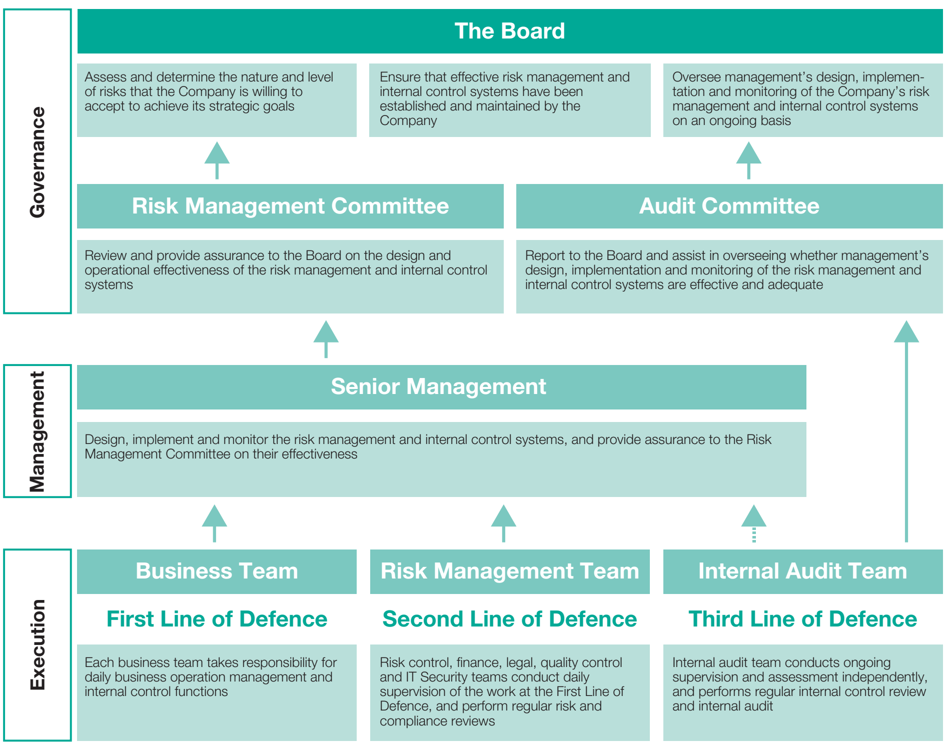
(4) Compliance objective — to ensure compliance with both external regulatory requirements and internal management policies, standardize our operational management and business processes to maintain the legality and compliance of each business transaction of the Company.

- **Risk Preferences**

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

- **Risk Management Organizational Structure**

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



- **Risk Management Processes**

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

  - Risk assessment — management evaluate and rate risks based on the two dimensions of probability and impact and rank them as "high", "moderate" or "low" based on the rating results.

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

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

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

- **Risk Management Assurance Mechanisms**

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

3. MAIN RISK MANAGEMENT AND INTERNAL CONTROLS WORK CONDUCTED IN FY2019

- By the end of March 31, 2019, the Risk Management Committee had held a meeting and reported to the Board of Directors on the effectiveness of the Company's risk management and internal control systems. The tasks completed by the committee in FY2019 included: (i) discussion and review of the Group's findings on major risk identification and assessment, the risk management strategies and major internal control measures mitigating key risks; (ii) discussion and review of the Risk Management and Internal Control Report and Environmental, Social and Governance Report required to be disclosed in the Company's annual report for FY2019; (iii) discussion and review of the work plan and key points of risk management and internal control work for FY2020 as well as the expected output and timetable etc.

- Management identified uncertainties and risk exposures in eight major areas (including strategic risk, operational risk, marketing risk, financial risk, legal risk, human resources risk, information technology and data security risk, reputational risk); completed the definition, assessment and ranking of the identified risks; discussed risk mitigation proposals and measures and updated the Risk Evaluation Summary of Alibaba Health, which will form the main basis for risk management and internal control work for FY2019 and FY2020.

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

- The risk management teams, including the internal control team, finance team, legal team, quality control team and IT security team, conducted risk monitoring and internal control review on the business transactions to ensure that the important risks were under control.

- The internal audit team developed a Data-driven Risk Monitoring System, and deployed fifty key risk indicators to promptly identify significant risk findings and all the findings were investigated and reported to the management team and risk management committee.

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

4. DISCLOSURE OF MATERIAL RISKS

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

RISK MANAGEMENT AND INTERNAL CONTROL

5. OUTLOOK AND KEY ACTIONS FOR FY2020

- Continue to reinforce the Company's risk management and internal control structure and implementation efforts, and continually improve the Company's risk management capabilities and culture to ensure compliance with the Corporate Governance Code of the Hong Kong Stock Exchange and alignment with best industry practices.

- Continue to assist and supervise each business line and functional department to promote and optimize the design, implementation and operation of our risk management and internal control systems.

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

- Continue to establish and enhance relevant policies, business procedures and internal control guidance which are published on the policy management system platform for staff to access and study.

- Conduct ongoing independent monitoring and assessment on the design and effective implementation of the internal control activities for material risks.

- Continue to provide more risk management trainings for all staff, to enhance their awareness of risk management, promote our risk management culture, reinforce the accountability mechanism, and ensure execution of the Company's risk management strategies.

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

6. STATEMENT OF THE BOARD REGARDING INTERNAL CONTROL RESPONSIBILITY

The Group's internal controls are aimed at ensuring compliance of its operations with laws and regulations, the security of its assets and the validity and completeness of its financial reports and related information, to thereby enhance its operational efficiency and effectiveness and facilitate the realization of its growth strategies. The Company has established internal control procedures to safeguard against the unauthorized use or disposition of its assets, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable laws, rules and regulations. During FY2019, the Company conducted a comprehensive self-assessment of its internal controls which it reported to the Audit Committee and the Board of Directors, and no significant deficiencies were identified. The Board believes that, for the year ended March 31, 2019, the Company's existing internal control systems were sufficient and effective to assure the interests of the Company and its shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We believe that it is the greatest social responsibility for medical and healthcare companies to improve public health and industrial efficiency. By leveraging our advantages and experience in the Internet and AI technologies, we have been exploring the application of "Internet+" in the medical and healthcare industry, to form a healthcare platform and integrate medical resources to better support the industry. Following the Outline of the Healthy China 2030 Plan, we have focused on its theme of "co-building, sharing, and health for all" while incorporating corporate and social development into the Company's growth strategy for a better environmental, social and governance (ESG) performance.

STAKEHOLDER COMMUNICATION

Alibaba Health actively communicates with customers, partners, the government and other stakeholders. Through effective engagement mechanisms to understand stakeholder demands, we have been proactively responding to stakeholder expectations of the Company to create mutual value as we continue to grow and develop.

Stakeholder	Needs and Expectations	Communication and response
Government	Compliance with laws and regulations Support for economic development Payment of taxes	Regulatory compliance Implementation of national policies Proactive tax payment and compliance
Investors	Return on investment Business and earnings growth Risk management Information disclosure	Annual results conference and annual results roadshow Receiving investor research Investment bank and sell-side research coverage
Customers	Provision of quality products and services Health education Protection of customer privacy	Product and service quality assurance Customer satisfaction surveys Protection of customer information
Employees	Protection of employee interests Protection of occupational health Sound career development planning Work-life balance	Competitive remuneration and benefits Employee training Career development planning
Partners	Industrial mutual growth Open, fair and equitable procurement Contractual compliance	Contractual compliance Open tendering Project cooperation
Environment	Energy saving and emission reduction	Managing emissions Increasing resources and energy efficiency Environmental protection
Society and the Public	Business and philanthropy integration Engagement in community development	Public services and philanthropy Volunteer services

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In fiscal year 2019, our social responsibility performance was highly recognized by stakeholders.

Sina Healthcare Annual List of the Most Socially Responsible Listed Healthcare Companies in 2018

2018 Sunshine Award of China's Healthy Industry — Industry Benchmarking Enterprise Award

MATERIAL ISSUES

Alibaba Health identified ESG issues and analyzed materiality to ensure the ESG report covers important issues to the Company as well as its stakeholders with reference to the requirements of the Environmental, Social and Governance Reporting Guide of HKEX. In fiscal year 2019, our questionnaire survey helped us to understand the impact of each issue and we received a total of 121 feedbacks, which ensured more accurate and complete disclosure of information related to our operation and management.

Environmental, social and governance issues selection process

Identifying issues

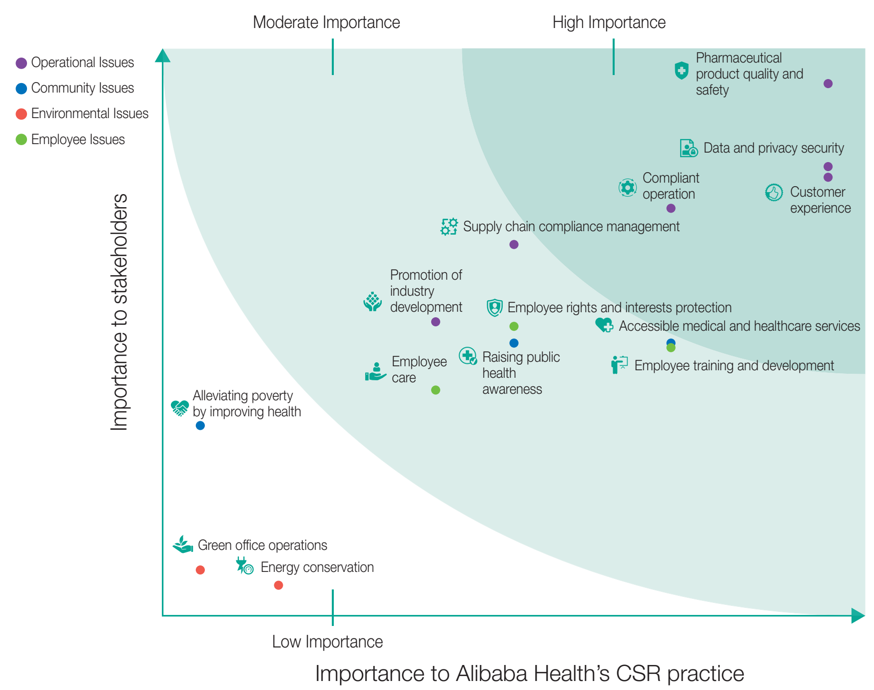
- Suggestions made by management of the Company
- Analysis and suggestions made by internal and external experts
- Analysis of media information
- Benchmarking study of peers in China and overseas
- ESG Reporting Guide of HKEX
- Guidance on Standards of Social Responsibility

Standards of Selection

- Contribution to sustainable development
- Issues of general concern to stakeholders
- Issues emphasized by the corporate social responsibility guidance
- Compliance with the Company's needs of strategic development

Results of Determination

FY2019 ESG Materiality Matrix of Alibaba Health



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. 24-HOUR CARE, MAKING GOOD HEALTH ACHIEVABLE AT THE FINGERTIPS

With the vision of "facilitating medicine through big data and using the Internet to change the face of healthcare, to provide fair, affordable and accessible medical and health services to 1 billion people", we are committed to the mission of "making good health achievable at the fingertips". Alibaba Health empowers the medical and healthcare industry with Internet and information technology, to address the existing problems of industry, improve industry efficiency, promote round-the-clock consumer health and making "a healthy life" an accessible reality.

1. One-Stop Medical and Healthcare Services

We are devoted to meeting core needs of consumers for medical and healthcare services. Combining our in-depth understanding of the market and users, and using online and offline channels, Alibaba Health cooperates with multiple brands, distributors and medical institutions in the industry to optimize supply chains, improve supporting systems such as warehousing, logistics, and customer service, and improve consumer experience in the purchase of quality products and medical services, so that consumers can confidently pursue a better and healthier life.

Online and Offline Integrated Medical Services

Everyone must have experienced the difficulty of seeing a doctor, such as being unable to register, having to wait a long time for doctor consultation, and having to queue up for payment. Although the medical resource shortage problem cannot be solved at once, Alibaba Health has been simplifying the medical treatment process and maximizing efficiencies using Internet technology and platform operations to achieve the goal of "running once at most".

"There is no small thing in seeing a doctor." Alibaba Health continues to focus on the "small but important things" in relation to patients visiting the hospital, such as connecting with the offline hospital system, providing technical support and operational solutions to provide consumers with online and offline integrated medical and healthcare services. Instead of running around and waiting in the hospital, the patient can complete the whole process of registration, waiting for consultation, report checking, payment during diagnosis, remote diagnosis of chronic disease, and arranging for medicine delivery on his or her mobile phone.

> *"In the past, I had to wait in front of the number calling machine as I was afraid of missing my turn. Now I can clearly see the number of patients who are ahead of me in the queue through Alipay. Sometimes I also forget to bring my Medicare Card which then means I need to pay at my own expense. Now, by linking my electronic Medicare Card, I can pay direct through social health insurance."*
>
> *— Patient Mr. Fan*

Soon, Alibaba Health will promote online medical services in more hospitals and launch more convenient services such as medical treatment on credit, electronic medical treatment cards, face recognition, payment after treatment, electronic invoicing, etc., so that more people can experience the convenience brought about by technology.

Case: Using Alipay when seeing the doctor — Internet Medical Service Tool launched in hundreds of cities

In order to make the process of obtaining medical treatment simpler, Alibaba Health built a self-built hospital applet tool template within Alipay. There are multiple online functions designed for patient convenience, such as registration, online consultation, and payment during diagnosis through Alipay.

In October 2018, more than 100 volunteers went to hundreds of hospitals in Hangzhou to popularize the Internet treatment tool. The medical experience of patients has been improved, as patients can now register online, read their health reports online, pay with Alipay and use their electronic Medicare Card, so that there is no longer any anxious waiting.

Case: First full-process Internet hospital unveiled in Wuhan, allowing information to reach patients automatically

On March 27, 2019, the nation's first "Internet + full-process medical service" future hospital established jointly by the Wuhan Central Hospital, Alibaba Health and Alipay was unveiled. Patients can now enjoy efficient and convenient full-process medical services through Alipay.

Mr. Wang, a 34-year-old living in Houhu, used Alipay to register for a blood specialist the night before he went to the hospital. He arrived at the hospital on time according to the scheduled appointment and soon saw the doctor. Once he got the checkup list from doctor, Mr. Wang scanned the code on the list to pay, and directly went to the laboratory to draw blood. The blood test result was sent to his mobile phone once available. Finally, the doctor wrote out a prescription. Mr. Wang made the "medical insurance payment" through his mobile phone and immediately got his medicine at the pharmacy. The patient can quickly complete the entire process of diagnosis, checkup, payment, and obtaining medication by simply using his or her mobile phone.

In addition, patients with chronic diseases such as high blood pressure and diabetes can receive post-treatment consultation with the "Future Hospital" doctors through remote video at home, and can enjoy medication delivery service.

Standardized Consumer Healthcare Services

The rising demand for healthy living by the public has accelerated the rapid development of consumer healthcare products and services related to "health management" including aesthetic medicine, physical examination and oral health. Currently, consumer healthcare has become the most market-oriented sector of the medical industry, while it is also the most under-regulated field.

Providing consumers with safe and convenient standardized professional medical services is Alibaba Health's consumer healthcare business' goal and most basic intention. Alibaba Health actively cooperates with various medical and healthcare service institutions to empower its partners to provide medical and healthcare services and value-added services such as health education and consultation appointments.

Case: Alibaba Health cooperates with Allergan to set a new standard for aesthetic medicine

In 2018, Alibaba Health established a strategic partnership with Allergan, a leading company in the aesthetic medicine industry, which is committed to establishing new industry service standards, providing consumers with transparent and authentic aesthetic medicine information, and helping consumers choose regulated aesthetic medicine institutions, doctors and products. During the "Double-Twelve" shopping festival, more than 100 aesthetic medicine institutions in the "Professional and Authentic Alliance" initiated by Allergan launched a "safe and worry-free" promotion venue in the AliHealth Flagship Store. In this venue, aesthetic medicine products, doctors and institutions were strictly selected, to provide consumers with authentic products and professional services. The cooperation between the two parties also provides a tool for consumers to identify official products. Consumers need only scan the drug tracking code on the package with a mobile phone to check the drug's authenticity.

In the future, Alibaba Health and Allergan will further improve the aesthetic medicine standards and consumer rights protection system, enhance mutual trust between institutions and consumers, and relay beautiful positive energy.

Diverse and Varied Healthy Product Choices

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

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

2. 24-hour care

"It's all about enduring when falling ill in the middle of the night", "It's too late to bother others". Everyone has had an unpleasant experience of being sick and trying to purchase medicine at night. Alibaba Health and its offline partners worked together to explore a solution to providing 24-hour medicine delivery, on the one hand, increasing the availability of medicines by operating nighttime pharmacies and smart medicine cabinets, and on the other hand, promptly meeting consumer's medicine needs by providing urgent medicine delivery services.

"We have 17 pharmacies cooperating with Alibaba Health on its 24-hour Pharmacy, to help nearby residents cope with the embarrassment of buying adult products during the day and the difficulty of getting medicine at night. After the launch of the 24-hour Pharmacy, the orders received on the mobile phone of store manager keep coming in non-stop. This new retail model not only drives pharmacy sales, but also meets the needs of nearby residents for urgent medication, especially in relation to children with nighttime fever, acute stomach pain and diarrhea."

— Qi Li, Chairman of Hangzhou Jiuzhou Pharmacy Chain Co., Ltd.

Urgent Medicine Delivery Service — Timely Delivery

From 2018 to 2019, Alibaba Health successively launched its 24/7 urgent medicine delivery service in the five cities of Hangzhou, Beijing, Guangzhou, Shenzhen and Wuhan, which guarantees daytime deliveries within 30-minutes and late-night orders within an hour. The user is able to place medicine orders after confirming the medical problem by conducting a "30-second question and answer" online consultation with the doctor in the "emergency medication" scenario on the Taobao platform. The offline pharmacies cooperating with Alibaba Health will process the orders, and the Feng Niao couriers will guarantee the timeliness of medicine delivery. During the day, the cooperative chain pharmacies provide the 30-minute emergency drug delivery service. When night falls, the delivery staff will be stationed around the night pharmacy. Whether it is a painkiller order at midnight in the middle of the night, or a fever relief pad order at 4am, the delivery staff will deliver the medicine to the consumer within one hour.

As of March 31, 2019, Alibaba Health provides urgent medicine delivery service in 105 cities nationwide including Shanghai, Chengdu, Nanjing and Hefei, and will roll this out to more cities in the future.

Night Pharmacy — Guaranteed Supply

Although there are over 400,000 offline pharmacies in the Chinese market, there are few 24-hour pharmacies available to meet the needs of consumers around the clock. Alibaba Health analyzes the demand for medicine and delivery times under various consumption scenarios with Internet technology and cooperates with pharmacies to provide 24-hour service, so that consumers are able to purchase medicines and have delivery services at any time.

Smart Medicine Cabinet— Cost Reduction

For those pharmacies that are unable to provide 24-hour service, Alibaba Health has developed a 24-hour smart medicine cabinet to realize self-service purchase of common medicines and make it a hub for medicine delivery at night. In the future, smart medicine cabinets will cover more offline pharmacies to meet the urgent medical needs of more communities and residents.

Online Service — Medication Guidance

Our 24-hour care guardianship for consumers is not only reflected in the timely delivery of medicines, but also in the provision of health knowledge. In order to help consumers accurately understand their health condition and what medication is appropriate, we have professionals such as practicing doctors and licensed pharmacists on the platform of AliHealth Pharmacy to provide consumers with multi-level, professional and convenient health consultation services and health guidance through graphic consultation, telephone consultation and online Q&A, etc.

We not only provide consultation and guidance on medication, but also pay special attention to the psychological state behind the purchase behavior of consumers to control the potential risk of drug abuse. Alibaba Health's comprehensively evaluates any tendency of the consumer towards medication abuse during the consultation process. Upon discovery of any sign of medication abuse, the advanced customer service will take over the consultation case, and promptly communicate and persuade the consumer, trying their best to avoid medication abuse incidents and to protect consumer safety.

Case: Alibaba Health's customer promptly called the police to save a Suzhou woman from committing suicide through purchasing drugs online

"What is the lethal dose of this medicine?" A sudden question raised by a consumer alerted a Alibaba Health pharmacist on duty on the Taobao platform that something was wrong.

The pharmacist immediately asked: "Dear, is there anything bothering you?"

The consumer replied: "I can't live anymore."

In this urgent circumstance, the pharmacist promptly contacted the Suzhou Police, and at the same time reported the case to the head of Alibaba Health's Customer Service. After fully understanding the situation, the team leader began to comfort the consumer, talking about life, family, and friendship, to divert her attention.

With the joint efforts of Alibaba Health's Customer Service and the Suzhou Police, the consumer was eventually rescued from the brink. This time, they defeated the death by swift reaction.

Afterwards, the police from Binhu New City Police Station of Suzhou Wujiang Public Security Bureau said, "Alibaba Health's Customer Service played a key role in this successful rescue, in which the timely, effective and accurate information exchange between the police and Customer Service largely helped to prevent at suicide."

