AliHealth
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ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
阿 里 健 康 信 息 技 術 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 00241)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED MARCH 31, 2019

The board (the "**Board**") of directors (the "**Directors**") of Alibaba Health Information Technology Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended March 31, 2019 together with comparative figures for the preceding year. The annual consolidated financial statements have been reviewed by the audit committee of the Company (the "**Audit Committee**").

SUMMARY

- For the year ended March 31, 2019, the Group reported revenue and gross profit of RMB5,095.9 million and RMB1,331.3 million, representing significant year-on-year growth of 108.6% and 103.9%, respectively. Such strong growth in revenue and gross profit was mainly attributable to the rapid growth of the pharmaceutical self-operated business, pharmaceutical e-commerce platform business and consumer healthcare business during the year.

- The Group's loss for the year was RMB91.8 million, decreasing by RMB17.2 million or 15.8% from a loss of RMB109.0 million for the preceding year. The Group's adjusted net profit *(note 1)* significantly increased to RMB121.7 million from the adjusted net profit *(note 1)* of RMB8.0 million for the preceding year. Net cash flows from operating activities also significantly improved to RMB396.4 million. The Group's continued improved profitability will help our continued exploration of new pharmaceutical retail models in the future, as well as our increased investment and deployment in innovative businesses such as Internet healthcare and intelligent medicine.

- 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 (as defined below), and began to provide outsourced and value-added services for the nutritional products category of the Tmall platform as well as some healthcare categories of Tmall Global (www.tmall.hk) and Tmall Supermarket (chaoshi.tmall.com). During the year, the gross merchandise volume (GMV) generated by Tmall's pharmaceutical e-commerce platform ("**Tmall Pharmacy**") as operated by the Group was approximately RMB59.5 billion. Annual active consumers of Tmall Pharmacy (consumers who made one or more actual purchase(s) on Tmall Pharmacy in the past 12 months) for the year ended March 31, 2019 exceeded 130 million.

- During the year, the Group's pharmaceutical self-operated business continued to grow significantly. Our self-operated online stores 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) for the year ended March 31, 2019. While growing its online business rapidly, the Group also actively made strategic deployments in the offline pharmaceutical retail market and continued to actively explore the development of its new pharmaceutical retail business using the online-to-offline (O2O) business model, to prepare to take on the outflow of prescription drugs.

- During the year, the Group expanded into the consumer healthcare market covering, among other things, aesthetic medicine, physical examination, vaccination and oral health. The Group actively connected brands, offline service providers and users to build a comprehensive online and offline/O2O platform for consumer healthcare. During the year, the Group's consumer healthcare business achieved rapid growth, recording a year-on-year GMV increase of over 140%. Building upon the foundation of operations on mobile Taobao, we expanded traffic flow from Alipay, DingTalk and Koubei, and integrated quality consumer healthcare services into an increasing number of daily life scenarios. Our consumer healthcare business has become another strong driver of further revenue and profit growth for the Group.

- During the year, the Group further strengthened its in-depth cooperation with 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**"). In November 2018, the Group entered into a strategic cooperation agreement with Alipay.com Co., Ltd.^ (支付寶(中國)網絡技術有限公司) ("**Alipay**"), a wholly-owned subsidiary of Ant Financial, pursuant to which the Group established an exclusive and independent medical and healthcare service channel on Alipay's user end, and became fully responsible for managing the medical and healthcare businesses and 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.

- During the year, the Group actively explored cooperation models with governments and hospitals to build an integrated regulatory and service platform. In January 2019, the "Zhejiang Internet Hospital Platform", established by Zhejiang Bianque Health Data Technology Company Limited^ (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, being the first Internet hospital platform to integrate regulatory and service capabilities in the People's Republic of China (the "**PRC**"). Since its launch at the beginning of 2019 till April 2019, over 20 medical institutions, including Class IIIA rated hospitals, have signed up to the platform, and more than 300 medical institutions have applied to sign up to the platform. In September 2018, the "Electronic Health Card Platform for Zhejiang Residents" established by Zhejiang Bianque was launched. As at April 2019, over 16 million electronic health cards had been issued since the launch of the platform.

