2022
ANNUAL REPORT

ALIBABA HEALTH
Information Technology Limited
阿里健康信息技術有限公司
(Incorporated in Bermuda with limited liability)
Stock code: 00241

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. ZHU Shunyan
(Chairman and Chief Executive Officer)
Mr. SHEN Difan (appointed on October 13, 2021)
Mr. TU Yanwu

Non-executive Director
Mr. LI Faguang (appointed on October 13, 2021)
Mr. WU Yongming (resigned on October 13, 2021)
Mr. XU Hong (resigned on October 13, 2021)

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

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

Remuneration Committee
Ms. HUANG Yi Fei (Vanessa) *(Chairman)*
Mr. WU Yongming (resigned on October 13, 2021)
Mr. LI Faguang (appointed on October 13, 2021)
Mr. WONG King On, Samuel

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

AUTHORIZED REPRESENTATIVES
Mr. ZHU Shunyan
Ms. Lee Wai Yan Vivian (resigned on June 30, 2022)
Ms. Chun Ka Yan (appointed on June 30, 2022)

COMPANY SECRETARY
Ms. Lee Wai Yan Vivian (resigned on June 30, 2022)
Ms. Chun Ka Yan (appointed on June 30, 2022)

LEGAL ADVISOR
Taylor Wessing

AUDITOR
Ernst & Young
Certified Public Accountants

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PRINCIPAL SHARE REGISTRAR (IN BERMUDA)
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Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)
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Hong Kong

PRINCIPAL BANKERS
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The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank Co., Ltd.
Bank of Ningbo Co., Ltd.
JPMorgan Chase Bank
Agricultural Bank of China

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

CHAIRMAN'S STATEMENT

Dear fellow shareholders,

First of all, on behalf of the Board and Alibaba Health Information Technology Limited (the "Company" or "Alibaba Health", together with its subsidiaries, the "Group"), I would like to take this opportunity to express our sincere gratitude to all of our shareholders and the general public for their continued interest in and support to us.

During the past year, the Internet healthcare and digital technologies have played a more proactive role as and when the epidemic prevention and control against COVID-19 has become a routine, and positive changes have been observed in people's lifestyles and health awareness. The Internet healthcare and digital health industries are gradually becoming more standardized and regulated with the active policy support and guidance from regulatory authorities and local governments from all levels, which in turn create more development opportunities for the industries. As a leading player in the industries, Alibaba Health has improved its quality and efficiency and developed rapidly during the year ended March 31, 2022 (the "Reporting Period"). At the recently-held conference of the 2022 BRICS Women Business Alliance Joint Working Group on Healthcare, Alibaba Health shared its experience in Internet healthcare and digital health services, which was well received and recognized by the representatives from various countries.

The Internet healthcare and digital health industries will enjoy more development opportunities during the "Fourteenth Five-Year Plan" period. In January 2022, the issue of the "Fourteenth Five-Year Plan for the Development of Digital Economy"^ (「十四五」數字經濟發展規劃) affirmed that Internet healthcare is an integral part of the digital economy. In March 2022, the issue of the "Fourteenth Five-Year Plan for the Development of Traditional Chinese Medicine"^ (「十四五」中醫藥發展規劃) also emphasized the value of extending grassroots "Internet + Traditional Chinese Medicine" services. In May 2022, the "Fourteenth Five-Year Plan for National Health Plan"^ (「十四五」國民健康規劃) also clearly proposed to promote the application of the Internet in the chronic disease management, healthcare services and other aspects. Furthermore, the "Measures for the Administration of Internet Hospitals (Provisional)"^ (互聯網診療監管細則(試行)) issued in March 2022 and the consultation draft of the "Measures for the Supervision and Management of Online Drug Sales"^ (藥品網絡銷售監督管理辦法) provided new guidelines on regulated development of pharmaceutical e-commerce and Internet healthcare service industries.

Keeping in mind the responsibilities bestowed on us by the times, and riding on various favorable policies, Alibaba Health continues to invest in scientific and technological innovation, constantly exploring the Internet healthcare and digital health fields, while maintaining high level of compliance and quality control. We have updated our strategic business plan, with "cloud-based infrastructure" as the foundation, "cloud-based pharmacy" as the core, and "cloud-based hospital" as the engine, and will utilize our leading digital technology and digital operation capabilities to provide affordable, convenient, efficient and reliable medical and healthcare services to hundreds of millions of families.

CHAIRMAN'S STATEMENT

Building on its strengths in Internet and digital technologies, as well as its brand advantages and resources accumulated over the years, Alibaba Health now serves as an important bridge among physicians, pharmaceutical merchants and patients to address the relationship between supply and demand. It has also established an online and offline integrated pharmaceutical and healthcare products service platform to further improve user experience. In light of the country's determined implementation and all-round acceleration of reforms on national centralized procurement and medical insurance payment, we continue to further invest in the field of prescription drugs to complement existing direct sales business on Alibaba Health Pharmacy, and we have built an omni-category and omni-scenario pharmacy offering a wide range of prescription drugs, over-the-counter (OTC) drugs, nutritional supplements, medical devices and contact lenses. Leveraging our efficient distribution network and smart logistics strategy, we have established presence covering 29 warehouses in 17 locations at the end of the Reporting Period, enabling us to provide next-day delivery services for 76% of our direct sales pharmaceutical products. Revenue from our pharmaceutical direct sales business reached RMB17,911 million, remaining as the top sales among the China's online retailers of direct sales pharmaceutical products. The number of annual active consumers of our direct online stores has reached over 110 million. As a leading pharmaceutical and healthcare products service platform in China, we possess the most comprehensive product catalog in terms of stock keeping units ("SKUs"), and boast the safest and the most reliable sales process. We remain committed to further diversifying merchants and product portfolios on our pharmaceutical e-commerce platform and investing in consumption upgrading, with a focus on consumer refinement operation, to meet the diversified needs of consumers. During the Reporting Period, 26,000 merchants were registered on Tmall's Pharmaceutical Platform and the number of SKUs also increased significantly to over 44 million. In addition, we launched a series of multi-model and multi-payment channel online and offline drug purchase pilot programs (covered by the national medical insurance) in 23 cities.

During the past year, Alibaba Health has initially established a sizeable online and offline integrated healthcare service system, and generated sizeable revenue through a variety of services, including online consultation, physical checkup appointment, chronic disease management and traditional Chinese medicine (TCM). By persisting to make the tough yet right decision, we continued to upgrade our healthcare service experience, and stepped up our efforts in the construction of Internet hospitals and key departments of Chinese and Western medicine to provide users with seamless online-to-offline operation of appropriate services. As at March 31, 2022, nearly 160,000 licensed physicians, pharmacists and nutritionists have contracted with the Group and provided online health consultation services, making it one of the largest companies with the most physicians in the industry. The number of annual active users on Alipay healthcare channel reached 690 million, while the online consultation services reached an average of 300,000 consultations per day. During the Reporting Period, revenue generated from our healthcare and digital services business amounted to approximately RMB670.2 million, representing an increase of 98.9% year-on-year.

Since the outbreak of COVID-19, TCM has proven its outstanding efficacy in treatment during the epidemic, which not only makes its value widely recognized, but also promotes the rapid development of Internet TCM service, with the continued support and various favorable policies from the Chinese government. Having completed the acquisition of Xiaolu Traditional Chinese Medicine ("Xiaolu TCM"), we have continuously optimized our online and offline integrated TCM healthcare services and improved our pharmaceutical product supply service network, making quality TCM services more accessible to more people. Among online TCM healthcare services providers, Xiaolu TCM boasts the largest number of TCM practitioners. As at the end of the Reporting Period, the number of registered TCM practitioners on Xiaolu TCM reported a year-on-year increase of 36% to 76,000, of which nearly 40% held positions at Grade III Class A hospitals, serving a total of nearly 10 million patients.

During the past year, we have made substantial investment in research and development, and made great efforts in the construction of digital infrastructure, including cloud computing and medical AI. In addition, we also worked with our ecosystem partners to promote digital construction of medical institutions. In the digital medical services field, the "hospitals of the future" information system, jointly built by Alibaba Health and Seenew Medical Technology (Zhejiang) Co., Ltd.^ (熙牛醫療科技(浙江)有限公司) ("Seenew Medical"), assisted the First Affiliated Hospital — Zhejiang University School of Medicine with the "cloud migration" of the core information system of its four clinical centers, which significantly improved its operational efficiency and service quality.

Alibaba Health also actively incorporates the environmental, social and governance (ESG) considerations into its corporate operation process, through which it aims to create sustainable social impacts by leveraging on its strengths and influence. During the Reporting Period, we continued to enhance the model of corporate governance, in a bid to establish an effective and sound corporate governance structure. We also continued to enhance the control standards and requirements in respect of product quality and information security, with a view to creating sustainable value for our customers, partners, employees and the general public. In the previous financial year, our ESG rating was upgraded by MSCI, a global leading rating company, from BBB to A, the highest rating among our peers in China.

Our original intention to make healthcare services accessible through the use of Internet and digital technologies to offer healthcare services has been growing stronger during the past year. In collaboration with our partners, we launched the "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) program to provide training to nearly 10,000 local doctors from over 420 county hospitals, and provided support to children with serious illnesses and their families through the "Xiao Lu Lantern" (小鹿燈) platform. In response to the lingering COVID-19 pandemic, Alibaba Health launched an online volunteer medical consultation campaign, with thousands of doctors actively engaged in serving homebound patients. We also integrated the resources of Alibaba Health Pharmacy and merchants in the health industry on Tmall to launch a "COVID-19 Zone", offering quick access to chronic disease medicines, common medicines, as well as personal protection equipment. Our efforts went beyond public welfare and epidemic prevention, with every member of our teams dedicated to creating social value and collaborating with our partners to bring quality medical resources to those in need.

However long the road, we will get through and reach the destination with perseverance. Again, I would like to thank all of our shareholders, partners, users, and people from all walks of life who have been staying with us for their continued support, By uploading our and assistance. Upholding long-termism values, we firmly believe that there will be tremendous development opportunities ahead for Internet healthcare and digital health services. We look forward to forging ahead with you, witnessing the development and success of Alibaba Health, while striving for better rewarding its shareholders and benefiting the society.

ZHU Shunyan
Chairman and Chief Executive Officer

May 25, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In financial year 2022, the epidemic prevention and control against COVID-19 has become a routine as the pandemic persists and steps into the second year and the concept of "Internet + Healthcare" has deeply penetrated into the hearts of consumers. The Internet healthcare industry is gradually becoming more standardized and regulated with the active policy support and guidance from regulatory authorities and local governments from all levels. As a leading player in the Internet healthcare industry, Alibaba Health has improved its quality and efficiency and developed rapidly during the Reporting Period. In January 2022, the issue of the "Fourteenth Five-Year Plan for the Development of Digital Economy"^ (「十四五」數字經濟發展規劃) by the General Office of the State Council (the "General Office of the State Council") of the People's Republic of China (the "PRC") affirmed that Internet healthcare is an integral part of the digital economy and such an innovative industry with novel business models will receive strong government support. In March 2022, the issue of the "Fourteenth Five-Year Plan for the Development of Traditional Chinese Medicine"^ (「十四五」中醫藥發展規劃) and the "Fourteenth Five-Year Plan for the Capacity Enhancement of Grassroots Traditional Chinese Medicine Services"^ (基層中醫藥服務能力提升工程「十四五」行動計劃) by the General Office of the State Council recognized the value of extending grassroots "Internet+" services and clarified the present policy direction of revitalizing traditional Chinese medicine during such period. In May 2022, the issue of the "Fourteenth Five-Year Plan for National Health Plan"^ (「十四五」國民健康規劃) by the General Office of the State Council also clearly proposed to promote the application of the Internet in the chronic disease management, healthcare services and other aspects. The "Measures for the Administration of Internet Hospitals (Provisional)"^ (互聯網診療監管細則(試行)) and the consultation draft of the "Measures for the Supervision and Management of Online Drug Sales"^ (藥品網絡銷售監督管理辦法) have provided new guidelines on regulated development of pharmaceutical e-commerce and Internet healthcare service industries. In response to this, Alibaba Health will continue to maintain a high level of compliance and quality control. During the Reporting Period, all business segments of the Company have been able to achieve solid growth.

During the Reporting Period, the total revenue of the Group has reached RMB20,577.6 million, representing an increase of 32.6% year-on-year. In view of the increasing demand for Internet healthcare, Alibaba Health has continued to expand its offerings in pharmaceutical platform categories. During the Reporting Period, Tmall's Pharmaceutical Platform has reached over 44 million SKUs of service products, serving over 26,000 merchants. The pharmaceutical direct sales business has achieved a revenue of RMB17,911.1 million and revenue generated from prescription drug business increased by 105.2%. As at March 31, 2022, the number of annual active consumers (those who made one or more actual purchase(s) in our direct online stores in the past 12 months) of the direct online stores has exceeded 110 million. To cope with the increasingly challenging and competitive environment, especially in the second half of the financial year, we stepped up our efforts to control marketing expenses and optimize operational efficiency, and steadily improved the efficiency of fulfillment costs of warehousing and distribution, etc. Adjusted net loss for the second half of the financial year narrowed significantly as compared with the first half of the financial year. In terms of risk control, the Group implemented a product operation management platform, a Good Supply Practice for Pharmaceutical Products ("GSP") compliance system, AI medication safety, prescription reviews, consultation quality controls and other intelligent auxiliary quality control tools to safeguard product quality and medication safety. In terms of the supply chain, with the support of the distribution network of 29 warehouses in 17 locations and the smart logistics strategy, the next-day delivery rate of direct sales pharmaceutical products reached 76%. With regard to customer service, the Group integrated three strategies of product intelligence, service efficiency, and user experience through the offering of specialized and 24/7 licensed pharmacist consultation services. This helped the Group achieve customer service efficiency and significantly elevated user satisfaction. For medical and healthcare services, as at the end of the Reporting Period, the number of annual active users on Alipay healthcare channel has reached 690 million, representing an increase of 170 million as compared with the number as at the end of the preceding financial year. As at March 31, 2022, nearly 160,000 licensed physicians, pharmacists and nutritionists have contracted with the Group and provided online health consultation services, which represents an increase of more than 20,000 professionals (including those from Xiaolu TCM) as compared with the number as at September 30, 2021. As at March 31, 2022, online consultation services have reached an average of 300,000 consultations per day, representing an increase of 50,000 consultations per day compared to half a year ago.

As the flagship healthcare platform of Alibaba Group Holding Limited (Alibaba Holding, together with its subsidiaries, "Alibaba Group"), the Group has an unwavering commitment to the mission of "promoting healthy living of 120 years for everyone". The Group will continue to consolidate and strengthen existing business foundations in healthcare, and explore innovative business models, foster new business ventures in the industry and prepare for the future to align with the evolving needs of its customers. The Group hopes that, with its relentless efforts and dedication to Internet and life science technologies in the next decade and beyond, it can engage in the whole process of users' lives at an early stage, enabling them to live with vitality and dignity through "early prevention, early examination, early detection, and early treatment" services on its platforms. To achieve this goal, the Group will utilize its leading digital technology and digital operation capabilities, with "cloud-based infrastructure" as the foundation, "cloud-based pharmacy" as the core, and "cloud-based hospital" as the engine to provide affordable, convenient, efficient and reliable medical and healthcare services to hundreds of millions of families.

Pharmaceutical E-commerce Business

The customer-centric pharmaceutical e-commerce business of Alibaba Health fully makes use of its brand advantages and resources accumulated over the years. By utilizing Internet of Things and other Internet technologies, Alibaba Health is able to deploy its multi-channel business model integrating its pharmaceutical direct sales business, Tmall's Pharmaceutical Platform and new retail business to expand its collaboration with high-quality upstream brands, pharmaceutical and healthcare supplement manufacturers and key domestic pharmaceutical distributors. The objective is to provide an integrated online and offline healthcare management platform for users with health needs through the innovation of the elements of persons, goods and venues to further nurture and develop buying pharmaceutical products online as a consumer habit.

- ***Pharmaceutical Direct Sales Business***

  Adhering to the motto of "Comprehensive and Safer", the Group's pharmaceutical direct sales business is committed to build a "super pharmacy" offering a wide range of prescription drugs, OTC drugs, nutritional supplements, medical devices, contact lenses through user platforms, i.e. Tmall, Taobao, Alipay, UC, Taote, Ele.me, Kaola, to provide users with comprehensive, reliable and affordable healthcare solutions. During the Reporting Period, owing to the Group's leading brand advantages, rich operational experience of the teams and their efficient execution capabilities, the pharmaceutical direct sales business achieved a revenue of RMB17,911.1 million, representing a year-on-year increase of 35.5%. Specifically, the revenue generated from prescription drug business increased by 105.2%. As at March 31, 2022, the number of annual active users (those who made one or more actual purchase(s) in our direct online stores in the past 12 months) of the direct online stores has reached over 110 million.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group's pharmaceutical direct sales business has formed in-depth cooperation with hundreds of well-known pharmaceutical companies, including Bayer and Eisai China, and leveraged on Alibaba Health's digital advantages to reach targeted customers across the whole chain and through all-round channels and provide consumers with safe and reliable medication and healthcare services with efficiency. Several leading pharmaceutical companies, including Roche China, Qilu Pharmaceutical, and Youcare Pharmaceutical, have launched their new drug products in Alibaba Health's direct sales drugstores. In the field of prescription drugs, the Group's pharmaceutical direct sales business has set up 15 direct sales healthcare centers in collaboration with pharmaceutical companies, targeting cardiovascular, endocrinal and other disease categories. Through the integration of quality "pharmaceutical + services" resources, the Group focuses on delivering professional and affordable one-stop digitalized healthcare and pharmaceutical services online, such as expert consultation, medication usage guidance, healthcare education and health-related products. During the Reporting Period, the number of non-pharmaceutical users increased 117% year-on-year. The Group realized in-depth strategic cooperation with thousands of brands and successfully fostered sales increase for brands such as Yunnan Baiyao and Sunflower.

During the Reporting Period, the Group actively developed services capability infrastructure in quality control, warehousing, logistics and customer services. In terms of quality control, the Group implemented a product operation management platform, a GSP compliance system, AI medication safety, prescription reviews, consultation quality controls and other intelligent auxiliary quality control tools to safeguard product quality and medication safety. In terms of warehousing and logistics, the Group featured a distribution network of 29 warehouses in 17 locations and a smart logistics strategy center. This has enabled next-day delivery services of direct sales pharmaceutical products, including delivery of new specialty drugs requiring cold chain transportation, in over 210 cities nationwide with next-day delivery rate reaching 76%. The Group integrates three key strategies in product intelligence, service efficiency and user experience to enhance customer service. Service includes specialized and 24/7 licensed pharmacist consultation services, which has led to significant improvement in achieving customer service efficiency and significantly elevating user satisfaction.

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

As a leading pharmaceutical and healthcare products service platform in China, Alibaba Health's pharmaceutical e-commerce platform possesses the most comprehensive product catalog in terms of SKUs, and boasts the safest and the most reliable sales process. During the Reporting Period, the pharmaceutical e-commerce platform has been able to diversify the product offering, as evidenced by the continuous rapid growth in the number of merchants and SKUs. As at the end of the Reporting Period, Alibaba Health served over 26,000 merchants, an addition of 1,000 compared to half a year ago. The number of SKUs also increased significantly from half a year ago by 4 million to the current level of over 44 million.

The Group is committed to enabling merchants in different product categories to meet the diversified needs of consumers and further solidifying and enhancing the platform's influence in the industry. In terms of pharmaceutical services, the platform focuses on specialty drug product categories by offering quality pharmaceutical services with increased product category offerings and enhancing cold chain logistic capabilities. The platform continues to actively promote the upgrade of TCM business models by enriching the two major business segments of TCM treatment and TCM novel therapy. By helping pharmacies and TCM pharmaceutical companies, Tmall's healthcare platform acts as the stronghold to meet nationwide TCM demand of users. In the non-pharmaceutical categories, the Group focuses on consumer refinement operation and deepens the connection between brands and users by introducing a series of trending product categories to the platform, such as probiotics, color contact lenses, moxibustion and bird's nest. For the elderly users, Alibaba Health made age-appropriate changes to the health management scenarios to enhance the efficiency and quality of homecare services for senior users by launching a "Guide on Using Healthcare Devices".

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

  Alibaba Health focuses on developing the medical insurance business with the objective of "making medical insurance accessible to everyone". The Group's experience and expertise have helped form partnerships with numerous local healthcare institutions and medical insurance providers to enable online payment with the support of Alipay's leading payment technology. During the Reporting Period, we launched a series of multi-model and multi-payment channel online and offline drug purchase pilot programs (covered by the national medical insurance) in 23 cities and continued to enhance convenient medical consultation and drug purchase experiences for insured members.

Healthcare and Digital Services Business

During the Reporting Period, the Group has continued to cultivate its expertise and offerings in the "Internet + Healthcare" sector and continued to upgrade its healthcare service experience, and stepped up its efforts in the construction of Internet hospitals and key departments of Chinese and Western medicine to provide users with seamless online-to-offline operation of appropriate services including TCM, medical checkups, nucleic acid testing, medical consultation, registration, vaccination, dental care, mental care, optometry, and nursing. By leveraging on its resources and strong capabilities, the Group is able to harvest the user traffic from Alibaba's ecosystem to offer multi-level, diversified, professional and convenient medical and healthcare services to end users from channels including Taobao, Tmall, Alipay, "Dr. Deer" APP, Gaode, DingTalk and Quark. As at March 31, 2022, the number of annual active users on Alipay's healthcare channel has surpassed 690 million, representing an increase of 170 million year-on-year. As at March 31, 2022, nearly 160,000 licensed physicians, pharmacists, nutritionists have contracted with the Group and provided online health consultation services, which represents an increase of more than 20,000 professionals as compared with the number as at September 30, 2021 (including those from Xiaolu TCM). Online consultation services have reached an average of 300,000 consultations per day. During the Reporting Period, revenue generated from the healthcare and digital services business was approximately RMB670.2 million, representing an increase of 98.9% year-on-year.

- ***Healthcare Services***

  By leveraging its accumulated technologies, channels, and operational advantages, Alibaba Health utilizes Internet hospitals as a network with abundant and quality medical practitioner resources to provide chronic disease patients with comprehensive healthcare services at their fingertips through the offering of online consultation, prescription refill, discounted medication, chronic disease management, follow-up visits, user education, and other services. As at the end of the Reporting Period, the number of chronic disease users reached 6.5 million, representing an increase of 119% year-on-year, with the per capita length of medication use and repurchase rate continuously on the rise.

MANAGEMENT DISCUSSION AND ANALYSIS

Alibaba Health continued to offer users from "Dr. Deer" APP, Tmall, Alipay, Gaode and DingTalk with consumer-grade and professional/medical-grade tests and vaccination and other services. As at the end of the Reporting Period, the Group's testing services have served nearly 3 million users. The Group also cooperated with medical checkup experts to launch standardized medical checkup services for seven major customer groups, including young/middle-aged, middle-aged/elderly and female. These medical checkup services have covered nearly 700 hospitals in more than 140 cities. During the Reporting Period, we worked with thousands of vaccination providers and provided millions of vaccine appointments and reservations. As at March 31, 2022, the number of monthly active users of the "Dr. Deer" APP exceeded 3.2 million.

In terms of the medical appointment services, the Group has continued to expand the supply of appointment sources and improve the quality of appointment sources in order to further enhance the appointment success rate and to assist patients in making informed medical decisions. As at March 31, 2022, the Group's established network covered nearly 6,000 hospitals, of which over 80% are Grade III Class A hospitals. In terms of infrastructure, the Group also established a network of nearly 1 million doctors and the success rate of making hospital appointments continues to rise steadily.

In terms of the TCM services, Xiaolu TCM has continued to focus on creating values for its users, adhering to the concept of "reliable Chinese medicine". Driven by favorable industry policies and the increasing demand for TCM, the Group has, by leveraging its accumulated technical advantages and proven operational capability, further improved its drug supply service network, enriched its healthcare product and service offerings and enhanced customer experience. As at the end of the Reporting Period, Xiaolu TCM had 76,000 registered TCM practitioners, serving a total of nearly 10 million patients.