3. Health Education

We believe that health knowledge education can not only transfer knowledge but can also deliver health. Through health education, the public's health knowledge level will be improved, the information asymmetry of doctors and patients will be effectively alleviated, and the public will be guided to conduct correct and efficient health management.

In order to improve the popularity of health knowledge, Alibaba Health jointly launched a public health knowledge tool named YiZhiLu, with government agencies, medical institutions and authoritative media. By searching for the name of the disease in YiZhiLu, the patient can find original knowledge cards that have been reviewed by an expert team, and which present relevant knowledge including regarding disease prevention, symptom judgment, treatment plan, treatment guide of national authoritative hospitals, and daily care during rehabilitation. YiZhiLu also publishes information on the distribution of medical departments, common symptoms, treatment cost, and key information of commonly used drugs on the knowledge card to eliminate the information asymmetry of doctors and patients. In July 2018, Alibaba Health and a number of professional institutions in the medical and healthcare industry together established the "National Intelligent Medicine Research Institute", formed the YiZhiLu Expert Committee covering 30 subject areas, through which more than 300 experts professionally review the content of YiZhiLu. As of March 31, 2019, YiZhiLu had over 2,500 entries covering guidance for severe illnesses, and health knowledge and disease information.

YiZhiLu was recognized as an Innovative Service Case by the Fifth China (Beijing) International Service Trade Fair

Case: Disease Prevention Knowledge Database launched to popularize health knowledge using Internet +

On May 30, 2018, the Disease Prevention Knowledge Database, which was hosted by Health News as entrusted to by the Disease Control and Prevention Bureau of National Health Commission, and supported by Alibaba Health, Ant Financial and Pfizer China, was officially launched on the Healthy China App, Alipay App and Alibaba Health vaccine service platform to provide the public with health knowledge on child vaccination, infectious disease prevention and control, and chronic disease management.

With resources from professional institutions and the national disease control system, the Knowledge Database aims to conduct health science through new methods such as "Internet + healthcare" and "Internet + education of medical science". The Knowledge Database can help Chinese children and parents get the most scientific, accurate and practical health knowledge, so as to realize "Healthy China" through the healthy life of every ordinary person.

Case: China's first guide for colorectal cancer patients published, providing patients with a full-process and targeted anti-cancer strategy

On January 8, 2019, the press release event for the "Guide for Colorectal Cancer Patients" sponsored by Health Times and Alibaba Health was held in Beijing. This was the first guide for colorectal cancer patients in China and was put together by 22 top Chinese experts in colorectal cancer working together. From the perspective of patients, this guide uses Q&A to explain medical knowledge and therapies in a way that can be easily understood and applied by patients and is closer to the tone of doctor-patient interview, and provides patients with comprehensive anti-cancer strategies from prevention, diagnosis, treatment to rehabilitation.

II. TRACKING SYSTEM, MAKING PRODUCTS TRUSTWORTHY

Alibaba Health regards product quality as a priority and implements quality supervision throughout its whole business. We have established a complete quality control mechanism, which includes sound operational procedures for product quality control, as well as management practices for customer service quality to ensure the quality and safety of products and services delivered to consumers.

1. Production Circulation Traceability

The drug information tracking system has become a key area of concern of the state for future drug management. On April 4, 2019, National Medical Products Administration officially issued the "Guiding Principles on the Construction of Drug Information Tracking System" and "Coding Requirements for Drug Tracking Code". Since 2016, Alibaba Health has established a third-party tracking platform "Ma Shang Fang Xin", which assigns a tracking code on the smallest of drug packaging to provide a "unique code for each object", which is completely consistent with national design requirements. Consumers only need to scan the 20-digit tracking code starting with the number "8" on the product packaging to obtain information about the drug. The drug tracking system has achieved traceability across the entire life cycle of the drugs from production, distribution to use, ensuring that "the source can be verified and circulation can be tracked, and accountability can be pursued." This action enhances product safety and protects public health. As of March 31, 2019, the number of drug manufacturers that have signed up to and renewed their subscriptions on the "Ma Shang Fang Xin" platform accounted for more than 85% of the total number of drug manufacturers in China. Among them, the coverage of products in respect of which the state is highly concerned (including vaccines) exceeds 95%. The "Ma Shang Fang Xin" platform will help the comprehensive implementation of drug information tracking systems nationally and promote the healthy development of the industry.

"Ma Shang Fang Xin" was recognized as among the Top Ten Internet Healthcare Platforms by the 11th China Healthcare Forum

While further improving the drug tracking system, the "Ma Shang Fang Xin" platform has gradually expanded its provision of services in non-pharmaceutical fields, making production and circulation more transparent for food and healthcare products as well as other consumer goods, giving assurance to consumers. During the reporting period, the "Ma Shang Fang Xin" platform covered industries such as food, alcohol, nutritional healthcare products and cosmetics.

Drug Tracking

Alibaba Health actively responded to national requirements regarding the construction of drug information tracking systems, upgraded the "Ma Shang Fang Xin" pharmaceutical industry 2.0 standard during the year, strengthened the control and application of the drug tracking code, and helped consumers and pharmaceutical manufacturers, pharmaceutical wholesale enterprises and pharmacies to recognize the meaning and value of traceability. Alibaba Health also helps them to participate in the process of tracking system construction, so that the tracking system can achieve more comprehensive coverage and an "ecological tracking application" can be created.

We are highly concerned about vaccine traceability and are committed to delivering a full process tracking system for vaccines from manufacturers, logistics companies, disease control centers, grassroots vaccination agencies to vaccine recipients. In addition, we have launched pilot construction of a full-line cold-chain transportation tracking system, and successfully achieved closed-loop information traceability and refined management on the direction of circulation and temperature of vaccines.

Case: "Ma Shang Fang Xin" achieves full-process cold-chain tracking to safeguard vaccine quality

At the Xinmin Community Health Service Center in Wuhan Economic & Technological Development Zone (Hannan), 9-month old Xiaohe was receiving a vaccination: the nurse picked up a vaccine and scanned the code on the vaccine box with a barcode scanner. The computer immediately displayed information on the manufacturer, production batch number and temperature of the vaccine. The nurse then picked up Xiaohe's vaccination booklet and scanned the code on the first page, following which Xiaohe's information and the vaccine information were linked. In case the vaccine had problems, it could be traced to Xiaohe accurately. With this tracking system, parents whose children receive vaccinations can be assured.

Nowadays, every vaccine from the Wuhan Economic & Technological Development Zone (Hannan), Wuchang District, Huangpi District, and Dongxihu District has its own "ID card", which can not only help the disease control center to achieve paperless recording and management of vaccinations but also link each vaccine to the recipient. If the vaccine in transit has unknown source or temperature control problems, the tracking system will issue an immediate warning, and the disease control center will refuse to accept the vaccine. In the future, Wuhan will apply the tracking system for vaccines throughout the entire city, making it easier and safer for citizens to receive vaccinations.

Case: "Ma Shang Fang Xin" protects every vaccination recipient

In 2018, the Changchun Changsheng vaccine incident raised public concerns about vaccine quality and safety. "Ma Shang Fang Xin" platform responded promptly by labelling all the problematic vaccines and warning consumers, using the power of technology to protect every vaccination recipient.

Not long after the vaccine incident was uncovered, a group of technical engineers from Alibaba Health spontaneously set up a temporary project team. The team immediately began intense development work lasting more than 20 hours and successfully created a system for tracking the problematic vaccines. By scanning the electronic surveillance code or tracking code on the packaging, the public could receive information on the manufacturer, batch number, expiration date and other relevant information of the vaccine. If the vaccine had any problem, the application would inform users with a prominent warning.

Shortly after the function was launched, the development team received feedback from parents that they only had the vaccination booklet but had not kept the vaccine packaging. Therefore, the code-scanning inquiry function could not be used. As a result, the team urgently started to work on a second version. Parents could find out whether the vaccine had problems by entering the production batch information. At this point, the parents were finally able to dispel their doubts.

The team's efforts working overnight involved complex emotions. An engineer in the team said that he had never considered a father's role before when writing code. However, things became different when he suddenly received a task that concerned the health of children. He felt his role switching between a father and a programmer.

The "Vaccine Quick Search" platform has helped many parents identify whether the vaccines received by their children are problematic, giving them greater relief. In the future, Alibaba Health will continue to focus on the full-process tracking management and information transparency of vaccines, so that the public can receive vaccinations without concern and we can rebuild the public's confidence in vaccinations.

Non-pharmaceutical Product Tracking

In addition to pharmaceutical product tracking, Alibaba Health's "Ma Shang Fang Xin" platform covers a wide range of non-pharmaceutical products such as imported foods, health products, cosmetics and agricultural products. It uses one-to-one-code tracking technology to track goods and collect information about production, transportation, customs clearance, inspection and third-party inspection, so that consumers can quickly and easily obtain non-pharmaceutical product production and circulation information to dispel their concerns.

Alibaba Health established a tracking system for non-pharmaceutical product categories that consumers are most concerned about such as milk powder, pork and eggs. In the future, we will further expand the tracking product categories so that consumers can purchase safer products.

Case: Tracking code provides tracking for milk powder to provide consumers with safe milk powder

For imported milk powder, working with Tmall Global, Alibaba Health provided tracking codes for milk powder from overseas-shopping concentrated areas such as Australia and New Zealand, and tracked the important points during the process of import and export. The tracking codes cover 26 well-known milk powder brands exported to China. Through the tracking code, each can of milk powder has its own "identity card". For domestic milk powder, Alibaba Health also teamed up with Tmall to provide tracking service for six major milk powder brands.

As to the tracking method, consumers can scan the QR code on the milk powder can to view the details of the place of origin, production date, manufacture date, expiration date, quality inspection report etc. If the milk powder is imported, the customs information can also be provided and verified, which provides assurance on the quality of the milk powder.

2. Strict Control on Quality Standards

Product Quality Control

Alibaba Health continually improves the quality management level towards platform products, and strictly complies with laws and regulations such as the *Food Safety Law of the PRC, the Drug Administration Law of the PRC, the Measures for the Administration of Drug Trading Licenses of the PRC, and the Interim Provisions for Examination and Approval of Internet Drug Trading Services of the PRC*. We have established quality controls strictly following the *Good Supply Practice for Pharmaceutical Products (GSP)* and formulated Alibaba Health's quality management standards. A dedicated quality control team establishes full-line business management and control mechanisms to improve the overall quality of products through various quality testing measures, building a cornerstone for consumer health.

In September 2018, Alibaba Health released the Super Pharmacy 1.0 standard, which includes six major standards: global product search, big data selection, sampling inspection, full-process monitoring, drug tracking and all-day licensed pharmacist service. Among the standards, sampling inspection, full-process monitoring and drug tracking are based on standardized management process and the full-process risk management and control, and aim to ensure drug safety for consumers.

Standardization management process

Alibaba Health implements 100% full-process quality control for self-operated store products, and strictly implements a series of standardized processes such as "warehousing identity verification, cool warehouse management, transparent laboratory sampling inspection, expiration management and double-check review". In addition, we have established an evaluation model for our platform that comprehensively evaluates the quality and safety of products as well as customer experience. According to the model evaluation scores, we carry out different actions such as removal of product listings or termination of cooperation, whole-Internet search blocking and search decentralization towards non-qualified products to keep those products out of Alibaba Health's platform.

We have established comprehensive quality management standards for platform merchants, including platform business development requirements, merchant admission criteria, contract renewal conditions, etc. We use quality control software products to monitor the quality of merchants, through multi-dimensional analysis, such as in relation to false promotion keyword searches, consumer negative feedback evaluation and refunds for quality issues and adopt punitive measures such as informing merchants to remove their products or whole-Internet clearance in relation to unqualified products discovered by sample checks.

Full-process risk management and control

We have established quality control standards for more than 3,000 merchants on the Alibaba Health platform, and maintain product quality by applying strict admission conditions, "mystery sampling" and third-party quality inspections.

In order to further control the quality of health products, food and medicine sold on Tmall Pharmacy and by AliHealth Pharmacy, Alibaba Health established a "Transparent Laboratory" performing unscheduled quality inspections on healthcare products. Targeted tests are conducted on both problematic products as notified by the food and drug administration department and on best-selling products. As of March 31, 2019, the "Transparent Laboratory" completed testing of a total of 2,128 batches, among which 12 batches were found unqualified and whose product listings were removed from the store. In addition to quality inspections, the "Transparent Laboratory" also delved deeper into the production workshops and warehouses of upstream suppliers to conduct full process inspections.

Service Quality Control

As consumers' health awareness continues to increase, the demand for consumer healthcare products and services such as aesthetic medicine, physical examination, and oral health is rapidly increasing. However, the quality of offline medical institutions is uneven at present, which not only affects consumers' medical service experience, but also may infringe on the legitimate rights and interests of consumers and affect their health.

In order to provide consumers with better consumer healthcare services and protect consumer rights, we have established strict platform admittance rules, management practices and standard review procedures to conduct quality control management on consumer healthcare products. Before admitting merchants, we will review their qualification documents, conduct field visits and assign personnel to the offline medical institutions. In addition, we examine the medical management documents, service processes, contents of the GSP management processes of pharmacies, and carry out on-site inspections to ensure that the qualifications provided are consistent with the actual on-site situation.

We provide "safe and secure services" for a series of consumer healthcare products on the platform. When consumers purchase medical and healthcare service products with the "safe and secure service" logo on Tmall, they can be assured of the merchant's promise in relation to 100% "no hidden fees" and 100% standardized care service according to our agreement. If the merchant fails to provide "safe and secure service", it shall refund the consumer according to our regulations.

We provide consumers with the "Alibaba Health Aesthetic Medicine Protection Plan", through which merchants involved will provide consumers with medical insurance. If there is a medical accident, consumers could make a claim with the insurance company. We also conduct regular sampling and qualification reviews for all merchants, and listen to consumer feedback to determine if the merchant should continue to be on the platform. Once we find and verify any illegal use of medical products by merchants, we adopt a zero-tolerance attitude and resolutely remove the merchants from our platform.

III. HEALTHCARE UPGRADE TO HELP INDUSTRY ACHIEVE FUTURE TRANSFORMATION

Alibaba Health has always been committed to using technology to help develop the medical industry, enriching the ways in which people pursue health using the Internet. As "Internet + Healthcare" enters the era of cutting-edge technologies such as big data and artificial intelligence, Alibaba Health's original aspiration to help upgrade traditional healthcare is growing stronger. In 2019, Alibaba Health focused on the integrated development of the healthcare industry chain, including promoting information upgrade of hospitals, developing intelligent medicine solutions for practical medical scenarios, and improving medical experience for consumer-end users, to form a complete medical service loop, enabling participants in all sectors of the medical industry chain to obtain convenient access and high-quality experience through Alibaba Health's platform.

1. Technology is the First Productivity

The rapid development of technology creates more possibilities for industry upgrade, including for the medical industry. The innovation of technologies such as cloud computing, Internet of Things, and artificial intelligence has given Alibaba Health an opportunity to promote intelligent upgrade of medical industry. Whether through the "Medical Brain" based on data and cloud service, or the creative mode of "facial recognition medical service", or the comprehensive upgrade of "Future Hospitals", Alibaba Health has demonstrated its leading position in medical industry technology innovation, providing effective solutions for achieving breakthroughs to deal with the background problem of undersupply of traditional medical resources.

What's more, Alibaba Health expects to use technology to drive and accelerate China's medical inclusion process. Artificial intelligence technology can quickly learn the experience of doctors from first-class hospitals and provide medical solutions, to promote the sharing and gradual transfer of quality medical resources towards basic medical institutions. Big data technology can effectively integrate and improve the accuracy of medical services and help decision-making in primary medical institutions. Meanwhile, the mobile Internet has blurred urban boundaries and the current imbalance of medical resources between cities, and between cities and rural areas, can be solved by covering a wider range of mobile Internet and telemedicine systems.

In 2018, Alibaba Health ranked first in the "2018 China Medical Artificial Intelligence Enterprise List" jointly published by *Internet Weekly* and eNet due to its mature research and development capabilities and multi-application scenarios in the field of artificial intelligence.

Medical Brain Upgraded to Version 2.0

With the increasing demand for medical services, the demerits of imbalanced allocation of medical resources in China has become prominent. Whether it is the insufficient supply of core medical services due to the slow growth in the number of professional physicians, or the resistance caused by the concentration of high-quality resources in the first-class hospitals, the objective result is poor treatment experience. In order to improve and alleviate imbalanced distribution of medical resources, Alibaba Health and Alibaba Cloud jointly created the medical artificial intelligence system "Medical Brain" and upgraded it to version 2.0 in September 2018. Version 2.0 has been strengthened in relation to textual structure, physiological signal and other fundamental capacity building, and concentrates on five major applications in clinical medicine, scientific research, training education, hospital management and future urban medical brain.

"The machine should be an assistant, not a competitor." In this era, the existence of "Medical Brain 2.0" has greatly enhanced medical service capacity, changed the medical supply structure, and extended the resources and service capabilities of the first-class hospitals to underdeveloped areas. Whether it is intelligent lung AI that helps screen lung diseases, or EEG epilepsy diagnosis products that can significantly improve the efficiency of doctors' EEG readings, we have fully demonstrated the capabilities and possibilities of machine assistants. In the future users in more regions will be able to enjoy smarter life-cycle health services at a lower cost.

The Era of "Facial Recognition Medical Service"

On October 15, 2018, the first "full process facial recognition medical service" jointly developed by Health and Family Planning Bureau of Hangzhou Yuhang District, Alibaba Health and Alipay, was officially launched at First People's Hospital of Yuhang District. Patients can complete a series of medical treatment procedures such as setting up a file, registration, payment, and printing receipts on the self-service machine using facial recognition, while doctors can read patient information and receive patients for consultation in the same way. The whole process of facial recognition medical service from linking facial information, selecting payment items, choosing facial recognition payment to printing receipts can be finished under 20 seconds. The world's first eye print and living technology will ensure an accuracy and safety of 99.99 percent.

"People who come to our hospital to see a doctor will no longer need to search for their ID card or bank card in their bags and the parents who are carrying their child can also complete the process with one hand. It will greatly ease patient anxiety and traffic in the hospital."

— Li Xiao Jun, the Deputy Dean of First People's Hospital of Yuhang District

Beyond the facial recognition system, Alibaba Health is still actively exploring the operation mode of the "Future Hospital", transforming the traditional medical process through access to Alipay's medical service on credit, DingTalk's hospital management system, Alibaba Cloud's blockchain electronic prescription and other solutions. We hope to use Internet technology to change the working mode of hospitals and doctors, and truly realize the comprehensive improvement of doctors' working efficiency, hospital management efficiency and medical service experience, to create an efficient and intelligent health ecosystem.

Leveraging Alibaba Health's technical capabilities in cloud computing, artificial intelligence and Internet of Things, the "Future Hospital" can realize intelligence upgrade on the basis of data security, and help hospitals build information systems, improve data acquisition capabilities, and gradually enrich medical service information databases, so as to enhance hospital service capabilities, allowing hospitals to reach out to patients efficiently and accurately.

2. Facilitating Industrial Transformation

Technological innovation is setting off a wave in the medical industry. Faced with the development trends of smart technology and informatization, the entire medical industry is beginning to change. From hospitals to pharmacies to specific brands, Alibaba Health is helping these partners stand out from the crowd.

Initiator of Industry Alliance

As an important part of the medical industry chain, offline pharmacy stores are the direct way to reach consumers. In line with the empowerment of offline pharmacies to help them better meet consumer demands and promote industry standardized development, Alibaba Health launched the "China Pharmaceutical O2O Pioneer Alliance". Starting with three aspects including concept upgrade, product upgrade and service upgrade, the Alliance Pharmacy is built as a social convenient shopping portal and community health service portal.

China Pharmaceuticals O2O Pioneer Alliance

Alibaba Health's "China Pharmaceuticals O2O Pioneer Alliance" covers more than 260 chain pharmacies, with 40,000 offline pharmacy stores in over 400 cities. Taking advantage of Alibaba Group's technology and capacity, the O2O Alliance has established a platform to integrate online and offline services, helping alliance pharmacies achieve efficient distribution and delivery of high-quality drugs, ensuring inventory and supply of commonly used drugs, strengthening service quality and capacity of pharmacy stores, to create value for pharmacy stores while bringing consumers improved medicine purchasing experience.

The O2O Alliance has accelerated the deep integration of online and offline services in medical industry. While strengthening traditional pharmacy service capacity, the pharmacy function will be expanded to the "online diagnosis + pharmacy" mode, enriching service scenarios and even covering healthcare sectors including chronic disease management, rehabilitation guidance and disease prevention.

Catalyst for Brand Growth

On September 12, 2018, Alibaba Health officially launched the Global Health Brand Hub, which marked how helping medical and healthcare brands' growth has become an integral part of Alibaba Health's business.