- During the year, the Group coordinated internal and external quality resources of Alibaba Group to continue with its aim of building an artificial intelligence (AI) medical system that will have real-life application. In September 2018, the Group and Alibaba Cloud announced that they would together build the "Alibaba Medical Artificial Intelligence System — Medical Brain 2.0", and significant progress was achieved in the areas of physiological signals (electroencephalography (EEG) engine and fetal heart monitoring), speech recognition and face recognition. In particular, in March 2019, the Group developed an EEG epilepsy diagnosis product based on a deep learning model, which can significantly enhance the reading efficiency of EEG of doctors and has been recognized by China's authoritative experts in the field.

- The Board of the Company does not recommend the payment of a final dividend for the year ended March 31, 2019.

[1] Adjusted net profit is based on the loss for the corresponding year after excluding share-based compensation expenses.

KEY FINANCIAL INFORMATION

	For the year ended March 31,		
	2019	2018	Change
	RMB'000	*RMB'000*	*%*
Revenue	**5,095,867**	2,442,618	108.6
— Pharmaceutical e-commerce platform	**689,980**	173,894	296.8
— Pharmaceutical self-operated business	**4,226,950**	2,209,236	91.3
— Tracking business	**38,720**	24,353	59.0
— Consumer healthcare business	**128,254**	34,157	275.5
— Other innovative business	**11,963**	978	1,123.2
Gross profit	**1,331,263**	652,824	103.9
Gross profit margin	**26.1%**	26.7%	NA
Loss for the year	**(91,764)**	(109,034)	(15.8)
Excluding			
— Share-based compensation expenses	**213,493**	117,034	82.4
Adjusted net profit	**121,729**	8,000	1,421.6

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	**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	5	**(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	4	**67,014**	52,393
Other expenses		**(2,502)**	(11,855)
Finance costs		**(27,966)**	(10,126)
Share of profits or losses of:			
Joint ventures		**(737)**	7,949
Associates		**(907)**	998
LOSS BEFORE TAX	6	**(60,830)**	(95,145)
Income tax expense	7	**(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	8	**RMB(0.74) cents**	RMB(1.16) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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		**8,886**	6,274
Goodwill		**27,006**	19,123
Investments in joint ventures		**10,985**	62,593
Investments in associates		**1,964,854**	950,973
Long-term receivables		**39,372**	55,921
Equity investment designated at fair value through other comprehensive income ("**FVOCI**")		**119,801**	—
Financial assets at fair value through profit or loss ("**FVPL**")		**507,587**	—
Total non-current assets		**2,678,491**	1,094,884
CURRENT ASSETS			
Inventories		**595,793**	442,231
Trade and bills receivables	9	**365,446**	91,373
Prepayments, other receivables and other assets		**323,352**	78,924
Financial assets at FVPL		**1,736,713**	4,100
Restricted cash		**1,719**	2,268
Cash and cash equivalents		**280,371**	1,397,197
Total current assets		**3,303,394**	2,016,093
CURRENT LIABILITIES			
Interest-bearing borrowings		**1,700,000**	—
Trade and bills payables	10	**902,651**	323,310
Other payables and accruals		**463,642**	137,629
Deferred revenue		**—**	716
Contract liabilities		**151,991**	—
Receipt in advance		**—**	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

	Notes	**March 31, 2019** *RMB'000*	March 31, 2018 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**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		**102,898**	86,617
Treasury shares		**(25,052)**	(5,474)
Reserves		**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

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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 Companies Ordinance (Chapter 622 of the Laws of Hong Kong). They have been prepared under the historical cost convention, except for financial instruments at FVPL, and bills receivables and equity investment at FVOCI which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

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

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 recognized 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.

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		Loans and receivables	Financial assets at amortized cost	55,921	55,921
Financial assets at FVPL — current		Loans and receivables	Financial assets at FVPL	4,100	4,100
Trade receivables *(note 9)*		Loans and receivables	Financial assets at amortized cost	52,986	52,986
Bills receivables *(note 9)*	(i)	Loans and receivables	Financial assets at FVOCI	38,387	38,387
Financial assets included in prepayments, other receivables and other assets		Loans and receivables	Financial assets at amortized cost	52,481	52,481
Restricted cash		Loans and receivables	Financial assets at amortized cost	2,268	2,268
Cash and cash equivalents		Loans and receivables	Financial assets at amortized cost	1,397,197	1,397,197

	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
Trade and bills payables *(note 10)*		Financial liabilities at amortized cost	Financial liabilities at amortized cost	323,310	323,310
Financial liabilities included in other payables and accruals		Financial liabilities at amortized cost	Financial liabilities at amortized cost	97,540	97,540
Deferred revenue, receipt in advance/ 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.