- ***Digital Tracking Business***

During the Reporting Period, the Group's proprietary "Ma Shang Fang Xin"^ (碼上放心) tracking platform business continued to maintain a steady pace of development. As a pioneer in the field of drug tracking, Alibaba Health actively responded to the national drug tracking policy by providing pharmaceutical enterprises, distributors, healthcare institutions and retail terminal pharmacies with safe and convenient compliance solutions and expanding on more value-added services. As at the end of the Reporting Period, the number of partnered companies on the "Ma Shang Fang Xin" tracking platform increased by over 200% year-on-year. In addition to our focus on the field of pharmaceuticals, during the Reporting Period, the "Ma Shang Fang Xin" platform has also achieved rapid development in the tracking services of many consumer goods such as TCM supplements, agricultural products and imported goods. We have fully leveraged our capabilities in pharmaceutical traceability and digital marketing to provide users with a diverse range of services from tracking, anti-counterfeiting, channel management to private domain operation.

Public Service

In order to strengthen the clinical capacity of county-level hospitals and improve the clinical skills of local doctors, Alibaba Health Philanthropy, together with Alibaba Foundation, launched the "Join Us for Training on Yi Die Gu"^ (醫蝶谷一起學) training program. The Group also cooperated with China Association of County Hospital President, Beijing Ling Feng Foundation and Chinese Red Cross Foundation to provide free access to medical knowledge and skill training for grassroots doctors in less developed countries, so as to improve their ability to diagnose common illnesses and frequently-occurring disease, identify critical illness at its early stage, treat patients with serious diseases and provide emergency care. As at March 31, 2022, the program covered nearly 10,000 local doctors from over 420 county hospitals with a total of 70,000 training attendances.

"Xiao Lu Lantern" (小鹿燈) Children's Serious Disease Relief Platform was jointly initiated by governments at all levels, renowned medical units, medical experts, authoritative public welfare organizations, and supported by Alibaba Health Philanthropy, Alibaba's caring business merchants and Alibaba Foundation. The platform serves the less developed regions in China by working with the state healthcare providers. It provides access to medical care for families caring for children with serious illnesses and difficulties, connects them with high-quality medical resources and helps alleviate their financial burden of medical treatment, as well as costs associated with them receiving medical treatment in other places, which include travel and accommodation costs. By addressing the lack of information, healthcare resources and financial means, this platform has allowed numerous children to receive timely diagnosis and treatment. As at March 31, 2022, the platform held 18 volunteer medical consultations covering over 200 towns in 17 counties and 11 provinces. Over 3,000 children received preliminary screenings, of which more than 300 had obtained medical and financial assistance.

Dealing with the lingering COVID-19 pandemic, Alibaba Health launched an online volunteer medical consultation campaign. Thousands of doctors trained in western medicine and TCM actively responded to our call, as they collaborated in a concerted effort to serve a wide range of consultation needs of patients who were unable to leave home. We also integrated the resources of Alibaba Health Pharmacy and merchants on the Tmall Platform to launch a "COVID-19 Zone", offering quick access to chronic disease medicines, common medicines, as well as personal protection equipment such as masks and rapid antigen test kits. We also donated masks and other anti-epidemic items to frontline healthcare workers. Amid the COVID-19 outbreak in Shanghai, obstetricians and gynaecologists provided online pregnancy advisory services to pregnant mothers through Alibaba Health. Some of these doctors helped more than 300 pregnant women online in one month. In addition, after receiving urgent requests for help from Shanghai families caring for children with rare diseases, we cooperated with our partners to deliver infant formula for special medical purposes to those children who are 1,300 kilometers away, in order to meet their pressing needs.

Ecosystem Collaboration

In the field of cancer screening, Alibaba Health has joined hands with Landing Medical to launch a new model of clinical tumor diagnostic services which provides high-quality and timely online and offline cancer screening solutions for medical institutions in target cities. This allows AI diagnostic technology to play a more important role in early screening and rapid diagnosis of high-incidence tumors. Leveraging on its accumulated quality resources, channels and capabilities, the Group has been exploring and experimenting with cancer screening products. In the digital medical services field, the "hospitals of the future" information system jointly built by Alibaba Health and Seenew Medical assisted the First Affiliated Hospital — Zhejiang University School of Medicine with the "cloud migration" of its four clinical centers. By transferring its core information system online, the hospital was able to achieve the free flow of information among the four clinical centers. This has significantly improved the operational efficiency and service quality of the hospital. Patients are now able to enjoy the benefits of intelligent diagnosis and treatment without going through the hassles of traditional medical care processes. In the post-pandemic prevention and control era, the Group intends to make full use of its expertise and resources in cloud computing, so as to further enhance the digital infrastructure of the "big health industry".

Future Prospects

As the vanguard of the "Internet + Healthcare" industry that regards the well-being of people as its mission, Alibaba Health will continue to adhere to its intention of providing healthcare services through the Internet and to place user value as its priority. As Alibaba Health pushes for healthcare innovation through Internet technologies, we will work closely with our partners from the Alibaba ecosystem to provide quality health care services to users nationwide.

In the pharmaceutical e-commerce business, the Group will make full use of its brand advantages and operational experience to acquire new users and new product categories to satisfy consumers' diverse demand. With the implementation of drug profit control and zero-profit drug policy for public medical institutions, there will be more room for development for the out-of-hospital market. By promoting the comprehensive centralized procurement model and making hospital prescriptions available to the public, the Group will continuously expand user scale and doctor supply, as well as improvement on business operation, logistics system, pharmacist services to provide better customer purchase experience and pharmaceutical services, so as to bring new development opportunities for pharmaceutical companies. The Group will continue to improve the standardization of our platform for drug purchases and to introduce more medical insurance merchants to our platform users.

The Group will continue to explore and practise in the healthcare services industry and enhance its professional healthcare service capabilities. In the coming financial year, the Group will continue to expand the vaccine supply services and improve the whole chain of experience before, during and after vaccination. Moreover, the Group will continue exploration in the field of medical care localization and provide multi-level and diversified medical and healthcare services to users by improving the efficiency and quality of its services and utilizing its technological strengths.

By focusing on the healthcare needs of the users, the Group will build a one-stop medical and healthcare system that combines both online and offline services. As the Group strengthens its existing pharmaceutical e-commerce business, it will actively explore innovative service models for Internet healthcare, with "cloud-based infrastructure" as the foundation, "cloud-based pharmacy" as the core, and "cloud-based hospital" as the engine to provide affordable, convenient, efficient and reliable medical and healthcare services to thousands of millions of families throughout their medical and healthcare journey.

FINANCIAL REVIEW

The key financial figures of the Group for the years ended March 31, 2022 and 2021 are summarized as follows:

	2022	2021	Change
	RMB'000	*RMB'000*	*%*
Revenue	**20,577,616**	15,518,468	32.6
Gross profit	**4,107,993**	3,617,249	13.6
Gross profit margin	**20.0%**	23.3%	N/A
Fulfillment	**(2,097,287)**	(1,619,459)	29.5
Sales and marketing expenses	**(1,981,279)**	(1,222,008)	62.1
Administrative expenses	**(395,082)**	(293,595)	34.6
Product development expenses	**(728,828)**	(423,632)	72.0
Other income and gains	**899,494**	405,828	121.6
Share of losses of associates	**(46,889)**	(26,857)	74.6
Income tax expenses	**(13,427)**	(58,539)	(77.1)
(Loss)/Profit for the year	**(265,941)**	342,680	N/A
NON-HKFRS ADJUSTMENTS			
Adjusted net (loss)/profit	**(394,259)**	630,663	N/A

— Revenue

Revenue of the Group for the year ended March 31, 2022 amounted to RMB20,577,616,000, representing an increase of RMB5,059,148,000 or 32.6% as compared with RMB15,518,468,000 for the year ended March 31, 2021. The increase in revenue was mainly attributable to the rapid growth in revenue from the pharmaceutical direct sales business and healthcare and digital services business during the Reporting Period.

— *Pharmaceutical Direct Sales Business*

The pharmaceutical direct sales business of the Group comprises the direct B2C retail, related advertisement business and the B2B centralized procurement and distribution business. During the Reporting Period, the overall revenue from pharmaceutical direct sales business reached RMB17,911,088,000, representing a year-on-year increase of 35.5%. The rapid growth in revenue was mainly attributable to (i) the continual addition to the categories of goods sold through the Group's direct B2C retail and SKUs; (ii) the optimization of the customer purchase experience by upgrading customer service products and enhancing supply chain capabilities to significantly improve conversion rate of medication consultation and delivery timeliness; (iii) the accelerated business deployment of the prescription drug business, enrich SKUs selection for prescription drugs, strengthen cooperation with pharmaceutical companies, optimize the online process for the purchase of prescription drugs and expand the sales volume of prescription drugs; and (iv) ongoing cooperation with well-known pharmaceutical companies to help them reach more customers and boost their sales with the Group's digital marketing capability.

– ***Pharmaceutical E-commerce Platform Business***

The pharmaceutical e-commerce platform business of the Group comprises the e-commerce platform business (relating to, among others, pharmaceutical products, health food, medical devices, sexual health and family planning products, contact lenses, and medical and healthcare service categories) acquired from Alibaba Group and the business of providing outsourced services to Tmall's Pharmaceutical Platform (in respect of categories other than those that have already been acquired) and the new pharmaceutical retail business. During the Reporting Period, the total revenue of the above businesses amounted to RMB1,996,332,000, representing a year-on-year increase of 1.6%.

– ***Healthcare and Digital Services Business***

During the Reporting Period, the Group continued to penetrate the areas of Internet healthcare and healthcare service, and leveraged on the ability of Alibaba's ecosystem to acquire user traffic, offer multi-level, diversified, professional and convenient medical and healthcare services, including medical checkups, nucleic acid testing, medical consultation, registration, vaccination and TCM, to end users from channels including Taobao, Tmall, Alipay, "Dr. Deer" APP, Gaode, DingTalk and Quark, with seamless online-to-offline operation. Digital services business includes tracking business. "Ma Shang Fang Xin"^, the Group's proprietary tracking platform reported steady growth and in addition to offering more value-added services, it further expanded to the area of distribution, increasing the coverage of retail terminals. During the Reporting Period, the Group recorded revenue from the healthcare and digital services business of RMB670,196,000, representing a year-on-year growth of 98.9%.

A revenue of RMB222,940,000 was recorded from the Group's acquisition of Xiaolu TCM during the Reporting Period, which was included in the healthcare and digital services business.

– **Gross profit and gross profit margin**

The Group recorded gross profit for the year ended March 31, 2022 of RMB4,107,993,000, representing an increase of RMB490,744,000 or 13.6% from RMB3,617,249,000 for the preceding financial year. Gross profit margin for the year ended March 31, 2022 was 20.0%, representing a reduction as compared with 23.3% for the preceding financial year. This was mainly attributable to the following reasons: (i) a decrease in the proportion of revenue from pharmaceutical e-commerce platform business which has higher gross profit; (ii) a decrease in the gross profit margin of the pharmaceutical direct sales business as a result of the increase in the Group's market share of online B2C pharmaceutical sales for the Reporting Period; and (iii) a significant growth of prescription drug business with lower gross profit margin and increase in its proportion of revenue as a result of the Group's accelerated business deployment of prescription drug business for the Reporting Period.

– Other income and gains

Other income and gains for the year ended March 31, 2022 amounted to RMB899,494,000, representing an increase of RMB493,666,000 or 121.6% as compared with RMB405,828,000 for the preceding financial year. This was mainly due to the gain on deemed disposal of interests in associates and fair value gains on financial assets at FVPL during the Reporting Period. In particular, the investment in Guizhou Ensure Pharmacy Company Limited^ (貴州一樹藥業股份有限公司) was reclassified from an investment in an associate to financial assets at FVPL in the Reporting Period, which resulted in the recognition of the gain on deemed disposal of interests in associates amounted to RMB307,797,000, while the financial assets at FVPL mainly represented the gain on changes in fair value of RMB379,016,000 recognized by Shandong ShuYu Civilian Pharmacy Corp. Ltd.^ (山東漱玉平民大藥房連鎖股份有限公司) and the loss on changes in fair value of RMB258,917,000 recognized by Guizhou Ensure Pharmacy Company Limited^ (貴州一樹藥業股份有限公司).

– Fulfillment

Warehousing, logistics and customer service expenses, commissions on the Tmall Platform, payment of handling fees and relevant staff costs incurred by the Group's pharmaceutical direct sales business were included in fulfillment costs. Fulfillment costs for the year ended March 31, 2022 amounted to RMB2,097,287,000, representing an increase of RMB477,828,000 or 29.5% from RMB1,619,459,000 for the preceding financial year. Such increase was mainly due to the growth in revenue of the pharmaceutical direct sales business. During the Reporting Period, fulfillment costs accounted for 11.7% of the revenue from pharmaceutical direct sales business, and this percentage decreased by approximately 0.6 percentage points as compared with 12.3% for the preceding financial year, which reflected the enhancement of operating efficiency of the Group in respect of warehousing, logistics and customer services.

– Sales and marketing expenses

Sales and marketing expenses for the year ended March 31, 2022 amounted to RMB1,981,279,000, representing an increase of RMB759,271,000 or 62.1% as compared with RMB1,222,008,000 for the preceding financial year. Such increase was mainly due to (i) the Group's increasing investment in building the brand awareness of Tmall's Pharmaceutical Platform and Alibaba Health Pharmacy; (ii) the increase in the deployment of corresponding market resources to increase its market share of online B2C drug sales, and accelerate business deployment of prescription drug business; and (iii) the increase in the headcount of its sales and operation functions, as well as operation personnel for Neighborhood Healthcare, the "Dr. Deer" APP and other innovative business segments.

– Administrative expenses

Administrative expenses for the year ended March 31, 2022 amounted to RMB395,082,000, representing an increase of RMB101,487,000 or 34.6% as compared with RMB293,595,000 for the preceding financial year. Such increase was mainly attributable to the business growth which led to an increase in relevant management personnel costs, back-end supporting costs, shared service costs, and professional costs. Administrative expenses as a percent of the Group's total revenue was similar to that of the preceding financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

– Product development expenses

Product development expenses for the year ended March 31, 2022 amounted to RMB728,828,000, representing an increase of RMB305,196,000 or 72.0% as compared with RMB423,632,000 for the preceding financial year. Such increase was mainly due to the Group's continuous investment in personnel of the Company's research and development function. During the Reporting Period, the Group enhanced investment in technological research and development in the areas of operation refinement in the Group's pharmaceutical direct sales business, customer experiences in prescription refills and regulatory compliance and safety of prescription drugs as well as the continuous recruitment of more information technology engineers to further invest in capacity-building for the intelligent supply chain and the continuous investment in medical and healthcare services products such as the "Dr. Deer" APP.

– Share of losses of associates

The Group actively invests in the healthcare segment. The Group's share of losses of associates for the Reporting Period amounted to RMB46,889,000, representing an increase of RMB20,032,000 as compared with the losses of RMB26,857,000 recorded for the preceding financial year. The share of losses of associates for the year was mainly attributable to the delayed progress of projects of certain associates of the Group providing services to hospitals due to the impact of COVID-19, and the fact that some associates were still at the transformation or growing stage.

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

The Group's loss for the year ended March 31, 2022 amounted to RMB265,941,000, as compared with profit of RMB342,680,000 for the preceding financial year. The Group's adjusted net loss for the year ended March 31, 2022 amounted to RMB394,259,000, as compared with adjusted net profit of RMB630,663,000 for the corresponding period of the preceding year. Adjusted net profit/(loss) is based on the profit/(loss) for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets at FVPL (non-current portion), gain or loss on disposal of subsidiaries (net of tax), and gain or loss on deemed disposal of associates (net of tax). The adjusted net loss for the Reporting Period was mainly attributable to: (i) a decrease in operating margin of the Group's pharmaceutical direct sales business as the Group increased its market share of online B2C drug sales, accelerated business deployment of prescription drug business and increased the deployment of corresponding market resources; (ii) the continuous investment in technological research and development in the areas of drug supply chain capabilities, including drug storage and logistics, as well as operation refinement in the Group's pharmaceutical direct sales business, customer experiences in prescription refills and regulatory compliance and safety of prescription drugs during the Reporting Period; (iii) the Group's increasing investment in building the brand awareness of Tmall's Pharmaceutical Platform and Alibaba Health Pharmacy; and (iv) an increase in the deployment of the Group's resources in innovative business areas.

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

The adjusted net profit/loss for the years ended March 31, 2022 and 2021 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRSs (i.e. profit/loss for the year):

	For the year ended March 31,	
	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(265,941)**	342,680
Excluding		
— Share-based compensation	**408,098**	396,959
— Fair value gains on financial assets at FVPL, net of tax	**(155,024)**	(46,704)
— Gain on deemed disposal of interests in associates, net of tax	**(381,392)**	(9,316)
— Gain on disposal of a subsidiary, net of tax	**–**	(52,956)
Adjusted net (loss)/profit	**(394,259)**	630,663

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

As at March 31, 2022, we meet our cash requirements primarily through cash generated from operating activities. Cash and cash equivalents of the Group represent cash and bank balances. As at March 31, 2022 and March 31, 2021, the Group had cash and cash equivalents of RMB10,547,851,000 and RMB11,636,769,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash flows of the Group for the years ended March 31, 2022 and 2021 were as follows:

	For the year ended March 31,	
	2022	2021
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**424,363**	1,009,427
Net cash flows generated from/(used in) investing activities	**1,872,308**	(4,961,484)
Net cash flows (used in)/generated from financing activities	**(58,628)**	8,922,408
Net increase in cash and cash equivalents	**2,238,043**	4,970,351
Cash and cash equivalents at the beginning of the year	**7,252,275**	2,594,981
Effects of foreign exchange rate changes	**(148,891)**	(313,057)
Cash and cash equivalents at the end of the year	**9,341,427**	7,252,275
Non-pledged time deposits with a holding period of over three months	**1,206,424**	4,384,494
Cash and cash equivalents at the end of the year as stated in the consolidated financial statements	**10,547,851**	11,636,769

– Net cash flows generated from operating activities

For the year ended March 31, 2022, net cash flows generated from operating activities amounted to RMB424,363,000, which was primarily attributable to our loss before income tax from continuing operations of RMB252,514,000, as adjusted by: (i) non-cash or non-operating activities expense items, which primarily comprised addition of share-based compensation expenses of RMB408,098,000, and deduction of gain on financial assets at FVPL of RMB162,062,000, gain on deemed disposal of interests in associates of RMB381,392,000, and bank and other interest income of RMB209,664,000; (ii) changes in working capital, which primarily comprised an increase in trade and bills payables of RMB959,570,000, an increase in other payables and accruals of RMB173,299,000, an increase in prepayments, other receivables and other assets of RMB165,583,000, an increase in inventories of RMB129,200,000, and an increase in trade receivables of RMB201,983,000; and (iii) addition of interest received of RMB241,446,000.

– Net cash flows generated from investing activities

For the year ended March 31, 2022, net cash generated from investing activities was RMB1,872,308,000, which was primarily attributable to the redemption of time deposits of over three months of RMB3,178,070,000, the net cash used in acquisition activities of RMB815,597,000, the net cash used in the purchase of financial assets at FVPL of RMB355,000,000, and net cash used in capital injection in associates of RMB59,700,000 during the Reporting Period.

– Net cash flows used in financing activities

For the year ended March 31, 2022, net cash flows used in financing activities was RMB58,628,000, which was primarily attributable to the principal portion of lease payments of RMB47,012,000 during the Reporting Period.

– Gearing ratio

As at March 31, 2022, the Group did not have any borrowings, and hence no gearing ratio was shown (March 31, 2021: Nil). As at March 31, 2022, the Group did not have any material contingent liabilities and had not pledged any Group assets for bank loans and banking facilities. The Group's operations and transactions are principally conducted in the PRC. The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the year ended March 31, 2022. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group changed its presentation currency from Hong Kong dollars to Renminbi starting from the year ended March 31, 2016 to better reflect its operations in the PRC and to be consistent with the internal reporting portfolio reviewed by the Directors. The Group does not have foreign exchange hedging policy, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum. The Group does not use any financial instruments for hedging purposes.

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at March 31, 2022 was 1,849 (March 31, 2021: 1,033). Total staff costs of the Group for the year ended March 31, 2022 amounted to RMB1,303.2 million (For the year ended March 31, 2021: RMB934.7 million). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

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

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

Investment

The Group engaged in trading of short-term and liquid investments and financial assets ranging from unit trusts, structured deposits and other wealth management during the Reporting Period in accordance with its treasury policy initially adopted in June 2015 to utilize surplus cash reserves for treasury management purpose. The Company's treasury policy sets out the selection guidelines and relevant approval procedures for acceptable short-term investments and financial assets with reference to its risk management policy. According to such treasury policy, the Company invests in products including non-equity financial asset investments with strong liquidity which can be realized either at any time or within a short period of time. Such investments shall be subscribed from financial institutions in the approved list, which shall be reviewed every two years. During the Reporting Period, such financial institutions included various branches of the China Merchant Bank, Bank of Ningbo, China Citic Bank, Pudong Development Bank, Minsheng Bank, Bank of China and Ping An Bank. According to the Company's prevailing approval procedures, any investment decision related to financial assets shall be approved by the financial and treasury manager of the Company, and shall, depending on the size of the investment, be approved by the financial controller or chief financial officer. As at March 31, 2022, the Company did not have any short-term investment at FVPL (balance as at March 31, 2021: Nil).

During the Reporting Period, the Group did not have any significant investments nor did the Group carry out any material acquisition and disposal of subsidiaries, associates and joint ventures.

DIRECTORS' REPORT

The Board of Alibaba Health Information Technology Limited presents its report and the audited financial statements for the year ended March 31, 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is primarily engaged in the pharmaceutical direct sales business, pharmaceutical e-commerce platform business and healthcare and digital services business.

BUSINESS REVIEW

Review of Business

A review of the Group's business, including the principal risks and uncertainties faced by such business and its possible future development are described under the paragraph headed "Business Review" in the section headed "Management Discussion and Analysis" of this report on pages 6 to 20.

Analysis of Performance and Financial Position

The key financial figures and financial position of the Group for the year ended March 31, 2022 and the relevant analysis are set out under the paragraphs headed "Financial Review" and "Financial Resources, Liquidity and Foreign Exchange Exposures", respectively, in the section headed "Management Discussion and Analysis" of this report on pages 6 to 20.

Environmental Policies and Performance

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

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with legal and regulatory requirements. Internal compliance and risk management policies and procedures are in place to ensure the Group's adherence and compliance with all significant and applicable legal and regulatory requirements in Hong Kong and the PRC. For the year ended March 31, 2022 and up to the date of this report, to the best knowledge of the Directors, the Group has complied in all material respects with the applicable laws and regulations of Hong Kong and the PRC which have a significant impact on the business and operations of the Group, including in respect of its principal businesses (namely the pharmaceutical direct sales business, pharmaceutical e-commerce platform business and healthcare and digital services business), its employment and labor practices and environmental protection, etc. The Group has also obtained all licenses, approvals and permits from the relevant regulatory authorities that are material for its business operations in the PRC.

Relationships with Key Stakeholders

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

Employees

Employees are regarded as the most important and valuable assets of the Group. The number of full-time employees of the Group as at March 31, 2022 was 1,849 (1,033 as at March 31, 2021). The Group's policy is to maintain a competitive pay structure and employees are rewarded based on their performance and with appropriate incentives including cash bonuses and through the use of the Share Award Scheme, details of which are set out under the sub-section headed "Share Award Scheme" in this report.

Customers

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

Suppliers

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

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended March 31, 2022 and the financial position of the Group as at that date are set out in the financial statements on pages 93 to 98.

The Board does not recommend the payment of a final dividend for the year ended March 31, 2022 (for the year ended March 31, 2021: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 210. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND RSUS

Details of movements in the Company's share capital, share options and RSUs during the year ended March 31, 2022 are set out in notes 28 to 29 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended March 31, 2022, 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 1,300,000 shares of the Company on the market to satisfy the share awards granted under the Share Award Scheme to connected employees of the Company upon vesting.