With the Brand Hub, Alibaba Health will start with early stage consumer insights, to identify core consumer groups and potential groups, and then introduce algorithmic mechanisms to rationally optimize supply chain operation efficiency and conduct inventory forecasting, and to avoid brand damage or consumer loss caused by inventory redundancy or shortage. The Hub will help brands to develop differentiated operational strategies, to support precise media placement and channel stratification decisions, and ultimately help brands achieve considerable sales growth while making great progress in supply chain management, operation structure and product value.

Case: The localization of Elevit

Elevit is familiar to women who are preparing for pregnancy. It can supply vitamins, minerals and trace elements that pregnant and breast-feeding women additionally require. However, the Elevit launched in Australia for men is still alien to domestic consumers. In this regard, Alibaba Health actively communicated with Elevit to develop a scientific solution helping Elevit to strengthen consumer education and enhance brand recognition through brand image breakthrough, to ultimately complete localization smoothly.

Case: Alibaba Health contributes to AiLi's brand evolution

As an old partner of Alibaba Health, AiLi had always performed well in weight loss products until last year, when its sales growth began to slow down. After learning about the situation, the Brand Hub began to help AiLi find the key problem. Using consumer insight analysis, Alibaba Health found that AiLi 's current operating strategy could not effectively match the purchasing demands and habits of different consumers. Therefore, Alibaba Health helped AiLi identify the differentiated needs of consumers, conduct channel stratification, promote the retention and transformation of consumers at different stages, and activate older consumers while stimulating the growth of new customers, to ultimately help AiLi achieve refined operational structure optimization and achieve turnover growth.

IV. RESPONSIBLE OPERATIONS ACHIEVING MULTI-WIN

1. Compliant operations

Alibaba Health integrates social responsibility into its business operations, upholds the value of honesty, adopts open and positive "sunshine" management, strictly eliminates any form of corruption, bribery and fraud, manages suppliers with high-level standards, and protects intellectual property rights of Alibaba Health and external parties. We are committed to adhering to the bottom line of compliance management.

Business Integrity

Having inherited the core values of Alibaba Group, Alibaba Health has incorporated the concept of integrity and compliance in its corporate values. Alibaba Health has adopted the Alibaba Group Code of Business Conduct and requests all new employees to accept on-site business conduct training. We conduct annual business conduct certification for all employees, and are committed to be a self-disciplined company with integrity.

Alibaba Health established anti-fraud reporting channels and a real-name reporting system. An Alibaba Health integrity team was also established to investigate and deal with possible fraud incidents, and to report to executives and external regulators in a timely manner.

Aiming to prevent any form of fraud, Alibaba Health conducts an annual training on anti-corruption topics for employees, works to enhance the legal awareness of employees, and urges employees to adhere to the high standards of integrity-based business operations. During the reporting period, Alibaba Health conducted 1,029 person-times of integrity training with an average of five hours of training per person. During the reporting period, there was no lawsuit against the Company arising out of fraud.

Supplier Management

Alibaba Health's procurement for its core business mainly includes drugs, healthcare products and medical devices for its self-operated pharmacy business, and office consumables, advertisements, legal services, marketing and renovation for its non-core business. Alibaba Health attaches great importance to supplier management, follows Alibaba's procurement rules, implements open and transparent procurement, regulates procurement behavior, prevents and controls procurement risks, and strives to create a responsible supply chain.

Number of Suppliers

Domestic suppliers of core business	462
Overseas suppliers of core business	51
Suppliers of non-core business	130

Alibaba Health has established a strict procurement management system to regulate procurement. For self-operated business, the Company has clear requirements to manage and control the quality of drugs at every stage, such as receipt, acceptance check, storage, maintenance, delivery from warehouse, transportation and return, in strict compliance with GSP. We established the *Alibaba Health Supplier Management System*, standardized the procedures of supplier database entry and supplier information inputting, and established the supplier rating system, and supplier evaluation and elimination mechanism. Additionally, we established the *Alibaba Health Procedure for Non-Core Business Procurement*, defining the scope of non-core business, initiation, approval and payment processes. We manage the suppliers of our non-core business and ensure legal compliance with procurement activities.

Protecting Intellectual Property Rights

Alibaba Health attaches great importance to the management and protection of intellectual property rights, and strictly abides by *the Patent Law of the PRC*, *the Trademark Law of the PRC* and *the Copyright Law of the PRC* and other laws and regulations to protect the Company's legal rights and interests and contribute to the order of the Internet-based pharmaceutical and healthcare market. We adopted Alibaba Group's Code of Business Conduct, requesting each employee of Alibaba Health to comply with the provisions and conditions specified in the agreements relevant to proprietary information and inventions signed by Alibaba Group. Third party names, brands, logos, data or software must be used carefully under applicable laws and authorization from intellectual property holders.

2. Employee Care

Alibaba Health has always adhered to a people-oriented philosophy, safeguarding the rights and interests of every employee, attaching importance to the personal development of employees, providing stable development and promotion channels, caring about the physical and mental health of employees, creating a safe and harmonious working environment, and promoting work-life balance to achieve sustainable development.

Employee Rights

In strict compliance with *the Labor Law of the People's Republic of China*, *the Labor Contract Law of the People's Republic of China* and other laws and regulations, Alibaba Health prohibits the employment of child workers and forced labor, and upholds the principles of openness, equality and anti-discrimination in its recruitment, to safeguard the rights and interests of employees. We strictly abide by *the Social Insurance Law of the PRC* and *the Regulations on the Administration of Housing Provident Funds*, and have formulated a salary management system and various employee incentive policies. We pay "five insurances and one fund" for employees with labor contracts, and provide allowances, performance distributions and rewards, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at the end of the reporting period, the number of full-time employees was 808, of which 42.8% was female.

Employee Structure (persons)

Number of employees by management hierarchy	Senior management	32
	Middle management	56
	Employees	720
Number of employees by age	29 years of age or under	270
	30 to 50 years of age	535
	51 years of age or above	3
Number of employees by gender	Male	462
	Female	346

Employee Training

We always attach importance to the continual development of employees and the improvement of personal value. Based on Alibaba Group's training platform, we integrate internal and external resources, and have established a multi-level training system, covering employees from different systems and different levels, to promote career development of employees.

We actively help employees achieve personal value and focus on the improvement of their professional and technical skills. For employees from different business lines such as technology, business, and operation, we provide customized training courses for them to fully understand the medical and healthcare industry and the Internet industry. We also make full use of Alibaba Group's comprehensive training system to encourage employees to use the Group's online learning platform. We regularly invite Alibaba Group's business elites to give lectures about the company's business, research and development, operations and policies and invite external experts to conduct professional training in public relations, legal affairs, finance and other fields to enhance employees' professional skills.

We also create training programs catered for employees at different levels. We provide a three-day "AliHealth Welcomes New Arrivals" orientation training to all new hires. In the training, we promote our corporate values and culture and comprehensively introduce the Company's business to help them quickly adapt to their new work environment. For mid-level employees, we have created customized product-oriented or technology-oriented training and conduct leadership and management ability training. Through the manager training program, monthly management meetings and other activities, the Company's senior management discuss the Company's future development and share their management experiences.

New hire training

In order to help employees understand industry dynamics and future trends, we regularly invite internal and external experts to share industry development trends with employees. At the same time, we provide opportunities for employees to participate in external meetings and trainings to help them learn from diverse channels and keep informed of the latest industry trends.

During the reporting period, more than 800 Alibaba Health employees participated in trainings, with an average of 76 hours of training per person.

Alibaba Health's Training Data by Employee's Level

	Percentage of training	Average training hours
Senior Management	100%	72
Middle Management	100%	144
Employees	100%	70

Employee Care

We strictly abide by *the Occupational Disease Prevention and Control Law of the PRC* and *the Safety Production Law of the PRC* and other laws and regulations, work to improve safety management, and are committed to creating a healthy and safe working environment for our employees. We arrange free medical check-ups for employees every year, provide additional medical insurance, and provide paid maternity leave for female employees and lactating rooms for nursing female employees. During the reporting period, we did not experience any work-related injury and fatal accidents, and the lost time due to work-related injuries was zero.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Alibaba Health continues Alibaba Group's concept of "working happily and living seriously", promotes work-life balance, and organizes various leisure activities for employees. On May 10 of every year — Ali Day, employees can participate in Alibaba Group's wedding activities. In December 2018, Alibaba Health held a ceremony around the theme of "three years of love and determination", and gathered employees who had been employed for three years to give rewards. In addition, we also organize group celebrations and give out gifts on holidays such as Women's Day, Dragon Boat Festival, Mid-Autumn Festival, Christmas, etc.

Christmas employee celebration

Employee collective birthday party

3. Information Security

Data Security

Alibaba Health attaches great importance to network security and information protection, through construction of a systematic approach to prevent and control data security risks. We safeguard data security at multiple levels including organizational structure, systems and processes, technical means and personnel capabilities. In FY 2019, we undertook Alibaba Group's security and risk management requirements and established a data security team responsible for the developing, testing, verification, operation and maintenance of the company's data security management process. Alibaba Health has achieved ISO27000 information security management system certification and ISO9000 quality management system certification.

We have a strict code of conduct for our employees and a hierarchy of qualifications for accessing and controlling information data, and conduct daily monitoring on data management staff. Our data security system comes with a full-process coverage of data collection, data process, data transmission and data usage to protect our products. We regularly conduct safety assessment and safety training for all employees, strengthen safety awareness of each employee, and ensure that the company's data security policies and systems are effectively implemented.

Privacy Protection

Alibaba Health attaches great importance to users' privacy and sensitive data, strictly complies with laws and regulations such as the *Regulations on Technical Measures for Internet Security Protection of the PRC* and the *Regulations on Protection of Personal Information of Telecommunication and Internet Users of the PRC*. Our customer privacy protection work follows the *Data Security Specifications* and supporting systems. The *Data Security Specifications* provide detailed and practical rules for data security from the perspectives of organization, process, and tools. For specific client information management, we use classification and hierarchical management methods. Alibaba Health has established systemic rights management for those who access private data. There are also database logs for operations for this type of data. In addition, from the customer's perspective, each time we disclose customer information to a third party, we must go through a prior written disclosure review, and the disclosure target is limited to the third party that the customer has been informed of. The disclosure contents strictly follow the principle of "only disclosing the minimum needed".

4. Giving Back to Society

Based on Alibaba Group's philosophy of public service, Alibaba Health actively leverages on its Internet technology and platform strengths to continually explore new modes of Internet philanthropy that everyone can participate in, striving to unite forces in the pharmaceutical and healthcare sectors to promote the sustainable development of charitable activities.

Since the Philanthropy Committee of Alibaba Health was inaugurated in 2017, we have launched many flagship philanthropic projects such as the "Global Pharmaceutical Search Alliance" and "Expired Drug Collection Alliance". Our philanthropy has entered a systematic stage while more and more employees have participated in volunteering activities and brought changes to society. In fiscal year 2019, Alibaba Health's employees participated in various charitable activities, totaling to 621 person-times and 2,342.1 hours.

"Bring Health to Liangshan" Internet + Healthcare Poverty Alleviation Public Welfare Project

In the Liangshan Yi Autonomous Prefecture of Sichuan Province, the insufficient fundamental medical service network and the lack of medical talent has lowered local health levels and impeded poverty alleviation. In order to mitigate the AIDS epidemic, the China Center for Disease Control & Prevention teamed up with Alibaba Health and signed the "Bring health to Liangshan" Internet + Healthcare Poverty Alleviation Cooperation Agreement to improve AIDS prevention and control capacity as well as poverty alleviation in Liangshan Prefecture

Since the implementation of the project, Alibaba Health has helped the local government to set up a publicity and education platform for AIDS prevention and a training platform for medical specialists, providing guidebooks and animation videos which simply and plainly illustrate questions on disease and health for doctors and nurses to learn about AIDS related knowledge anytime and anywhere and improving doctors' clinical competence. Meanwhile, the project uses an Internet-based communication and management tool to improve the medical efficiency through communication and collaboration.

National Household Expired Drug Collection Alliance

In order to reduce the environmental and social impact of expired drugs, Alibaba Health collaborated with partners to establish the "National Household Expired Drug Collection Alliance", to carry out drugs collection nationwide through "Internet + Tracking" technology on a regular basis.

In August 2018 and March 2019, the Alliance launched the second phase and third phase of online expired drugs collection activities separately, covering 28 cities including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Jinan. Residents can use the Alipay or Taobao mobile applications to scan the drug box to call the delivery service for door-to-door pickup. Collected expired drugs are transported and safely destroyed by qualified factories, to relieve the environmental burden and increase residents' awareness of pollution prevention and safe drug use.

Making Pharmaceutical Searches Easier

The information asymmetry in drug distribution has caused difficulties in drug acquisition, especially for rare disease patients seeking scarce pharmaceutical products. Faced with such problem, Alibaba Health aims to achieve the goal of "making pharmaceutical searches easy". We jointly established the "Global Pharmaceutical Search Alliance" in partnership with non-profit organizations, medical institutions, pharmaceutical manufacturers, Internet applications and media, launching "the captain of pharmaceutical search" — a public platform providing real-time information on drug searches for patients and their relatives.

Consumers can search the generic names or trade names of drugs on the pharmaceutical search page on the Taobao, Alipay, Alibaba Health mobile applications, and more than 90% of these requests receive a feedback within 48 hours. In July 2018, the "Global Pharmaceutical Search Alliance" was also launched on the China Clinic Research registration and inquiry platform, which provides a new way to search pharmacies.

5. Protecting Environment

Alibaba Health attaches great importance to environmental protection and resource conservation. Although the Internet industry is a non-production and non-key polluting industry, we still insist on integrating environmental protection concepts into every detail of daily management, encouraging employees to actively implement low-carbon operations, and carry out green actions to minimize environmental impact.

We strictly follow the *Energy Conservation Law of the People's Republic of China*, continually conducting various energy saving actions:

- Recruit internal security personnel to conduct area inspections throughout the day, turn off unnecessary equipment on a timely basis, adjust indoor air conditioning temperature, and reduce energy waste.
- Encourage low carbon travel and provide shuttle buses for staff.

- Promote the use of video conferencing to effectively reduce unnecessary business trips.
- Implement strict office supplies quotas and require employees to only obtain supplies as needed.
- Set up waste paper bins in the office area to recover single-side printed papers for secondary re-use. The administrative department regularly binds the recycled single-side printed paper into manual notebooks for employees to use.
- Conduct battery recycling activities, and encourage employees to bring their own discarded batteries to the Company for recycling.

During the reporting period, the Group used such energy sources as electricity, gas, and outsourced thermal power. The Group relies on municipal water supply which does not involve external water sources.

Table: Alibaba Health's Energy and Resource Consumption in FY2019[1]

Indicator (Unit)	Consumption		Density (consumption per employee)	
	FY2018	FY2019	FY2018	FY2019
Electricity consumption (kWh)	350,469	378,791	724.11	468.80
Water consumption (tons)	5,341.7	4,600	11.04	5.69
Greenhouse gas emissions[2] (tons of CO_2 equivalent)	353.7	355.7	0.73	0.44
Office paper (tons)	0.949	1.209	0.00196	0.00150

Notes:

1. The scope of electricity, water and office paper consumption includes only Alibaba Health Information Technology (China) Limited, CITIC 21CN Company Limited and Alibaba Health Pharmaceutical Chain Co., Ltd.

2. The greenhouse gas emissions include only the indirect emissions from electricity and water consumption. The FY2019 carbon emission factor is taken from the "Baseline Emission Factors for Regional Power Grids in China" for the 2017 Emission Reduction Project determined by the Department of Climate Change of the Ministry of Ecology and Environment.

Due to the nature of its business, the Group does not produce products, so it does not consume packaging materials used in products.

The Group strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*, conduct scientific classification and compliant disposal of solid waste in terms of relevant regulations and standards. The main wastes generated are transportation packaging materials, recycled expired drugs, waste toner cartridges, waste lighting tubes, waste batteries, waste paper, and other office consumables and domestic waste. In fiscal year 2019, we disposed of 4,827 tons of discarded drugs.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Alibaba Health Information Technology Limited (the "Company") and its subsidiaries (the "Group") set out on pages 117 to 239, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of investments in associates	
As at March 31, 2019, the Group held investments in associates of RMB1,964,854,000, which is significant to the consolidated financial statements. The Group identified indicators of impairment for investments in associates and accordingly performed impairment tests for these investments by comparing their carrying amounts as at March 31, 2019 with the recoverable amounts. The impairment assessment which was based on the discounted cash flows method was complex and required management to use significant judgment and make estimations in respect of future market and economic conditions such as economic growth, expected inflation rates, revenue and margin development. Relevant disclosures are included in note 3 to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Evaluating the Group's policies and procedures of identifying triggering events for potential impairment of the investments in associates; — Making enquiries with management in respect of growth rate and other key assumptions; — With the assistance of internal valuation specialists, examining the Group's value-in-use methodologies and evaluating the assumptions used in the forecast cash flows, including the discount rate and the long term growth rate; and — Testing the mathematical accuracy of management's model.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories	
As at March 31, 2019, the carrying amount of the Group's inventories before provision was RMB597,657,000. The inventories were stated at the lower of cost and net realisable value. The determination of net realisable value, and obsolete and slow-moving inventory items involved management's judgement and estimation. Specific factors management considered included the ageing and expiry dates of the inventories, condition of the goods, historical and recent sale patterns, available selling prices and budgeted fulfilment costs, and any other available information concerning the provision of the inventories. The Group recorded an impairment of inventories of RMB1,864,000 for the year ended March 31, 2019. Relevant disclosures are included in note 3 to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Evaluating the Group's policies and procedures of identifying events for potential impairment of inventories; — Obtaining an understanding of management's assessment on available selling price and budgeted fulfilment costs based on historical and recent sales patterns; and — Evaluating the ageing report and expiry dates of the inventories, and comparing the available selling prices on a sample basis to determine the net realisable value.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Measurement of share-based compensation expenses	
The Company has granted share-based awards to certain employees of the Group during the current year. The share-based compensation expenses were measured with reference to the fair values of the share options at the grant dates. The fair values were determined by management with the assistance of an external valuer. The determination of fair values and the forfeiture rate of share options required significant management judgement and estimation and was based on assumptions. Relevant disclosures are included in notes 3 and 28 to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Obtaining an understanding of the agreement of the share-based awards granted during the year; — For each batch of grants made during the year, checking the approval and evaluating the terms against the scheme plans; — Evaluating the objectivity, independence and expertise of the external valuer; — Obtaining an understanding of the valuation reports of the valuer engaged by management regarding the fair value estimation of the awards; — Enquiring with management about the assumptions used in the model, including the dividend yield and forfeiture rate; — With the assistance of our internal valuation specialists, evaluating the valuation model and assumptions used in the valuation model, including exercise multiples and volatility; — Testing the mathematical accuracy of the valuation model and forfeiture rate.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

May 16, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**5,095,867**	2,442,618
Cost of revenue		**(3,764,604)**	(1,789,794)
Gross profit		**1,331,263**	652,824
Operating expenses:			
Fulfilment	6	**(572,123)**	(338,763)
Sales and marketing expenses		**(454,838)**	(201,094)
Administrative expenses		**(181,016)**	(121,251)
Product development expenses		**(219,018)**	(126,220)
Other income and gains	5	**67,014**	52,393
Other expenses		**(2,502)**	(11,855)
Finance costs		**(27,966)**	(10,126)
Share of profits or losses of:			
Joint ventures	14	**(737)**	7,949
Associates	15	**(907)**	998
LOSS BEFORE TAX	7	**(60,830)**	(95,145)
Income tax expense	10	**(30,934)**	(13,889)
LOSS FOR THE YEAR		**(91,764)**	(109,034)
Attributable to:			
Owners of the parent		**(81,949)**	(106,974)
Non-controlling interests		**(9,815)**	(2,060)
		(91,764)	(109,034)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	11	**RMB(0.74) cents**	RMB(1.16) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Year ended March 31, 2019

	2019	2018
	RMB'000	*RMB'000*
LOSS FOR THE YEAR	**(91,764)**	(109,034)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**62,213**	(69,750)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**62,213**	(69,750)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(29,551)**	(178,784)
Attributable to:		
Owners of the parent	**(19,736)**	(176,724)
Non-controlling interests	**(9,815)**	(2,060)
	(29,551)	(178,784)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2019