Impairment

The Group has remeasured the impairment allowances of financial assets as at April 1, 2018 using the 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 recognized.

(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 recognized 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 recognizing 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 judgments 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 recognized 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.

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	—

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 recognized 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 recognized 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 recognized 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 recognized 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 recognized as receipts in advance or deferred revenue. Under HKFRS 15, the Group reclassified such considerations as contract liabilities.

(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 recognizes 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 recognizes 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 recognizing 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.

3 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.

4 REVENUE, OTHER INCOME AND GAINS

The Group is primarily engaged in pharmaceutical e-commerce platform services, pharmaceutical self-operated business, tracking business, consumer healthcare business and other innovative business in the PRC.

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

	2019	2018
	RMB'000	*RMB'000*
Pharmaceutical e-commerce platform	**689,980**	173,894
Pharmaceutical self-operated business	**4,226,950**	2,209,236
Tracking business	**38,720**	24,353
Consumer healthcare business	**128,254**	34,157
Other innovative business	**11,963**	978
	5,095,867	2,442,618

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 recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019
	RMB'000
Revenue recognized 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

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied upon delivery of the healthcare products. For business-to-consumer ("**B2C**") pharmacy sales 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 business-to-business ("**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 service 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.

	2019	2018
	RMB'000	*RMB'000*
Other income		
Bank interest income	**23,573**	13,206
Other interest income	**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	**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.

5 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.

6 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
Interest on bank loans**		**833**	6,393
Interest on other loans**		**27,133**	3,733
Depreciation		**3,989**	4,508
Minimum lease payments under operating leases for office buildings		**18,425**	13,347
Impairment of trade receivables***	9	**1,226**	1,167
Reversal of impairment of other receivables***		**(807)**	—
(Reversal of)/impairment of inventories*		**(12,616)**	14,469
Write-off of inventories***		**1,090**	2,363
Fair value (gains)/losses on financial asset 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		**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 pension schemes in future years (2018: Nil).

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7 INCOME TAX

	2019	2018
	RMB'000	*RMB'000*
Under-provision in prior years — Hong Kong	**199**	—
Current — Mainland China		
Charge for the year	**33,623**	12,773
Over-provision in prior years	**(6,883)**	—
Deferred	**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 ending December 22, 2019.

The share of tax attributable to a joint venture amounting to approximately RMB4,389,000 (2018: RMB224,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

The share of tax charge 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.

8 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.

9 TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*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.

An aging 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	2018
	RMB'000	*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

10 TRADE AND BILLS PAYABLES

An aging 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	2018
	RMB'000	*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.

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.

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.

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.

- **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.

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.

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.

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.

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.

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

— **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.

— **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.

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 *RMB'000*	March 31, 2018 *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

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 *RMB'000*	2018 *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.

— **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 was RMB1.7 billion. 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.

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. 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 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.

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.

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.

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.

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.

FINAL DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, throughout the year ended March 31, 2019, the Company complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 all 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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.

AUDIT COMMITTEE REVIEW

The Group's annual results for the year ended March 31, 2019 have been reviewed by the Audit Committee. The Audit Committee has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended March 31, 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

DISCLOSURE OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The information as required by Chapter 16 of the Listing Rules will be published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.irasia.com/listco/hk/alihealth), respectively, in due course.

By Order of the Board
ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED
SHEN Difan
Chief Executive Officer and Executive Director

Hong Kong, May 16, 2019

As at the date of this announcement, the Board comprises seven Directors, of which (i) two are executive Directors, namely Mr. SHEN Difan and Mr. WANG Qiang; (ii) three are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei, Ms. ZHANG Yu; and (iii) two are independent non-executive Directors, namely Mr. LUO Tong and Mr. WONG King On, Samuel.

^ *For identification purpose only*