ISSUE FOR CASH OF EQUITY SECURITIES

Placing of New Shares under General Mandate

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

DIRECTORS' REPORT

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

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

As at March 31, 2022, the Group had applied the Placing Net Proceeds as follows:

Use of Placing Net Proceeds	Planned use of Placing Net Proceeds as disclosed in the Placing Announcements	Actual use of Placing Net Proceeds for the year ended March 31, 2021	Actual use of Placing Net Proceeds for the year ended March 31, 2022	Unutilized Placing Net Proceeds	Expected timeframe of the full utilization of the unutilized Placing Net Proceeds[Note]
Develop the Group's pharmaceutical and healthcare omni-channel business and medical and healthcare services business	Approximately HK$7,971.4 million – HK$8,967.8 million	HK$906.3 million	HK$1,506.9 million	HK$5,558.2 million – HK$6,554.6 million	March 31, 2024 – March 31, 2027
Further develop the Group's digital infrastructure and innovative business	Approximately HK$996.4 million – HK$1,992.8 million	HK$116.6 million	HK$538.5 million	HK$341.3 million – HK$1,337.7 million	March 31, 2024 – March 31, 2027

Note:

The Placing Net Proceeds have been and will be applied in the manner consistent with the use of proceeds as disclosed in the Placing Announcements. The expected timeframe for utilizing the Placing Net Proceeds is based on the best estimation of the future market conditions made by the Group as at the date of this report. It will be subject to change based on the current and future developments of market conditions. The Board considers that the expected timeline of the full utilization of the unutilized Placing Net Proceeds shall be within coming two to five years, which is from March 31, 2024 to March 31, 2027 having taken into account the recent market conditions and the business environment and development of the Group. Due to the fluctuation in the market conditions caused by the lingering COVID-19 pandemic, the Company will continue to closely monitor future developments in the market and economic environment in order to optimize the Group's resources and timeframe for the application of the unutilized Placing Net Proceeds. The remaining unutilized portion of the Placing Net Proceeds has been deposited in reputable banks.

Issue of New Shares under Specific Mandate

On July 12, 2019, a total of 302,976,000 ordinary shares (the "Subscription Shares") of the Company were issued to Ali JK Nutritional Products Holding Limited ("Ali JK") and Antfin (Hong Kong) Holding Limited ("Antfin") for a total cash consideration of HK$2,272,320,000 (the "Subscription Net Proceeds") at a net subscription price of approximately HK$7.5 per share, pursuant to the subscription agreements (the "Subscription Agreements") dated May 23, 2019 entered into by the Company with Ali JK and Antfin, respectively. Ali JK and Antfin are connected persons of the Company. The aggregate nominal value of the Subscription Shares was HK$3,029,760. The transactions under the Subscription Agreements (the "Subscriptions") therefore constituted connected transactions of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). As stated in the daily quotation sheets issued by the Stock Exchange, on May 23, 2019 and July 12, 2019, being the date which the Subscription Agreements were entered into and the date of issue of the Subscription Shares, respectively, the closing price per share was HK$7.58 and HK$7.15, respectively. The Subscription Shares were allotted and issued under the specific mandate granted by the Shareholders at the special general meeting of the Company held on July 10, 2019. The Subscriptions enabled the Group to raise funds for its expanding business operations and to maintain a healthy cash position, while keeping its borrowings and the corresponding interest expenses low. For further details of the Subscriptions, please refer to the announcement dated May 23, 2019 and the circular (the "Subscription Circular") dated June 24, 2019 of the Company.

As at March 31, 2022, the Group had applied the Subscription Net Proceeds as follows:

Use of Subscription Net Proceeds	Planned use of Subscription Net Proceeds as disclosed in the Subscription Circular	Actual Use of Subscription Net Proceeds for the year ended March 31, 2022	Unutilized Subscription Net Proceeds(Note)	Expected timeframe for utilizing the Subscription Net Proceeds
Repayment of loans for funding ongoing business operations and expansion and recruitment of personnel to develop Internet-based medical services and intelligent medicine services	HK$1,136,160,000	Nil	Nil	Not applicable
Previous committed investments and investment projects under review	HK$568,080,000	Nil	Nil	Not applicable
Future strategic investment opportunities	HK$568,080,000	HK$312,228,000	Nil	Not applicable

Note: As at March 31, 2022, there were no unutilized Subscription Net Proceeds.

Save as disclosed above and the options exercised by the relevant grantees under the Share Award Scheme as disclosed in this report, the Company had not issued for cash any equity securities (including securities convertible into equity securities) for the Reporting Period and no other proceeds has been brought forward from any issue of securities for cash as at March 31, 2022.

DEBENTURES

During the year ended March 31, 2022, the Company did not issue any debentures.

EQUITY-LINKED AGREEMENTS

During the year ended March 31, 2022, the Company did not enter into any equity-linked agreements in respect of its shares.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

The Company did not have any reserves available for distribution at the end of the Reporting Period. However, the Company's share premium account, in the amount of approximately RMB43,499,897, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended March 31, 2022, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year, and purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

For the purpose of disclosing the environmental, social and governance (the "ESG") information in accordance with the ESG Reporting Guide in Appendix 27 to the Listing Rules, the Company has engaged an external consultant to identify material ESG issues of the Group and assist in the reporting of the Group's performance based on its ESG management approach, strategy, priorities and objectives. For details of the Company's ESG policies and performance and its compliance with the relevant laws and regulations, please refer to the Company's ESG report which will be published separately.

DIRECTORS

The Directors during the year ended March 31, 2022 and up to the date of this report were:

Executive Directors:

Mr. ZHU Shunyan
Mr. TU Yanwu
Mr. SHEN Difan (appointed on October 13, 2021)

Non-executive Directors:

Mr. LI Faguang (appointed on October 13, 2021)
Mr. WU Yongming (resigned on October 13, 2021)
Mr. XU Hong (resigned on October 13, 2021)

Independent Non-executive Directors:

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

Since the date of the annual report for the financial year ended March 31, 2021 published by the Company on May 25, 2021, the changes to the information which are required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are as below:

Mr. WU Yongming and Mr. XU Hong have resigned as non-executive Directors, with effect from October 13, 2021.

Mr. SHEN Difan has been appointed as an executive Director and Mr. LI Faguang has been appointed as a non-executive Director, with effect from October 13, 2021.

For further details of the latest biographical information of the Directors, please refer to the section headed "Biographical Information of Directors and Senior Management".

On November 24, 2021, the remuneration committee of the Company and the Board have considered and approved the remuneration of Mr. Shen. Mr. Shen shall be entitled to receive a salary of RMB115,000 per month as chief operation officer of the Company, but does not receive any remuneration for his position as an executive Director. His remuneration as chief operation officer of the Company was determined with reference to his experience and prevailing market rates. Under his employment contract, Mr. Shen is also entitled to discretionary bonuses paid out either in the form of cash, RSUs or share options of the Company, which shall be determined by the Board based on his performance as well as other allowances and benefits including but not limited to share-based compensation expenses and pension scheme contributions.

DIRECTORS' REPORT

In accordance with bye-law 83 and bye-law 84 of the bye-laws of the Company, Mr. ZHU Shunyan, Mr. SHEN Difan, Mr. LI Faguang, Mr. LUO Tong and Mr. WONG King On, Samuel will retire at the forthcoming annual general meeting of the Company (the "2022 AGM"). Mr. ZHU Shunyan, Mr. SHEN Difan, Mr. LI Faguang, Mr. LUO Tong and Mr. WONG King On, Samuel, being eligible, will offer themselves for re-election at the 2022 AGM.

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

During the Reporting Period and up to the date of this report, (i) the Company had three independent non-executive Directors representing at least one-third of the Board; and (ii) the composition of each of the Board, the audit committee (the "Audit Committee") the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company was fully compliant with Rule 3.10(1), Rule 3.10A, Rule 3.21, Rule 3.25 and Rule 3.27A of the Listing Rules. The Company received, from each of the independent non-executive Directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 61 to 63 of this report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. The details of the Directors' emoluments are set out in note 7 to the consolidated financial statements in this report. During the year ended March 31, 2022, there was no arrangement under which a Director waived or agreed to waive any remuneration and no remuneration was paid by the Group to a Director as an inducement to join or upon joining the Group or as compensation for loss of office.

The Directors are also eligible to be granted Share Awards under the Share Award Scheme. The details of the scheme are set out in note 29 to the consolidated financial statements.

SHARE AWARD SCHEME

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

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

The specific mandate granted to the Board at the annual general meeting of the Company held on September 30, 2015 (the "2015 Specific Mandate") to exercise all the powers of the Company to grant Share Awards lapsed at the conclusion of the annual general meeting of the Company held on August 18, 2016. The specific mandate was subsequently renewed by approval of the Shareholders at the annual general meetings of the Company held on August 18, 2016 (the "2016 Specific Mandate"), July 26, 2017 (the "2017 Specific Mandate"), July 20, 2018 (the "2018 Specific Mandate"), July 10, 2019 (the "2019 Specific Mandate"), July 30, 2020 (the "2020 Specific Mandate") and July 30, 2021 (the "2021 Specific Mandate"), respectively. The total number of shares underlying the Share Awards granted which remained outstanding as at March 31, 2022 amounted to 76,544,138, of which 2,533,250 were granted pursuant to the 2015 Specific Mandate, 1,106,500 were granted pursuant to the 2016 Specific Mandate, 4,394,000 were granted pursuant to the 2017 Specific Mandate, 7,884,392 were granted pursuant to the 2018 Specific Mandate, 20,865,919 were granted pursuant to the 2019 Specific Mandate, 24,660,512 were granted pursuant to the 2020 Specific Mandate and 15,099,565 were granted pursuant to the 2021 Specific Mandate. As at March 31, 2022 and the date of this report, Share Awards in respect of a total of 388,652,664 underlying shares, which represent approximately 2.88% of the total issued shares as at March 31, 2022 and the date of this report, remain available to be granted under the Share Award Scheme under the 2021 Specific Mandate.

DIRECTORS' REPORT

Movements of the options and RSUs under the Share Award Scheme during the year ended March 31, 2022 are set out below:

Name of option holders/ grantees of RSU	Nature	Number of shares represented by options or RSUs outstanding as at April 1, 2021	Date of grant/ conditional grant[15]	Granted during the year	Exercise price *(HK$)*	Options exercised during the year[16]	Options or RSUs lapsed/ cancelled during the year	RSUs vested during the year	Number of shares represented by options or RSUs outstanding as at March 31, 2022
Mr. ZHU Shunyan	Options	2,900,000	June 15, 2020[1]	–	19.940	–	–	–	2,900,000
	RSUs	500,000	June 15, 2020	–	–	–	–	–	500,000
	Options	–	June 15, 2021[2]	421,250	18.212	–	–	–	421,250
	RSUs	–	June 15, 2021	168,500	–	–	–	–	168,500
Mr. TU Yanwu	RSUs	77,000	June 14, 2019	–	–	–	–	38,500	38,500
	RSUs	770,000	September 18, 2019	–	–	–	–	385,000	385,000
	Options	145,000	June 15, 2020[1]	–	19.940	–	–	–	145,000
	RSUs	58,000	June 15, 2020	–	–	–	–	14,500	43,500
	Options	–	June 15, 2021[2]	67,250	18.212	–	–	–	67,250
	RSUs	–	June 15, 2021	26,900	–	–	–	–	26,900
Employees of the Group	Options	508,000	September 7, 2015[3]	–	5.184	–	–	–	508,000
	Options	216,500	April 28, 2016[4]	–	5.320	29,250	–	–	187,250
	Options	2,379,750	July 29, 2016[5]	–	5.558	465,500	76,250	–	1,838,000
	Options	1,047,500	February 2, 2017[6]	–	3.626	272,000	–	–	775,500
	Options	116,000	February 22, 2017[7]	–	3.610	116,000	–	–	–
	Options	854,250	June 14, 2017[8]	–	3.902	523,250	–	–	331,000
	Options	2,732,250	August 3, 2017[9]	–	3.686	1,048,000	–	–	1,684,250
	RSUs	644,500	August 3, 2017	–	–	–	–	644,500	–
	Options	2,287,750	October 10, 2017[10]	–	4.400	267,500	–	–	2,020,250
	RSUs	415,000	October 10, 2017	–	–	–	–	415,000	–
	Options	809,500	February 1, 2018[11]	–	4.144	120,000	–	–	689,500
	RSUs	273,750	February 1, 2018	–	–	–	–	273,750	–
	RSUs	6,933,639	June 8, 2018	–	–	–	631,875	6,301,764	–
	RSUs	3,587,500	July 31, 2018	–	–	–	97,250	1,826,000	1,664,250
	RSUs	1,428,291	October 10, 2018	–	–	–	205,000	707,963	515,328
	RSUs	1,553,842	January 31, 2019	–	–	–	99,098	828,180	626,564
	RSUs	11,352,000	June 14, 2019	–	–	–	1,191,500	5,120,750	5,039,750
	RSUs	6,272,377	August 2, 2019	–	–	–	363,000	2,248,439	3,660,938
	RSUs	1,309,948	September 18, 2019	–	–	–	50,000	642,898	617,050
	RSUs	3,012,518	February 24, 2020	–	–	–	1,297,452	1,004,569	710,497
	RSUs	2,104,963	March 16, 2020	–	–	–	70,000	1,093,354	941,609
	Options	2,741,339	June 15, 2020[1]	–	19.940	–	1,774,589	–	966,750
	RSUs	12,843,074	June 15, 2020	–	–	–	1,196,536	2,818,463	8,828,075
	Options	119,000	September 15, 2020[12]	–	18.660	–	–	–	119,000
	RSUs	4,062,023	September 15, 2020	–	–	–	272,318	768,993	3,020,712
	RSUs	1,960,950	December 15, 2020	–	–	–	384,000	–	1,576,950
	RSUs	1,658,000	March 15, 2021	–	–	–	413,000	–	1,245,000
	Options	–	June 15, 2021[2]	1,215,250	18.212	–	40,500	–	1,174,750
	RSUs	–	June 15, 2021	18,153,300	–	–	1,552,000	–	16,601,300
	RSUs	–	September 15, 2021	10,808,722	–	–	160,200	924,057	9,724,465
	Options	–	December 15, 2021[13]	100,000	7.438	–	–	–	100,000
	RSUs	–	December 15, 2021	2,459,900	–	–	97,000	–	2,362,900
	Options	–	March 15, 2022[14]	750,000	4.240	–	–	–	750,000
	RSUs	–	March 15, 2022	2,144,000	–	–	–	–	2,144,000
Employees of the affiliates of the Company	Options	500,000	June 15, 2020[1]	–	19.940	–	–	–	500,000
	RSUs	1,208,000	June 15, 2020	–	–	–	338,000	202,500	667,500
	RSUs	14,700	September 15, 2020	–	–	–	14,700	–	–
	RSUs	–	June 15, 2021	238,900	–	–	–	–	238,900
	RSUs	–	September 15, 2021	18,200	–	–	–	–	18,200

Notes:

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

(2) The closing price per share is HK$17.90 as stated in the daily quotation sheets issued by the Stock Exchange on June 11, 2021, being the trading day immediately before the date of grant.

(3) The closing price per share is HK$5.02 as stated in the daily quotation sheets issued by the Stock Exchange on September 4, 2015, being the trading day immediately before the date of grant.

(4) The closing price per share is HK$5.23 as stated in the daily quotation sheets issued by the Stock Exchange on April 27, 2016, being the trading day immediately before the date of grant.

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

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

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

(8) The closing price per share is HK$3.92 as stated in the daily quotation sheets issued by the Stock Exchange on June 13, 2017, being the trading day immediately before the date of grant.

(9) The closing price per share is HK$3.63 as stated in the daily quotation sheets issued by the Stock Exchange on August 2, 2017, being the trading day immediately before the date of grant.

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

(11) The closing price per share is HK$4.09 as stated in the daily quotation sheets issued by the Stock Exchange on January 31, 2018, being the trading day immediately before the date of grant.

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

(13) The closing price per share is HK$7.35 as stated in the daily quotation sheets issued by the Stock Exchange on December 14, 2021, being the trading day immediately before the date of grant.

(14) The closing price per share is HK$3.76 as stated in the daily quotation sheets issued by the Stock Exchange on March 14, 2022, being the trading day immediately before the date of grant.

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

(16) The weighted average closing price of the shares immediately before the dates on which the options granted to the employees were exercised calculated by the closing price per Share as stated in the daily quotation sheets issued by the Stock Exchange is HK$10.72 per share.

The Company estimated the fair values of its share options using the binomial model, which requires the Group to make estimates about inputs, such as expected volatility, expected dividend yield, exercise multiple, risk-free interest rate and expected forfeiture rate, and hence such estimates are subject to subjectivity and uncertainty. For the accounting policy adopted for the Share Awards and the fair value of the options granted during the year ended March 31, 2022, please refer to note 2.4 (Share-based payments) and note 29 to the Group's consolidated financial statements for the year ended March 31, 2022.

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

As at March 31, 2022, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

	Number of ordinary shares and underlying shares held, capacity and nature of interest		
Name of Director	**Nature of interest**	**Total interest in shares**	**Approximate percentage of the Company's share capital**
Mr. ZHU Shunyan	Beneficial owner and equity derivative interests[(1)]	4,889,750	0.04%
Mr. TU Yanwu	Beneficial owner and equity derivative interests[(2)]	1,170,150	0.01%
Mr. SHEN Difan (appointed on October 13, 2021)	Beneficial owner and equity derivative interests[(3)]	1,548,339	0.01%

Notes:

(1) Mr. ZHU Shunyan beneficially held 900,000 ordinary shares of the Company and subject to vesting, he is interested in 3,989,750 shares underlying the 3,321,250 options and 668,500 RSUs granted to him in accordance with the Share Award Scheme.

(2) Mr. TU Yanwu beneficially held 464,000 ordinary shares and subject to vesting, he is interested in 706,150 shares underlying 212,250 options and 493,900 RSUs granted to him in accordance with the Share Award Scheme.

(3) Mr. SHEN Difan beneficially held 951,889 ordinary shares and subject to vesting, he is interested in 596,450 shares underlying 336,750 options and 259,700 RSUs granted to him in accordance with the Share Award Scheme.

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

Name of Director	Nature of interest	Number of shares/ underlying shares held	Approximate percentage of issued shares of associated corporation
Mr. ZHU Shunyan	Beneficial owner, equity derivative interests and interests of spouse[(1)]	3,161,416*	0.01%
Mr. TU Yanwu	Equity derivative interests[(2)]	8,000*	0.00%
Mr. SHEN Difan (appointed on October 13, 2021)	Beneficial owner, equity derivative interests and interests of spouse[(3)]	167,392*	0.00%
Mr. LI Faguang (appointed on October 13, 2021)	Beneficial owner and equity derivative interests[(4)]	87,848*	0.00%

Notes:

(1) These interests represented 2,120,696* ordinary shares or underlying ordinary shares and 880,720* restricted share units beneficially held by Mr. ZHU Shunyan and 160,000* ordinary shares or underlying shares held by his spouse.

(2) These interests represented 8,000* restricted share units beneficially held by Mr. TU Yanwu.

(3) These interests represented 85,656* ordinary shares or underlying ordinary shares and 17,000* restricted share units beneficially held by Mr. SHEN Difan and 64,736* ordinary shares or underlying shares held by his spouse.

(4) These interests represented 4,848* ordinary shares or underlying ordinary shares and 83,000* restricted share units beneficially held by Mr. LI Faguang.

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

Save as disclosed above, as at March 31, 2022, none of the Directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

ARRANGEMENT TO ACQUIRE SHARES AND DEBENTURES

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

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

As at March 31, 2022, the following interests or short positions in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name	Note	Capacity and nature of interest	Number of shares/ underlying shares	% of the issued share capital of the Company
Alibaba Group Holding Limited	(1)(3)	Interest of controlled corporation	8,596,939,415	63.60%
Perfect Advance Holding Limited	(1)(3)	Beneficial owner	3,103,816,661	22.96%
	(1)(3)	Persons acting in concert	932,337,347	6.90%
Alibaba Investment Limited	(1)(3)	Interest of controlled corporation	4,036,154,008	29.86%
Innovare Tech Limited	(1)(3)	Beneficial owner	932,337,347	6.90%
	(1)(3)	Persons acting in concert	3,103,816,661	22.96%
Yunfeng Fund II, L.P.	(1)(3)	Interest of controlled corporation	4,036,154,008	29.86%
Yunfeng Investment GP II, Ltd.	(1)(3)	Interest of controlled corporation	4,036,154,008	29.86%
Yunfeng Investment II, L.P.	(1)(3)	Interest of controlled corporation	4,036,154,008	29.86%
Mr. YU Feng	(1)(3)	Interest of controlled corporation	4,036,154,008	29.86%
Mr. MA Yun	(1)(3)	Interest of controlled corporation	4,096,730,008	30.31%
Ali JK Nutritional Products Holding Limited	(1)(3)	Beneficial owner	4,560,785,407	33.74%
Uni-Tech International Group Limited	(2)	Beneficial owner	777,484,030	5.75%
21CN Corporation	(2)	Interest of controlled corporation	777,484,030	5.75%
Pollon Internet Corporation	(2)	Interest of controlled corporation	777,484,030	5.75%
Ms. CHEN Xiao Ying	(2)	Interest of controlled corporation	777,484,030	5.75%

Notes:

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

On October 12, 2018, Innovare and Perfect Advance entered into a shareholders' agreement which constitutes a concert party agreement for the purpose of section 317(1)(a) of the SFO (the "s317 Agreement"), pursuant to which Perfect Advance enjoys a right of first refusal over the 932,337,347 shares in the Company held by Innovare.

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

Ali JK holds 4,560,785,407 shares. Ali JK is owned by Alibaba Holding as to 100%. Therefore, Alibaba Holding is deemed to have an interest in an aggregate of 8,596,939,415 shares via Perfect Advance and Ali JK within the meaning of Part XV of the SFO.

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

(3) Subsequent to the year ended March 31, 2022, Innovare and Perfect Advance entered into a termination agreement on May 20, 2022 to terminate the s317 Agreement. As such, Perfect Advance ceased to be interested in the shares held by Innovare.

On the same day, Innovare made a distribution in specie (the "Distribution") to the limited partners of Yunfeng Fund II, L.P., the beneficial owner of all the voting equity capital in Innovare, based on their respective pro rata entitlements in Innovare. Upon the Distribution, Innovare ceased to have a notifiable interest of 5% or more of the voting shares of the Company within the meaning of the SFO. For details, please refer to the announcement of the Company dated May 20, 2022.

As part of the Distribution, 48,716,465 shares of the Company were distributed to AIL by Innovare. As such and as at the date of this annual report, AIL is interested in an aggregate of 3,152,533,126 shares of the Company. Accordingly, Alibaba Holding is deemed to have an interest in an aggregate of 7,713,318,533 shares of the Company via AIL, Perfect Advance and Ali JK within the meaning of Part XV of the SFO.

Save as disclosed above, as at March 31, 2022, there were no other parties who had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended March 31, 2022, the Group had the following connected and continuing connected transactions, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) Continuing Connected Transaction — Cloud Computing Services Agreement

On March 30, 2021, Alibaba Health Technology (China) Co., Ltd^ (阿里健康科技(中國)有限公司) (formerly known as Alibaba Health Technology (Beijing) Co., Ltd.^ (阿里健康科技(北京)有限公司)) ("Alibaba Health (China)"), an indirect wholly-owned subsidiary of the Company (for itself and on behalf of its subsidiaries and affiliates), entered into the renewed cloud computing services agreement (the "2022 Cloud Computing Services Agreement") with Alibaba Cloud Computing Ltd.^ (阿里雲計算有限公司) ("Alibaba Cloud") (for itself and on behalf of its subsidiaries and affiliates), pursuant to which Alibaba Cloud agreed to provide various cloud computing services and other related services (the "Cloud Computing Services") to the Group for a term of one year from April 1, 2021 to March 31, 2022. The annual cap for the service fees payable by Alibaba Health (China) to Alibaba Cloud under the 2022 Cloud Computing Services Agreement was RMB118 million (which was later revised to RMB203 million pursuant to an announcement of the Company dated December 23, 2021). The aggregate service fees incurred under the 2022 Cloud Computing Services Agreement during the year ended March 31, 2022 amounted to approximately RMB139.6 million (2021: approximately RMB4.6 million).

On March 30, 2022, the same parties entered into the renewed cloud computing services framework agreement (the "2023 Cloud Computing Services Framework Agreement") in relation to the provision of the Cloud Computing Services by Alibaba Cloud to the Group for a term of one year from April 1, 2022 to March 31, 2023, with an annual cap of RMB170 million.

The 2022 Cloud Computing Services Agreement and the 2023 Cloud Computing Services Framework Agreement allowed the Group to utilize the cloud computing services provided by Alibaba Cloud to ensure smooth operation of its systems and the stability of its various Internet healthcare solutions.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and Alibaba Cloud is a member of Alibaba Group. Accordingly, each of Alibaba Holding and Alibaba Cloud is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2022 Cloud Computing Services Agreement and the 2023 Cloud Computing Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(b) Continuing Connected Transaction — Outsourced Services Framework Agreement

On March 30, 2021, Taobao Holding Limited ("Taobao Holding", together with its subsidiaries and affiliates, "Taobao Group") (for itself and on behalf of its subsidiaries and affiliates) and Alibaba Health Technology (Hainan) Co., Ltd.^ (阿里健康科技(海南)有限公司) ("Alibaba Health (Hainan)") (for itself and on behalf of its subsidiaries) entered into the renewed outsourced services framework agreement (the "2022 Outsourced Services Framework Agreement") for a term of one year from April 1, 2021 to March 31, 2022, pursuant to which Alibaba Health (Hainan) agreed to provide Taobao Group with merchant-related outsourced and value-added services (the "Outsourced Services") in respect of certain categories of products or services offered on Tmall (as specified in the announcement of the Company dated March 30, 2021). The annual cap for the service fees payable to the Group during the term of the 2022 Outsourced Services Framework Agreement was RMB185 million and the aggregate service fees received by the Group under the 2022 Outsourced Services Framework Agreement during the year ended March 31, 2022 amounted to approximately RMB103.7 million (2021: approximately RMB105.7 million).