	Notes	**March 31, 2019** ***RMB'000***	March 31, 2018 *RMB'000*
NON-CURRENT ASSETS			
Property and equipment	*12*	**8,886**	6,274
Goodwill	*13*	**27,006**	19,123
Investments in joint ventures	*14*	**10,985**	62,593
Investments in associates	*15*	**1,964,854**	950,973
Long-term receivables	*18*	**39,372**	55,921
Equity investment designated at fair value through other comprehensive income ("FVOCI")	*21*	**119,801**	–
Financial assets at fair value through profit or loss ("FVPL")	*20*	**507,587**	–
Total non-current assets		**2,678,491**	1,094,884
CURRENT ASSETS			
Inventories	*16*	**595,793**	442,231
Trade and bills receivables	*17*	**365,446**	91,373
Prepayments, other receivables and other assets	*18*	**323,352**	78,924
Financial assets at FVPL	*20*	**1,736,713**	4,100
Restricted cash	*19*	**1,719**	2,268
Cash and cash equivalents	*19*	**280,371**	1,397,197
Total current assets		**3,303,394**	2,016,093
CURRENT LIABILITIES			
Interest-bearing borrowings	*25*	**1,700,000**	–
Trade and bills payables	*22*	**902,651**	323,310
Other payables and accruals	*23*	**463,642**	137,629
Deferred revenue	*24*	**–**	716
Contract liabilities	*2*	**151,991**	–
Receipt in advance	*2*	**–**	111,160
Tax payable		**15,098**	7,423
Total current liabilities		**3,233,382**	580,238
NET CURRENT ASSETS		**70,012**	1,435,855
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,748,503**	2,530,739

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2019

	Notes	March 31, 2019 RMB'000	March 31, 2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	**11,677**	7,682
Total non-current liabilities		**11,677**	7,682
Net assets		**2,736,826**	2,523,057
EQUITY			
Equity attributable to owners of the parent			
Share capital	27	**102,898**	86,617
Treasury shares	27	**(25,052)**	(5,474)
Reserves	29	**2,716,673**	2,499,105
		2,794,519	2,580,248
Non-controlling interests		**(57,693)**	(57,191)
Total equity		**2,736,826**	2,523,057

WU Yongming
Director

SHEN Difan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2019

		Attributable to owners of the parent												
	Notes	Share capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2018		86,617	7,255,519*	(5,474)	(3,828,605)*	28,557*	77,335*	13,660*	142,480*	13,468*	(1,203,309)*	2,580,248	(57,191)	2,523,057
Loss for the year		–	–	–	–	–	–	–	–	–	(81,949)	(81,949)	(9,815)	(91,764)
Other comprehensive loss for the year:														
Translation from functional currency to presentation currency		–	–	–	–	–	–	62,213	–	–	–	62,213	–	62,213
		–	–	–	–	–	–	62,213	–	–	(81,949)	(19,736)	(9,815)	(29,551)
Issue of new shares for restricted share units	*27*	245	–	(245)	–	–	–	–	–	–	–	–	–	–
Issue of new shares for acquisition under common control	*27*	15,932	12,554,598	–	(12,569,162)	–	–	–	–	–	–	1,368	–	1,368
Purchase of shares by Share Award Scheme Trust	*27*	–	–	(37,846)	–	–	–	–	–	–	–	(37,846)	–	(37,846)
Share-based compensation expenses	*28*	–	–	–	–	–	–	–	213,493	–	–	213,493	–	213,493
Vested awarded shares transferred to employees	*27*	–	73,474	18,513	–	–	–	–	(91,987)	–	–	–	–	–
Exercise of share option	*27*	104	83,252	–	–	–	–	–	(30,377)	–	–	52,979	–	52,979
Transfer of share-based compensation reserve of options lapsed after vesting date		–	–	–	–	–	–	–	(1,654)	–	1,654	–	–	–
Acquisition and incorporation of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	9,380	9,380
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	67	–	–	–	–	–	67	(67)	–
Transfer from general reserve		–	–	–	–	–	–	–	–	(3,009)	3,009	–	–	–
Share of capital reserve of associates		–	–	–	–	3,946	–	–	–	–	–	3,946	–	3,946
At March 31, 2019		102,898	19,966,843*	(25,052)	(16,397,767)*	32,570*	77,335*	75,873*	231,955*	10,459*	(1,280,595)*	2,794,519	(57,693)	2,736,826

* These reserve accounts comprise the consolidated reserves of RMB2,716,673,000 (March 31, 2018: RMB2,499,105,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2019

		Attributable to owners of the parent												
	Notes	Share capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2017		72,481	1,907,220	(91)	–	25,037	77,335	83,410	104,282	13,468	(1,105,306)	1,177,836	(58,174)	1,119,662
Loss for the year		–	–	–	–	–	–	–	–	–	(106,974)	(106,974)	(2,060)	(109,034)
Other comprehensive loss for the year:														
Translation from functional currency to presentation currency		–	–	–	–	–	–	(69,750)	–	–	–	(69,750)	–	(69,750)
Total comprehensive loss for the year		–	–	–	–	–	–	(69,750)	–	–	(106,974)	(176,724)	(2,060)	(178,784)
Issue of new shares	27	3,672	1,465,002	–	–	–	–	–	–	–	–	1,468,674	–	1,468,674
Issue of new shares for restricted share units	27	164	–	(164)	–	–	–	–	–	–	–	–	–	–
Issue of new shares for acquisition under common control	27	10,300	3,821,342	–	(3,828,605)	–	–	–	–	–	–	3,037	–	3,037
Purchase of shares by Share Award Scheme Trust	27	–	–	(13,129)	–	–	–	–	–	–	–	(13,129)	–	(13,129)
Share-based compensation expenses	28	–	–	–	–	–	–	–	117,034	–	–	117,034	–	117,034
Vested awarded shares transferred to employees	27	–	61,955	7,910	–	–	–	–	(69,865)	–	–	–	–	–
Transfer of share-based compensation reserve of options lapsed after vesting date		–	–	–	–	–	–	–	(8,971)	–	8,971	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	3,000	3,000
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	(43)	–	–	–	–	–	(43)	43	–
Share of capital reserve of an associate		–	–	–	–	3,563	–	–	–	–	–	3,563	–	3,563
At March 31, 2018		86,617	7,255,519*	(5,474)	(3,828,605)*	28,557*	77,335*	13,660*	142,480*	13,468*	(1,203,309)*	2,580,248	(57,191)	2,523,057

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(60,830)**	(95,145)
Adjustments for:			
Share of loss/(profits) of joint ventures		**737**	(7,949)
Share of loss/(profits) of associates		**907**	(998)
Bank interest income	*5*	**(23,573)**	(13,206)
Other interest income	*5*	**(1,483)**	(1,617)
Gain on disposal of items of property and equipment	*5*	**(15)**	(4)
Gain on disposal of a joint venture	*5*	**(12,417)**	—
Finance costs		**27,966**	10,126
Fair value (gains)/loss on financial instruments at FVPL	*5/7*	**(26,248)**	6,200
Depreciation	*7*	**3,989**	4,508
Impairment of trade receivables	*7*	**1,226**	1,167
Reversal of impairment of other receivables	*7*	**(807)**	—
(Reversal of impairment)/Impairment and write-off of inventories	*7*	**(11,526)**	16,832
Foreign exchange differences, net		**64**	(31,760)
Share-based compensation expenses	*7*	**213,493**	117,034
		111,483	5,188
Increase in trade and bills receivables		**(275,299)**	(54,039)
Increase in prepayments, other receivables and other assets		**(181,368)**	(36,521)
Increase in inventories		**(141,473)**	(307,558)
Increase in trade and bills payables		**579,324**	197,448
Increase in other payables and accruals		**230,879**	54,024
Increase in contract liabilities		**40,115**	—
increase in receipt in advance		**—**	73,728
Decrease/(increase) in restricted cash		**549**	(1,354)
Decrease in long-term receivables		**15,939**	—
Exchange differences		**(660)**	(9,513)
Cash generated from/(used in) operations		**379,489**	(78,597)
Interest received		**32,486**	8,836
Dividend received from investment in an associate		**—**	4,839
PRC taxes paid		**(15,406)**	(5,350)
HK Taxes paid		**(199)**	—
Net cash flows generated from/(used in) operating activities		**396,370**	(70,272)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows generated from/(used in) operating activities		**396,370**	(70,272)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	12	**(6,102)**	(5,731)
Purchase of financial assets at FVPL		**(2,155,747)**	—
Purchase of equity investment at FVOCI		**(119,801)**	—
Proceeds from disposal of items of property and equipment		**48**	13
Decrease in pledged time deposits		**—**	222,848
PRC tax paid		**(3,659)**	—
Business acquisitions	30	**(2,876)**	—
Capital injection in associates		**(982,852)**	(527,166)
Capital injection in a joint venture		**(13,500)**	(12,000)
(Increase)/decrease of time deposits with original maturity of over three months		**888,778**	(888,778)
Net cash flows used in investing activities		**(2,395,711)**	(1,210,814)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares		**—**	1,468,674
Repurchase of shares		**(37,846)**	(13,129)
Bank loans and other borrowings		**2,304,162**	595,931
Repayment of bank loans and other borrowings		**(604,162)**	(795,931)
Proceeds from exercise of options		**52,979**	—
Interest paid		**(10,624)**	(10,428)
Capital contribution from a non-controlling shareholder of a subsidiary		**3,980**	3,000
Net cash flows generated from financing activities		**1,708,489**	1,248,117
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(290,852)**	(32,969)
Effect of foreign exchange rate changes		**62,804**	(28,472)
Cash and cash equivalents at beginning of year		**508,419**	569,860
CASH AND CASH EQUIVALENTS AT END OF YEAR		**280,371**	508,419

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*19*	**162,626**	246,838
Non-pledged time deposits with original maturity of three months or less when acquired and cash equivalents placed at payment platform	*19*	**117,745**	261,581
Non-pledged time deposits with original maturity of over three months		**–**	888,778
Cash and cash equivalents as stated in the consolidated statement of financial position	*19*	**280,371**	1,397,197
Non-pledged time deposits with original maturity of over three months when acquired		**–**	(888,778)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**280,371**	508,419

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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, Building B, Greenland Center, Beijing, the People's Republic of China ("PRC").

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are primarily engaged in the pharmaceutical and healthcare product and service sales business, consumer healthcare business, Internet healthcare business and intelligent medicine business.

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Alibaba Health (Hong Kong) Technology Company Limited ("Alibaba Health (Hong Kong)")	Hong Kong	HK$1,000,000	–	100	Investment holding and pharmaceutical e-commerce
阿里健康信息技術(北京)有限公司 (CITIC 21CN (China) Technology Company Limited[a])[bc]	PRC/Mainland China	RMB300,000,000	–	100	Provision of e-commerce platform service
中信國檢信息技術有限公司 (CITIC Credit Information Technology Co., Ltd.[a]) ("CCIT")[bed]	PRC/Mainland China	RMB60,000,000	–	50	Provision of product tracking platform services
阿里健康科技(中國)有限公司 (Alibaba Health Technology (China) Limited[a])[bc] ("Alibaba Health (China)")	PRC/Mainland China	RMB295,000,000	–	100	Telemedicine service, comprehensive member service to users, product tracking platform service and pharmaceutical e-commerce

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
阿里健康大藥房醫藥連鎖有限公司 (Alibaba Health Pharmaceutical Chain Co., Ltd.[a])[bd]	PRC/Mainland China	RMB120,000,000	–	100	Pharmacy business
杭州禮和醫藥有限公司 (Hangzhou Lihe Pharmaceutical Co., Ltd.[a]) ("Lihe")[bd]	PRC/Mainland China	RMB20,000,000	–	100	Pharmaceutical product trading and healthcare business
弘雲久康數據技術(北京)有限公司 (Hongyun Jiukang Data Technology (Beijing) Co., Ltd.[a]) ("Hongyun Jiukang")[bdf]	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
阿里健康科技(杭州)有限公司 (Alibaba Health Technology (Hangzhou) Co., Ltd.[a])[bc] (Formerly known as Hangzhou Hengping Information Technology Co., Ltd.[a])	PRC/Mainland China	RMB200,000,000	–	100	Provision of e-commerce platform services
鹿康大藥房(杭州)有限公司 (Lukang Pharmacy (Hangzhou) Co., Ltd.[a])[bc] (Formerly known as Hangzhou Hengping Health Technology Co., Ltd.[a])	PRC/Mainland China	RMB1,000,000	–	100	Provision of e-commerce platform services
阿里健康網絡醫院有限公司 (Alibaba Health Network Hospital Co., Ltd.[a])[b]	PRC/Mainland China	RMB50,000,000	–	100	Network hospital services

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

a For identification purposes only.

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

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

d Registered as limited liability companies under PRC law.

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

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

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

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (CONTINUED)

Merger accounting for Business combinations under common control

As disclosed in note 30(B) to the consolidated financial statements, a business combination under common control was effected during the current year, where the business acquired in the business combination and the Company are both ultimately controlled by Alibaba Holding. The business combination were accounted for using the principles of merger accounting.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended March 31, 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Company has set up two trusts (the "Trusts") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme adopted on November 24, 2014 (the "Share Award Scheme", note 28). The Group has the power to govern the financial and operating policies of the Trusts and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trusts are included in the consolidated statement of financial position and the shares held by the Trusts are presented as a deduction in equity as shares held for the share award scheme.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements to HKFRSs 2014–2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after April 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at April 1, 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at April 1, 2018 is as follows:

	Notes	**Original measurement category under HKAS 39**	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39**	**New carrying amount under HKFRS 9**
Long-term receivables *(note 18)*		Loans and receivables	Financial assets at amortized cost	55,921	55,921
Financial assets at FVPL — current *(note 20)*		Loans and receivables	Financial assets at FVPL	4,100	4,100
Trade receivables *(note 17)*		Loans and receivables	Financial assets at amortized cost	52,986	52,986
Bills receivables *(note 17)*	*(i)*	Loans and receivables	Financial assets at FVOCI	38,387	38,387
Prepayments, other receivables and other assets *(note 18)*		Loans and receivables	Financial assets at amortized cost	52,481	52,481
Restricted cash *(note 19)*		Loans and receivables	Financial assets at amortized cost	2,268	2,268
Cash and cash equivalents *(note 19)*		Loans and receivables	Financial assets at amortized cost	1,397,197	1,397,197
Trade and bills payables *(note 22)*		Financial liabilities at amortized cost	Financial liabilities at amortized cost	323,310	323,310
Other payables and accruals *(note 23)*		Financial liabilities at amortized cost	Financial liabilities at amortized cost	97,540	97,540
Contract liabilities		Financial liabilities at amortized cost	Financial liabilities at amortized cost	111,876	111,876

Notes:

(i) The Group's bills receivables are managed with a business model under which bills receivables are held to collect contractual cash flows or endorsed to suppliers prior to their expiry date. Accordingly, these bills receivables are reclassified as financial assets at fair value through other comprehensive income upon adoption of HKFRS 9.

The carrying amounts of the Group's financial assets and liabilities under HKFRS 9 are equal to their respective original carrying amounts under HKAS 39 as at April 1, 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(b) (continued)

Impairment

The Group has remeasured the impairment allowances of financial assets as at April 1, 2018 using the expected credit losses ("ECL") under HKFRS 9, which approximate to the impairment allowances under HKAS 39. Accordingly, no transition adjustment to the financial assets and equity at April 1, 2018 was recognised.

The Group's joint ventures and associates remeasured the impairment allowances of their financial assets as at April 1, 2018 using ECL under HKFRS 9 and applied the simplified approach for the trade receivables. The effect of adoption of HKFRS 9 by the Group's joint ventures and associates was insignificant to the Group's consolidated financial statements and hence no transition adjustment to the financial assets and equity at April 1, 2018 was recognised.

(c) HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. 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 disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at April 1, 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at April 1, 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at April 1, 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase/ (decrease) RMB'000
Liabilities		
Deferred revenue	(ii)	(716)
Receipt in advance	(ii)	(111,160)
Contract liabilities	(ii)	111,876
Total liabilities		—

Set out below are the amounts by which each financial statement line item was affected as at March 31, 2019 and for the year ended March 31, 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on the consolidated statement of profit or loss, other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at March 31, 2019:

		Amounts prepared under		
	Notes	**HKFRS 15** *RMB'000*	**Previous HKFRS** *RMB'000*	**Increase/ (decrease)** *RMB'000*
Receipt in advance	(ii)	—	151,991	(151,991)
Contract liabilities	(ii)	151,991	—	151,991
Total liabilities		3,245,059	3,245,059	—
Net assets		2,736,826	2,736,826	—
Total equity		2,736,826	2,736,826	—

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(c) (continued)

The nature of the adjustments as at April 1, 2018 and the reasons for the significant changes in the statement of financial position as at March 31, 2019 are described below:

(i) Sale of healthcare products

Some contracts of sale of healthcare products provide customers with a right of return. Before adopting HKFRS 15, the Group recognised revenue from the sale of healthcare products measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. Under HKFRS 15, rights of return give rise to variable consideration which is determined using the expected value method or the most likely amount method. The impact on rights of return is not significant to the Group.

Rights of return

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate. Before the adoption of HKFRS 15, the amount of revenue related to the expected returns was deferred and recognised in other payables and accruals in the statement of financial position with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in inventories.

Upon adoption of HKFRS 15, the Group recognised a right-of-return asset which is included in prepayments, other receivables and other assets and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability which is included in other payables and accruals was recognised based on the amount that the Group expects to return to the customers using the expected value method.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the considerations received before the Group's fulfilment of the obligation to transfer goods and services were recognised as receipts in advance or deferred revenue. Under HKFRS 15, the Group reclassified such considerations to contract liabilities.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(d) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after January 1, 2020
3 Effective for annual periods beginning on or after January 1, 2021
4 No mandatory effective date yet determined but available for adoption

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

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

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

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

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

HKFRS 16 replaces HKAS *17 Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from April 1, 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at April 1, 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During financial year ended March 31, 2019, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of RMB61,080,000 and lease liabilities of RMB59,136,000 will be recognised at April 1, 2019.

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

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

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on April 1, 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on April 1, 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from April 1, 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

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

Business combinations and goodwill

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

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

Fair value measurement

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (continued)

(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.

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

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

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

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from April 1, 2018)

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from April 1, 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

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March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from April 1, 2018) (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from April 1, 2018) (continued)

Subsequent measurement (continued)

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKFRS 9 applicable from April 1, 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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

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

Investments and other financial assets (policies under HKAS 39 applicable before April 1, 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (policies under HKAS 39 applicable before April 1, 2018) (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before April 1, 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (policies under HKFRS 9 applicable from April 1, 2018 and policies under HKAS 39 applicable before April 1, 2018)

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

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

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

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

Impairment of financial assets (policies under HKFRS 9 applicable from April 1, 2018)

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

General approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKFRS 9 applicable from April 1, 2018) (continued)

General approach (continued)

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKFRS 9 applicable from April 1, 2018) (continued)

Simplified approach

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

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

Impairment of financial assets (policies under HKAS 39 applicable before January 1, 2018)

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 reorganization 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.

Financial assets carried at amortized cost

For financial assets carried at amortized 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (policies under HKAS 39 applicable before January 1, 2018) (continued)

Financial assets carried at amortized cost (continued)

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 (policies under HKFRS 9 applicable from January 1, 2018 and HKAS 39 applicable before January 1, 2018)

Initial recognition and measurement

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under HKFRS 9 applicable from January 1, 2018 and HKAS 39 applicable before January 1, 2018) (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from April 1, 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before April 1, 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (policies under HKFRS 9 applicable from January 1, 2018 and HKAS 39 applicable before January 1, 2018) (continued)

Subsequent measurement (continued)

Loans and borrowings

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

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

Derecognition of financial liabilities (policies under HKFRS 9 applicable from April 1, 2018 and HKAS 39 applicable before April 1, 2018)

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 (policies under HKFRS 9 applicable from April 1, 2018 and HKAS 39 applicable before April 1, 2018)

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

Treasury shares

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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.

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Revenue recognition (applicable from April 1, 2018)

Revenue from contracts with customers

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from April 1, 2018) (continued)

Revenue from contracts with customers (continued)

(a) Product tracking platform services

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

(b) Revenues from the pharmaceutical self-operated business which include:

Sale of pharmaceutical and healthcare products

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

Marketing services

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from April 1, 2018) (continued)

Revenue from contracts with customers (continued)

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

Outsourced and value-added services to Tmall Entities

The Group provides outsourced and value-added services to Tmall Entities, i.e. Zhejiang Tmall Network Co., Ltd. (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司), in relation to certain categories of products or services sold or provided on Tmall. The outsourced and value-added services include business development for merchants, customer services on behalf of merchants, marketing event planning for merchants and technical support and assistance to the Tmall Entities' business team. Revenue from the outsourced and value-added services is determined as a percentage of the fees paid by merchants to the Tmall Entities in respect of the transaction amount of completed sales of products or services under certain categories on Tmall and recognised when services are rendered and the underlying transactions of merchants are completed.

E-commerce platform services

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

(d) *Revenues from consumer healthcare business*

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable from April 1, 2018) (continued)

Revenue from contracts with customers (continued)

(e) Revenues from other innovation businesses:

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

Revenue from other sources

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

Other income

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

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

Revenue recognition (applicable before April 1, 2018)

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) Product tracking platform service income

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

(b) Income from the pharmacy business which includes:

Business-to-customer ("B2C") pharmacy business

The Group is engaged in the sale of over-the-counter drugs and other health related goods to individual customers through its online store on Tmall.com ("Tmall") and its offline pharmacy outlets. The revenue from B2C pharmacy business is recognised when the over-the-counter drugs and other health related goods are delivered to individual customers, either by third party couriers or at the offline outlets. Revenue from B2C pharmacy business is recorded net of discounts.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (applicable before April 1, 2018) (continued)

(b) Income from the pharmacy business which includes: (continued)

Business-to-business ("B2B") pharmacy business

The Group is engaged in the sale of over-the-counter drugs and other health related goods to merchants offline. The revenue from B2B pharmacy business is recognised when the over-the-counter drugs and other health related goods are delivered to merchants. Revenue from B2B pharmacy business is recorded net of discounts.

Outsourced and value-added services to Tmall Entities

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

E-commerce platform services

The Group provided e-commerce platform maintenance related software services to merchants on Tmall.com. The revenue is recognised at the time when the transactions are completed and settled on Tmall.com.

Marketing services

The Group provided comprehensive marketing services covering multiple channels throughout the whole chain to pharmaceutical brands. The revenue is recognised when services are performed in accordance with the terms of the contract.

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

(d) dividend income is recognised when the shareholders' right to receive payment has been established.

Contract assets (applicable from April 1, 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities (applicable from April 1, 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Contract costs (applicable from April 1, 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Costs of services

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after November 7, 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension scheme

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Accounting for companies governed under contractual arrangements as subsidiaries

The Company and some of its subsidiaries do not hold any equity interests in certain of their subsidiaries. Nevertheless, under the contractual agreements entered into between the Group and the shareholders who are the registered owners of those subsidiaries, the directors of the Company determine that the Group has the power to govern the financial and operating policies of those subsidiaries so as to obtain benefits from their activities. As such, those subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

Principal versus agent considerations

In determining whether the Group is acting as a principal or as an agent in the sales of goods and provision of services, requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers whether it obtains control of the goods or service before that goods or service is transferred to a customer, including whether the Group is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return), has discretion in establishing the price for the specified good or service and etc.

Estimation uncertainty

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

Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of industrial products with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at March 31, 2019 was RMB27,006,000 (March 31, 2018: RMB19,123,000). Further details are given in note 13.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging for groupings of various customers that have similar loss patterns (i.e., by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements, respectively.

Provision of ECL for debt instrument at FVOCI

The measurement of the expected credit loss allowance for debt instrument at FVOCI is an area that requires the use of significant assumptions including but not limited to determining criteria for significant increase in credit risk, choosing appropriate models and assumptions for the measurement of ECL and taking future economic conditions and debtor's behaviour into account.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of financial instruments at FVPL or FVOCI

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 36 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 20 to the financial statements.

The wealth management products have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk volatility and discount rates and hence they are subject to uncertainty.

The derivative instruments held by the Group and financial liabilities of the Group have been valued based on valuation models with the assistance of the external valuer engaged by the Group. Management make estimates and assumptions about factors, such as risk-free rate, dividend yield, expected volatility and expected life as the parameters for applying the valuation. Further details are included in note 20 to the financial statements.

Impairment of inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision on expired and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realisable value for such inventories based primarily on the available selling prices, budgeted fulfilment costs and current market conditions. If the market condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected.

Impairment of investments in associates

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Measurement of share-based compensation expenses

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

4. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in pharmaceutical self-operated business, operation of pharmaceutical e-commerce platform, provision of consumer healthcare services, and other innovative healthcare related services. Given that the chief operating decision maker of the Company considers that the Group's business is operated and managed as a single segment of development and distribution of pharmaceutical and health products related business, 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 segment information is presented.

Information about a major customer

During the years ended March 31, 2019 and 2018, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

The Group is primarily engaged in e-commerce platform services, self-operated healthcare product sales, tracking services, consumer healthcare business and innovative healthcare related services in the PRC.

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

	2019 ***RMB'000***	2018 *RMB'000*
Pharmaceutical e-commerce platform business	**689,980**	173,894
Pharmaceutical self-operated business	**4,226,950**	2,209,236
Tracking services	**38,720**	24,353
Consumer healthcare business	**128,254**	34,157
Innovative healthcare related services and others	**11,963**	978
	5,095,867	2,442,618

NOTES TO FINANCIAL STATEMENTS

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5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 *RMB'000*
Type of goods or services:	
Sales of products	**4,049,991**
Provision of services	**1,045,876**
Total revenue from contracts with customers	**5,095,867**
Timing of revenue recognition:	
At a point in time	**5,032,674**
Over time	**63,193**
Total revenue from contracts with customers	**5,095,867**

Substantially all of the Group's revenue were derived from PRC, therefore, no geographical information is presented.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sales of products	**15,957**
Provision of services	**69,179**
	85,136

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Sales of products

The performance obligation is satisfied upon delivery of the healthcare products. For B2C pharmacy sales business, payment is received from payment platform, i.e. Alipay, when the receipt of goods is confirmed by customers or by the payment platform automatically at a pre-specified period of time after delivery. For B2B pharmacy sales business, payment is generally due within 30–90 days except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

Provision of services

The performance obligation is satisfied over time or at a point in time as services are rendered. Payment is generally received upon the completion of the underlying transactions, prior to the provision of services on a full prepayment basis, or due within 30–90 days except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31, 2019 are as follows:

	RMB'000
Within one year	371,270
More than one year	26,825
	398,095

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**23,573**	13,206
Other interest income *(note 18)*	**1,483**	1,617
Government grants#	**2,400**	5,326
Others	**878**	475
	28,334	20,624
Gains		
Gain on disposal of items of property and equipment	**15**	4
Foreign exchange difference, net	**—**	31,765
Fair value gains on financial assets at FVPL	**17,659**	—
Fair value gains on financial liabilities at FVPL	**8,589**	—
Gain on disposal of a joint venture *(note 14)*	**12,417**	—
	38,680	31,769
	67,014	52,393

Government grants have been received as incentives in certain regions in Mainland China in which the Company's subsidiaries operate.

6. FULFILMENT

Fulfilment primarily consists of those costs incurred in warehousing, shipping, operation and customer services, which are associated with the Group's B2C online pharmacy business of health related products.

7. LOSS BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Auditor's remuneration		**1,330**	1,228
Cost of goods sold*		**3,343,225**	1,711,194
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)		**408,409**	53,755
Interest on bank loans**		**833**	6,393
Interest on other loans**		**27,133**	3,733
Depreciation	12	**3,989**	4,508
Minimum lease payments under operating leases for office buildings		**18,425**	13,347
Impairment of trade receivables***	17	**1,226**	1,167
Reversal of impairment of other receivables***	18	**(807)**	—
(Reversal of)/impairment of inventories*		**(12,616)**	14,469
Write-off of inventories***		**1,090**	2,363
Fair value (gains)/losses on financial assets FVPL***		**(17,659)**	6,200
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		**226,066**	145,403
Bonuses		**87,699**	46,752
Pension scheme contributions#		**23,420**	14,350
Share-based compensation expenses	28	**213,493**	117,034
		550,678	323,539
Foreign exchange differences, net****		**64**	(31,765)

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

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

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

\# At March 31, 2019, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2018: Nil).

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

8. 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:

	2019	2018
	RMB'000	*RMB'000*
Fees	**1,106**	996
Other emoluments:		
Salaries, allowances and benefits in kind	**1,518**	1,553
Performance related bonus	**375**	120
Share-based compensation expenses	**18,135**	13,697
Pension scheme contributions	**142**	52
	20,170	15,422
	21,276	16,418

During the year ended March 31, 2019, two directors (2018: two) of the Company were granted share options and RSUs, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair values of such options and RSUs, which have been recognised in the consolidated statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the years ended March 31, 2019 and 2018 are included in the above directors' and chief executive's remuneration disclosures.

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

(a) Independent non-executive directors

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

	2019 RMB'000	2018 RMB'000
Mr. Wong King On, Samuel	542	488
Mr. Yan Xuan	271	244
Mr. Luo Tong	293	264
	1,106	996

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonus RMB'000	Share-based compensation expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019						
Executive directors:						
Mr. Shen Difan[1]	–	33	–	6,834	29	6,896
Mr. Wang Qiang[2]	–	1,333	375	3,241	56	5,005
	–	1,366	375	10,075	85	11,901
Non-executive directors:						
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Kang Kai[3]	–	–	–	–	–	–
Mr. Wang Lei[4]	–	152	–	8,060	57	8,269
Ms. Zhang Yu[5]	–	–	–	–	–	–
	–	152	–	8,060	57	8,269
	–	1,518	375	18,135	142	20,170

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

8. 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*	Performance related bonus *RMB'000*	Share-based compensation expenses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2018						
Executive directors:						
Mr. Shen Difan[1]	–	–	–	–	–	–
Mr. Wang Lei[4]	–	1,481	120	13,384	52	15,037
	–	1,481	120	13,384	52	15,037
Non-executive directors:						
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Tsai Chung, Joseph[6]	–	–	–	–	–	–
Ms. Huang Aizhu[7]	–	–	–	–	–	–
Mr. Kang Kai[3]	–	72	–	313	–	385
Mr. Wang Lei[4]	–	–	–	–	–	–
Ms. Zhang Yu[5]	–	–	–	–	–	–
	–	72	–	313	–	385
	–	1,553	120	13,697	52	15,422

1 Appointed as executive director and the chief executive officer on March 29, 2018
2 Appointed as executive director on July 20, 2018
3 Resigned on July 20, 2018
4 Resigned as an executive director and the chief executive officer, and appointed as a non-executive director on March 29, 2018
5 Appointed on December 29, 2017
6 Resigned on December 29, 2017
7 Resigned on December 29, 2017

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2018: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2018: four) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salaries, allowances and benefits in kind	**3,667**	3,846
Performance related bonuses	**1,409**	2,197
Share-based compensation expenses	**13,459**	16,770
Pension scheme contributions	**165**	135
	18,700	22,948

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

	Number of employees	
	2019	2018
HK$5,000,001 to HK$5,500,000	**–**	2
HK$5,500,001 to HK$6,000,000	**–**	1
HK$6,500,001 to HK$7,000,000	**1**	–
HK$7,500,001 to HK$8,000,000	**2**	–
HK$11,000,001 to HK$11,500,000	**–**	1
	3	4

During the years ended March 31, 2019 and March 31, 2018, 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 28 to the financial statements. The fair values of such options and RSUs, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

10. INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
Underprovision in prior years — Hong Kong	**199**	—
Current — Mainland China		
Charge for the year	**33,623**	12,773
Overprovision in prior years	**(6,883)**	—
Deferred *(note 26)*	**3,995**	1,116
Total tax charge for the year	**30,934**	13,889

Note: 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 (2018: Nil).

In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate at 15% for the three years ended December 31, 2018.

The share of tax attributable to a joint venture amounting to approximately RMB4,389,000 (2018: RMB224,000) is included in "Share of profits or losses of joint ventures" in the consolidated statement of profit or loss.

The share of tax charges attributable to associates amounting to approximately RMB11,877,000 (2018: RMB247,000) is included in "Share of profits or losses of associates" in the consolidated statement of profit or loss.

10. INCOME TAX (CONTINUED)

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

2019

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Income/(loss) before tax	108,857		(169,687)		(60,830)	
Tax at the statutory tax rate	17,961	16.5	(42,422)	25.0	(24,461)	40.2
Effect of lower tax rate enacted by local authority	–	–	2,240	(1.3)	2,240	(3.7)
Income not subject to tax	(1,454)	(1.3)	(2,609)	1.5	(4,063)	6.7
Expenses not deductible for tax	589	0.5	74,219	(43.7)	74,808	(123)
Research and development super deduction	–	–	(6,908)	4.1	(6,908)	11.4
Under/(over)provision of tax in prior years	199	0.2	(6,883)	4.1	(6,684)	11.0
Tax losses utilized from previous periods	–	–	(29,343)	17.3	(29,343)	48.2
Tax losses and deductible temporary differences not recognised	3,063	2.8	19,766	(11.6)	22,829	(37.5)
(Profits)/losses attributable to joint ventures and associates	(3,852)	(3.5)	10,107	(5.4)	6,255	(10.3)
Effect of different tax rate between statutory tax rate and withholding tax rate in PRC	(3,739)	(3.4)	–	–	(3,739)	6.1
Tax charge at the Group's effective rate	12,767	11.8	18,167	(10.7)	30,934	(50.9)

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

10. INCOME TAX (CONTINUED)

2018

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Loss before tax	(85,508)		(9,637)		(95,145)	
Tax at the statutory tax rate of Mainland China	(21,377)	25.0	(2,409)	25.0	(23,786)	25.0
Effect of different tax rates of subsidiaries operating in Hong Kong	6,706	(7.8)	—	—	6,706	(7.0)
Lower tax rate enacted by local authority	—	—	(2,103)	21.8	(2,103)	2.2
Income not subject to tax	(6,322)	7.4	—	—	(6,322)	6.6
Expenses not deductible for tax	19,854	(23.2)	7,597	(78.8)	27,451	(28.9)
Research and development super deduction	—	—	(1,207)	12.5	(1,207)	1.3
Tax losses utilised from previous periods	—	—	(1,322)	13.7	(1,322)	1.4
Tax losses and deductible temporary differences not recognised	3,524	(4.1)	10,012	(103.9)	13,536	(14.2)
(Profits)/losses attributable to joint ventures and associates	(1,431)	1.7	(346)	3.6	(1,777)	1.9
Withholding tax on the distributable interest income from banks in PRC	2,713	(3.2)	—	—	2,713	(2.9)
Tax charge at the Group's effective rate	3,667	(4.2)	10,222	(106.1)	13,889	(14.6)

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB81,949,000 (2018: RMB106,974,000), and the weighted average number of ordinary shares of 11,054,967,978 (2018: 9,188,229,561) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended March 31, 2019 and 2018 in respect of a dilution as the impact of the share options and RSUs outstanding had no dilutive effect on the loss per share amounts presented.

12. PROPERTY AND EQUIPMENT

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2019				
At March 31, 2018 and at April 1, 2018:				
Cost	9,478	60,599	406	70,483
Accumulated depreciation and impairment	(6,042)	(57,971)	(196)	(64,209)
Net carrying amount	3,436	2,628	210	6,274
At April 1, 2018, net of accumulated depreciation and impairment	3,436	2,628	210	6,274
Additions	1,713	4,389	–	6,102
Business acquisition *(note 30)*	368	159	–	527
Disposals	–	(1)	(32)	(33)
Depreciation provided during the year *(note 7)*	(1,547)	(2,372)	(70)	(3,989)
Exchange realignment	–	5	–	5
At March 31, 2019, net of accumulated depreciation and impairment	3,970	4,808	108	8,886
At March 31, 2019:				
Cost	11,559	64,970	307	76,836
Accumulated depreciation and impairment	(7,589)	(60,162)	(199)	(67,950)
Net carrying amount	3,970	4,808	108	8,886

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March 31, 2019

12. PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2018				
At March 31, 2017 and at April 1, 2017:				
Cost	6,912	31,743	406	39,061
Accumulated depreciation and impairment	(2,750)	(31,158)	(88)	(33,996)
Net carrying amount	4,162	585	318	5,065
At April 1, 2017, net of accumulated depreciation and impairment	4,162	585	318	5,065
Additions	2,566	3,165	—	5,731
Disposals	—	(9)	—	(9)
Depreciation provided during the year *(note 7)*	(3,292)	(1,108)	(108)	(4,508)
Exchange realignment	—	(5)	—	(5)
At March 31, 2018, net of accumulated depreciation and impairment	3,436	2,628	210	6,274
At March 31, 2018:				
Cost	9,478	60,599	406	70,483
Accumulated depreciation and impairment	(6,042)	(57,971)	(196)	(64,209)
Net carrying amount	3,436	2,628	210	6,274

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

13. GOODWILL

	RMB'000
Cost and net carrying amount at April 1, 2017, March 31, 2018 and April 1, 2018	19,123
Acquisition of retail business *(note 30(A))*	7,883
Cost and net carrying amount at March 31, 2019	27,006

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- B2C and related business in PRC CGU; and
- B2B business in PRC CGU.

B2C and related business in PRC CGU

The recoverable amount of the B2C and related business in PRC CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 15.4%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which approximates the long term average growth rate of the healthcare products retailing industry in PRC.

B2B business in PRC CGU

The recoverable amount of the B2B business in PRC CGU was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 20% and cash flows beyond the five-year period were extrapolated using a growth rate of 3%, which approximates the long term average growth rate of the healthcare products centralised procurement and distribution industry.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

13. GOODWILL (CONTINUED)

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

	B2C and related business in PRC CGU		B2B business in PRC CGU		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount of goodwill	**21,490**	13,607	**5,516**	5,516	**27,006**	19,123

Assumptions were used in the value in use calculation of the B2C and related business in PRC CGU and B2B business in PRC CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates — The growth rates used to extrapolate the cash flows beyond the five-year period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

14. INVESTMENTS IN JOINT VENTURES

	2019	2018
	RMB'000	*RMB'000*
Share of net assets	**10,985**	62,593

14. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

Name	Particulars of capital held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited@)* ("HL95") *(note i)*	Registered capital of RMB1 each	PRC/Mainland China	49	49	49	Telecommunications/ information value added services
雲南久康一心信息技術服務有限公司 (Yunnan Jiukang Yixin Information Technology Service Company Limited@)* ("Jiukang Yixin") *(note ii)*	Registered capital of RMB1 each	PRC/Mainland China	40	40	40	Internet medical comprehensive service platform business
浙江扁鵲健康數據技術有限公司 (Zhejiang Bian Que Health Data Technology Company Limited@)* ("Zhejiang Bian Que ") *(note iii)*	Registered capital of RMB1 each	PRC/Mainland China	45	45	45	Health related data services

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* The statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

Note i: On August 3, 2018, Alibaba Health (Hong Kong), a subsidiary of the Company, entered into the Equity Transfer Agreements with CITIC Guoan Information Industry Co., Ltd.* (中信國安信息產業股份有限公司) ("CITIC Guo An") and Hongxin Chuangxin (Tianjin) Information Technology Partnership Enterprise (Limited Partnership)* (鴻信創新(天津)信息技術合夥企業(有限合夥)) ("Hong Xin"), pursuant to which 24% and 25% equity interests of HL95 held by Alibaba Health (Hong Kong) would be transferred to the other two counterparties, respectively, for a total cash consideration of approximately RMB65,988,000. The transaction was completed on November 12, 2018. Further details of the transaction were set out in the announcement of the Company dated August 3, 2018.

Note ii: In February 2019, Jiukang Yixin became a subsidiary of the Group after the acquisition of additional 40% equity interests of Jiukang Yixin. Please refer to note 30(A) for details of the acquisition transaction.

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March 31, 2019

14. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Note iii: On March 30, 2018, Hongyun Jiukang, a subsidiary of the Group, established a limited liability company, Zhejiang Bian Que. As at the date of establishment, the registered capital of Zhejiang Bian Que was fully subscribed for by Hongyun Jiukang, and Zhe jiang Bian Que became a wholly-owned subsidiary of Hongyun Jiukang. As of March 31, 2019, Hongyun Jiukang contributed RMB13,500,000 to Zhejiang Bian Que.

On June 1, 2018, Hongyun Jiukang, Shanghai Yunxin Venture Capital Co., Ltd.* (上海雲鑫創業投資有限公司) ("Shanghai Yunxin"), Hangzhou Yunting Data Technology Company Limited* (杭州雲庭數據科技有限公司) ("Hangzhou Yunting") and Zhejiang Bian Que entered into a capital increase agreement, pursuant to which Shanghai Yunxin and Hangzhou Yunting agreed to make respective capital contributions of RMB40,000,000 and RMB15,000,000 in cash to the registered capital of Zhejiang Bian Que.

Consequently, the registered share capital of Zhejiang Bian Que was increased from RMB45,000,000 to RMB100,000,000, which was held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou yunting, respectively.

Zhejiang Bian Que and Jiukang Yixin have a financial year ending December 31, and the financial statements of the joint ventures may not be available in timely manner for the Group to apply the equity method, the Group therefore elects to record its shares of the profits or losses of Zhejiang Bian Que and Jiukang Yixin on a quarter lag basis.

The above joint ventures are indirectly held by the Company.