On March 30, 2022, Taobao Holding (for itself and on behalf of its subsidiaries and affiliates) and the Company (for itself and on behalf of its subsidiaries) entered into the renewed outsourced services framework agreement (the "2023 Outsourced Services Framework Agreement") for a term of one year from April 1, 2022 to March 31, 2023, pursuant to which the Group agreed to provide Taobao Group with the Outsourced Services on Tmall. The annual cap for the service fees payable to the Group during the term of the 2023 Outsourced Services Framework Agreement was RMB185 million.

Since the Outsourced Services remain within the existing skill set of the Group given that it has been developing its own pharmaceutical e-commerce, Internet healthcare, and intelligent medicine businesses, the service fees received under the 2022 Outsourced Services Framework Agreement and the 2023 Outsourced Services Framework Agreement continue to be one of the steady growing sources of revenue for the Group.

Since Taobao Holding is a wholly-owned subsidiary of Alibaba Holding, Taobao Holding and its subsidiaries are associates of Perfect Advance, and hence connected persons of the Company. The transactions contemplated under the 2022 Outsourced Services Framework Agreement and the 2023 Outsourced Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(c) Continuing Connected Transaction — Platform Services Framework Agreement

On February 5, 2021, the Company (for itself and on behalf of its subsidiaries) entered into a renewed platform services framework agreement with Alibaba Holding (for itself and on behalf of its subsidiaries and affiliates) (the "2022 Platform Services Framework Agreement") for a term of one year from April 1, 2021 to March 31, 2022, pursuant to which Alibaba Holding agreed that its relevant entities (the "AGH Relevant Entities") shall provide various platform services (the "Platform Services") to the Group, and the Group shall pay the service fees calculated in accordance with the underlying agreements and the standard terms and conditions (as applicable) as amended and published on the respective online platforms operated by the AGH Relevant Entities from time to time. The annual cap for the service fees payable by the Group for the year ended March 31, 2022 was RMB695 million, as approved by the independent Shareholders at the special general meeting of the Company held on March 29, 2021. The aggregate service fees incurred under the 2022 Platform Services Framework Agreement for the year ended March 31, 2022 amounted to approximately RMB282.5 million (2021: approximately RMB301.2 million).

On March 30, 2022, the same parties entered into the renewed platform services framework agreement (the "2023 Platform Services Framework Agreement"), in relation to the provision of the Platform Services from the AGH Relevant Entities to the Group, for a term of one year commencing on April 1, 2022 and ending on March 31, 2023, with an annual cap of RMB560 million.

The Company believes that by marketing and selling products or services on the online sales platforms operated by the AGH Relevant Entities under the 2022 Platform Services Framework Agreement and the 2023 Platform Services Framework Agreement, the Group will be able to reach out to more customers and improve its understanding of their needs to facilitate product circulation along the pharmaceutical and healthcare products retail chain to offer quality products and services at competitive prices.

As Alibaba Holding controls the AGH Relevant Entities, each of the members of the AGH Relevant Entities is a connected person of the Company. The transactions contemplated under the 2022 Platform Services Framework Agreement and the 2023 Platform Services Framework Agreement thus constitute continuing connected transactions of the Company.

(d) Continuing Connected Transaction — Agency Agreement

On March 30, 2021, Hangzhou Alimama Software Services Co., Ltd.^ (杭州阿里媽媽軟件服務有限公司) ("Alimama") (for itself and on behalf of its subsidiaries and affiliates) and Alibaba Health (Hong Kong) Technology Company Limited (阿里健康(香港)科技有限公司) ("Alibaba Health (HK)") (for itself and on behalf of its subsidiaries) entered into the renewed agency agreement (the "2022 Agency Agreement") for a term of one year commenced on April 1, 2021 and ended on March 31, 2022. Pursuant to the 2022 Agency Agreement, Alibaba Health (HK) (for itself and on behalf of its subsidiaries) agreed to refer contracted clients of Alibaba Health (HK) and its subsidiaries (the "Alibaba Health Group") to purchase, and Alimama and/or its affiliates (together, the "Advertising Parties"), as the marketing services providers, agreed to provide to Alibaba Health Group's contracted clients, various marketing and advertising services on the marketing and branding platforms provided by the Advertising Parties (the "Marketing Services") during the term of the 2022 Agency Agreement.

The annual cap for the incentive fees to be received by the Group under the 2022 Agency Agreement for the year ended March 31, 2022 was RMB25 million. The aggregate incentive fees received by the Group for the year ended March 31, 2022 amounted to approximately RMB3.5 million (2021: approximately RMB0.1 million).

On March 30, 2022, Alimama (for itself and on behalf of its subsidiaries and affiliates) and Alibaba Health (HK) (for itself and on behalf of its subsidiaries) entered into the renewed agency agreement (the "2023 Agency Agreement") in relation to the provision of the Marketing Services from Alimama, its subsidiaries and its affiliates to the contracted clients of Alibaba Health Group, for a term of one year commencing on April 1, 2022 and ending on March 31, 2023, with an annual cap of RMB25 million.

By entering into the 2022 Agency Agreement and the 2023 Agency Agreement with Alimama and/or its affiliates, which operate well-established marketing platforms, the Group believes that more diversified options can be provided to the customers together with the Group's marketing resources. At the same time, collecting incentive fees from Alibaba Group and other marketing and promotion services providers will provide additional income for the Group and will be beneficial to the long-term development of the Group.

As Alimama and/or its subsidiaries/affiliates is a member of Alibaba Holding, it is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2022 Agency Agreement and the 2023 Agency Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(e) Continuing Connected Transaction — Logistics Services Framework Agreement

On February 5, 2021, the Company (for itself and on behalf of its subsidiaries) entered into the renewed logistics services framework agreement (the "2022 Logistics Services Framework Agreement") with Hangzhou Cainiao Supply Chain Management Co., Ltd.^ (杭州菜鳥供應鏈管理有限公司) ("Hangzhou Cainiao") (for itself and on behalf of its subsidiaries and affiliates), pursuant to which Hangzhou Cainiao and its subsidiaries (together, the "Cainiao Group") agreed to provide various logistics services including but not limited to warehouse operation and storage services, domestic and international delivery services, customs registration and clearance services, standard and special packaging services, storage and delivery supply chain management services and other value-added and logistics-related services (the "Logistics Services") to the Group and the Group agreed to pay the service fees. The term of the 2022 Logistics Services Framework Agreement commenced from April 1, 2021 and ended on March 31, 2022. The annual cap for the service fees under the 2022 Logistics Services Framework Agreement was RMB525 million, as approved by the independent Shareholders at the special general meeting of the Company held on March 29, 2021. The aggregate service fees incurred under the 2022 Logistics Services Framework Agreement for the year ended March 31, 2022 amounted to approximately RMB301.2 million (2021: approximately RMB242.5 million).

On March 30, 2022, the same parties entered into the renewed logistics services framework agreement (the "2023 Logistics Services Framework Agreement"), pursuant to which Hangzhou Cainiao agreed that Cainiao Group will provide the Logistics Services and related system software services to the Group for a term of one year commencing from April 1, 2022 and ending on March 31, 2023 with an annual cap of RMB450 million.

As the Company has been selling pharmaceutical and healthcare products online, it requires efficient and reliable logistics services to enable its products to be safely and promptly delivered to its customers. Accordingly, the Company entered into the 2022 Logistics Services Framework Agreement and the 2023 Logistics Services Framework Agreement with Hangzhou Cainiao, to capitalize on the logistics data platform and global fulfilment network of Cainiao Group, and to provide efficient and reliable domestic and international one-stop-shop logistics services to the Group's customers for fulfilling their different logistics needs.

As Hangzhou Cainiao is an indirect non-wholly-owned subsidiary of Alibaba Holding, each of the members of Cainiao Group is also a connected person of the Company. The transactions contemplated under the 2022 Logistics Services Framework Agreement and the 2023 Logistics Services Framework Agreement thus constitute continuing connected transactions of the Company.

(f) Continuing Connected Transaction — Shared Services Agreement

On March 30, 2021, the Company entered into the renewed shared services agreement (the "2022 Shared Services Agreement") with Alibaba Holding, pursuant to which Alibaba Holding shall procure certain shared service providers including Alibaba Holding, persons controlled by it and persons under the common control of Alibaba Holding, and any other persons designated by Alibaba Holding (the "Alibaba Services Providers"), to provide to the Group certain shared services (the "Shared Services"), including office premises sharing and various support services for a term of one year from April 1, 2021 to March 31, 2022. The annual cap for the service fees payable under the 2022 Shared Services Agreement was RMB470 million. The aggregate service fees incurred under the 2022 Shared Services Agreement for the year ended March 31, 2022 amounted to approximately RMB305.9 million (2021: approximately RMB262.1 million).

On March 30, 2022, the Company (for itself and on behalf of its subsidiaries) and Alibaba Holding (for itself and on behalf of its subsidiaries and affiliates) entered into the renewed shared services agreement (the "2023 Shared Services Agreement"), pursuant to which the Alibaba Service Providers shall provide to the Group the Shared Services, and the Company shall procure certain service providers, including the Company and persons controlled by it and persons under common Control of the Company, and any other persons designated by the Company (the "Alibaba Health Service Providers"), to provide to Alibaba Group certain Shared Services, namely human resources and personnel transfer related arrangements and reimbursements, for a term of one year commencing from April 1, 2022 and ending on March 31, 2023, with an annual cap of RMB500 million (in relation to the Shared Services provided to the Group) and RMB50 million (in relation to the Shared Services provided to Alibaba Group).

The Company believes that the entering into of the 2022 Shared Services Agreement and the 2023 Shared Services Agreement will allow the Company to better leverage on the mature infrastructure and coverage already built by Alibaba Group and promote better cooperation between Alibaba Group and the Company.

As Alibaba Holding is a connected person of the Company, the transactions contemplated under the 2022 Shared Services Agreement and the 2023 Shared Services Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

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

On March 27 2020, Zhejiang Tmall Technology Co., Ltd^ (浙江天貓技術有限公司) ("Tmall Technology") and Zhejiang Tmall Network Co., Ltd^ (浙江天貓網絡有限公司) ("Tmall Network", together with Tmall Technology, the "Tmall Entities") and Alibaba Health Technology (Hangzhou) Co., Ltd^ (阿里健康科技(杭州)有限公司) (formerly known as Hangzhou Hengping Information Technology Co., Ltd^ (杭州衡平信息科技有限公司) ("Alibaba Health (Hangzhou)") entered into the renewed framework technical services agreement (the "2021–2023 Framework Technical Services Agreement"). The term of the 2021–2023 Framework Technical Services Agreement commenced on April 1, 2020 and will end on March 31, 2023, unless otherwise terminated in accordance with the terms thereunder. Pursuant to the 2021–2023 Framework Technical Services Agreement, the Tmall Entities shall provide certain infrastructure technical support (the "Blue Cap Technical Services") for the operation of Tmall in respect of Blue Cap Products (as defined in the announcement of the Company dated March 27, 2020) to Alibaba Health (Hangzhou) for a service fee. The annual cap for the service fees payable under the 2021–2023 Framework Technical Services Agreement was RMB100 million, RMB130 million and RMB170 million, respectively for each of the financial years ended March 31, 2021 and 2022, and ending March 31, 2023, respectively. The aggregate service fees incurred under the 2021–2023 Framework Technical Services Agreement during the year ended March 31, 2022 amounted to approximately RMB69.7 million (2021: approximately RMB69.5 million).

The Company considers the entering into of the 2021–2023 Framework Technical Services Agreement is necessary because the technical support and services from Tmall to the Company are crucial to allow the relevant merchants to operate on Tmall.

As the Tmall Entities are members of Alibaba Group, they are connected persons of the Company. The transactions contemplated under the 2021–2023 Framework Technical Services Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(h) Continuing Connected Transaction — Framework Technical Services Agreement

On February 5, 2021, the Tmall Entities entered into the renewed framework technical services agreement (the "2022 Framework Technical Services Agreement") with Alibaba Health (Hangzhou) and Alibaba Health (Hainan), pursuant to which the Tmall Entities agreed to provide certain software technical services (the "Software Technical Services"), including but not limited to software technical services, and internet information services and secondary domain names, for a term of one year commenced from April 1, 2021 and ended on March 31, 2022. The annual cap under the 2022 Framework Technical Services Agreement was RMB1,250 million, as approved by the independent Shareholders at the special general meeting held on March 29, 2021. The aggregate service fees incurred under the 2022 Framework Technical Services Agreement during the year ended March 31, 2022 amounted to approximately RMB774.9 million (2021: approximately RMB794.6 million).

On February 4, 2022, the same parties entered into the renewed framework technical services agreement (the "2023 Framework Technical Services Agreement"), pursuant to which the Tmall Entities agreed to provide the Software Technical Services, for a term of one year commencing from April 1, 2022 and ending on March 31, 2023 with an annual cap of RMB1,100 million, as approved by the independent Shareholders at the special general meeting held on March 28, 2022.

The Company considers the entering into of the 2022 Framework Technical Services Agreement and the 2023 Framework Technical Services Agreement is necessary because the technical support and services from Tmall to the Company are crucial to allow the relevant merchants to operate on Tmall.

As the Tmall Entities are members of Alibaba Group, they are connected persons of the Company and the transactions contemplated under the 2022 Framework Technical Services Agreement and the 2023 Framework Technical Services Agreement thus constitute continuing connected transactions of the Company, and were approved by the independent Shareholders at the special general meetings held on March 29, 2021 and March 28, 2022, respectively, in accordance with the Listing Rules.

(i) Continuing Connected Transaction — Taobao Framework Technical Services Agreement

Taobao Holding and the Company entered into a framework technical services agreement (the "Taobao Framework Technical Services Agreement") on February 6, 2020. The term of the Taobao Framework Technical Services Agreement commenced on the day following completion of the Share Purchase Agreement and will end on March 31, 2023, unless otherwise mutually agreed between the parties. Pursuant to the Taobao Framework Technical Services Agreement, Taobao Holding and its subsidiaries will provide infrastructure technical support for the operation of the platforms on Tmall and Tmall Global in respect of certain categories of products or services sold on these platforms (as specified in the announcement of the Company dated February 6, 2020) to the Company for a service fee. The annual cap for the service fees payable under the Taobao Framework Technical Services Agreement was RMB262 million, RMB464 million and RMB799 million for each of the financial year ended March 31, 2021 and 2022, and ending March 31, 2023, respectively, as approved by the independent Shareholders at the adjourned special general meeting held on April 9, 2020. The service fees incurred under the Taobao Framework Technical Services Agreement during the financial year ended March 31, 2022 amounted to approximately RMB259.8 million (2021: approximately RMB177.9 million).

The Company considers the entering into of the Taobao Framework Technical Services Agreement is necessary because the technical support and services from Taobao Holding and its subsidiaries to the Company are crucial to allow the relevant merchants to operate on the platforms of Tmall and Tmall Global.

Perfect Advance is a substantial shareholder and a connected person of the Company. Ali JK is a direct wholly-owned subsidiary of Alibaba Holding and Alibaba Holding is the ultimate shareholder of Perfect Advance and Ali JK. Taobao Holding is a subsidiary of Alibaba Holding and therefore a connected person of the Company and the transactions contemplated under the Taobao Framework Technical Services Agreement thus constitute continuing connected transactions of the Company. Independent Shareholders approved, among other things, the Taobao Framework Technical Services Agreement and the transactions contemplated thereunder at the adjourned special general meeting held on April 9, 2020 in accordance with the Listing Rules.

(j) Continuing Connected Transaction — Payment Services Framework Agreement

On March 30, 2021, the Company (for itself and on behalf of its subsidiaries) entered into the renewed payment services framework agreement (the "2022 Payment Services Framework Agreement") with Alipay.com Co., Ltd.^ (支付寶(中國)網絡技術有限公司) ("Alipay China") (for itself and on behalf of its subsidiaries and affiliates), pursuant to which Alipay China agreed to provide certain payment, settlement and other related services (the "Payment Services") to the Group and the Group agreed to pay service fees in return. The term of the 2022 Payment Services Framework Agreement commenced from April 1, 2021 and ended on March 31, 2022. The annual cap for the service fees payable under the 2022 Payment Services Framework Agreement was RMB137 million. The aggregate service fees incurred under the 2022 Payment Services Framework Agreement during the year ended March 31, 2022 amounted to approximately RMB65.2 million (2021: approximately RMB66.1 million).

On March 30, 2022, the Company (for itself and on behalf of its subsidiaries), Alipay China (for itself and on behalf of its subsidiaries and affiliates) and Alipay Singapore E-Commerce Private Limited ("Alipay Singapore") entered into the renewed payment services framework agreement (the "2023 Payment Services Framework Agreement"), pursuant to which Alipay China and Alipay Singapore agreed to provide the Payment Services to the Group, for a term of one year commencing from April 1, 2022 and ending on March 31, 2023 with an annual cap of RMB137 million.

As part of the Group's business, the Company has been marketing and selling products or services online as an online merchant which requires efficient and reliable payment services. By entering into the 2022 Payment Services Framework Agreement and the 2023 Payment Services Framework Agreement, the Group will be able to utilize the Payment Services provided by Alipay to enable safe and prompt real-time payment for its online transactions.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance. Since Ant Group Co., Ltd. (螞蟻科技集團股份有限公司) (formerly known as Ant Small and Micro Financial Services Group Co., Ltd.^ (浙江螞蟻小微金融服務集團股份有限公司)) ("Ant Financial") is indirectly held by Alibaba Holding as to 33% of its equity interest and both Alipay China and Alipay Singapore are wholly-owned subsidiaries of Ant Financial, each of Ant Financial, Alipay China and Alipay Singapore is an associate of Perfect Advance and thus a connected person of the Company.

Accordingly, the transactions contemplated under the 2022 Payment Services Framework Agreement and the 2023 Payment Services Framework Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(k) Connected Transaction — Lease Agreement

On October 15, 2021, Alibaba Health Pharmaceutical Chain Co., Ltd.^ (阿里健康大藥房醫藥連鎖有限公司) ("Alibaba Health Pharmaceutical Chain") and Hangzhou Chuanfu Health Technology Co., Ltd.^ (杭州傳賦健康科技有限公司) ("Hangzhou Chuanfu") entered into the lease agreement (the "Lease Agreement"), pursuant to which Hangzhou Chuanfu agreed to let the production plant and ancillary facilities located at Alibaba Pharmaceutical Health Logistics Park, No. 3 Zhiqi Street, Tangxi Town, Linping District, Hangzhou, the PRC (the "Premises") to Alibaba Health Pharmaceutical Chain for a term of three years commenced from November 30, 2021 and ending on November 29, 2024. The total rent and property management fee payable per annum (inclusive of tax) during the term of the Lease Agreement shall be capped at RMB28.5 million, RMB29.7 million and RMB30.9 million, respectively. The total annual sum payable by the Group under the Lease Agreement during the year ended March 31, 2022 amounted to approximately RMB2.3 million.

By entering into the Lease Agreement, the Group agreed to rent the Premises at market rates from Hangzhou Chuanfu to use the Premises as a warehouse to store pharmaceutical, medical device and various other health-related products with a view to further strengthen the Group's supply chain capabilities. As the consultation-to-sales conversation rate for the Group's pharmaceutical direct sales business continues to rise, the Group considers it necessary to expand its storage capacity so as to maintain the Group's service efficiency as well as to facilitate distribution and sales of the Group's direct sales products. This will also enable the Group to purchase more at a time from its suppliers, which will add to its bargaining power with its suppliers, thus reducing its procurement costs and enhancing its profitability.

In accordance with HKFRS 16 "Leases", the Company will recognize the value of the right-of-use asset in connection with the Lease Agreement on its consolidated statement of financial position. Accordingly, the entering into of the Lease Agreement will be regarded as an acquisition of asset by the Group under Rule 14A.24(1) of the Listing Rules.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and Hangzhou Chuanfu is an indirect wholly-owned subsidiary of Alibaba Holding. Accordingly, Hangzhou Chuanfu is a connected person of the Company and thus the transactions contemplated under the Lease Agreement constitute connected transactions of the Company in accordance with the Listing Rules.

(I) Continuing Connected Transaction — Supply and Purchase Framework Agreement

On March 26, 2021, the Company (for itself and on behalf of its subsidiaries) entered into the renewed supply and purchase framework agreement (the "2022 Supply and Purchase Framework Agreement") with Hangzhou Xinxuan E-Commerce Co., Ltd ^ (杭州心選電子商務有限公司) (for itself and on behalf of its subsidiaries and affiliates) ("Hangzhou Xinxuan"), pursuant to which the Company has agreed that the Group shall supply and/or purchase various products to or from Alibaba Group on the platforms and stores operated by Alibaba Group from time to time and shall also provide other related services, including daily maintenance, inventory control, pricing, promotional activities and packaging (the "Supply and Purchase of Products and Services") in accordance with the standard agreements and terms and conditions as agreed by the parties from time to time, for a term commenced from April 1, 2021 and ended on March 31, 2022. The annual cap under the 2022 Supply and Purchase Framework Agreement was RMB9.5 million (in relation to supply of products) (which was later revised to RMB110 million pursuant to an announcement of the Company dated December 23, 2021) and RMB9.5 million (in relation to purchase of products), respectively. The aggregate purchases incurred under the Supply and Purchase Framework Agreement for the year ended March 31, 2022 amounted to approximately RMB0 million (2021: approximately RMB10.1 million). The aggregate supplies incurred under the 2022 Supply and Purchase Framework Agreement for the year ended March 31, 2022 amounted to approximately RMB67.7 million (2021: approximately RMB0.2 million).

On March 30, 2022, the same parties entered into the renewed supply and purchase framework agreement (the "2023 Supply and Purchase Framework Agreement") in relation to the Supply and Purchase of Products and Services for a term of one year commencing from April 1, 2022 and ending on March 31, 2023 with an annual cap of RMB140 million (in relation to supply of products) and RMB9.5 million (in relation to purchase of products).

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

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and accordingly a connected person of the Company. Hangzhou Xinxuan is an indirect wholly-owned subsidiary of Alibaba Holding. Accordingly, Hangzhou Xinxuan is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2022 Supply and Purchase Framework Agreement and 2023 Supply and Purchase Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(m) Continuing Connected Transaction — Advertising Services Framework Agreement

On February 5, 2021, the Company (for itself and on behalf of its subsidiaries) and Alibaba Holding (for itself and on behalf of its subsidiaries and affiliates) entered into the renewed advertising service framework agreement (the "2022 Advertising Services Framework Agreement") for a term commenced from April 1, 2021 and ended on March 31, 2022, pursuant to which Alibaba Group provided certain advertising services, including but not limited to the display of advertisements on the various platforms supported by Alibaba Group (the "Advertising Services"), in return for the advertising fees which shall be calculated in accordance with the underlying agreements and the standard terms and conditions as amended and published on Alibaba Group's online platforms from time to time. The annual cap for the service fees payable under the 2022 Advertising Services Framework Agreement was RMB1,150 million, as approved by the independent Shareholders at the special general meeting held on March 29, 2021. The aggregate service fees incurred under the 2022 Advertising Service Framework Agreement for the year ended March 31, 2022 amounted to approximately RMB824.2 million (2021: approximately RMB378.6 million).

On February 4, 2022, the same parties entered into the renewed advertising services framework agreement (the "2023 Advertising Services Framework Agreement") in relation to the provision of the Advertising Services provided by Alibaba Group to the Group for a term of one year commencing from April 1, 2022 and ending on March 31, 2023, with an annual cap of RMB1,850 million, as approved by the independent Shareholders at the special general meeting held on March 28, 2022.

The Group believes that the advertising services and resources provided by Alibaba Group are effective marketing tools and will enable the Group to reach out to more customers and boost the sales of the Group's and its clients' products. Hence, the Group intends to allocate more resources in advertising services provided by Alibaba Group going forward and considers that the entering into of the 2022 Advertising Services Framework Agreement and the 2023 Advertising Services Framework Agreement would facilitate the administration of the purchase of Advertising Services by the Group.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and accordingly a connected person of the Company. The transactions contemplated under the 2022 Advertising Services Framework Agreement and the 2023 Advertising Services Framework Agreement constitute continuing connected transactions for the Company in accordance with the Listing Rules and were approved by the independent Shareholders at the special general meetings held on March 29, 2021 and March 28, 2022, respectively, in accordance with the Listing Rules.

(n) Continuing Connected Transaction — Software Services Framework Agreement

On March 30, 2021, the Company (for itself and on behalf of its subsidiaries) entered into the software services framework agreement (the "2022 Software Services Framework Agreement") with Taobao Holding (for itself and on behalf of its subsidiaries and affiliates), pursuant to which the Group shall provide Taobao Group with certain software services including e-commerce platform maintenance related software services and ancillary support services (the "Software Services") for merchants selling products and/or offering services under certain software services categories on Tmall and Tmall Global (together, the "Tmall Platforms") for a term commenced from April 1 2021 to March 31, 2022. The annual cap for the service fees payable under the 2022 Software Services Framework Agreement was RMB43 million (which was later revised to RMB73 million pursuant to an announcement of the Company dated December 23, 2021). The aggregate service fees incurred under the 2022 Software Services Framework Agreement for the period from April 1, 2022 to March 31, 2023 amounted to approximately RMB62.5 million (2021: approximately RMB34.2 million).

On March 30, 2022, the Company (for itself and on behalf of its subsidiaries and associates) and Taobao Holding (for itself and on behalf of its subsidiaries and associates) entered into the renewed software services framework agreement (the "2023 Software Services Framework Agreement"), pursuant to which the Group shall provide the Software Services to the Taobao Group, for a term of one year commencing from April 1, 2022 and ending on March 31, 2023, with an annual cap of RMB96 million.

The Company believes that the entering into of the 2022 Software Services Framework Agreement and the 2023 Software Services Framework Agreement will allow the Group to generate revenue and to better optimize its resources as Alibaba Group's healthcare flagship platform, but also provides marketing opportunities for the Group to expand its product portfolio and broaden its customer base. This enables the Group to capture further market share in view of the rapid growth of the Company's pharmaceutical direct sales business.

As Alibaba Holding is the ultimate shareholder of Taobao Holding, Taobao Holding is an associate of Perfect Advance, and hence a connected person of the Company, the transactions contemplated under the 2022 Software Services Framework Agreement and the 2023 Software Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(o) Continuing Connected Transaction — Koubei Services Framework Agreement

On March 30, 2021, Alibaba Health (China) (for itself and on behalf of its subsidiaries and affiliates), entered into the services framework agreement (the "2022 Koubei Services Framework Agreement") with Koubei (Shanghai) Information Technology Co., Ltd.^ (口碑(上海)信息技術有限公司) ("Koubei Shanghai"), pursuant to which each party (together with its respective affiliates) agreed to refer merchants providing healthcare and pharmaceutical products and services (the "Counterparties' Platform Services Categories") to the other party (and its affiliates) for registering with platforms operated by such other party (and its affiliates). In doing so, the party who is referring a merchant to the other party shall provide, among other things, promotion services, consultation services and technical support and business development services to merchants, for a term commencing on April 1, 2021 and ending on March 31, 2022. The annual cap for the service fees payable by the Group as a service recipient and chargeable by the Group as a service provider under the 2022 Koubei Services Framework Agreement for the year ending March 31, 2022 was RMB5 million and RMB5 million, respectively. The aggregate service fees payable by the Group as a service recipient and chargeable by the Group as a service provider under the 2022 Koubei Services Framework Agreement for the year ending March 31, 2022 was nil and approximately RMB0.6 million, respectively (2021: approximately RMB27.0 million and nil, respectively).

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

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance and Koubei Shanghai is a consolidated entity of Alibaba Holding. Accordingly, Koubei Shanghai is also a connected person of the Company. The transactions contemplated under the 2022 Koubei Services Framework Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(p) Continuing Connected Transaction — Tracking Services Framework Agreement

On March 30, 2021, Alibaba Health (HK) entered into the renewed tracking services framework agreement (the "2022 Tracking Services Framework Agreement") with Taobao China Holding Limited (淘寶中國控股有限公司) ("Taobao China"), pursuant to which the Group agreed to provide to Taobao China and its subsidiaries and affiliates the Tracking Services for a term commencing on April 1, 2021 and ending on March 31, 2022. The annual cap for the service fees payable under the 2022 Tracking Services Framework Agreement for the year ended March 31, 2021 was RMB5 million. The aggregate service fees incurred under the 2022 Tracking Services Framework Agreement for the year ending March 31, 2022 was approximately RMB1.9 million (2021: approximately RMB1.6 million).

The provision of tracking services to Taobao China pursuant to the 2022 Tracking Services Framework Agreement enables the Group to further leverage on its prior accumulated technical and operational experience in the development of product tracking platforms and thereby increase its sources of revenue and enhance its operational efficiency.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate shareholder of Perfect Advance. As Taobao China is an indirect wholly-owned subsidiary of Alibaba Holding, Taobao China is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the 2022 Tracking Services Framework Agreement thus constitute continuing connected transactions of the Company in accordance with the Listing Rules.

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

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

RELATED PARTY TRANSACTIONS

During the year, save as disclosed in note 35 to the consolidated financial statements, the Group had no material transactions with its related parties.

The Directors have conducted review of such related party transactions of the Group during the year. In respect of the related party transactions which also constitute connected transactions or continuing connected transaction as defined in Chapter 14A of the Listing Rules, the Company has complied with the relevant connected transaction requirements under Chapter 14A of the Listing Rules in respect of those connected transactions or continuing connected transactions. The Directors were not aware of any transactions requiring disclosure of connected transactions in accordance with the Listing Rules except for those disclosed in this report.

CONTRACTUAL ARRANGEMENTS

Overview

The business of the Group involves the provision of commercial Internet information services, which in turn requires certain members of the Group to hold a value-added telecommunication business license (the "ICP License") for the provision of such services (the "Restricted Businesses"). As the applicable PRC laws and regulations currently in force restrict foreign investment in businesses involving the provision of commercial Internet information services, the Group entered into a series of structured contracts with respect to two subsidiaries of the Company, Hongyun Jiukang Data Technology (Beijing) Co., Ltd.^ (弘雲久康數據技術(北京)有限公司) ("Hongyun Jiukang") and Alibaba Health Hebei Information Technology Co., Ltd.^ (阿里健康河北信息技術有限公司) ("Alibaba Health Hebei", together with Hongyun Jiukang, the "Opcos") pursuant to which the Company obtained effective control over, and received all the economic benefits generated by, the businesses operated by the Opcos, and the Opcos, in turn, hold the ICP License and operate the Restricted Businesses. Prior to the restructuring of the Contractual Arrangements on April 25, 2020 as detailed below, the Group has obtained effective control over, and received all the economic benefits generated by, the businesses operated by the Opcos through the series of structured contracts which were disclosed in the 2020 Annual Report. From April 25, 2020 onwards, the Contractual Arrangement is governed by the Structured Contracts (as defined below) detailed below.

Restructuring of the Contractual Arrangement

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

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

The restructuring of the Contractual Arrangements was to align the Group's strategy in diversifying the underlying risks. Through the Structured Contracts and the Contractual Arrangements, the results of operations, assets and liabilities, and cash flows of the Opcos were consolidated into the Company's financial statements, and the Opcos were regarded as indirect subsidiaries of the Group under HKFRS 10 during the year ended March 31, 2022.

(a) Particulars of Opcos and their respective Registered Owner

As at March 31, 2022, the particulars of the Opcos and their respective Registered Owner are as follows:

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

The following table sets forth the subsidiaries of Hongyun Jiukang as at March 31, 2022. Alibaba Health Hebei did not have any subsidiary as at March 31, 2022.

Name of subsidiary	Holding company	Ownership	Principal activities
Alibaba Health (Haikou) Smart Internet Hospital Co., Ltd.^ (阿里健康(海口)智慧互聯網醫院有限公司)	Hongyun Jiukang	100%	Inactive
Alibaba Health (Hainan) Internet Hospital Co., Ltd.^ (阿里健康(海南)互聯網醫院有限公司)	Hongyun Jiukang	100%	Network hospital services
Alibaba Health (Hainan) Remote Medical Centre Co., Ltd.^ (阿里健康(海南)遠程醫療中心有限公司)	Hongyun Jiukang	100%	Operation of offline medical institutions
Hangzhou Hongyun Kangsheng Equity Investment Co., Ltd.^ (杭州弘雲康晟股權投資有限公司)	Hongyun Jiukang	100%	Investment holding and asset management
Alibaba Health Technology (Guangzhou) Co., Ltd.^ (阿里健康科技(廣州)有限公司)	Hongyun Jiukang	100%	Provision of healthcare related Internet information services
Alibaba Health Network Hospital Co., Ltd.^ (阿里健康網絡醫院有限公司)	Hongyun Jiukang	100%	Network hospital services
Chongqing Bianque Health Data Technology Co., Ltd^ (重慶扁鵲健康數據技術有限公司)	Hongyun Jiukang	90%	Healthcare related technical services
Alibaba Health Technology (Beijing) Company Limited* (阿里健康科技(北京)有限公司)	Hongyun Jiukang	100%	Provision of Internet information services
Jiubaoxing Technology (Hainan) Co., Ltd.^ (久寶星科技(海南)有限公司)	Hongyun Jiukang	100%	Provision of e-commerce sales services
Hangzhou Kangtao Information Technology Co., Ltd.^ (杭州康淘信息技術有限公司)	Hongyun Jiukang	100%	Healthcare related Internet information services
Beijing Zichen Zhengyang Technology Co., Ltd.^ (北京紫宸正陽科技有限公司)	Hongyun Jiukang	100%	Provision of Internet information services

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

As at March 31, 2022, in respect of the Contractual Arrangements, there were two sets of ongoing Structured Contracts in place:

(i) in respect of Hongyun Jiukang, entered into among Alibaba Health (China) (formerly known as Alibaba Health Technology (Beijing) Co., Ltd.^ (阿里健康科技(北京)有限公司)) (as the Company's subsidiary), Hongyun Jiukang (as the Opco), and Beijing Jiukangbao (as the Registered Owner) (as applicable); and

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

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

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

Pursuant to the Exclusive Service Agreements, the relevant Opco agreed to engage Alibaba Health (China) as its exclusive provider of technical support and consultancy services (the "Technical Services") in connection with the relevant Opco's business (to the extent permitted under the applicable PRC laws) in exchange for service fees. The service fees are fixed with reference to the actual content and commercial value of the Technical Services and Alibaba Health (China) may, subject to mutual agreement, adjust the amount of service fees. Unless otherwise prescribed under the PRC laws and regulations and subject to limitations under the Exclusive Service Agreements, Alibaba Health (China) shall have exclusive proprietary rights to any intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work product developed by Alibaba Health (China) or the relevant Opco in the course of the provision of services under the relevant Exclusive Service Agreement. Each of the Exclusive Service Agreements has a term of 20 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by Alibaba Health (China). The relevant Exclusive Service Agreement shall be terminated prior to expiration in the event that the business period of either Alibaba Health (China) or the relevant Opco expires.

(2) Loan Agreements (借款協議)

Pursuant to the Loan Agreements, Alibaba Health (China) agreed to provide any interest-free loans to the relevant Registered Owner as capital contribution to the relevant Opco only and may not use such loans for other purposes without the consent of Alibaba Health (China). The Registered Owner, in return for the provision of loans, agreed to enter into an equity interest pledge agreement with Alibaba Health (China) to pledge all of his or her equity interests in the relevant Opco as security. The term of each loan under the relevant Loan Agreement is 20 years from the effective date, or for a period until expiration of the business period of Alibaba Health (China) or the relevant Opco, whichever is earlier. The Registered Owner shall repay the loan upon expiration of the term or any earlier time as may be determined by Alibaba Health (China) at its absolute discretion. In such circumstances, unless otherwise prohibited by the applicable laws and regulations, Alibaba Health (China) or its designee is entitled to acquire all equity interest held by the relevant Registered Owner in the relevant Opco for a consideration equal to the loan amount. The Registered Owner shall waive any pre-emptive rights upon transfer of equity interest in the relevant Opco to Alibaba Health (China). Any tax arising from the loan shall be borne by the Registered Owner and Alibaba Health (China) in accordance with the applicable PRC laws.

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

Pursuant to the Equity Interest Pledge Agreements, the Registered Owner agreed to pledge all their respective equity interests in the relevant Opco to Alibaba Health (China), as a security interest to guarantee the performance of contractual obligations and the payment of outstanding loans of the Registered Owner. Unless due to the intentional misconduct or gross negligence of Alibaba Health (China), Alibaba Health (China) shall not be liable for any decrease in value of the pledged interests, and the Registered Owner shall not have any right to claim against Alibaba Health (China) as a result of such decrease in value. However, in the event that the decrease in value of the pledged interests may jeopardize rights of Alibaba Health (China), or upon occurrence of default, Alibaba Health (China) may auction or sell the pledged interests for and on behalf of the Registered Owner and allocate the money received for loan prepayment or deposit such money to Alibaba Health (China)'s local notary office. The pledge in respect of an Opco takes effect upon the completion of registration with the competent authority and shall remain valid until all the contractual obligations of the Registered Owner and the relevant Opco under the relevant set of Structured Contracts have been fully performed and that all outstanding loans have been fully repaid. During the period of the pledge, without the prior written consent of Alibaba Health (China), the Registered Owner shall not create or agree to create any new pledge or other security on the equity interests of the relevant Opco, nor assign or transfer any of the equity interests in the relevant Opco.

(4) Powers of Attorney on Shareholders' Voting Rights (股東表決權委託協議)

Pursuant to the Powers of Attorney on Shareholders' Voting Rights, the Registered Owner irrevocably appointed designee(s) of Alibaba Health (China), who are PRC nationals, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its right as shareholder of the relevant Opco, including but not limited to: (a) attending the shareholders' meeting of the relevant Opco as representative of the relevant Registered Owner; (b) exercising shareholders' voting rights on resolutions at shareholders' meeting, including but not limited to, the designation and appointment of directors and other senior management that has to be appointed by the shareholders; (c) other matters decided or executed by the shareholders pursuant to the relevant constitutional documents; and (d) signing relevant documents when the relevant Registered Owner sell or transfer all or part of its equity interests pursuant to the Exclusive Option Agreements. The Powers of Attorney on Shareholders' Voting Rights shall remain effective for 20 years and will be automatically renewed for consecutive terms of one year upon expiry unless otherwise notified by Alibaba Health (China). The Powers of Attorney on Shareholders' Voting Rights shall be terminated prior to expiration in the event that the business period of either Alibaba Health (China) or the relevant Opco expires.

(5) Exclusive Option Agreements (獨家購買權協議)

Pursuant to the Exclusive Option Agreements, the Registered Owner agreed to irrevocably, unconditionally and exclusively grant an exclusive option to Alibaba Health (China) so that Alibaba Health (China) may elect to purchase, when permitted by the then applicable PRC laws, all or any part of the equity interests from the Registered Owner and/or all or any of the assets in the relevant Opco by themselves or through their designee(s). In the event that any of the options is exercised by Alibaba Health (China), the transfer price of the relevant equity interests and assets shall correspond to the registered capital amount and the net asset value, respectively, or the legal minimum price under the then applicable PRC laws (as the case may be). Subject to the applicable PRC laws, the Registered Owner shall transfer all the consideration it receives in relation to such transfer of equity interests and assets in the relevant Opco (or any proceeds resulting from the dissolution or winding up of the relevant Opco or any dividends or distributions received in the capacity of a Registered Owner) to Alibaba Health (China) or its designee, after deduction of applicable taxes and government fees. Pursuant to the Exclusive Option Agreements, without the prior written consent of Alibaba Health (China), the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the relevant Opco (except in the ordinary course of business) or legal or beneficial interest in the business or revenues of the relevant Opco, allow the creation of any security interest thereon, or allow the alteration of the registered capital of the relevant Opco or merger of the relevant Opco with any other entity. The Exclusive Option Agreements shall remain effective from the execution date and terminate when all the equity interests and assets of the relevant Opco have been legally transferred to Alibaba Health (China) or its designee in accordance with the terms of the relevant Exclusive Option Agreement.

(c) Revenue and assets subject to the Contractual Arrangements

During the year ended March 31, 2022, the Group expanded the scale of investments and business operated under the Opcos, and revenues generated from and assets held through the Opcos had begun to form a material portion of the Group's total revenue and assets. The following table sets forth (i) revenue and (ii) assets involved in the Opcos which are consolidated into the Group's financial statements pursuant to the Contractual Arrangements:

	For the financial year ended March 31, 2022	
	Revenue	**Assets**
	(RMB'000) (proportionate% to the Group)	
Hongyun Jiukang	**394,563**	**1,730,941**
	1.92%	**9.01%**
Alibaba Health Hebei	**—**	**83,570**
	0%	**0.44%**

(d) Reasons for using the Contractual Arrangements

According to the Catalogue for Guidance of Foreign Investment (外商投資產業指導目錄) (the "FITE Regulations"), the proportion of foreign equity ownership in the entity that provides commercial Internet information services shall not exceed 50%. Further, according to the FITE Regulations, subject to the foreign ownership restrictions as set out above, the significant foreign investor of an entity that provides commercial Internet information services must also be able to demonstrate good performance of and experience in operating a value-added telecommunication business. As the Company and its subsidiaries do not meet such qualification requirement, neither the Company nor any of its offshore subsidiaries is qualified to apply to any competent government authorities to establish a foreign invested telecommunication enterprise and obtain an ICP License to operate the Restricted Businesses. In the opinion of the Company's PRC legal advisers, the Contractual Arrangements do not violate applicable PRC laws and regulations.

(e) Risks associated with the Contractual Arrangements and the actions taken by the Group to mitigate the risks

The Company's PRC legal advisers had advised the Company that while the Contractual Arrangements do not violate the applicable PRC laws and regulations, there are uncertainties regarding the interpretation and application of the currently applicable PRC laws, rules, and regulations. As such, the Group believes the following risks are associated with the Contractual Arrangements:

- If the PRC government finds that the Contractual Arrangements that allow the Company to consolidate the results of operations, assets and liabilities, and cash flows of the Opcos which operate the Restricted Businesses do not comply with the applicable PRC laws and regulations, the Company could be subject to penalties and its business may be materially and adversely affected;

- Certain terms of the Contractual Arrangements may not be enforceable under the PRC laws;

- The Contractual Arrangements may not be as effective in providing control over the Opcos as equity ownership;

- Any failure by the Opcos or the Registered Owner to perform their obligations under the Contractual Arrangements would potentially lead to the Company having to incur additional costs and expend material resources to enforce such arrangements, temporary or permanent loss of control over the Restricted Businesses and the revenue from these businesses;

- The Registered Owner may have potential conflicts of interest with the Company, which may materially and adversely affect its business and financial condition;

- If any of Alibaba Health (China) or the Opcos becomes the subject of a bankruptcy or liquidation proceeding, the Company may lose the ability to use and enjoy certain important assets, which could materially and adversely affect its business; and

- The Company's exercise of the option to acquire the equity interests of the Opcos may be subject to certain limitations and the ownership transfer may incur substantial costs.

In view of the regulatory risks associated with the Contractual Arrangements, the Group closely follows the latest developments with regard to the relevant PRC laws, rules and regulations. The Group will seek professional legal advice when there are any changes or updates in this regard and to deal with specific issues arising from the Contractual Arrangements. The Group periodically reviews the Contractual Arrangements and assesses the financial situation of the Opcos on a regular basis.

(f) Material changes in the foreign ownership restriction requirements

The Contractual Arrangements have been put in place purely to allow the Group to comply with the foreign ownership restrictions under FITE Regulations. Save as disclosed, during the financial year ended March 31, 2022, there was no other material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Contractual Arrangements had been unwound as the regulatory restrictions that led to their adoptions were not removed.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended March 31, 2022.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended March 31, 2022. The Company has taken out and maintained appropriate insurance coverage in respect of potential legal actions against the Directors and officers of the Company.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the following Director had declared interests in the following businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group during the year ended March 31, 2022:

During the period between April 1, 2021 and October 13, 2021 (the "Relevant Period"), Mr. WU Yongming ("Mr. Wu"), a former non-executive Director, was the controlling shareholder of Hangzhou Vision Plus Capital Management Company Limited^ (杭州圓璟投資管理有限公司). Hangzhou Vision Plus Capital Management Company Limited^ (杭州圓璟投資管理有限公司) and its associates were one of the substantial shareholders or shareholders of the following companies: Choice Technology Inc., a company which operates a medical healthcare system and data services platform, Beijing Huifukang Information Consultancy Co., Ltd^ (北京惠福康信息諮詢有限公司), a company which operates an online doctor referral platform, Shanghai Mudi Biological Technology Co., Ltd.^ (上海妙一生物科技有限公司), a company which operates an online clinical research platform, Yawlih Technology (Beijing) Co., Ltd.^ (曜立科技(北京)有限公司), a company which provides hospital and other medical data cleansing technology solution, Lingyi Information Technology (Shanghai) Co., Ltd.^ (翎醫信息科技(上海)有限公司), a company which provides maternity and infant-related patient management tools and marketing platform services, Shanghai Yiyong Health Information Consulting Co., Ltd.^ (上海易雍健康信息諮詢有限公司), a company engaging in third-party health insurance services, Hangzhou Yunhu Network Technology Co., Ltd.^ (杭州雲呼網絡科技有限公司), a company engaging in the operation of a medical examination resources Internet platform and Come Future Technology (Zhejiang) Company Limited^ (來未來科技(浙江)有限公司), a company engaging in the operation of enterprise intelligence platforms, Shanghai Fourier Intelligence Technology Limited^ (上海傅利葉智能科技有限公司), a company which provides technological and intelligent rehabilitation equipment and smart rehabilitation solutions, neoX Biotech Inc., a company engaging in AI-driven drug discovery and provision of outsourcing services on drug screening, Beijing Deep Potential Technology Limited^ (北京深勢科技有限公司), a company engaging in the provision of software services on the computation for drug discovery as well as design and research of new materials, Beijing Percutek Therapeutics Co., Ltd.^ (北京華脈泰科股份有限公司), a company engaging in the research, development and manufacture of new Class III medical intervention devices. These companies, directly or through their subsidiaries or associates or by way of other forms of investments, carry out businesses which are considered to compete or likely to compete with the businesses of the Group.

Given that Mr. Wu was a non-executive Director of the Company during the Relevant Period and did not participate in the day-to-day operations of the Group, the Directors believe that it would be unlikely that Mr. Wu's aforesaid interests in the above companies would cause any material adverse impact to the business of the Group. Mr. Wu had confirmed that he was fully aware of and had been discharging his fiduciary duties to the Company to avoid conflicts of interest. In situations where any conflicts of interest arise, Mr. Wu would have refrained from participating in discussion, taking part in the decision-making process and voting on the relevant Board resolutions at the Board meetings.

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

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

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

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

Save as disclosed, during the year ended March 31, 2022 and up to the date of this report, none of the Directors is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and has any other conflicts of interest, as required to be disclosed under the Listing Rules.

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

ZHU Shunyan
Chairman and Chief Executive Officer

Hong Kong
May 25, 2022

^ *For identification purpose only*

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. ZHU Shunyan, aged 51, was appointed as an executive Director, Chairman of the Board and Chief Executive Officer of the Company on March 16, 2020. Mr. Zhu is a partner of the Alibaba Partnership and the President of the Innovation Initiatives Segment of the ultimate controlling shareholder of the Company, Alibaba Holding (with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)). Since May 2020, he has also been a director of Meinian Onehealth Healthcare Holdings Co., Ltd.^ (美年大健康產業控股股份有限公司), a company listed on the Shenzhen Stock Exchange ("SZSE") (Stock Code: 2044) ("Meinian Onehealth"). Prior to joining Alibaba Group, Mr. Zhu founded Wuhan Xuncai Technology Co., Ltd.^ (武漢迅彩科技公司) in 2003. He joined the founding team of UC Browser in 2007 as senior vice president, and was responsible for the marketing and commercialization of UC Browser. The business of UC Browser was acquired by Alibaba Group in June 2014. Subsequently, Mr. Zhu had served as (i) the president of Alimama Business Group, a leading big data marketing platform in the PRC operated by Alibaba Group; (ii) the president of UC Browser; (iii) the president of New Media Businesses of Alibaba Digital Media & Entertainment Business Group, responsible for the business departments of UC Browser, Alibaba Music and Innovation Business; and (iv) the president of the Intelligent Information Business Group. Mr. Zhu obtained a Bachelor of Science Degree in Mathematics in 1993 from Yanshan University in the PRC. He obtained a Master Degree in Computing Software in 1996 from Huazhong University of Science and Technology in the PRC.