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

	2019 *RMB'000*	2018 *RMB'000*
Share of the joint ventures' loss/(gain) and total comprehensive loss/(gain) for the year	**737**	(7,949)
Aggregate carrying amount of the Group's investment in the joint venture	**10,985**	62,593

15. INVESTMENTS IN ASSOCIATES

	2019 *RMB'000*	2018 *RMB'000*
Share of net assets	**780,530**	426,215
Goodwill on acquisition	**1,184,324**	524,758
Total	**1,964,854**	950,973

Particulars of the Group's associates are as follows:

Name	**Particulars of capital held**	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
東方口岸科技有限公司(Dongfang Customs Technology Company Limited@)* ("Dongfang Customs")	Registered capital of RMB1 each	PRC/Mainland China	30	Operation of platforms for electronic customs processing
萬里雲醫療信息科技(北京)有限公司 (Wanliyun Medical Information Technology (Beijing) Co., Ltd@)*# ("Wanliyun")	Registered capital of RMB1 each	PRC/Mainland China	25	Construction of medical platforms and provision of related services
A Company in respective of medical business@*^# ("Company A")	Registered capital of RMB1 each	PRC/Mainland China	10	Provision of medical self-service equipment and smart healthcare solutions
嘉和美康(北京)科技股份有限公司 (Jiahe Meikang (Beijing) Technology Co., Ltd@)*^# ("Jiahe Meikang") *(note i)*	Registered capital of RMB1 each	PRC/Mainland China	15	Provision of clinical information software products, infant medical equipment and mobile internet digitalised medical information software system
北京嘉美在線科技有限公司 (Beijing Jiamei Online Technology Co., Ltd.@)* # ("Jiamei Online") *(note ii)*	Registered capital of RMB1 each	PRC/Mainland China	45	Provision of clinical information software products, infant medical equipment and mobile internet digitalised medical information software system

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
江蘇曼荼羅軟件股份有限公司 (Jiangsu Mandalat Software Company Limited@)*^# ("Mandalat") *(note iii)*	Registered capital of RMB1 each	PRC/Mainland China	12	Provision of software development
安徽華人健康醫藥股份有限公司 (Anhui Huaren Health Pharmaceutical Co., Ltd.@)*^# ("Anhui Huaren") *(note iv)*	Registered capital of RMB1 each	PRC/Mainland China	9.347	Pharmaceutical retail chain business
貴州一樹連鎖藥業有限公司 (Guizhou Ensure Chain Pharmacy Company Limited@)*# ("Guizhou Ensure") *(note v)*	Registered capital of RMB1 each	PRC/Mainland China	25	Pharmaceutical retail chain business
甘肅德生堂醫藥科技集團有限公司 (Gansu Deshengtang Pharmaceutical Technology Co., Ltd@)*^# ("Gansu Deshengtang") *(note vi)*	Registered capital of RMB1 each	PRC/Mainland China	5.26	Pharmaceutical retail chain business

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* The statutory financial statements of the above associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

^ The investments in these companies are accounted for as associates of the Group because the Group is in a position to exercise significant influence. The Group has at least one director at the board of directors and/or has veto rights regarding certain significant financial and operating decisions in board meetings and/or shareholders' meetings of these associates.

The associates have a financial year ending December 31, and the financial statements of these associates may not be available in timely manner for the Group to apply the equity method, the Group therefore elects to record its shares of the profits or losses of these associates on a quarter lag basis. Accordingly, the Group equity pick up these associates using their annual financial statements for the year ended December 31, 2018 for the current year (2017: year ended December 31, 2017).

The above investments are indirectly held by the Company.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note i: On March 19, 2017, Hongyun Jiukang, a wholly owned subsidiary of the Group, entered into a capital injection agreement with Jiahe Meikang, a company established in the PRC with limited liability, and shareholders of Jiahe Meikang ("Original Shareholders I"), pursuant to which Hongyun Jiukang shall inject RMB291,176,000 in cash to Jiahe Meikang, of which approximately RMB15,046,000 would be contributed to Jiahe Meikang's registered capital, and the remaining amount would be contributed to its capital reserve. Upon completion of the transaction on May 19, 2017, Jiahe Meikang was held as to 85% by Original Shareholders I and 15% by Hongyun Jiukang, respectively.

The cash consideration was RMB291,176,000, with RMB145,588,000 paid on May 23, 2017 and the remaining RMB145,588,000 paid on December 28, 2017.

Note ii: On May 19, 2017, Hongyun Jiukang entered into a capital injection agreement with Jiahe Meikang and Jiamei Online, which were established in the PRC with limited liability, pursuant to which Hongyun Jiukang shall inject RMB40,000,000 in cash to Jiahe Meikang, of which approximately RMB36,655,000 would be contributed to Jiamei Online's registered capital, and the remaining amount would be contributed to its capital reserve. Upon completion of the transaction on July 19, 2017, Jiamei Online was held as to 55% by Jiahe Meikang and 45% by Hongyun Jiukang, respectively.

A cash consideration of RMB40,000,000 was fully paid by Hongyun Jiukang on June 21, 2017.

Note iii: On October 27, 2017, Alibaba Health Hebei information technology Co., Ltd.^ ("阿里健康河北信息技術有限公司") ("Alibaba Health Hebei"), a wholly owned subsidiary of the Group, entered into a subscription agreement with Mandalat, a company established in the PRC, pursuant to which Alibaba Health Hebei subscribed an aggregate of 4,000,000 shares at the subscription price of RMB16.09 each, following RMB64,348,000 in cash.

At the same day, Alibaba Health Hebei entered into a share transfer agreement with four original shareholders in relation to the purchase of an aggregate of 2,000,000 shares at the subscription price of RMB13.04 each, following RMB26,087,000 in cash.

Upon completion of the transactions on January 24, 2018, Mandalat was held as to 88% by the original shareholders and 12% by Alibaba Health Hebei, respectively.

The cash consideration was RMB90,435,000, with RMB26,087,000 paid on November 17, 2017 and RMB64,348,000 paid on January 12, 2018.

Note iv: On May 17, 2018, Alibaba Health (China), a wholly owned subsidiary of the Group, entered into a capital injection agreement and a shareholders agreement with Anhui Huaren, a company established in the PRC with limited liability, and shareholders of Anhui Huaren ("Original Shareholders II"), pursuant to which Alibaba Health (China) shall inject RMB133,333,000 in cash to Anhui Huaren, of which RMB11,111,000 would be contributed to the Anhui Huaren's registered capital, and RMB122,222,000 would be contributed to its capital reserve.

Upon completion of the acquisition on May 31, 2018, Anhui Huaren was held as to 90% by the Original Shareholders II and 10% by Alibaba Health (China).

The cash consideration of RMB133,333,000 was fully paid during the year ended March 31, 2019.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note v: On August 17, 2018, Alibaba Health (China) entered into a capital injection agreement with Guizhou Ensure, a company established in the PRC with limited liability, pursuant to which Alibaba Health (China) shall inject approximately RMB404,322,000 in cash to Guizhou Ensure, of which approximately RMB2,528,000 would be contributed to Guizhou Ensure's registered capital, and approximately RMB401,794,000 would be contributed to its capital reserve.

At the same day, Alibaba Health (China) entered into a share purchase agreement with certain original shareholders of Guizhou Ensure to purchase certain equity interests of Guizhou Ensure from these shareholders, for a total cash consideration of approximately RMB421,758,000.

Upon completion of the transactions on September 29, 2018, Guizhou Ensure was held as to 75% by the original shareholders and 25% by Alibaba Health (China).

The cash consideration was RMB826,080,000, with RMB765,076,000 paid during the year ended March 31, 2019 and the remaining RMB61,004,000 included in other payables and accruals as at March 31, 2019.

Note vi: On December 24, 2018, Alibaba Health (China) entered into a capital injection agreement with Gansu Deshengtang, a company established in the PRC with limited liability, pursuant to which Alibaba Health (China) shall inject RMB188,888,000 in cash to Gansu Deshengtang, of which approximately RMB12,346,000 would be contributed to Gansu Deshengtang's registered capital.

A cash consideration of RMB94,444,000 was paid on January 28, 2019. As at March 31, 2019, Gansu Deshengtang was held as to 94.74% by the original shareholders and 5.26% by Alibaba Health (China).

The remaining consideration of RMB94,444,000 would be payable by Alibaba Health (China) within five business days following the completion date of the second subscription of equity increase of Gansu Deshengtang.

Upon completion of the transactions, Gansu Deshengtang shall be held as to 90% by the original shareholders and 10% by Alibaba Health (China).

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March 31, 2019

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of Guizhou Ensure adjusted for any differences in accounting policies and reconciled to the carrying amount in the latest annual consolidated financial statements for the period from September 29, 2018 to December 31, 2018:

	2018 *RMB'000*
Cash and cash equivalents	420,143
Other current assets	1,020,982
Current assets	1,441,125
Non-current assets	837,429
Current liabilities	(1,076,006)
Non-current liabilities	(183,230)
Net assets	1,019,318
Non-controlling interest	(23,538)
Net assets attributable to shareholders of Guizhou Ensure	995,780
Reconciliation to the Group's investment in the associate:	
Proportion of the Group's ownership	25%
Group's share of net assets of the associate	248,945
Goodwill on acquisition	517,848
Carrying amount of the investment	766,793

	For the period from September 29, 2018 to December 31, 2018 *RMB'000*
Revenue	669,014
Depreciation and amortisation	(10,682)
Interest income	1,628
Tax	(15,457)
Loss and total comprehensive loss for the year	72,624
Dividend received	—

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March 31, 2019

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	2019 RMB'000	2018 RMB'000
Share of the associates' profit and total comprehensive income for the year	**17,249**	998
Share of the associates' capital reserve	**3,946**	3,563
	21,195	4,561
Aggregate carrying amount of the Group's investments in the associates	**1,198,061**	950,973

16. INVENTORIES

	2019 RMB'000	2018 RMB'000
Trading stock	**595,793**	442,231

17. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**213,467**	79,556
Bills receivables	**179,775**	38,387
	393,242	117,943
Impairment	**(27,796)**	(26,570)
	365,446	91,373

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

NOTES TO FINANCIAL STATEMENTS

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17. TRADE AND BILLS RECEIVABLES (CONTINUED)

Included in the Group's trade and bills receivables are amounts due from subsidiaries of Alibaba Group of approximately RMB10,735,000 (2018: RMB28,954,000) and the Group's associates of approximately RMB25,331,000 (2018: RMB0), which are repayable on credit terms similar to those offered to major customers of the Group.

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

	2019 **RMB'000**	2018 RMB'000
Within 3 months	**179,668**	48,144
3 to 12 months	**5,867**	4,842
12 to 24 months	**136**	—
	185,671	52,986

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

	2019 **RMB'000**	2018 RMB'000
At April 1	**26,570**	25,403
Effect of adoption of HKFRS 9	**—**	—
At April 1	**26,570**	25,403
Impairment losses recognised *(note 7)*	**1,226**	1,167
At March 31	**27,796**	26,570

Impairment under HKFRS 9 for the year ended March 31, 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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17. TRADE AND BILLS RECEIVABLES (CONTINUED)

Impairment under HKFRS 9 for the year ended March 31, 2019 (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at March 31, 2019

	Ageing				
	Less than 6 months	7 to 12 months	13 to 24 months	Over 24 months	Total
Expected credit loss rate	**0.39%**	**17.89%**	**89.6%**	**100%**	**13.0%**
Gross carrying amount *(RMB'000)*	**183,949**	**2,812**	**1,303**	**25,403**	**213,467**
Expected credit losses *(RMB'000)*	**723**	**503**	**1,167**	**25,403**	**27,796**

Bills receivables, debt investments at fair value through other comprehensive income, are subject to impairment using the low credit risk simplification under the general approach. At each reporting date, the Group evaluates whether the bills receivables are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the credit ratings of the debt investments. The Group did not recognise any impairment loss on bills receivables as at March 31, 2019.

Impairment under HKAS 39 for the year ended March 31, 2018

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at March 31, 2018, was a provision for individually impaired trade receivables of approximately RMB26,570,000 with a carrying amount before provision of approximately RMB26,570,000. 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 ageing analysis of the trade and bills receivables as at March 31, 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 *RMB'000*
Neither past due nor impaired	87,031
Past due but not impaired	4,342
	91,373

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

17. TRADE AND BILLS RECEIVABLES (CONTINUED)

Impairment under HKAS 39 for the year ended March 31, 2018 (continued)

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Transferred financial assets that are not derecognised in their entirety

At March 31, 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of approximately RMB48,845,000, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group had retained the substantial risks and rewards, which included default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB48,845,000, equivalent as at March 31, 2019. The Group did not have any Endorsed Bills as at March 31, 2018.

Transferred financial assets that are derecognised in their entirety

At March 31, 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB86,135,000. The Derecognised Bills had a maturity of one to eight months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended March 31, 2019, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 *RMB'000*	2018 *RMB'000*
Current:		
Prepayments	**150,000**	26,443
Other receivables and other assets	**175,208**	55,144
	325,208	81,587
Impairment	**(1,856)**	(2,663)
	323,352	78,924
Non-current:		
Long-term receivables *(note i)*	**39,372**	55,921
	362,724	134,845

Note i: Long-term receivables as at March 31, 2019 mainly consist of non-current portion of a loan to a shareholder of HL95. The loan is secured by a pledge of 25% of HL95's equity and bore interest at a rate of 3% per annum. The loan was due in August 2019, 2020 and 2021. For this loan, an interest income of RMB873,000 was earned by the Group during the year ended March 31, 2019 (2018: nil).

Long-term receivables as at March 31, 2018 represents a loan to HL95, a former joint venture of the Group, and respective interest in receivables. The principal and interest receivable was fully repaid by HL95 during the year ended March 31, 2019. An interest income of RMB610,000 was earned by the Group during the year ended March 31, 2019 (2018: RMB1,617,000).

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

	2019 *RMB'000*	2018 *RMB'000*
At April 1	**2,663**	2,663
Impairment losses reversed *(note 7)*	**(807)**	—
At March 31	**1,856**	2,663

The individually impaired other receivables of RMB1,856,000 (2018: RMB2,663,000) relate to debtors that were in default and the outstanding receivables are not expected to be recovered.

19. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**162,626**	246,838
Restricted cash	**1,719**	2,268
Time deposits with original maturity of three months or less when acquired and cash equivalent placed at payment platform	**117,745**	261,581
Time deposits with original maturity of over three months when acquired	**–**	888,778
Total	**282,090**	1,399,465
Less: Restricted cash	**(1,719)**	(2,268)
Cash and cash equivalents	**280,371**	1,397,197

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 RMB177,782,000 (2018: RMB498,848,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month and two years depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The cash equivalents placed in payment platform, including those in restricted cash, amounting to RMB72,403,000 (2018: RMB44,340,000) represents cash and restricted cash placed in Alipay.com Co., Ltd.^ (支付寶（中國）網絡技術有限公司) ("Alipay"), a subsidiary of Ant Small and Micro Financial Services Group Co., Ltd.^ (浙江螞蟻小微金融服務集團股份有限公司) ("Ant Financial"), which earns interest at floating rates.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Financial asset at fair value through profit or loss		
Non-current:		
Put option *(note i)*	**1,280**	—
Call option *(note ii)*	**40,587**	—
Put option *(note iii)*	**7,961**	—
Unlisted equity investment *(note iv)*	**457,759**	—
	507,587	—
Current:		
Put option	**—**	4,100
Other unlisted investments *(note v)*	**1,736,713**	—
	1,736,713	4,100

Note i: In connection with the capital injection in a company in respective of medical business, an associate of the Group in note 15, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to withdraw a portion of its investment cost of RMB133,333,300 (representing a 10% ownership interest) in the associate at a minimum return of 10% interest per annum if the associate failed to achieve certain pre-determined operating targets in each of the three years ending December 31, 2019.

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

The fair value of put option was estimated as at the date of grant and each financial reporting period end, 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:

	March 31, 2019	May 31, 2018
Expected volatility *(%)*	**45**	32
Expected dividend *(%)*	**0.00**	0.00
Exercise probability *(%)*	**1**	2
Withdrawal ownership *(%)*	**100**	100
Risk-free interest rate *(%)*	**2.438**	3.302

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

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

Note ii: In connection with the capital injection in Guizhou Ensure, an associate of the Group in note 15, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to acquire additional 26% equity interest of Guizhou Ensure with consideration no more than the post-money valuation of current-round financing if the business targets which are stated in the share purchase agreement are not completed.

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

The fair value of call option was estimated as at the date of grant and each financial reporting period end, 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:

	March 31, 2019	September 28, 2018
Expected volatility *(%)*	**46**	33
Expected dividend *(%)*	**0.00**	0.00
Exercise probability *(%)*	**25**	30
Risk-free interest rate *(%)*	**2.438**	3.140

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

Note iii: In connection with the capital injection in a company in respective of medical business, an associate of the Group, as further explained in note 15 to the financial statements, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to withdraw a portion of its investment cost of RMB94,444,000 (representing a 5.2633% ownership interest) in the associate at a minimum return of 10% interest per annum if the associate failed to achieve certain pre-determined operating targets in each of the three years ending December 31, 2020.

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

The fair value of put option was estimated as at the date of grant and each financial reporting period end, using a 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:

	January 31, 2019 and March 31, 2019
Expected volatility *(%)*	**50**
Expected dividend *(%)*	**0.00**
Exercise probability *(%)*	**30**
Withdrawal ownership *(%)*	**100**
Risk-free interest rate *(%)*	**2.792**

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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

Note iv: Unlisted equity interest represents the 9.34% equity interest in ShuYu Civilian Pharmacy Corp. Ltd.^ (漱玉平民大藥房連鎖股份有限公司) ("ShuYu Civilian"), a joint stock company established in the PRC with limited liability in pharmaceutical retail chain business. On June 25, 2018, Alibaba Health (China) entered into the capital increase agreement with the ShuYu Civilian at a total consideration of RMB454,400,000, upon completion of which the Group shall held as to 9.34% equity interest of ShuYu Civilian. The Group does not have board seat or veto rights in the board meeting or shareholders' meeting, the Group does not have significant influence in the investee. The above equity investment was classified as financial asset at FVPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

Note v: The above other unlisted investments at March 31, 2019 were wealth management products issued by banks in the PRC. They were mandatory classified as financial assets at FVPL as their contractual cash flows are not solely payments of principal and interest.

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

	2019 RMB'000	2018 RMB'000
Equity investment designated at FVOCI		
Unlisted equity investment, at fair value:		
IK Healthcare Holdings Limited ("IK Healthcare")	**119,801**	—

The above equity investment was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature.

On March 18, 2019, Ali JK Medical Products Limited, a wholly owned subsidiary of the Company, entered into a subscription agreement with IK Healthcare Holdings Limited (the "Target Company"), pursuant to which the Ali JK Medical Products Limited shall subscribe for 433,082 new shares, representing no less than 1% equity interest in the Target Company, in the IK Healthcare for a total subscription price of US$17,842,978.40 (approximately to RMB119,801,000). The Target Company became a parent of iKang Healthcare Group, Inc., through a merger transaction on January 18, 2019, which is a provider of healthcare preventive service through self-owned medical centers and third-party facilities. The transaction was completed on March 29, 2019 and total consideration of US$17,842,978.40 was fully paid thereof. This also constitutes a connected transaction. For details of the transaction, please refer to announcement of the Company dated March 18, 2019.

22. TRADE AND BILLS PAYABLES

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

	2019 ***RMB'000***	2018 *RMB'000*
Within 3 months	**715,779**	274,628
3 to 12 months	**186,182**	45,438
Over 12 months	**690**	3,244
	902,651	323,310

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

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB405,955,000 (2018: RMB55,928,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

23. OTHER PAYABLES AND ACCRUALS

	2019 ***RMB'000***	2018 *RMB'000*
Other payables	**407,124**	97,540
Accruals	**56,518**	40,089
	463,642	137,629

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

24. DEFERRED REVENUE

	2019 *RMB'000*	2018 *RMB'000*
Deferred revenue from the product tracking platform service, current portion	–	716

25. INTEREST-BEARING BORROWINGS

	Effective interest rate *(%)*	**Maturity**	*RMB'000*
Current			
Other loans-unsecured	2.84–4.39	On demand	1,700,000

Note: Zhejiang Tmall Technology Co., Ltd.^ (浙江天猫技術有限公司) provided loans amounting to RMB2,000,000,000 to the Group during the year, of which RMB1,700,000,000 was unpaid as at March 31, 2019. Interest expense of approximately RMB27,196,000 was accrued and an amount of RMB17,342,000 was unpaid and recorded in other payables and accruals as at March 31,2019.

26. DEFERRED TAX

Deferred tax liabilities

	Fair value adjustment of equity investments at FVPL *RMB'000*	**Withholding taxes on distributable profits of the Group's PRC joint ventures and associates** *RMB'000*
At April 1, 2017	–	6,566
Deferred tax charged to the statement of profit or loss *(note 10)*	–	1,116
Gross deferred tax liabilities at March 31, 2018 and April 1, 2018	–	7,682
Deferred tax charged to the statement of profit or loss *(note 10)*	840	3,155
Gross deferred tax liabilities at March 31, 2019	840	10,837

26. DEFERRED TAX (CONTINUED)

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

	2019	2018
	RMB'000	*RMB'000*
Tax losses	**250,446**	173,305
Deductible temporary differences	**31,125**	29,233
	281,571	202,538

The Group does not have tax losses arising in Hong Kong which can be used to offset against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB250,466,000 (2018: RMB173,305,000) 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 utilized.

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

At March 31, 2019, there were unremitted earnings of the Group's subsidiaries established in Mainland China of approximately RMB44,942,000. At March 31, 2018, there were no unremitted earnings of the Group's subsidiaries established in Mainland China. At March 31, 2019, there were unremitted earnings shared by the Group of approximately RMB111,127,000 (2018: RMB67,249,000) and RMB0 (2018: RMB78,144,000) from the Group's associates and joint venture established in Mainland China in respect of earnings generated from January 1, 2008, respectively. During the year ended March 31, 2019, HL95, a joint venture by the Group, was disposed of. See note 14 for details.

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

27. SHARE CAPITAL

Shares

	2019	2018
	RMB'000	*RMB'000*
Issued and fully paid:		
11,710,892,714 (2018: 9,842,737,787) ordinary shares of HK$0.01 each	**102,898**	86,617

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

	Number of shares in issue	**Share capital**	**Share premium**	**Treasury shares**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At March 31, 2017 and April 1, 2017	8,192,736,918	72,481	1,907,220	(91)	1,979,610
Issue of new shares for acquisition under common control *(note a)*	1,187,500,000	10,300	3,821,342	–	3,831,642
Issue of shares *(note b)*	442,425,000	3,672	1,465,002	–	1,468,674
Issue of shares for RSUs to be vested in subsequent periods *(note c)*	20,075,869	164	–	(164)	–
Repurchase of shares *(note d)*	–	–	–	(13,129)	(13,129)
Vested awarded shares transferred to employees *(note e)*	–	–	61,955	7,910	69,865
At March 31, 2018	9,842,737,787	86,617	7,255,519	(5,474)	7,336,662
At March 31, 2018 and April 1, 2018	**9,842,737,787**	**86,617**	**7,255,519**	**(5,474)**	**7,336,662**
Issue of shares for acquisition under common control *(note a)*	**1,827,586,207**	**15,932**	**12,554,598**	**–**	**12,570,530**
Issue of shares for RSUs to be vested in subsequent periods *(note c)*	**28,299,220**	**245**	**–**	**(245)**	**–**
Repurchase of shares *(note d)*	**–**	**–**	**–**	**(37,846)**	**(37,846)**
Vested awarded shares transferred to employees *(note e)*	**–**	**–**	**73,474**	**18,513**	**91,987**
Share options exercised *(note f)*	**12,269,500**	**104**	**83,252**	**–**	**83,356**
At March 31, 2019	**11,710,892,714**	**102,898**	**19,966,843**	**(25,052)**	**20,044,689**

27. SHARE CAPITAL (CONTINUED)

Shares (continued)

Notes:

(a) On August 2, 2018, 1,827,586,207 shares of HK$0.01 each were issued to a related company. Please refer to note 29 for further information. (On June 30, 2017, 1,187,500,000 shares of HK$0.01 each were issued to a related company. Please refer to note 29 for further information.)

(b) On January 5, 2018, 442,425,000 shares of HK$0.01 each were issued for cash to a related company at a subscription price of HK$4.00 per share.

(c) On September 11, 2018, January 21, 2019 and March 28, 2019, 28,299,220 shares of HK$0.01 each were issued for restricted share units to be vested for non-connected persons. (On October 3, 2017, November 23, 2017 and March 21, 2018, 20,075,869 shares of HK$0.01 each were issued for restricted share units to be vested for non-connected persons.)

(d) In July 2018, August 2018, September 2018, October 2018 and December 2018, 6,366,900 shares of HK$0.01 each were repurchased for restricted share units to be vested for connected persons at a total cash consideration of RMB37,846,000. (In June 2017, September 2017, February 2018 and March 2018, 4,113,700 shares of HK$0.01 each were repurchased for restricted share units to be vested for connected persons at a total cash consideration of RMB13,129,000.)

(e) Upon vesting of restricted share units for the year ended March 31, 2019, 19,705,318 issued shares were transferred to non-connected persons and 3,473,300 repurchased shares were transferred to connected persons, respectively. (Upon vesting of restricted share units for the year ended March 31, 2018, 14,297,328 issued shares were transferred to non-connected persons and 2,425,300 repurchased shares were transferred to connected persons, respectively.)

(f) Certain employees exercised share options from May 2018 to March 2019. The total number of options exercised is 12,269,500.

28. SHARE-BASED COMPENSATION COSTS

Share award scheme

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

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

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March 31, 2019

28. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

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

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

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

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

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

	Weighted average exercise price of share options *HK$ per share*	Number of options *'000*	Number of RSUs *'000*
Outstanding at April 1, 2017	5.12	58,701	44,914
Granted during the year	3.99	30,988	56,162
Forfeited during the year	4.99	(11,845)	(13,699)
Exercised or vested during the year	—	—	(16,722)
Outstanding at March 31, 2018 and April 1, 2018	4.69	77,844	70,655
Granted during the year	**7.24**	**8,190**	**75,811**
Forfeited or lapsed during the year	**4.36**	**(10,692)**	**(12,639)**
Exercised or vested during the year	**5.10**	**(12,270)**	**(23,179)**
Outstanding at March 31, 2019	**5.00**	**63,072**	**110,648**

28. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

The weighted average grant date fair value per unit for options at March 31, 2019 was RMB2.18 (2018: RMB2.20) and the weighted average grant date fair value per unit for RSUs at March 31, 2019 was RMB5.23 (2018: RMB3.15).

For share options outstanding at the end of the reporting period, the exercise prices ranged from HK$3.610 to HK$7.240. The exercise period of the options is from the vesting date to 10 years from the grant date. As at March 31, 2019, the remaining vesting periods for the options and RSUs granted ranged from 1 month to 46 months (2018: 1 month to 46 months).

The fair value of the share options granted during the year was RMB27,874,000 (RMB3.40 each) (2018: RMB52,313,000, RMB1.69 each).

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

	Options granted in 2019	Options granted in 2018
Fair value of the Company's shares as at the grant date	**HK$7.24**	HK$3.58–HK$4.01
Expected volatility *(%)*	**75**	70
Expected dividend *(%)*	**0.00**	0.00
Exercise multiple	**2.8**	2.2–2.8
Exercise price	**HK$7.24**	HK$3.61–HK$5.558
Risk-free interest rate *(%)*	**2.28**	0.94–1.31
Forfeiture rate *(%)*	**20.00**	20.00–30.00

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

The fair values of the RSUs granted during the years ended March 31, 2019 and March 31, 2018 were determined based on the market value of the Company's shares at the respective grant dates.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

28. 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:

	2019 RMB'000	2018 RMB'000
Cost of revenue	**8,934**	2,533
Sales and marketing expenses	**68,361**	30,159
Administrative expenses	**67,467**	49,877
Product development expenses	**57,067**	28,753
Fulfilment	**11,664**	5,712
Total	**213,493**	117,034

At the end of the reporting year, the Company had approximately 63,071,850 options and 110,647,912 RSUs outstanding under the Share Award Scheme, which represented approximately 1.48% of the Company's shares in issue as at that date. The exercise in full of the outstanding options and RSUs, under the present capital structure of the Company, would result in the issue of approximately 139,656,289 additional ordinary shares of the Company and additional share capital of HK$1,396,563 (equivalent to approximately RMB1,194,256) (before issue expenses), the purchase of 4,807,400 existing shares from the market and release of 29,256,073, shares from treasury shares.

29. 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 121 and page 122 of the annual report.

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

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

30. BUSINESS COMBINATIONS

(A) Business combinations not under common control

Acquisition of Jiukang Yixin

In February 2019, Hongyun Jiukang, a subsidiary of the Group, entered into an equity transfer agreement with Yixintang, pursuant to which, Hongyun Jiukang acquired 40% equity interest of Jiukang Yixin from Yixintang at a cash consideration of RMB10,800,000. The consideration was fully paid by Hongyun Jiukang. Accordingly, the Group's ownership interests in Jiukang Yixin increased to 80%, and hence had control over Jiukang Yixin.

The fair values of the identifiable assets and liabilities of Jiukang Yixin as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property and equipment	527
Prepayments, deposits and other receivables	1,477
Financial assets measured at fair value through profit or loss	15,190
Cash and cash at banks	9,844
Other payables	(21)
Trade payables	(17)
Total identifiable net assets at fair value	27,000
Non-controlling Interest	(5,400)
	21,600
Satisfied by:	
Cash	10,800
Fair value of equity interest previously held as investment in a joint venture	10,800
Total purchase consideration	21,600

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30. BUSINESS COMBINATIONS (CONTINUED)

(A) Business combinations not under common control (continued)

Acquisition of Jiukang Yixin (continued)

An analysis of the cash flows in respect of the acquisition of Jiukang Yixin is as follows:

	RMB'000
Cash consideration paid	(10,800)
Cash and bank balances acquired	9,844
Net outflow of cash and cash equivalents included in cash flows from investing activities	(956)

Since the acquisition, Jiukang Yixin contributed nil to the Group's revenue and RMB132,000 to the consolidated loss for the year ended March 31, 2019.

Had the combination taken place at the beginning of current year, the revenue from continuing operations of the Group and the loss of the Group for the year ended March 31, 2019 would have been RMB5,095,867,000 and RMB93,000,000, respectively.

Acquisition of four pharmacies

On December 15, 2018, the Group acquired four pharmacies from a third party. The purchase consideration was approximately RMB8,686,000. The total fair value of the identifiable net assets of four pharmacies as at the date of acquisition was RMB803,000 and the goodwill in acquisition was RMB7,883,000.

30. BUSINESS COMBINATIONS (CONTINUED)

(A) Business combinations not under common control (continued)

Acquisition of four pharmacies (continued)

The fair values of the identifiable assets and liabilities of four pharmacies as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Inventories	563
Prepayments, other receivables and other assets	240
Total identifiable net assets at fair value	803
Goodwill on acquisition	7,883
	8,686
Satisfied by:	
Cash	1,920
Other payables	6,766
	8,686

None of the goodwill recognised is expected to be deductible for income tax purposes.

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30. BUSINESS COMBINATIONS (CONTINUED)

(A) Business combinations not under common control (continued)

Acquisition of four pharmacies (continued)

An analysis of the cash flows in respect of the acquisition of four pharmacies' business is as follows:

	RMB'000
Cash consideration	(1,920)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,920)

Since the acquisition, four pharmacies contributed RMB2,493,000 to the Group's revenue and loss of RMB340,000 to the consolidated loss for the year ended March 31, 2019.

(B) Business combination under common control

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

(a) Business combination I

On June 30, 2017, the Group acquired 100% equity interest in Ali JK Nutritional Products Limited and its subsidiaries, Ali JK Nutritional Products HK Limited and Hangzhou Hengping Information Technology Co., Ltd. (杭州衡平信息科技有限公司), (collectively referred to as the "Ali JK Nutritional Products Group") from Ali JK Nutritional Products Holding Limited, or the "Vendor", a direct wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK Nutritional Products Group are under the common control of Alibaba Holding before and after the acquisition, the business combination has been accounted for in the interim condensed consolidated financial statements of the Group as a business combination under common control using merger accounting.

Ali JK Nutritional Products Group was established by the Vendor to hold the business (the "Target Business I") which comprises: (i) all merchant relationships with the target merchants for the promotion and distribution of Blue Cap Health Food on Tmall.com; and (ii) certain relevant marketing and operations personnel managing the relationships with the target merchants. The Target Business I earns software service fees from merchants when sales of Blue Cap Health Food on Tmall.com are completed.

30. BUSINESS COMBINATIONS (CONTINUED)

(B) Business combination under common control (continued)

(a) Business combination I (continued)

The consideration amounting to HK$3,800 million was satisfied by the Company issuing 1,187.5 million shares on June 30, 2017 to the Vendor. The total fair value of these consideration shares was HK$4,417.5 million (approximately to RMB3,831.6 million) based on the market price of HK$3.72 per ordinary shares as at June 30, 2017. The difference between the fair value of consideration shares issued amounting to approximately RMB3,831.6 million and the carrying amount amounting to approximately RMB3.0 million of the net asset of Ali JK Nutrition Products Group at acquisition date is recognised in merger reserve amounting to RMB3,828.6 million

Since the acquisition, Ali JK Nutritional Products Group contributed RMB56,310,000 to the Group's revenue and RMB3,274,000 to the Group's loss for the year ended March 31, 2018.

(b) Business combination II

On August 2, 2018, the Group acquired 100% equity interest in Ali JK Medical Products Limited and its subsidiaries, Ali JK Medical Products (HK) Limited, and Hangzhou Hengping Health Technology Co., Ltd^ (杭州衡凭健康科技有限公司), (collectively referred to as the "Ali JK Medical Products Group") from Ali JK Nutritional Products Holding Limited, or the "Vendor", a direct wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK Medical Products Group are under the common control of Alibaba Holding before and after the acquisition, the business combination has been accounted as a business combination under common control using merger accounting.

The consideration amounting to HK$10,600 million was satisfied by the Company issuing 1,827.6 million shares on August 2, 2018 to the Vendor. The fair value of these consideration shares was HK$14,419.7 million (approximately to RMB12,570.5 million) based on the market price of HK$7.89 per ordinary shares as at August 2, 2018. The difference of RMB12,569.1 million between the fair value of consideration shares issued of approximately RMB12,570.5 million and the carrying amount of approximately RMB1.4 million of the net asset of Ali JK Medical Products Group at acquisition date is recognised in merger reserve. Ali JK Medical Products Group was established by the Vendor to hold the business (the "Target Business II") which comprises: (i) all Merchant relationships with the Target Merchants for the promotion and distribution of Target Products on Tmall.com and (ii) certain relevant marketing and operations personnel managing the relationships with the Target Merchants. The Target Business II earns commissions from merchants when sales of Target Products on Tmall.com was completed.

Since the acquisition, Ali JK Medical Products Group contributed RMB470,861,000 to the Group's revenue and profit of RMB32,903,000 to the consolidated loss for the year ended March 31, 2019.

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March 31, 2019

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group entered into share transfer agreement regarding 24% and 25% equity interests of HL95 held by Alibaba Health (Hong Kong). As at March 31, 2019, the total consideration of RMB65,988,000 has not been received yet.

During the year, the Group entered into capital injection agreement with Guizhou Ensure, pursuant to which Alibaba Health (China) shall inject approximately RMB404,322,000 in cash to Guizhou Ensure. As at March 31, 2019, the remaining cash consideration of RMB61,004,000 was unpaid and included in other payables and accruals.

On December 15, 2018, the Group acquired four pharmacies from a third party. The purchase consideration was approximately RMB8,686,000. As at March 31, 2019, the remaining cash consideration of RMB6,766,000 was unpaid and included in other payables and accruals.

(b) Changes in liabilities arising from financing activities

	Interest bearing other borrowings *RMB'000*
At April 1, 2017	200,000
Changes from financing cash flows	(200,000)
At March 31, 2018	–
At April 1, 2018	**–**
Changes from financing cash flows	**(1,700,000)**
At March 31, 2019	**(1,700,000)**

32. OPERATING LEASE ARRANGEMENTS

(a) As lessee

The Group leases certain of its office buildings under operating lease arrangements, which are negotiated for terms ranging from 12 months to 108 months.

At March 31, 2019, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within one year	**25,112**	8,648
In the second to fifth years, inclusive	**48,231**	6,991
Over five years	**1,597**	—
	74,940	15,639

(b) As lessor

The Group leases its office properties and retail outlets under operating lease arrangements, with leases negotiated for terms ranging from 10 months to 36 months. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At March 31, 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within one year	**299**	—
	299	—

33. COMMITMENT

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitment at the end of the reporting period:

	2019 *RMB'000*	2018 *RMB'000*
Contracted, but not provided for:		
Capital injection of investments	**375,944**	62,000

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March 31, 2019

34. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Notes	2019 RMB'000	2018 RMB'000
Services received from related parties:			
Share based compensation paid to connected persons for the services provided	(i)	**(27,644)**	(16,716)
Cloud computing services received from a subsidiary of Alibaba Holding	(ii)	**(5,078)**	(5,599)
Services received from a joint venture	(iii)	**(7,070)**	(8,079)
Internet information and other related services received from relevant entities of Alibaba Group	(iv)	**(136,330)**	(68,930)
Shared services received from Alibaba Group	(v)	**(31,422)**	(17,478)
Marketing services received from Alibaba Group	(vi)	**(52,478)**	(7,659)
Logistics and warehouse services received from a subsidiary of Alibaba Holding	(vii)	**(52,582)**	(22,949)
Payment services received from Alipay	(viii)	**(18,873)**	(7,759)
Technical services received from Tmall entities@ regarding Blue Cap Health Food	(ix)	**(48,368)**	(27,093)
Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services	(x)	**(242,302)**	—
Services and products provided to related parties:			
Incentive fee received from a subsidiary of Alibaba Holding	(vi)	**3,126**	859
Outsourced and value-added services provided to Tmall Entities	(xi)	**123,239**	114,769
Tracking related services provided to a subsidiary of Alibaba Holding	(xii)	**7,535**	6,298
Products provided to Alibaba Group	(xiii)	**341**	19,339
Products provided to associates of the Group	(xiv)	**54,426**	—
Others:			
Interest expense to Alibaba Group	(xv)	**(25,656)**	(2,675)
Interest income from a joint venture	(xvi)	**610**	1,617
Deemed disposal of 55% equity interest in a subsidiary through a capital increase	(xvii)	**55,000**	—
Subscription Agreement with IK Healthcare Holdings Limited	(xviii)	**119,801**	—

@ 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)

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes:

(i) On June 14, 2017, the Company granted a total of 6,415,000 RSUs to Mr. Wang Lei and certain employees of the Group, each of them either being a director of a subsidiary or certain subsidiaries of the Company, and hence a connected person of the Company, under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 14, 2017.

On October 10, 2017, the Company granted a total of 296,000 RSUs to Mr. Kang Kai, the non-executive director of the Company and hence a connected person of the Company, under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated October 10, 2017.

On June 8, 2018, the Company granted 8,190,000 Options and 1,170,000 RSUs to Mr. Shen Difan, the Chief Executive Officer of the Company and an executive director, and hence a connected person of the Company, under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 8, 2018.

On June 8, 2018, the Company granted a total of 1,800,000 RSUs to Mr. Wang Qiang, an executive director of the Company, and certain employees of the Group, each of them either being a director of a subsidiary or certain subsidiaries of the Company, and hence a connected person of the Company, under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 8, 2018.

(ii) On March 13, 2017, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and Alibaba Cloud Computing Ltd.^ (阿里雲計算有限公司) ("Alibaba Cloud") entered into a Third Renewed Cloud Computing Services Agreement for a term of one year from April 1, 2017 to March 31, 2018, pursuant to which Alibaba Cloud provided certain cloud computing services to the Group. Further details of the transaction were set out in the announcement of the Company dated March 13, 2017. On February 14, 2018, the same parties entered into a Fourth Renewed Cloud Computing Services Agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

On March 28, 2019, the same parties entered into a 2020 Cloud Computing Services Agreement for a term of one year from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

(iii) On April 3, 2017, September 1, 2017, and October 27, 2017, the Group entered into certain promotion service agreements and call center outsourcing service agreements with HL95, a former joint venture of the group and one of its subsidiaries, pursuant to which HL95 will provide certain promotion service and call center services to the Group. The terms of the agreements are approximately one year commencing on the agreement date. On August 3, 2018, Alibaba China Co., Ltd.^ (阿里巴巴中國有限公司), on behalf of its related parties including the Group, entered into a call center service outsourcing agreement with HL95. The term of the agreement is approximately one year commencing on the agreement date.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(iv) On December 31, 2016, the Company, Alibaba.com China Limited^ (阿里巴巴網絡中國有限公司), and Taobao China Holding Limited entered into a Services Framework Agreement, pursuant to which relevant entities# of Alibaba Group would provide to the Group internet information related software technical services and other related services. The contract commenced from March 11, 2017, being the date following approval at the special general meeting on March 10, 2017 and ended on March 31, 2018. On February 14, 2018, the same parties entered into a Renewed Services Framework Agreement for a term of one year from April 1, 2018 to March 31, 2019. The transaction was approved by the Company's independent shareholders at a special general meeting. For the period ended March 31, 2019, a service fee of RMB151,510,000 (2018: RMB78,582,000) was charged to the Group. 21.5% of the part of the above-mentioned service fee was paid to the Group. A net service fee of RMB136,330,000 (2018: RMB68,930,000) was recorded in the consolidated statement of profit or loss. Further details of the transaction were set out in the announcement of the Company February 14, 2018.

On January 30, 2019, Alibaba Holding and the Company entered into a 2020 Platform Services Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020, pursuant to which Alibaba Group will provide to the Group internet information related software technical services and other related services. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company January 30, 2019.

Relevant entities refers to Alibaba (China) Technology Co., Ltd.^ (阿里巴巴(中國)網絡技術有限公司), Hangzhou Alibaba Advertising Co., Ltd.^ (杭州阿里巴巴廣告有限公司), Taobao China Holding Limited, the Tmall Entities and their respective affiliates, collectively.

(v) On July 3, 2017, the Company entered into the Shared Services Agreement with Alibaba Holding, pursuant to which Alibaba Holding shall procure the Alibaba Service Providers* to provide to the Group the shared services for a term of one year with retrospective effect from April 1, 2017 to March 31, 2018. On February 14, 2018, the same parties entered into a Renewed Shared Services Agreement for a term of one year, which runs from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company February 14, 2018.