Mr. SHEN Difan, aged 43, was appointed as an executive Director on October 13, 2021. He is currently the chief operating officer of the Company. He has been a special assistant to the chairman of the board of directors of Alibaba Holding since March 2020. Mr. Shen was an executive Director and chief executive officer of the Company from March 2018 to March 2020. Prior to the previous term with the Company, he was the general manager of Alibaba Group's AliExpress business from March 2012, leading the rapid expansion of AliExpress and growing Alibaba Group's overseas brand influence. Mr. Shen had held various positions in Alibaba Group since he joined in 2004, including in relation to B2B product operations, and in the security department and advertising product department. Mr. Shen holds a Bachelor Degree in Computing from Yantai University. Mr. Shen also acts as a consultant to Alibaba Group.

Mr. TU Yanwu, aged 44, has been the chief financial officer of the Company since April 2020, and is responsible for the overall financial management and the formulation and implementation of the Group's strategies. Prior to that, Mr. Tu was a senior finance director of the Group from September 2019 to March 2020, and was seconded to Guizhou Ensure Chain Pharmacy Company Limited^ (貴州一樹連鎖藥業有限公司) to act as its chief financial officer and senior vice president from October 2018 to August 2019. Before joining the Group, Mr. Tu was the finance director of WuXi AppTec Co., Ltd.^ (無錫藥明康德新藥開發股份有限公司) ("WuXi AppTec") from December 2015 to September 2018, where he led the accounting and reporting team since the delisting of WuXi PharmaTech (Cayman) Inc. from the New York Stock Exchange through the initial public offering and listing of WuXi AppTec on the Shanghai Stock Exchange. From April 2008 to April 2015, Mr. Tu held various finance positions at different departments of General Motors, including being in charge of special projects in the Asia-Pacific region and holding financial reporting and management positions in the North American region. Mr. Tu also had over five years of experience in auditing at Arthur Anderson and PricewaterhouseCoopers in Shanghai where he led the audit team to work on initial public offering and listing projects across different industries. Mr. Tu obtained a Bachelor of Arts Degree in Economics and Business Administration in June 2001 from Fudan University and he is also a member of the Chinese Institute of Certified Public Accountants.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. LI Faguang, aged 46, was appointed as a non-executive Director on October 13, 2021. During the period from March 2019 to December 2021, he served as a non-executive director of AGTech Holdings Limited ("AGTech") (Stock Code: 8279). AGTech is an affiliated company of the Company and an indirect non-wholly owned subsidiary of Alibaba Holding. Mr. Li joined Alibaba Group in February 2016 and is currently a senior financial controller of Alibaba Holding. Mr. Li has extensive experience in financial management. Prior to joining Alibaba Holding, Mr. Li worked at 奧的斯機電電梯有限公司 (Otis Electric Elevator Co., Ltd.^) (formerly known as 西子奧的斯電梯有限公司 (Xizi Otis Elevator Co., Ltd.^)) as director of financial analysis and a regional financial controller from May 2012 to February 2016. Prior to that, he worked at Dell (China) Company Limited for approximately seven years and his last position was senior financial manager. He obtained a Bachelor Degree in Finance from Nankai University in June 1998 and a Master Degree in Finance and Management from Loughborough University in December 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUO Tong, aged 55, was appointed as an independent non-executive Director on May 9, 2014. Mr. Luo is currently the chief strategy officer of Yiguo Information Technology Co., Ltd. Mr. Luo has over 20 years of experience of retailing operation and management. Before joining the Board, he worked as the regional general manager for Walmart's Zhejiang Province Operations, the vice president of operations and development for China Nepstar Chain Drugstore Ltd., the vice president of operations for Tesiro Jewellery Company and the general manager of retail development of Guangzhou Pharmaceuticals Corporation. Mr. Luo has obtained a diploma in business administration from Guangzhou Finance and Trade Management Institute and a diploma in English from Guangdong Social Science College.

Mr. WONG King On, Samuel, aged 69, was appointed as an independent non-executive Director on May 9, 2014. Mr. Wong is currently an independent non-executive director and chairman of the audit committee of Analogue Holdings Limited (Stock Code: 1977), a company listed on the Main Board of the Stock Exchange in July 2019. During the period from October 2010 to November 2013, Mr. Wong was an independent non-executive director and chairman of the audit committee of Yashili International Holdings Limited (Stock Code: 1230) which was listed on the Main Board of the Stock Exchange. Mr. Wong has over 30 years of experience in accounting and finance. Mr. Wong joined Ernst & Young in October 1979 and was elected to its partnership in January 1993. Mr. Wong was the managing partner, China Central of Ernst & Young and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in 2010. Mr. Wong was a professor of practice (accounting) of the school of accounting and finance of the Hong Kong Polytechnic University from September 2013 to August 2016, and also an adjunct professor of the school of accounting & finance of the Hong Kong Polytechnic University from 2002 to 2010. Mr. Wong was the president of Association of Chartered Certified Accountants (ACCA) Hong Kong for 1998–1999 and a member of the global council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA for 2003–2004. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, a member of the ACCA and a Certified Practising Accountant Australia. Mr. Wong obtained a master of business administration degree from the University of Bradford, United Kingdom in December 1978. Mr. Wong was awarded the Binder Hamlyn Prize for the best student in financial management in 1978.

Ms. HUANG Yi Fei (Vanessa), aged 49, was appointed as an independent non-executive Director on June 9, 2019. Ms. Huang is currently a General Partner at BioVeda China Fund (BVCF). Ms. Huang has over 20 years of investment banking experience in the United States and Hong Kong. Prior to joining BVCF, she was Head of Emerging Asia Healthcare Investment Banking at J.P. Morgan. During her time in investment banking, Ms. Huang worked with companies and investors across Asia Pacific as well as global multinational companies and institutional investors. Her coverage included all subsectors of healthcare including pharmaceutical, biotech, medtech and services. She advised on multiple cross-border mergers and acquisitions and different stages of capital raising. Ms. Huang is a member of the Biotech Advisory Panel of the Stock Exchange and a member of the Admission Panel of the Incu-Bio Incubation Programme of the Hong Kong Science and Technology Parks Corporation. Ms. Huang holds a Master of Business Administration from The Wharton School, University of Pennsylvania.

COMPANY SECRETARY

Ms. LEE Wai Yan Vivian, was appointed as the company secretary of the Company on August 24, 2020 and resigned on June 30, 2022. Ms. Lee has more than 10 years of working experience in the legal field. She was a senior legal director at Fosun International Limited (Stock Code: 0656) from December 2015 to December 2018. She also worked at the Hong Kong office of various international law firms from 2008 to 2015. Ms. Lee obtained a Bachelor of Arts degree from the University of British Columbia (Canada) and a Graduate Diploma in Law (Common Professional Examination) and qualified to practice law in England and Wales. She was admitted as a solicitor of the High Court of Hong Kong in 2007 and is currently a member of the Law Society of Hong Kong. During the Reporting Period, Ms. Lee did not receive any remuneration from the Company.

Ms. CHUN Ka Yan, was appointed as the company secretary of the Company on June 30, 2022. For details of the biographical information of Ms. Chun, please refer to the announcement of the Company dated June 30, 2022.

Save as disclosed in this report, each of the Directors did not (i) have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders; (ii) hold any directorship in any other Hong Kong or overseas listed public companies in the last three years; and (iii) hold any other positions with the Company or other members of the Group. For details of the interests and short positions of the Directors in the share capital and underlying shares of the Company or its associated corporations within the meaning of Part XV of the SFO, please refer to the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares". Further, save as disclosed in this report, there is no other matter with respect to the Directors that needs to be brought to the attention of the Shareholders and there is no other information of the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

^ *For identification purpose only*

CORPORATE GOVERNANCE REPORT

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

In the opinion of the Board, throughout the year ended March 31, 2022, the Company has complied with the code provisions ("Code Provision(s)") set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules, except in respect of the following matters:

According to Code Provision A.2.1 (which has been renumbered as C.2.1 of the CG Code since January 1, 2022), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. ZHU Shunyan has been appointed as both the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer"), with effect from March 16, 2020. After joining the Group, Mr. Zhu is primarily responsible for overseeing the Group's general management and business development and for formulating business strategies and policies for its business management and operations. The Directors consider that it is the most suitable for Mr. Zhu to hold both the positions of the Chairman and the Chief Executive Officer as they believe that it will ensure consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board is also of the view that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of the Chairman and the Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Code Provision C.1.2 (which has been renumbered as D.1.2 of the CG Code since January 1, 2022) stipulates that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company from time to time, based on business needs and conditions, provides to the Board up-to-date business information and convenes ad hoc meetings for considering material business or management issues, so as to enable the Directors and the Board as a whole to discharge their duties.

THE BOARD

Composition

As at March 31, 2022 and up to the date of this report, the Board comprised seven Directors, including (i) three executive Directors, namely Mr. ZHU Shunyan, Mr. SHEN Difan and Mr. TU Yanwu; (ii) one non-executive Director, namely Mr. LI Faguang; and (iii) three independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa). The name and biographical details of each Director are disclosed on pages 61 to 63 of this report.

Mr. SHEN Difan and Mr. LI Faguang were appointed as executive Director and non-executive Director on October 13, 2021, respectively. Mr. WU Yongming and Mr. XU Hong resigned as non-executive Directors on October 13, 2021. The non-executive Directors and the independent non-executive Directors are appointed for a term of one year and their respective appointment shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of their appointment unless terminated by the Company in accordance with the term of their appointment letters and the provisions of the bye-laws of the Company, respectively.

During the year ended March 31, 2022 and up to the date of this report, all Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for the efficient and effective delivery of the Board's functions. The independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Each independent non-executive Director, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, has confirmed he/she had been independent of the Company throughout the year ended March 31, 2022 and up to the date of this report, and the Company also considers that they have been independent. Each independent non-executive Director is subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the bye-laws of the Company. Save as disclosed, there is no relationship (including financial, business, family or other material or relevant relationship) between each Director (including independent non-executive Director) and the other members of the Board or the senior management and between the Chairman and the Chief Executive Officer.

Function

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting any major acquisition and disposal, major capital investment and dividend policies, regulating and reviewing internal controls, formulating the Company's corporate governance policy, ensuring effective governance and oversight of ESG matters, assessing and managing material environmental and social risks, supervising management's performance and reviewing the adequacy of the Group's resources.

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

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

CORPORATE GOVERNANCE REPORT

The Board recognizes that corporate governance should be the collective responsibility of Directors and their corporate governance duties include:

(a) to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Chairman and Chief Executive Officer

Mr. ZHU Shunyan has been appointed as the Chairman of the Board and the Chief Executive Officer of the Company, with effect from March 16, 2020, which does not comply with Code Provision A.2.1 (which has been renumbered as C.2.1 of the CG Code since January 1, 2022) requiring the roles of chairman and chief executive officer to be separate and not to be performed by the same individual.

After joining the Group, Mr. Zhu is primarily responsible for overseeing the Group's general management and business development and for formulating business strategies and policies for the Group's business management and operations. The Directors consider that it is suitable for Mr. Zhu to hold both the positions of the Chairman of the Board and the Chief Executive Officer as they believe that such arrangement will ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning of the Group. The Board is also of the view that the balance of power and authority under the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will regularly review and consider splitting the roles of the Chairman of the Board and the Chief Executive Officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

CORPORATE GOVERNANCE REPORT

The Board held seven Board meetings during the year ended March 31, 2022. Agenda and accompanying board papers were sent to all Directors in a timely manner. Directors who could not attend in person could participate through electronic means of communications. Individual attendance of each Director at the Board meetings, Board Committee meetings and general meetings during the year ended March 31, 2022 are set out in the table below:

	Number of meetings attended/Number of meetings eligible to attend					
Directors	**Annual General Meeting**	**Special General Meeting**	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Executive Directors						
Mr. ZHU Shunyan *(Chairman)*	1/1	1/1	7/7	N/A	N/A	2/2
Mr. SHEN Difan (appointed on October 13, 2021)	N/A	1/1	5/5	N/A	N/A	N/A
Mr. TU Yanwu	1/1	1/1	7/7	N/A	N/A	N/A
Non-executive Directors						
Mr. LI Faguang (appointed on October 13, 2021)	N/A	1/1	4/5	N/A	1/1	N/A
Mr. WU Yongming (resigned on October 13, 2021)	1/1	N/A	2/2	N/A	1/1	N/A
Mr. XU Hong (resigned on October 13, 2021)	1/1	N/A	2/2	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. LUO Tong	1/1	1/1	7/7	3/3	N/A	2/2
Mr. WONG King On, Samuel	1/1	1/1	7/7	3/3	2/2	2/2
Ms. HUANG Yi Fei (Vanessa)	1/1	1/1	7/7	3/3	2/2	N/A

Directors' Training

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

Pursuant to Code Provision A.6.5 (which has been renumbered as C.1.4 of the CG Code since January 1, 2022), all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the financial year ended March 31, 2022, all of the following Directors participated in continuous professional development by attending seminar or by self-studying of materials on topics related to corporate governance, regulations and business:

Executive Directors

Mr. ZHU Shunyan	Attend seminar and self-study
Mr. SHEN Difan (appointed on October 13, 2021)	Attend seminar and self-study
Mr. TU Yanwu	Attend seminar and self-study

Non-executive Directors

Mr. LI Faguang (appointed on October 13, 2021)	Attend seminar and self-study
Mr. WU Yongming (resigned on October 13, 2021)	Attend seminar and self-study
Mr. XU Hong (resigned on October 13, 2021)	Attend seminar and self-study

Independent Non-executive Directors

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

Board Committees

During the year ended March 31, 2022, the Company maintained the Audit Committee, the Nomination Committee and the Remuneration Committee in compliance with the Listing Rules and the relevant Code Provisions.

Remuneration Committee

During the year ended March 31, 2022, the Remuneration Committee comprised Ms. HUANG Yi Fei (Vanessa) (Chairman), Mr. WU Yongming (resigned on October 13, 2021), Mr. LI Faguang (appointed on October 13, 2021) and Mr. WONG King On, Samuel, with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Remuneration Committee include:

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

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

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

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

The Remuneration Committee held two meetings for the year ended March 31, 2022. The Remuneration Committee discussed and made recommendations on the remuneration to be paid to the Directors for the year ended March 31, 2022, and the grant of share options and restricted share units under the share award scheme of the Company adopted by the Company on November 24, 2014.

Audit Committee

During the year ended March 31, 2022, the Audit Committee comprised Mr. WONG King On, Samuel (Chairman), Mr. LUO Tong and Ms. HUANG Yi Fei (Vanessa), with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Audit Committee include:

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

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

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

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

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

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

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

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

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

The Audit Committee held three meetings for the financial year ended March 31, 2022. The Audit Committee reviewed the financial statements of the Company for the year ended March 31, 2021 and for the six months period ended September 30, 2021, re-appointment of Ernst & Young as auditor of the Company, internal controls and risk management system and Ernst & Young's audit plan for the year ended March 31, 2022, and made relevant recommendations to the Board for its approval.

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

Nomination Committee

The Nomination Committee comprised Mr. ZHU Shunyan (Chairman), Mr. LUO Tong and Mr. WONG King On, Samuel, with specific terms of reference which clearly deals with its authority and duties.

The main duties of the Nomination Committee include:

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

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

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

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

The Nomination Committee held two meetings for the year ended March 31, 2022. The Nomination Committee, identified and nominated qualified individual(s) for appointment as additional Director(s) or to fill Board vacancies as and when they arise, assessed the independence of the independent non-executive Directors, reviewed the retirement schedule, made recommendations on the retirement and re-election of Directors and reviewed the composition, size and diversity of the Board.

NOMINATION POLICY

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

Selection Criteria

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

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

Directors Nomination Procedures

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

(a) Appointment of New Director

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

(b) Re-election of Director at General Meeting

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

Board and Workforce Diversity

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

As at March 31, 2022, the Board comprised six males and one female and the senior management of the Group (excluding the Executive Directors) comprised 1,053 males and 796 female, and among the 1,849 full-time employees of the Group, the ratio of male to female staff was approximately 1.32 : 1. The Board considers that the Board, the Group's senior management and workforce are all diverse in terms of gender. At present, the Company has not set any measurable objectives for implementation of the diversity policies in relation to the Board members and the workforce of the Group (including gender diversity). However, the Company will consider and review from time to time such diversity policies (including gender diversity) and setting of any measurable objectives (if applicable).

Model Code for Securities Transactions

The Company has adopted the Model Code to regulate the Directors' dealings in the Group's securities. In response to specific enquiries by the Company, all Directors, including the existing Directors and the former Directors who had been Directors during the year ended March 31, 2022, have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2022.

COMPANY SECRETARY

With effect from June 30, 2022, Ms. LEE Wai Yan Vivian resigned as the company secretary of the Company in order to focus on the other business affairs of Alibaba Group, and the Company appointed Ms. CHUN Ka Yan as the company secretary of the Company on the same day.

Ms. LEE Wai Yan Vivian confirms that she has complied with all the required qualifications, experience and training requirements of the Listing Rules for the year ended March 31, 2022.

AUDITOR'S REMUNERATION

The remuneration paid to Ernst & Young for audit and non-audit services for the year ended March 31, 2022 amounted to approximately RMB3,470,000 and RMB2,323,000, respectively. The non-audit services provided by Ernst & Young to the Group were in relation to the review service on the interim results, limited assurance services on continuing connected transactions, other professional service related to the environmental, social and governance assessment, tax review service and transfer pricing review service.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

It is also the Board's responsibility to review the effectiveness of the Group's risk management system and ensure that risk management controls are sound and effective to safeguard the investment of the Shareholders and the Group's assets at all times. In connection with this, the Board formed a risk management committee on November 23, 2016 to discharge its role in monitoring and in exercising oversight over the risk management of the Company.

The Audit Committee and the Board performed its annual review of the Group's risk management and internal controls and concluded that for the year ended March 31, 2022, (a) the Group's risk management and internal control systems were effective; (b) the Group had adopted the necessary control mechanisms to monitor and correct non-compliance; and (c) the Group had complied satisfactorily with the requirements of the CG Code in respect of risk management and internal control systems.

SHAREHOLDER COMMUNICATION POLICY

Purpose

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

Communication Strategies

Corporate Website

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

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

Shareholders' meetings

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

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

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

Upon reviewing the implementation and effectiveness of the Shareholders' communication policy of the Company, the Board considers the policy and its implementation are effective as the policy has provided effective channels for Shareholders, potential investors and other stakeholders of the Group to communicate their views with the Company and the Company has complied with the principles and required practices as set out in the policy as described above during the year.

Shareholder Privacy

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

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

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

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

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

Procedures for putting forward proposals at general meetings

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

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

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

Procedures for sending enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company for the year ended March 31, 2022.

DIVIDEND POLICY

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

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

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

The statement of the Company's auditor about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on pages 86 to 92 of this report.

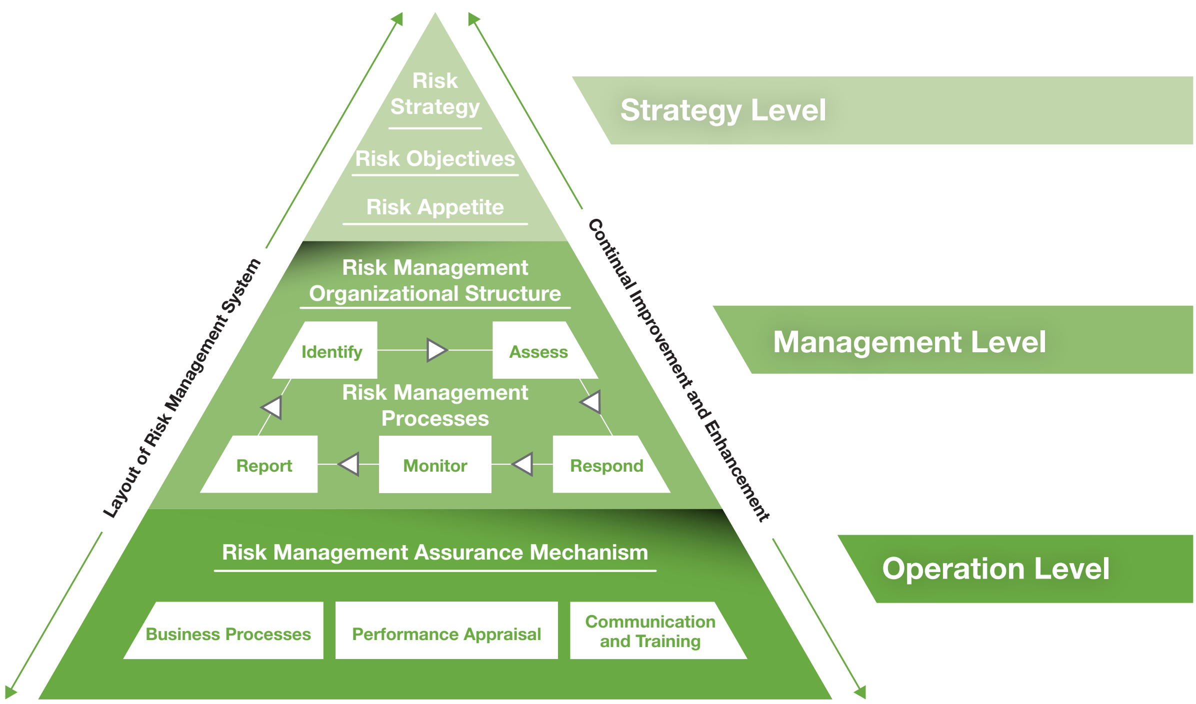
RISK MANAGEMENT AND INTERNAL CONTROL

1. RISK MANAGEMENT AND INTERNAL CONTROL

The Group considers risk management and internal control to be a core part of its operational management and business activities. The Group is committed to: (i) establishing a comprehensive risk management system that is in line with the Group's strategy and its specific business characteristics; (ii) continually optimizing its risk management organizational structure; (iii) enhancing its risk management processes; and (iv) adopting qualitative and quantitative risk management approaches to drive better identification, assessment and response of risks, to achieve a balance between risks and rewards, and to achieve sustainable development of the Group's businesses while appropriately managing risks.

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The risk management and internal control systems aim to support the Group in realizing its strategic objectives, vision and mission as well as the sustainable development of its business. The risk management objectives of "Strategy", "Operation", "Reporting" and "Compliance" can be achieved through risk identification, assessment, response and relevant monitoring measures. Risk management capability is one of the Group's core competitive competencies, and we believe that implementing risk management and internal control systems over each business lines and every functional department across the Group will help enhance long-term shareholder value. The Group's risk management and internal control framework includes three levels: strategy, management and operation.



RISK MANAGEMENT AND INTERNAL CONTROL

- **Risk Management Strategy**

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

- **Risk Management Objectives**

  The Group's risk management objectives include: (1) strategic objective — to construct risk management and internal control systems so that they are compatible with the Group's strategic objectives and business development, and support the achievement of its strategic goals and sustainable business development; (2) operational objective — to continuously improve the Group's risk management capabilities, thereby reducing uncertainties in the achievement of its operational goals, supporting its business expansion and innovative activities, and ensuring the efficiency and effectiveness of its operational activities; (3) reporting objective — to ensure the validity, accuracy and completeness of its financial and operation management reporting; and (4) compliance objective — to ensure compliance with both external regulatory requirements and internal management policies, standardize its operational management and business processes to maintain the legality and compliance of each business activity of the Company.

- **Risk Appetite**

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

- **Risk Management Organizational Structure**

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

- **Risk Management Processes**

  - Risk identification — based on the Group's strategic and operational objectives, management identifies uncertainties and risk exposures which could affect the Group in realizing its strategic and operational objectives in nine major areas, including strategy, operation, quality, finance, laws, human resources, information technology and data, reputation and user experience.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- **Risk Management Assurance Mechanisms**

  - The Group's management actions for risk response include processes and internal control activities at the organizational, operational, financial reporting and IT system levels. The relevant processes and internal control activities have been recorded in internal control manuals and policies, which are published on its policy management platform as reference and learning materials for all employees. The Group also established a rules center to publicize policies and requirements in respect of the management of partners and businesses.

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

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

3. MAIN RISK MANAGEMENT AND INTERNAL CONTROL WORK CONDUCTED IN THE YEAR ENDED MARCH 31, 2022 ("FY2022")

- In FY2022, the Risk Management Committee held a meeting to review the risk management and internal control systems and reported to the Board. The tasks completed by the committee in FY2022 included: (1) discussion and review of the Group's findings on major risk identification and assessment, the risk management strategies and control measures in response to key risks; (2) discussion and review of the Risk Management and Internal Control Report required to be disclosed in the annual report for FY2022; and (3) discussion and review of the work plan and key points of risk management and internal control work for the year ending March 31, 2023 ("FY2023") as well as the expected output and timetable etc.

- The Group's management and respective management teams identified uncertainties and risk exposures in major areas (including strategic risk, operational risk, quality risk, financial risk, legal risk, human resources risk, information technology and data security risk, reputational risk, and user experience risk); completed the ranking of the identified risks; discussed risk response proposals and measures, which formed the main basis for risk management and internal control work for the year.

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

4. DISCLOSURE OF MATERIAL RISKS

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

Major Risks	Description of Risks	Risk Response Measures
Legal Risks	As the Group operates its principal businesses under a strict regulatory regime, if it breaches applicable regulatory requirements, it may be subject to penalties which may adversely affect its brand reputation and business. If the Group fails to have a timely understanding of changes in and updates on applicable policies and regulations, or fail to sufficiently assess the impact of policies and regulations changes on its business operation, management would be unable to adopt response measures on a timely basis, which would affect its regular business activities and business continuity.	• Establish relevant business processes and internal control measures, and added internal monitoring and checks by specialist teams in relation to matters involving regulatory issues, to ensure that the Group's business operations comply with regulatory requirements; • Stay up-to-date with applicable rules, regulations and regulatory requirements issued by the government and regulators via announcements and notices from the authorities, as well as the news media, the Internet and Alibaba Group's legislation monitoring system. The Group also actively participates in forums organized by the government and regulators to ensure that it is fully aware of the latest government and regulatory requirements and changes in a timely manner; • Establish information sharing channels to keep business teams abreast of the latest regulatory requirements; the Group also organizes regular internal seminars and trainings to study and discuss applicable rules, regulations and regulatory requirements issued by the government and regulators, with a view to ensuring that relevant business teams accurately understand the policies and regulations; and • The legal and business teams jointly assess the impact of policy and regulatory changes on the Group's business, and design response measures and alternative business models in response to the changes, so as to ensure business continuity as well as regulatory compliance.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

5. OUTLOOK AND KEY ACTIONS FOR FY2023

- Continue to reinforce the Group's risk management and internal control structure and drive its implementation, so as to continually improve the Group's risk management capabilities to ensure compliance with the CG Code of the Stock Exchange and alignment with best industry practices. The Comprehensive Business Risk Management Committee is a problem-solving-oriented committee established under the Chief Executive Officer of the Company, which comprises the heads of major functional departments responsible for risk management of the Group. By focusing on managing and controlling the risks related to the Group's businesses, it helps the management team quickly identify and formulate the strategies of risk response, and promotes the comprehensive enhancement in the risk management capability of the Group.

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

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

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

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

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

6. STATEMENT OF THE BOARD REGARDING INTERNAL CONTROL RESPONSIBILITY

The Group's internal control aim at ensuring compliance of its operations with laws and regulations, the security of its assets and the validity and completeness of its financial reports and related information, to enhance its operational efficiency and effectiveness and facilitate the realization of its growth strategies. The Group has established internal control procedures to safeguard against the unauthorized use or disposition of its assets, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable laws, rules and regulations. During the year, the Group conducted a comprehensive self-assessment of its internal control and reported the result to the Audit Committee and the Board, and no significant deficiencies were identified. The Board believes that, for the year ended March 31, 2022, the Group's existing internal control systems were sufficient and effective to assure the interests of the Group and its shareholders.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Alibaba Health Information Technology Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Alibaba Health Information Technology Limited (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 210, which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of investments in associates	
As at March 31, 2022, the Group held investments in associates of approximately RMB2,340.8 million, which was significant to the consolidated financial statements. Management identified indicators of impairment for investments in associates and accordingly, with the assistance of an independent valuer, performed impairment tests for these investments by comparing the carrying amounts as at March 31, 2022 with the corresponding recoverable amounts. The recoverable amounts were determined using fair value less costs of disposal for these investments. The fair value was developed through the application of the income approach technique known as the discounted cash flow method, which required management to apply significant assumptions and estimates, such as expected revenue and margin, discount rates and perpetual growth rates. Relevant disclosures are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 17 "Investments in associates" to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Evaluated the Group's policies and procedures of identifying indicators for potential impairment of the investments in associates; — Evaluated the capabilities and objectivity of the independent valuer; — Assessed the reasonableness of expected revenue and margin by making enquiries with management and with reference to historical information and industry development expectations; — With the assistance of our internal valuation specialists, examined the valuation methodologies and evaluated the assumptions and estimates used, including the discount rates and the perpetual growth rates; — Checked the mathematical accuracy of management's valuation schedules; and — Evaluated the adequacy of the relevant disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories	
As at March 31, 2022, the carrying amount of the Group's inventories before provision was approximately RMB1,598.5 million. The inventories were stated at the lower of cost and net realizable value. The determination of net realizable value involved management's judgement and estimation. Specific factors management considered included the aging and expiry dates of the inventories, condition of the goods, historical and recent sale patterns, available selling prices and estimated costs to be incurred to sale. The Group recorded an impairment of inventories of approximately RMB48.3 million as at March 31, 2022. Relevant disclosures are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 18 "Inventories" to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Observed the inventory counts performed by management and assessed the physical condition of the inventories, on a sampling basis; — Evaluated the provision for obsolete and slow-moving inventory items made by management by checking to the aging and expiry dates of the inventories, on a sampling basis; — Assessed the appropriateness of management's assessment on available selling price and estimated costs to be incurred to sale based on historical and recent sales patterns, on a sampling basis; — Compared the actual selling prices less cost to sales of the inventories subsequent to year end, on a sampling basis, to their carrying amounts to check whether the inventories were stated at the lower of cost and net realizable value; and — Evaluated the adequacy of the relevant disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at March 31, 2022, the carrying amount of the Group's goodwill was approximately RMB810.9 million. In accordance with Hong Kong Accounting Standard ("HKAS") 36 *Impairment of Assets*, the Group is required to annually test the amount of goodwill for impairment. This annual impairment test involved significant management's judgement and estimates, such as expected revenue growth rates, budgeted gross margins, discount rates and perpetual growth rates. Relevant disclosures are included in note 2.4 "Summary of significant accounting policies", note 3 "Significant accounting judgements and estimates" and note 14 "Goodwill" to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Evaluated the capabilities and objectivity of the independent valuer; — Assessed the reasonableness of expected revenue and margin by making enquiries with management and with reference to historical information and industry development expectations; — With the assistance of our internal valuation specialists, examined the valuation methodologies and evaluated the assumptions and estimates used, including the discount rates and the perpetual growth rates; — Checked the mathematical accuracy of management's valuation schedules; and — Evaluated the adequacy of the relevant disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Siu Ki Ricky.

Certified Public Accountants
Hong Kong
May 25, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	*5*	**20,577,616**	15,518,468
Cost of revenue		**(16,469,623)**	(11,901,219)
Gross profit		**4,107,993**	3,617,249
Other income and gains	*5*	**899,494**	405,828
Operating expenses			
Fulfilment		**(2,097,287)**	(1,619,459)
Selling and marketing expenses		**(1,981,279)**	(1,222,008)
Administrative expenses		**(395,082)**	(293,595)
Product development expenses		**(728,828)**	(423,632)
Other expenses and losses		**(8,090)**	(22,302)
Finance costs	*13(b)*	**(3,815)**	(2,449)
Share of profits/(losses) of:			
Joint ventures	*16*	**1,269**	(11,556)
Associates	*17*	**(46,889)**	(26,857)
PROFIT/(LOSS) BEFORE TAX	*6*	**(252,514)**	401,219
Income tax expense	*9*	**(13,427)**	(58,539)
PROFIT/(LOSS) FOR THE YEAR		**(265,941)**	342,680
Attributable to:			
Owners of the parent		**(265,555)**	348,588
Non-controlling interests		**(386)**	(5,908)
		(265,941)	342,680
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*10*	**RMB(1.97) cents**	RMB2.63 cents
Diluted	*10*	**RMB(1.97) cents**	RMB2.62 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
PROFIT/(LOSS) FOR THE YEAR		**(265,941)**	342,680
OTHER COMPREHENSIVE LOSS			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of an associate	17	**17**	—
Exchange differences of the Group's subsidiaries arising from translation		**65,104**	(80,431)
		65,121	(80,431)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences of the Company arising from translation		**(337,121)**	(522,728)
Equity investment designated at fair value through other comprehensive income:			
Changes in fair value		**(17,177)**	2,695
Income tax effect	27	**1,718**	(269)
		(15,459)	2,426
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(352,580)**	(520,302)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(287,459)**	(600,733)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(553,400)**	(258,053)
Attributable to:			
Owners of the parent		**(553,014)**	(252,145)
Non-controlling interests		**(386)**	(5,908)
		(553,400)	(258,053)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment	12	**20,176**	13,428
Right-of-use assets	13(a)	**144,930**	38,861
Other intangible assets	15	**326,215**	2,935
Goodwill	14	**810,853**	54,576
Investments in joint ventures	16	**160,660**	98,548
Investments in associates	17	**2,340,814**	2,173,938
Other receivables and other assets	20	**13,030**	9,524
Equity investment designated at fair value through other comprehensive income	23	**140,900**	163,212
Financial assets at fair value through profit or loss	22	**1,661,490**	984,456
Deferred tax assets	27	**17,390**	—
Total non-current assets		**5,636,458**	3,539,478
CURRENT ASSETS			
Prepaid tax		**23,525**	—
Inventories	18	**1,550,150**	1,468,609
Trade and bills receivables	19	**515,985**	313,615
Prepayments, other receivables and other assets	20	**864,875**	769,716
Restricted cash	21	**63,125**	11,017
Cash and cash equivalents	21	**10,547,851**	11,636,769
Total current assets		**13,565,511**	14,199,726
CURRENT LIABILITIES			
Lease liabilities	13(b)	**50,656**	20,334
Trade and bills payables	24	**3,528,597**	2,551,550
Other payables and accruals	25	**941,376**	588,169
Contract liabilities	26	**260,678**	190,541
Tax payable		**40,826**	50,278
Total current liabilities		**4,822,133**	3,400,872
NET CURRENT ASSETS		**8,743,378**	10,798,854
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,379,836**	14,338,332

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2022

	Notes	**2022** ***RMB'000***	2021 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities	*13(b)*	**84,758**	17,406
Deferred tax liabilities	*27*	**116,483**	39,322
Other payables	*25*	**106,363**	—
Total non-current liabilities		**307,604**	56,728
Net assets		**14,072,232**	14,281,604
EQUITY			
Equity attributable to owners of the parent			
Share capital	*28*	**119,102**	118,859
Treasury shares	*28*	**(23,516)**	(22,265)
Reserves	*30*	**14,002,833**	14,205,356
		14,098,419	14,301,950
Non-controlling interests		**(26,187)**	(20,346)
Total equity		**14,072,232**	14,281,604

Zhu Shunyan
Director

Tu Yanwu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2022

		Attributable to owners of the parent											
	Notes	Share capital *RMB'000*	Share premium account^ *RMB'000*	Treasury shares *RMB'000*	Merger reserve^ *RMB'000*	Exchange fluctuation reserve^ *RMB'000*	Employee share-based compensation reserve^ *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income^ *RMB'000*	Other reserves^ *RMB'000*	Accumulated losses^ *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At April 1, 2021		118,859	43,281,281	(22,265)	(28,189,579)	(452,462)	363,949	43,971	143,848	(985,652)	14,301,950	(20,346)	14,281,604
Loss for the year		–	–	–	–	–	–	–	–	(265,555)	(265,555)	(386)	(265,941)
Other comprehensive income/(loss) for the year:													
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	(15,459)	–	–	(15,459)	–	(15,459)
Share of other comprehensive income of an associate		–	–	–	–	–	–	17	–	–	17	–	17
Translation from functional currency to presentation currency		–	–	–	–	(272,017)	–	–	–	–	(272,017)	–	(272,017)
Total comprehensive loss for the year		–	–	–	–	(272,017)	–	(15,442)	–	(265,555)	(553,014)	(386)	(553,400)
Issue of new shares for restricted share units	28	219	–	(219)	–	–	–	–	–	–	–	–	–
Repurchase of shares	28	–	–	(16,519)	–	–	–	–	–	–	(16,519)	–	(16,519)
Share based compensation consideration	31	–	–	–	–	–	17,796	–	–	–	17,796	–	17,796
Vested awarded shares transferred to employees	28	–	203,824	15,487	–	–	(209,789)	–	22,574	–	32,096	–	32,096
Exercise of share options	28	24	14,792	–	–	–	(5,123)	–	–	–	9,693	–	9,693
Share-based compensation costs		–	–	–	–	–	293,244	–	–	–	293,244	–	293,244
Deemed interest in an interest-free loan to a non-wholly-owned subsidiary		–	–	–	–	–	–	–	665	–	665	(665)	–
Deregistration of a subsidiary		–	–	–	–	–	–	–	–	–	–	(4,790)	(4,790)
Appropriation of statutory reserves		–	–	–	–	–	–	–	57,806	(57,806)	–	–	–
Share of capital reserve of an associate		–	–	–	–	–	–	–	12,508	–	12,508	–	12,508
At March 31, 2022		119,102	43,499,897	(23,516)	(28,189,579)	(724,479)	460,077	28,529	237,401	(1,309,013)	14,098,419	(26,187)	14,072,232

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2021

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

^ These reserve accounts comprise the consolidated reserves of RMB14,002,833,000 (March 31, 2021: RMB14,205,356,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(252,514)**	401,219
Adjustments for:			
Finance costs		**3,815**	2,449
Share of losses/(profits) of joint ventures		**(1,269)**	11,556
Share of losses of associates		**46,889**	26,857
Bank interest income	5	**(209,664)**	(164,704)
Other interest income	5	**(174)**	(711)
Loss/(gain) on disposal of property and equipment		**(142)**	75
Gain on deemed disposal of interests in associates	5	**(381,392)**	(11,588)
Gain on disposal of a subsidiary	5	**–**	(70,608)
Dividend income from financial assets at fair value through profit or loss	5	**(3,741)**	(1,363)
Fair value gains on financial assets at fair value through profit or loss	5	**(162,062)**	(55,290)
Fair value loss on contingent consideration included in other payables and accruals	6	**2,782**	–
Covid-19-related rent concessions from lessors	13(b)	**(76)**	(189)
Depreciation of property and equipment	6	**9,978**	6,102
Depreciation of right-of-use assets	6	**38,693**	24,960
Depreciation of investment property	6	**–**	6,551
Amortization of intangible assets	6	**11,905**	2,013
Impairment/(reversal of impairment) of trade receivables	6	**132**	(320)
Impairment of other receivables	6	**–**	4,904
Impairment and write-off of inventories	6	**48,328**	32,475
Impairment of investment in a joint venture	6	**1,357**	1,143
Share-based compensation expenses	6/29	**408,098**	396,959
		(439,057)	612,490
Decrease/(increase) in trade and bills receivables		**(201,983)**	7,439
Increase in prepayments, other receivables and other assets		**(165,583)**	(341,917)
Increase in inventories		**(129,200)**	(283,826)
Increase in trade and bills payables		**959,570**	715,780
Increase in other payables and accruals		**173,299**	170,630
Increase in contract liabilities		**70,103**	19,261
Decrease/(increase) in restricted cash		**(52,108)**	49,222
Effect of foreign exchange rate changes		**17,027**	(41,941)
Cash generated from operations		**232,068**	907,138
Interest received		**241,446**	132,635
Interest element of lease payments		**(3,815)**	(2,449)
Mainland China corporate income tax paid		**(41,357)**	(23,771)
Hong Kong profits tax paid		**(3,979)**	(4,126)
Net cash flows generated from operating activities		**424,363**	1,009,427

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(14,930)**	(17,077)
Purchase of items of other intangible assets	15	**(185)**	(481)
Purchase of financial assets at fair value through profit or loss		**(355,000)**	(64,546)
Proceeds from maturity/redemption of financial assets at fair value through profit or loss		**35,980**	—
Proceeds from disposal of property and equipment		**1,856**	822
Acquisition of subsidiaries	31	**(815,597)**	—
Acquisition of associates		**—**	(275,574)
Investment in a joint venture		**(59,700)**	—
Advances of a loan to a joint venture		**—**	(2,500)
Proceeds from disposal of a subsidiary	32	**—**	(10,606)
Receipt of loan repayment from a third party company		**13,900**	25,000
Interest received		**174**	1,182
Dividend received from financial assets at fair value through profit or loss		**3,741**	1,363
Dividend received from an associate		**975**	—
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**3,178,070**	(4,384,494)
Effect of foreign exchange rate changes		**(116,976)**	(234,573)
Net cash flows generated from/(used in) investing activities		**1,872,308**	(4,961,484)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares	28	**—**	8,917,172
Repurchase of shares	28	**(16,519)**	(39,580)
Proceeds from exercise of options		**9,693**	76,542
Acquisition of non-controlling interests		**—**	(110)
Principal portion of lease payments		**(47,012)**	(31,616)
Investment return to a non-controlling shareholder upon the deregistration of a subsidiary		**(4,790)**	—
Net cash flows generated from/(used in) financing activities		**(58,628)**	8,922,408
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,238,043**	4,970,351
Effect of foreign exchange rate changes		**(148,891)**	(313,057)
Cash and cash equivalents at beginning of year		**7,252,275**	2,594,981
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,341,427**	7,252,275
Cash and cash equivalents as stated in the consolidated statement of financial position		**10,547,851**	11,636,769
Time deposits with original maturity of over three month when acquired		**(1,206,424)**	(4,384,494)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**9,341,427**	7,252,275

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

1. CORPORATE AND GROUP INFORMATION

Alibaba Health Information Technology Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business of the Company is located at 17th to 19th Floors, Building B, Greenland Center, Beijing, the People's Republic of China (the "PRC").

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are primarily engaged in the pharmaceutical direct sales business, pharmaceutical e-commerce platform business and healthcare and digital services business.

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Alibaba Health (Hong Kong) Technology Company Limited ("Alibaba Health (Hong Kong)")	Hong Kong	HK$4,865,000,331.95	–	100	Investment holding and pharmaceutical e-commerce platform services
阿里健康信息技術(北京)有限公司 Alibaba Health Information Technology (Beijing) Co., Ltd.[abc]	PRC/Mainland China	RMB300,000,000	–	100	Provision of e-commerce platform service
北京雲康佳檢信息技術有限公司 Zhong Xin Guo Jian Information Technology Co., Ltd.[ac]	PRC/Mainland China	RMB60,000,000	–	80	Provision of digital infrastructure services
阿里健康科技(中國)有限公司 Alibaba Health Technology (China) Limited[abc] ("Alibaba Health (China)")	PRC/Mainland China	RMB800,000,000	–	100	Telemedicine service, comprehensive member service to users, digital infrastructure service and pharmaceutical e-commerce platform services
阿里健康大藥房醫藥連鎖有限公司 Alibaba Health Pharmaceutical Chain Co., Ltd.[ac]	PRC/Mainland China	RMB300,000,000	–	100	Pharmacy business
杭州禮和醫藥有限公司 Hangzhou Lihe Pharmaceutical Co., Ltd.[ac] ("Lihe")	PRC/Mainland China	RMB20,000,000	–	100	Pharmaceutical product trading and healthcare service business

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
阿里健康科技(杭州)有限公司 Alibaba Health Technology (Hangzhou) Limited[abc]	PRC/Mainland China	RMB140,000,000	–	100	Provision of e-commerce platform services
弘雲久康數據技術(北京)有限公司 Hongyun Jiukang Data Technology (Beijing) Co., Ltd.[acd] ("Hongyun Jiukang")	PRC/Mainland China	RMB40,000,000	–	100	Investment holding
鹿康大藥房(杭州)有限公司 Lukang Pharmacy (Hangzhou) Co., LTD[abc]	PRC/Mainland China	RMB301,000,000	–	100	Provision of e-commerce platform services
阿里健康網絡醫院有限公司 Alibaba Health Network Hospital Co., Ltd.[ac]	PRC/Mainland China	RMB75,000,000	–	100	Network hospital services
杭州得賦健康管理有限公司 Hangzhou Defu Health Management Co., Ltd.[abc]	PRC/Mainland China	RMB1,200,000	–	100	Provision of e-commerce platform services
Ali JK ZNS (HK) Limited	Hong Kong	USD200,000	–	100	Provision of e-commerce platform services
海東市平安正陽互聯網中醫醫院有限公司 Haidong Pingan Zhengyang Network Chinese Medical Hospital Co., Ltd[ac] ("Pingan Zhengyang")	PRC/Mainland China	RMB75,000,000	–	100	Internet hospital services
海南小鹿中醫互聯網醫院有限公司 Hainan Xiaolu Network Chinese Medical Hospital Co., Ltd[ac]	PRC/ Mainland China	RMB5,000,000	–	100	Internet hospital services

a For identification purposes only

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

c Registered as limited liability companies under PRC law

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

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments at fair value through profit or loss ("FVPL"), bills receivable, an equity investment designated at fair value through other comprehensive income ("FVOCI") and contingent consideration included in other payables and accruals, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended March 31, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Company has set up two trusts (the "Trusts") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme adopted on November 24, 2014 (the "Share Award Scheme", note 29). The Group has the power to govern the financial and operating policies of the Trusts and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trusts are included in the consolidated statement of financial position and the shares held by the Trusts are presented as a deduction in equity as shares held for the share award scheme.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the revised HKFRSs are described below:

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

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognized as an adjustment to the opening balance of accumulated losses at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on April 1, 2021 and applied the practical expedient during the year ended March 31, 2022 to all rent concessions granted by the lessors that affected only payments originally due on or before June 30, 2022 as a direct consequence of the covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of RMB76,000 has been accounted for as a variable lease payment by derecognizing part of the lease liabilities and crediting to profit or loss for the year ended March 31, 2022.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption

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

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

6 The HKICPA amends HKFRS 17 to permit a classification overlay for financial assets presented in comparative periods on initial application of HKFRS 17

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

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

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

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

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

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening balance of accumulated losses or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

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

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

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

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March 31, 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

Impairment of non-financial assets

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation

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

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

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

Leasehold improvements	Over the shorter of lease terms and $17^1/_6$%
Computer equipment, furniture and fixtures	20% to $33^1/_3$%
Motor vehicles	20% to $33^1/_3$%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Patents and licences

Patents and licences are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of three years.

Brand name

The brand name obtained from acquisition of a subsidiary (note 31) is stated at cost less impairment losses and is amortized on the straight-line basis over its estimated useful life of 20 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group applies a single recognition and measurement approach for all leases, except for short-term leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term as follows:

Retail outlets	1.5 to 9 years
Office	2 to 3 years
Staff dormitory	1 to 4 years
Warehouse	1 to 3 years

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of properties (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Investments and other financial assets

Initial recognition and measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

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

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

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

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

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables.

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

The Group's financial liabilities include trade and bills payables, and other financial liabilities included in other payables and lease liabilities.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at amortized cost

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

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

Financial liabilities at fair value through profit or loss

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury shares

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to sale.

Cash and cash equivalents

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

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Revenues from the pharmaceutical direct sales business:

Sale of pharmaceutical and healthcare products

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

Marketing services

The Group provides marketing services to pharmaceutical brands primarily through display of impressions or clicks of the pharmaceutical brands’ advertisements on various online platforms and mobile apps. The fee from pharmaceutical brands is charged primarily during the period over which the marketing services are provided.

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

Outsourced and value-added services to Tmall Entities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

E-commerce platform services

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

* Zhejiang Tmall Network Co., Ltd. (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司)

(c) Revenues from the healthcare and digital services business

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

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

The Group also provides marketing services to medical and healthcare service organizations primarily through display of impressions or clicks of the advertisement in particular areas of web pages or mobile apps. The fee from medical and healthcare service organizations is charged primarily during the period over which the marketing services are provided.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(c) Revenues from the healthcare and digital services business (continued)

The Group also provides integrated online and offline services by building an Internet hospital to provide effective communication between doctors and patients. Customers can directly consult with doctors on the platform and receive pharmaceutical products, which will be directly delivered to patients by self-operated pharmacies or qualified third-party institutions. The revenue is recognized when the goods are received.

The Group also renders series of services to the customers through its product tracking platforms, including product track and trace and the digital healthcare business. Revenue is recognized over the period when the underlying services are provided.