On March 28, 2019, the same parties entered into a 2020 Shared Services Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(vi) On August 4, 2016, Hangzhou Alimama Software Services Co., Ltd.^ (杭州阿里媽媽軟件服務有限公司) ("Alimama"), a subsidiary of Alibaba Holding, and Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, entered into an agency agreement to provide marketing services to Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司) and its contracted clients for a term of nine months from July 1, 2016 to March 31, 2017. As the marketing agent, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司) would be entitled to receive certain incentive fees. Further details of the transaction were set out in the announcement of the Company dated January 6, 2017.

On June 28, 2017, Alibaba Health (Hong Kong) Technology Company Limited, which holds 100% shares of Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司) and Alimama entered into the Renewed Agency Agreement for a term of one year, which runs retrospectively from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated June 28, 2017.

On February 14, 2018, Alimama and the Company entered into an Advertising Services Framework Agreement for a term of one year from April 1, 2018 to March 31, 2019, pursuant to which Alimama provided marketing services to the Group. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

On April 20, 2018, Alimama, Shanghai Quam Tudou Cultural Communications Company Limited^ (上海全土豆文化傳播有限公司) ("Youku"), a subsidiary of Alibaba Holding, and Alibaba Health (HK) Technology Company Limited entered into a Second Renewed Agency Agreement for a term of one year retrospectively from April 1, 2018 to March 31, 2019. As the marketing agent, the Group would be entitled to receive certain incentive fees. Further details of the transaction were set out in the announcement of the Company dated April 20, 2018.

On January 30, 2019, Alibaba Holding and the Company entered into a 2020 Advertising Services Framework Agreement for a term of one year from April 1, 2019 to March 31, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated January 30, 2019.

On March 28, 2019, Alimama, Youku and Alibaba Health (Hong Kong) Technology Company Limited, entered into a 2020 Agency Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

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34. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(vii) On September 20, 2016, Zhejiang Cainiao Supply Chain Management Co., Ltd.^ (浙江菜鳥供應鏈管理有限公司) ("Cainiao"), a subsidiary of Alibaba Holding and Alibaba Health (Hong Kong) Technology Company Limited, a wholly-owned subsidiary of the Company, entered into a Service Agreement, pursuant to which Cainiao will provide bonded warehouse services, customs clearance services and distribution services. The term of the Service Agreement was one year commencing on April 1, 2016 to March 31, 2017. On June 28, 2017, the Group and Cainiao entered into the Logistics Services Framework Agreement for a term of one year, commencing from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated June 28, 2017.

On February 14, 2018, Hangzhou Cainiao Supply Chain Management Co., Ltd.^ (杭州菜鳥供應鏈管理有限公司) entered into the Renewed Logistics Services Framework Agreement for a term of one year, which runs retrospectively from April 1, 2018 to March 31, 2019. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

On March 28, 2019, the same parties entered into a 2020 Logistics Services Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

(viii) On September 20, 2017, the Company (for itself and on behalf of its subsidiaries) entered into the Payment Services Framework Agreement with Alipay, a wholly-owned subsidiary of Ant Financial, a company incorporated in the PRC with limited liability, which together with its subsidiaries have been deemed by the Stock Exchange as connected persons of the Company on July 10, 2017, pursuant to which Alipay will provide payment services and the Group will pay service fees. The term of the Payment Service Framework Agreement is from July 10, 2017 to March 31, 2018. On February 14, 2018, same parties entered into the Renewed Payment Services Framework Agreement for a term of one year, which runs from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

On March 28, 2019, the same parties entered into a 2020 Payment Service Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

(ix) On May 18, 2017, Alibaba Health Technology(Hangzhou) Co., Ltd.^ (阿里健康科技(杭州)有限公司) entered into the Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities will continue to provide technical support, internet information services and secondary domain names and other services for the operation of the Target Business I as described in note 30(B) on Tmall. The Tmall Entities charged service fees of 50% of total software service fees received by the Target Business I from the relevant merchants on Tmall.com. The Framework Technical Services Agreement was approved by the independent shareholders at the special general meeting, and the term of the Framework Technical Services Agreement commenced on the day following the completion of business acquisition under common control as described in note 30(B) and will end on March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated May 19, 2017.

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March 31, 2019

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(x) On May 28, 2018, Lu Kang pharmacy (Hangzhou) Co., Ltd.^ (鹿康大藥房(杭州)有限公司) (formerly known as Hangzhou Hengping Health Technology Co., Ltd* (杭州衡憑健康科技有限公司)) entered into the Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities will continue to provide software technical services, internet information services and secondary domain names and other services for the operation of the Target Business II as described in note 30(B) on Tmall. The Tmall Entities charged service fees of 50% of total software service fees received by the Target Business II from the relevant merchants on Tmall.com. The Framework Technical Services Agreement was approved by the independent shareholders at the special general meeting, and the term of the Framework Technical Services Agreement commenced on the day following the completion of business acquisition under common control as described in note 30(B) and will end on March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated May 29, 2018.

(xi) On August 24, 2016, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and the Tmall Entities, members of Alibaba Group, entered into a Services Agreement, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement. The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the merchants to the relevant Tmall Entities in respect of the value of the completed sales of products or services under certain categories on Tmall. The transaction was approved by the Company's independent shareholders at a special general meeting. The term of the services agreement was from September 13, 2016 to March 31, 2017. Further details of the transaction were set out in the announcement of the Company dated August 24, 2016.

On March 10, 2017, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), and the Tmall Entities renewed the Service Agreement for a term of one year, commencing from April 1, 2017 to March 31, 2018. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated March 10, 2017.

On February 14, 2018, the same parties entered into a Renewed Services Agreement for a term of one year from April 1, 2018 to March 31, 2019. The transaction was approved by the Company's independent shareholders at a special general meeting. For the period ended March 31, 2019, a service income of RMB138,419,000 (2018: RMB124,421,000) was charged by the Group to the Tmall Entities. Certain of the above-mentioned service income included 21.5% of the fees paid by Alibaba Health Pharmaceutical Chain Co., Ltd.^ (阿里健康大藥房醫藥連鎖有限公司), an indirectly wholly-owned subsidiary of the Company, to the Tmall Entities in respect of the value of the completed sales of products. A net service income of RMB123,239,000 (2018: RMB114,769,000) was recorded in the consolidated statement of profit or loss. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018. On May 28, 2018, the same parties entered into a Services Amendment Agreement, pursuant to which relevant categories has been changed. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated May 29, 2018.

On January 30, 2019, Taobao Holding Limited, a subsidiary of Alibaba Holding, and Alibaba Health Information Technology (Beijing) Co., Ltd.^ (阿里健康信息技術(北京)有限公司), an indirectly wholly-owned subsidiary of the Company, entered into a 2020 Outsourced Service Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement to Alibaba Group. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated January 30, 2019.

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March 31, 2019

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xii) On September 26, 2017, Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技(中國)有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Tracking Service Agreement with Taobao China Holding Limited, an indirect wholly-owned subsidiary of Alibaba Holding, pursuant to which Alibaba Health Technology (China) Co., Ltd.^ (阿里健康科技（中國）有限公司) shall provide development, maintenance and operation service of tracking information system to Taobao China Holding Limited for a term commenced on September 26, 2017 and ended on August 31, 2018. The Renewed Tracking Service Agreement was entered into on September 7, 2018 with a term which runs from September 7, 2018 to March 31, 2019 and the details of which were set out in the announcement dated September 7, 2018.

(xiii) On October 15, 2017, the Company entered into the supply framework agreement with Alibaba.com Singapore E-commerce Private Limited, a company incorporated in Singapore and an indirectly wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company shall procure the Group to supply to Alibaba Group various products including but not limited to health products, nutritional supplements and family planning products for a term commencing on October 15, 2017 and ending on March 31, 2018. Further details of the transaction were set out in the announcements of the Company dated October 15, 2017, October 27, 2017 and January 10, 2018. On February 14, 2018, the same parties entered into a renewed supply framework agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

On March 28, 2019, the same parties entered into a 2020 Supply and Purchase Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

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

(xv) Alibaba Holding provided loans amounting to US$90,000,000 to the Group during the year ended March 31, 2018. These loans were repaid on January 5, 2018. Interest was charged at 3.15%–3.17% per annum. Zhejiang Tmall Technology Co., Ltd.^ (浙江天貓技術有限公司) provided loans amounting to RMB2,000,000,000 to the Group during the year ended March 31, 2019, of which RMB1,700,000,000 was unpaid as at March 31, 2019. Interest was charged at 2.84%–4.39% per annum.

(xvi) On January 1, 2017, HL95 entered into a loan agreement with Alibaba Health (Hong Kong) Technology Company Limited, a wholly-owned subsidiary of the Company, pursuant to which Alibaba Health (Hong Kong) Technology Company Limited agreed to provide a loan of RMB53,900,000 to HL95 for the three years ending December 31, 2019, which is unsecured and bears interest at a rate of 3% per annum. The principal was repaid by HL95 during the year.

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34. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xvii) On June 1, 2018, Shanghai Yunxin Venture Capital Co., Ltd.^ (上海雲鑫創業投資有限公司) ("Shanghai Yunxin"), a company wholly-owned by Ant Financial, Hangzhou Yunting Data Technology Company Limited^ (杭州雲庭數據科技有限公司) ("Hangzhou Yunting"), an independent third party, Hongyun Jiukang Data Technology (Beijing) Company Limited^ (弘雲久康數據技術(北京)有限公司) ("Hongyun Jiukang"), a subsidiary of the Group, and the joint venture& entered into a Capital Increase Agreement, pursuant to which Shanghai Yunxin and Hangzhou Yunting agreed to make respective capital contributions of RMB40 million and RMB15 million in cash to the registered capital of the joint venture. At the date of the transaction, the joint venture was wholly-owned by Hongyun Jiukang with registered capital of RMB45 million and fully subscribed for. Upon completion of the transaction on June 1, 2018, the registered share capital of the joint venture was increased from RMB45 million to RMB100 million, which was held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively. Further details of the transaction were set out in the announcement of the Company dated June 1, 2018.

& Zhejiang Bian Que Health Data Technology Co., Ltd^ (浙江扁鵲健康數據技術有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Hongyun Jiukang prior to the transaction.

(xviii) On March 18, 2019, Ali JK Medical Products Limited, a wholly-owned Subsidiary of the Company, entered into the Subscription Agreement with IK Healthcare Holdings Limited^ (愛康), pursuant to which the Subscriber shall subscribe for 433,082 new shares in the IK Healthcare Holdings Limited for a total subscription price of US$17,842,978.40. Upon completion of the Subscription Agreement, the IK Healthcare Holdings Limited shall be held as to not less than 1% by the Subscriber. Further details of the transaction were set out in the announcement of the Company dated March 18, 2019.

The related party transactions in respect of items (i), (ii), from (iv) to (xiii), (xv), (xvii) and (xviii) above for the current year also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

34. RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Outstanding balances with related parties:

In addition to the outstanding balances detailed elsewhere in these financial statements, the balance with related parties as at March 31, 2019 and March 31, 2018 are listed below:

	March 31, 2019 *RMB'000*	March 31, 2018 *RMB'000*
(1) Amounts due from related parties:		
Subsidiaries of Alibaba Holding	**24,256**	34,061
Joint venture	**–**	55,921
	24,256	89,982
(2) Amounts due to related parties:		
Subsidiaries of Alibaba Holding	**1,881**	58,651
Associates	**88**	–
Joint venture	**–**	2,685
	1,969	61,336

(III) Compensation of key management personnel of the Group

	2019 *RMB'000*	2018 *RMB'000*
Short-term employee benefits	**10,557**	8,282
Performance related bonuses	**2,989**	3,597
Share-based compensation expenses	**32,667**	37,023
Pension scheme contributions	**423**	367
Total compensation paid to key management personnel	**46,636**	49,269

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

35. 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:

2019

Financial assets

	Financial assets at FVPL		Financial assets at FVOCI			
	Designated as such upon initial recognition *RMB'000*	Held for trading *RMB'000*	Debt investments *RMB'000*	Equity investments *RMB'000*	Financial assets at amortised *RMB'000*	Total *RMB'000*
Equity investment at FVOCI	–	–	–	119,801	–	119,801
Trade receivables	–	–	–	–	185,671	185,671
Bills receivables	–	–	179,775	–	–	179,775
Financial assets included in other receivables and other assets	–	–	–	–	173,352	173,352
Financial investments at FVPL	457,759	1,786,541	–	–	–	2,244,300
Cash and cash equivalents	–	–	–	–	280,371	280,371
Long-term receivables	–	–	–	–	39,372	39,372
	457,759	1,786,541	179,775	119,801	678,766	3,222,642

Financial liabilities at amortised cost

	March 31, 2019 *RMB'000*
Trade and bills payables	902,651
Interest-bearing other borrowings	1,700,000
Financial liabilities included in other payables and accruals	407,124
	3,009,775

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2018

Financial assets

	Financial assets at FVPL	Loans and receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	—	91,373	91,373
Financial assets included in prepayments, other receivables and other assets	—	52,481	52,481
Financial assets at FVPL	4,100	—	4,100
Restricted cash and pledged deposits	—	2,268	2,268
Cash and cash equivalents	—	1,397,197	1,397,197
Long-term receivables	—	55,921	55,921
	4,100	1,599,240	1,603,340

Financial liabilities at amortised cost

	March 31, 2018
	RMB'000
Trade payables	323,310
Financial liabilities included in other payables and accruals	97,540
	420,850

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial asset at FVPL	**2,244,300**	4,100	**2,244,300**	4,100
Equity investment designated at FVOCI	**119,801**	—	**119,801**	—
Long-term receivables	**39,372**	55,921	**39,372**	55,921
Bills receivables	**179,775**	38,387	**179,775**	38,387
	2,583,248	98,408	**2,583,248**	98,408
Financial liabilities				
Interest-bearing other borrowings	**1,700,000**	—	**1,700,000**	—

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, 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 values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of long-term receivables, bills receivables and interest-bearing other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at March 31, 2019 was assessed to be insignificant.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of unlisted equity investment designated at FVOCI is based on external transactions in the investee's equity.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at March 31, 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBIT multiple of peers	15.47 to 42.52	1% increase/decrease in multiple would result in increase/ decrease in fair value by RMB1,775,000/RMB2,522,000
		Average P/S multiple of peers	1.3 to 3.14	1% increase/decrease in multiple would result in increase/ decrease in fair value by RMB2,055,000/RMB2,803,000
		Discount for lack of marketability	2018: 20%	1% increase/decrease in discount would result in decrease/ increase in fair value by RMB1,495,000/RMB747,000

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

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investment designated at FVOCI	–	–	119,801	119,801
Financial assets at FVPL	–	–	2,244,300	2,244,300
Bills receivables	–	179,775	–	179,775
	–	179,775	2,364,101	2,543,876

As at March 31, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial asset at FVPL	–	–	4,100	4,100

The Group did not have any financial liabilities measured at fair value as at March 31, 2019 and 2018.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

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March 31, 2019

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Long-term receivables	–	–	39,372	39,372

As at March 31, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Long-term receivables	–	–	55,921	55,921

Liabilities for which fair values are disclosed:

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing other borrowings	–	1,700,000	–	1,700,000

The Group did not have any financial liabilities for which fair values are disclosed as at March 31, 2018.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit risk

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging as at March 31, 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at March 31, 2019. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	185,671	185,671
Bills receivables	179,775	–	–	–	179,775
Financial assets included in prepayments, other receivables and other assets					
— Normal**	212,724	–	–	–	212,724
Cash and cash equivalents					
— Not yet past due	280,371	–	–	–	280,371
	672,870	–	–	185,671	858,541

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure as at December 31, 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from associates and joint ventures, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

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*
2019		
If the Hong Kong dollar weakens against RMB	**1**	**226**
If the Hong Kong dollar strengthens against RMB	**(1)**	**(226)**
2018		
If the Hong Kong dollar weakens against RMB	1	106
If the Hong Kong dollar strengthens against RMB	(1)	(106)

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

37. 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:

	2019 Less than 1 year or on demand *RMB'000*
Interest-bearing other borrowings	**1,714,300**
Trade payables	**902,651**
Financial liabilities included in other payables and accruals	**407,124**
	3,024,075

	2018 Less than 1 year or on demand *RMB'000*
Trade payables	323,310
Financial liabilities included in other payables and accruals	97,540
	420,850

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	March 31, 2019 ***RMB'000***	March 31, 2018 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**16,805,899**	4,010,767
Due from subsidiaries	**2,582,183**	2,001,073
Total non-current assets	**19,388,082**	6,011,840
CURRENT ASSETS		
Prepayments and other receivables	**1,340**	7,329
Cash and cash equivalents	**47,819**	497,056
Total current assets	**49,159**	504,385
CURRENT LIABILITIES		
Accounts payable	**2,875**	1,862
Other payables and accruals	**13,605**	13,098
Due to subsidiaries	**23,550**	14,847
Accrued salaries	**462**	477
Total current liabilities	**40,492**	30,284
NET CURRENT ASSETS	**8,667**	474,101
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,396,749**	6,485,941
Net assets	**19,396,749**	6,485,941
EQUITY		
Share capital	**102,898**	86,617
Treasury shares	**(25,052)**	(5,474)
Reserves	**19,318,903**	6,404,798
Total equity	**19,396,749**	6,485,941

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

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve# RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At March 31, 2017		1,907,220	10,752	57,741	57,920	104,282	(1,001,026)	1,136,889
Profit for the year		–	–	–	–	–	55,967	55,967
Other comprehensive loss for the year:								
Translation from functional currency to presentation currency		–	–	–	(174,555)	–	–	(174,555)
Total comprehensive income/(loss) for the year		–	–	–	(174,555)	–	55,967	(118,588)
Issue of new shares	27	1,465,002	–	–	–	–	–	1,465,002
Issue of new shares for acquisition under common control	27	3,821,342	–	–	–	–	–	3,821,342
Share-based compensation expenses	28	–	–	–	–	117,034	–	117,034
Vested awarded shares transferred to employees	27	61,955	–	–	–	(69,865)	–	(7,910)
Transfer of share-based compensation reserve of options lapsed after vesting date		–	–	–	–	(8,971)	–	(8,971)
At March 31, 2018		7,255,519	10,752	57,741	(116,635)	142,480	(945,059)	6,404,798
Profit for the year		**–**	**–**	**–**	**–**	**–**	**(80,897)**	**(80,897)**
Translation from functional currency to presentation currency		**–**	**–**	**–**	**194,203**	**–**	**–**	**194,203**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**194,203**	**–**	**(80,897)**	**113,306**
Issue of new shares for acquisition under common control	27	**12,554,598**	**–**	**–**	**–**	**–**	**–**	**12,554,598**
Exercise of share options	27	**83,252**	**–**	**–**	**–**	**(30,377)**	**–**	**52,875**
Share-based compensation expenses	28	**–**	**–**	**–**	**–**	**213,493**	**–**	**213,493**
Vested awarded shares transferred to employees	27	**73,474**	**–**	**–**	**–**	**(91,987)**	**–**	**(18,513)**
Transfer of share-based compensation reserve of options lapsed after vesting date		**–**	**–**	**–**	**–**	**(1,654)**	**–**	**(1,654)**
At March 31, 2019		**19,966,843**	**10,752**	**57,741**	**77,568**	**231,955**	**(1,025,956)**	**19,318,903**

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

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on May 16, 2019.

* *For identification purpose only*

FINANCIAL SUMMARY

	Year ended March 31,				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Restated)
RESULTS					
Revenue	**5,095,867**	2,442,618	475,078	56,595	29,744
Loss before tax	**(60,830)**	(95,145)	(207,099)	(197,117)	(83,178)
Income tax expense	**(30,934)**	(13,889)	(1,554)	(1,851)	(927)
Loss for the year	**(91,764)**	(109,034)	(208,653)	(198,968)	(84,105)
Attributable to:					
Owners of the parent	**(81,949)**	(106,974)	(207,626)	(191,608)	(81,221)
Non-controlling interests	**(9,815)**	(2,060)	(1,027)	(7,360)	(2,884)
	(91,764)	(109,034)	(208,653)	(198,968)	(84,105)

	As at March 31,				
	2019	2018	2017	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Restated)
ASSETS AND LIABILITIES					
Total assets	**5,981,885**	3,110,977	1,679,700	1,348,150	1,408,721
Total liabilities	**(3,245,059)**	(587,920)	(560,038)	(192,879)	(141,830)
	2,736,826	2,523,057	1,119,662	1,155,271	1,266,891
Equity attributable to owners of the parent	**2,794,519**	2,580,248	1,177,836	1,221,360	1,325,620
Non-controlling interests	**(57,693)**	(57,191)	(58,174)	(66,089)	(58,729)
	2,736,826	2,523,057	1,119,662	1,155,271	1,266,891