Other income

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

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

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Costs of services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fulfilment

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

Finance costs

Finance costs are interest on lease liabilities of the Group.

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). During the year ended March 31, 2022, certain employees of Alibaba Group transferred to the Company restricted share units (RSUs#) granted by Alibaba Group to these employees were not forfeited after to the transfer. The Company has the obligation to settle all RSUs vested during these employees' service period in the Company, and measures the transaction as cash-settled share-based payments ("cash-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 29 to the financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Accounting for companies governed under contractual arrangements as subsidiaries

The Company and some of its subsidiaries do not hold any equity interests in certain of their subsidiaries. Nevertheless, under the contractual agreements entered into between the Group and the shareholders who are the registered owners of those subsidiaries, the directors of the Company determine that the Group has the power to govern the financial and operating policies of those subsidiaries so as to obtain benefits from their activities. As such, those subsidiaries are accounted for as subsidiaries of the Group for accounting purposes.

Principal versus agent considerations

In determining whether the Group is acting as a principal or as an agent in the sales of goods and provision of services, requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers whether it obtains control of the good or service before that good or service is transferred to a customer, including whether the Group is primarily responsible for fulfilling the promise to provide the specified good or service, has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer (for example, if the customer has a right of return), has discretion in establishing the price for the specified good or service.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at March 31, 2022 was RMB810,853,000 (March 31, 2021: RMB54,576,000). Further details are given in note 14.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging for groupings of various customers that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the pharmaceutical and healthcare businesses, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Fair value of financial instruments at FVPL or FVOCI

The investments in unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 37 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at March 31, 2022 was RMB1,795,133,000 (2021: RMB1,139,665,000). Further details are included in notes 22 and 23 to the financial statements.

The derivative instruments have been valued using the Black-Scholes model with the underlying equity value determined under the market approach. The valuation requires the Group to make estimates about the underlying equity value, risk-free interest rate, volatilities and dividends yield. The Group classifies the fair value of these derivative instruments as Level 3. The fair value of the derivative instruments at March 31, 2022 was RMB7,257,000 (2021: RMB8,003,000). Further details are included in note 22 to the financial statements.

Part of purchase considerations of acquisitions of the Group was regarded as contingent consideration and recognized as financial liabilities at fair value and remeasured at the end of the reporting period. Determination of fair value requires management's judgement and estimates and is based on assumptions. The fair value of the contingent consideration included in other payables and accruals is determined using the Monte Carlo Simulation model under the income approach. In arriving at the assessed values, the Group was required to make financial forecast, and determine discount rate and volatility. The Group classifies the fair value of this financial liability as Level 3. The carrying amount of contingent consideration at March 31, 2022 was RMB106,431,000 (2021: nil). Further details, including the key assumptions used for fair value measurement, are given in notes 31 and 37 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of inventories

Management reviews the aging and expiry dates of inventories of the Group at the end of each reporting period, and makes provision or write-off on obsolete and slow-moving inventory items identified that are no longer suitable for sale. Management estimates the net realizable value for such inventories based primarily on the available selling prices, estimated costs to be incurred to sale and current market conditions. If the market condition was to deteriorate so that the actual provision might be higher than expected, the Group would be required to revise the basis of making the provision and its future results would be affected.

Impairment of investments in associates

The Group assesses whether there are any indicators of impairment for investments in associates at the end of each reporting period. Investments in associates are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an investment in an associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group elects to calculate the recoverable amounts using fair value less costs of disposal. The fair value is developed through the application of the income approach technique known as the discounted cash flow method, management must estimate the expected future cash flows from the investment in an associate and choose a suitable discount rate in order to calculate the present value of those cash flows.

Leases — estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Measurement of share-based compensation expenses

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

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2022 ***RMB'000***	2021 *RMB'000*
Mainland China	**20,112,464**	14,873,444
Hong Kong	**465,152**	645,024
	20,577,616	15,518,468

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**3,647,208**	2,199,264
Hong Kong	**156,440**	183,022
	3,803,648	2,382,286

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

Information about a major customer

During the year ended March 31, 2022, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue (2021: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers is as follows:

	2022	2021
	RMB'000	*RMB'000*
Pharmaceutical direct sales business	**17,911,088**	13,216,284
Pharmaceutical e-commerce platform business	**1,996,332**	1,965,169
Healthcare and digital services business	**670,196**	337,015
	20,577,616	15,518,468

Given that digital infrastructure business provided medical and healthcare services and retail terminals more broadly during the year ended March 31, 2022, the medical and healthcare services business and digital infrastructure business were integrated into the healthcare and digital services business to better reflect the Group's business classification. Breakdown of revenue for the year ended March 31, 2021 has been restated.

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(i) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Type of goods or services:		
Sale of products	**17,128,890**	12,535,890
Provision of services	**3,448,726**	2,982,578
	20,577,616	15,518,468
Timing of revenue recognition:		
At a point in time	**19,263,318**	14,704,729
Over time	**1,314,298**	813,739
	20,577,616	15,518,468

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

	2022	2021
	RMB'000	*RMB'000*
Sale of products	**3,815**	4,400
Provision of services	**182,703**	140,055
	186,518	144,455

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(ii) Performance obligations

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

Sale of products

The performance obligation is satisfied upon delivery of the pharmaceutical and healthcare products. For B2C pharmacy sales, payment is received from the payment platform, i.e. Alipay.com Co., Ltd. (支付寶（中國）網絡技術有限公司) ("Alipay"), when the receipt of goods is confirmed by customers or by the payment platform automatically within a pre-specified period of time after delivery. For B2B pharmacy sales, payment is generally due within 30 to 90 days, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

Provision of services

The performance obligation is satisfied over time or at a point in time as marketing services, outsourced and value-added services, E-commerce platform services and healthcare and digital services are rendered to Tmall Entities. Payment is generally received upon the completion of the underlying transactions, prior to the provision of services on a full prepayment basis, or due within 30 to 90 days.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31 are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Within one year	**640,842**	366,996

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**209,664**	164,704
Government grants[#]	**75,637**	52,270
Rental income from investment property operating leases	**—**	7,320
Management fee income	**20,674**	9,041
Dividend income	**3,741**	1,363
Other interest income *(note 20)*	**174**	711
Technical services income	**4,000**	—
Others	**2,307**	515
	316,197	235,924
Gains		
Gain on disposal of a subsidiary *(note 32)*	**—**	70,608
Fair value gains on financial assets at fair value through profit or loss	**162,062**	55,290
Foreign exchange difference, net	**39,701**	32,418
Gain on disposal of property and equipment	**142**	—
Gain on deemed disposal of interests in associates	**381,392**	11,588
	583,297	169,904
	899,494	405,828

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Cost of goods sold*		**14,645,711**	10,262,605
Cost of services provided* (excluding employee benefit expenses)		**1,723,443**	1,576,165
Depreciation of property and equipment	*12*	**9,978**	6,102
Depreciation of right-of-use assets	*13(a)*	**38,693**	24,960
Depreciation of investment property		**—**	6,551
Amortization of intangible assets	*15*	**11,905**	2,013
Lease payments not included in the measurement of lease liabilities	*13(c)*	**878**	317
Impairment losses on financial assets**			
Impairment/(reversal of impairment) of trade receivables	*19*	**132**	(320)
Impairment of other receivables	*20*	**—**	4,904
		132	4,584
Provision for inventories*		**48,328**	32,475
Impairment of investment of a joint venture**	*16*	**1,357**	1,143
Fair value loss on contingent consideration included in other payables and accruals**		**2,782**	—
Loss/(gain) on disposal of property and equipment**		**(142)**	75
Auditor's remuneration		**3,470**	3,000
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		**677,005**	371,533
Bonuses		**166,970**	140,736
Pension scheme contributions#		**51,171**	25,443
Share-based compensation expenses	*29*	**408,098**	396,959
		1,303,244	934,671

* These items are included in "Cost of revenue" in the consolidated statement of profit or loss.

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

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022 *RMB'000*	2021 *RMB'000*
Fees	**1,197**	1,153
Other emoluments:		
Salaries, allowances and benefits in kind	**4,645**	4,050
Performance related bonuses	**4,550**	2,087
Share-based compensation expenses	**16,901**	19,145
Pension scheme contributions	**143**	166
	26,239	25,448
	27,436	26,601

During the year ended March 31, 2022, three directors (2021: three) of the Company were granted share options and RSUs, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair values of such options and RSUs, which have been recognized in the consolidated statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2022 *RMB'000*	2021 *RMB'000*
Mr. Wong King On, Samuel	**575**	553
Mr. Luo Tong	**311**	300
Ms. Huang Yi Fei	**311**	300
	1,197	1,153

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

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

(b) Executive directors and non-executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Share-based compensation expenses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2022						
Executive directors:						
Mr. Zhu Shun Yan#	–	2,148	3,168	11,203	53	16,572
Mr. Shen Difan	–	1,453	915	4,019	32	6,419
Mr. Tu Yanwu	–	1,044	467	1,679	58	3,248
	–	4,645	4,550	16,901	143	26,239
Non-executive directors:						
Mr. Li Fa Guang	–	–	–	–	–	–
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Xu Hong	–	–	–	–	–	–
	–	–	–	–	–	–

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

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

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2021						
Executive directors:						
Mr. Zhu Shun Yan#	–	2,096	940	9,123	44	12,203
Mr. Wang Qiang	–	816	816	3,625	25	5,282
Mr. Tu Yanwu	–	1,072	331	2,632	51	4,086
	–	3,984	2,087	15,380	120	21,571
Non-executive directors:						
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Wang Lei	–	66	–	3,765	46	3,877
Mr. Xu Hong	–	–	–	–	–	–
	–	66	–	3,765	46	3,877
	–	4,050	2,087	19,145	166	25,448

Mr. Zhu Shun Yan is the chief executive of the Group.

On October 23, 2020, Mr. Wang Qiang resigned as an executive director and Mr. Wang Lei resigned as a non-executive director of the Company, and on the same date, Mr. Tu Yanwu was appointed as an executive director of the Company.

On October 13, 2021, Mr. Xu Hong and Mr. Wu Yongming resigned as non-executive directors of the Company, and on the same date, Mr. Li Fa Guang was appointed as a non-executive director of the Company and Mr. Shen Difan was appointed as an executive director of the Company.

During the year ended March 31, 2022, there was no arrangement under which a director waived or agreed to waive any remuneration and no remuneration was paid by the Group to a director or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2021: one) director, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining two (2021: four) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Salaries, allowances and benefits in kind	**5,094**	4,244
Performance related bonuses	**2,324**	2,076
Share-based compensation expenses	**10,948**	16,698
Pension scheme contributions	**174**	170
	18,540	23,188

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

	Number of employees	
HK$4,000,001 to HK$4,500,000	1	—
HK$5,500,001 to HK$6,000,000	—	1
HK$6,000,001 to HK$6,500,000	—	1
HK$6,500,001 to HK$7,000,000	1	1
HK$8,500,001 to HK$9,000,000	—	1
	2	4

During the years ended March 31, 2022 and March 31, 2021, share options and RSUs were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair values of such options and RSUs, which have been recognized in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

	2022	2021
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the year	**118**	870
Underprovision in prior years	**—**	1,353
Current — Mainland China		
Charge for the year	**34,406**	37,188
Overprovision in prior years	**—**	(96)
Deferred *(note 27)*	**(21,097)**	19,224
Total tax charge for the year	**13,427**	58,539

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

In Mainland China, the companies are subject to the PRC corporate income tax rate of 25%, except for two (2021: two) PRC subsidiaries which are entitled to a preferential tax rate of 15%.

No tax attributable to joint ventures was included in "Share of profits or losses of joint ventures" in the consolidated statement of profit or loss (2021: Nil).

The share of tax charge attributable to associates of approximately RMB5,590,000 (2021: RMB3,001,000) is included in "Share of profits or losses of associates" in the consolidated statement of profit or loss.

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

9. INCOME TAX (CONTINUED)

2022

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Loss before tax	**(101,510)**		**(151,004)**		**(252,514)**	
Tax at the statutory tax rate	**(16,749)**	**16.5**	**(37,751)**	**25.0**	**(54,500)**	**21.6**
Effect of preferential tax treatment enacted by local authority	**—**	**—**	**(33,613)**	**22.3**	**(33,613)**	**13.3**
Non-deductible expenses and non-taxable income, net	**9,414**	**(9.3)**	**(21,556)**	**14.3**	**(12,142)**	**4.8**
Research and development super deduction	**—**	**—**	**(29,511)**	**19.5**	**(29,511)**	**11.7**
Tax losses utilized from previous periods	**—**	**—**	**(20,783)**	**13.8**	**(20,783)**	**8.2**
Tax losses and deductible temporary differences not recognized	**6,751**	**(6.7)**	**152,501**	**(101.0)**	**159,252**	**(63.1)**
Withholding tax in the PRC	**4,724**	**(4.7)**	**—**	**—**	**4,724**	**(1.9)**
Tax charge at the Group's effective rate	**4,140**	**(4.1)**	**9,287**	**(6.2)**	**13,427**	**(5.3)**

2021

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	188,371		212,848		401,219	
Tax at the statutory tax rate	31,081	16.5	53,212	25.0	84,293	21.0
Effect of preferential tax treatment enacted by local authority	—	—	(21,788)	(10.2)	(21,788)	(5.5)
Non-deductible expenses and non-taxable income, net	(29,842)	(15.8)	(125,052)	(58.8)	(154,894)	(38.6)
Research and development super deduction	—	—	(32,875)	(15.4)	(32,875)	(8.2)
Underprovision/(overprovision) of tax in prior years	1,353	0.7	(96)	—	1,257	0.3
Tax losses utilized from previous periods	—	—	(8,368)	(3.9)	(8,368)	(2.1)
Tax losses and deductible temporary differences not recognized	1,865	1.0	178,206	83.7	180,071	44.9
Withholding tax in the PRC	10,843	5.8	—	—	10,843	2.7
Tax charge at the Group's effective rate	15,300	8.2	43,239	20.4	58,539	14.5

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

The calculation of the basic loss per share (2021: earnings per share) amount is based on the loss for the year attributable to owners of the parent of RMB265,555,000 (2021: profit of RMB348,588,000), and the weighted average number of ordinary shares of 13,482,634,084 in issue during the year (2021: 13,245,718,572).

No adjustment has been made to the basic loss per share amount presented for the year ended March 31, 2022 in respect of a dilution as the impact of share options and RSUs outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of the diluted earnings per share amount for the year ended March 31, 2021 is based on the profit for the year ended March 31, 2021 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended March 31, 2021, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2022 ***RMB'000***	2021 *RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation	**(265,555)**	348,588

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**13,482,634,084**	13,245,718,572
Effect of dilution — weighted average number of ordinary shares:		
Share options	**–**	13,098,726
Restricted share units	**–**	67,707,377
	13,482,634,084	13,326,524,675

11. DIVIDENDS

The board does not recommend the payment of dividend for the year ended March 31, 2022 (2021: Nil).

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March 31, 2022

12. PROPERTY AND EQUIPMENT

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2022				
At March 31, 2021 and at April 1, 2021:				
Cost	16,105	78,275	307	94,687
Accumulated depreciation	(10,940)	(70,015)	(304)	(81,259)
Net carrying amount	5,165	8,260	3	13,428
At April 1, 2021, net of accumulated depreciation	5,165	8,260	3	13,428
Acquisition of subsidiaries *(note 31)*	1,482	2,028	—	3,510
Additions	7,756	7,174	—	14,930
Disposals	—	(1,714)	—	(1,714)
Depreciation provided during the year *(note 6)*	(4,400)	(5,575)	(3)	(9,978)
At March 31, 2022, net of accumulated depreciation	10,003	10,173	—	20,176
At March 31, 2022:				
Cost	25,343	74,493	307	100,143
Accumulated depreciation	(15,340)	(64,320)	(307)	(79,967)
Net carrying amount	10,003	10,173	—	20,176

12. PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2021				
At March 31, 2020 and at April 1, 2020:				
Cost	15,056	74,810	307	90,173
Accumulated depreciation	(9,595)	(67,319)	(260)	(77,174)
Net carrying amount	5,461	7,491	47	12,999
At April 1, 2020, net of accumulated depreciation	5,461	7,491	47	12,999
Additions	10,671	6,406	—	17,077
Disposals	(739)	(158)	—	(897)
Disposal of a subsidiary *(note 32)*	(8,358)	(1,291)	—	(9,649)
Depreciation provided during the year *(note 6)*	(1,870)	(4,188)	(44)	(6,102)
At March 31, 2021, net of accumulated depreciation	5,165	8,260	3	13,428
At March 31, 2021:				
Cost	16,105	78,275	307	94,687
Accumulated depreciation	(10,940)	(70,015)	(304)	(81,259)
Net carrying amount	5,165	8,260	3	13,428

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13. LEASES

The Group as a lessee

The Group leases certain of its retail outlets, offices, staff dormitories and warehouse under operating lease arrangements, which are negotiated for terms ranging from one year to ten years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Note	**Buildings** *RMB'000*
As at April 1, 2020		59,333
Additions		2,974
Transfer		4,048
Depreciation charge		(24,960)
Revision of a lease term arising from a change in the non-cancellable period of a lease		(2,534)
As at March 31, 2021 and April 1, 2021		**38,861**
Additions		**136,195**
Acquisition of subsidiaries	*31*	**8,567**
Depreciation charge		**(38,693)**
As at March 31, 2022		**144,930**

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities

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

	Notes	**2022** **RMB'000**	2021 RMB'000
Carrying amount at April 1		**37,740**	69,755
New leases		**136,195**	2,974
Acquisition of subsidiaries	*31*	**8,567**	—
Accretion of interest recognized during the year		**3,815**	2,449
Covid-19-related rent concessions from lessors		**(76)**	(189)
Payments		**(50,827)**	(34,065)
Revision of a lease term arising from a change in the non-cancellable period of a lease		**—**	(3,184)
Carrying amount at March 31		**135,414**	37,740
Analyzed into:			
Current portion		**50,656**	20,334
Non-current portion		**84,758**	17,406

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

13. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The maturity analysis of lease liabilities：

	2022 *RMB'000*	2021 *RMB'000*
Within one year	**50,656**	20,334
In the second year	**43,820**	8,498
In the third to fifth years, inclusive	**39,465**	8,334
Beyond five years	**1,473**	574
	135,414	37,740

The Group has applied the practical expedient to all eligible rent concessions granted by the lessor for lease of certain retail outlet during the year.

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

	2022 *RMB'000*	2021 *RMB'000*
Interest on lease liabilities	**3,815**	2,449
Depreciation charge of right-of-use assets	**38,693**	24,960
Expense relating to short-term leases	**878**	317
Covid-19-related rent concessions from lessors	**(76)**	(189)
Total amount recognized in profit or loss	**43,310**	27,537

The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. No rental income was recognized by the Group during the year (2021: RMB7,320,000), details of which are included in note 5 to the financial statements.

14. GOODWILL

	2022 *RMB'000*	2021 *RMB'000*
Goodwill at April 1	**54,576**	54,576
Acquisition of subsidiaries *(note 31)*	**756,277**	—
Goodwill at March 31	**810,853**	54,576

There was no accumulated impairment of goodwill at March 31, 2022 (2021: Nil).

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following CGUs for impairment testing:

- B2C and related business in the PRC;
- B2B business in the PRC; and
- Healthcare and digital services business.

PRC B2C and related business CGU

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 15% (2021: 15%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2021: 3%), which approximates the long term average growth rate of the retailing industry of healthcare products in the PRC.

PRC B2B business CGU

The recoverable amount of this CGU was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 20% (2021: 20%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2021: 3%), which approximates the long term average growth rate of the healthcare products centralized procurement and distribution industry.

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14. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Healthcare and digital services related business CGU

The recoverable amount of this CGU was determined based on a value in use calculation using cash flow projections based on financial budgets covering a nine-year period. The discount rate applied to the cash flow projections is 15%. The growth rate used to extrapolate the cash flows beyond the nine-year period is 3%, which approximates the long term average growth rate of the healthcare products centralized procurement and distribution industry.

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

	2022 *RMB'000*	2021 *RMB'000*
PRC B2C and related business CGU	**51,019**	49,060
PRC B2B business CGU	**5,516**	5,516
Healthcare and digital services related business CGU	**754,318**	—
Carrying amount of goodwill at March 31	**810,853**	54,576

Assumptions were used in the value in use calculation of the PRC B2C and related business CGU, PRC B2B business CGU and healthcare and digital services related business CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Expected revenue growth rates — The expected revenue growth rates are following the business plan approved by the Group. Management leveraged their experiences in the industries and provided forecast based on past performance and their anticipation of future business and market developments.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are after tax and reflect specific risks relating to the relevant units.

Growth rates — The growth rates used to extrapolate the cash flows beyond the five-year period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

15. OTHER INTANGIBLE ASSETS

March 31, 2022	**Patents and licences** *RMB'000*	**Brand name** *RMB'000*	**Total** *RMB'000*
Cost at 1 April 2021, net of accumulated amortization	**2,935**	**—**	**2,935**
Acquisition of subsidiaries *(note 31)*	**—**	**335,000**	**335,000**
Additions	**185**	**—**	**185**
Amortization charge	**(2,134)**	**(9,771)**	**(11,905)**
At 31 March 2022	**986**	**325,229**	**326,215**
At 31 March 2022:			
Cost	**6,610**	**335,000**	**341,610**
Accumulated amortization	**(5,624)**	**(9,771)**	**(15,395)**
Net carrying amount	**986**	**325,229**	**326,215**

March 31, 2021	*RMB'000*	*RMB'000*	*RMB'000*
Cost at 1 April 2020, net of accumulated amortization	4,467	—	4,467
Additions	481	—	481
Amortization charge	(2,013)	—	(2,013)
At 31 March 2021	2,935	—	2,935
At 31 March 2021:			
Cost	6,425	—	6,425
Accumulated amortization	(3,490)	—	(3,490)
Net carrying amount	2,935	—	2,935

NOTES TO FINANCIAL STATEMENTS

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16. INVESTMENTS IN JOINT VENTURES

	2022 *RMB'000*	2021 *RMB'000*
Share of net assets	**160,660**	99,691
Impairment	**–**	(1,143)
	160,660	98,548
Loans to a joint venture	**2,500**	–
Impairment	**(2,500)**	–
	160,660	98,548

The Group's short-term advances received from a joint venture are disclosed in note 25 to the financial statements.

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

Name	Particulars of capital held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
浙江扁鵲健康科技數據技術有限公司 (Zhejiang Bian Que Health Data Technology Company Limited [@])* ("Zhejiang Bian Que")	Registered capital of RMB1 each	PRC/Mainland China	45	45	45	Health related data services
江蘇紫金弘雲健康產業投資合夥企業（有限合夥）(Jiangsu Zijin Hongyun Health Industry investment Partnership (Limited Partnership) [@])* ("Jiangsu Zijin")	Registered capital of RMB1 each	PRC/Mainland China	13.724	13.724	13.724	Investment management

The statutory financial statements of the above joint ventures were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

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* Zhejiang Bian Que and Jiangsu Zijin have a financial year ending December 31, and their financial statements for March 31 may not be available in a timely manner for the Group to apply the equity method, and therefore the Group elects to record its shares of the profits or losses of Zhejiang Bian Que and Jiangsu Zijin on a quarterly lag basis. Accordingly, the Group elects to equity account for these joint ventures in the Group's consolidated financial statements using their annual financial statements for the year ended December 31, 2021 for the current year (2021: year ended December 31, 2020).

16. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The above joint ventures are indirectly held by the Company.

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

	2022	2021
	RMB'000	*RMB'000*
Share of the joint ventures' profit/(loss) and total comprehensive income/(loss) for the year	**1,269**	(11,556)
Aggregate carrying amount of the Group's investments in the joint ventures	**160,660**	98,548

17. INVESTMENTS IN ASSOCIATES

	2022	2021
	RMB'000	*RMB'000*
Share of net assets	**996,598**	832,826
Goodwill on acquisition	**1,344,216**	1,341,112
Total	**2,340,814**	2,173,938

NOTES TO FINANCIAL STATEMENTS

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17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's associates are as follows:

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
東方口岸科技有限公司 (Dongfang Customs Technology Company Limited)@ ("Dongfang Customs")	Registered capital of RMB1 each	PRC/Mainland China	30	Operation of platforms for electronic customs processing
萬里雲醫療信息科技(北京)有限公司 (Wanliyun Medical Information Technology (Beijing) Co., Ltd.)@# ("Wanliyun")	Registered capital of RMB1 each	PRC/Mainland China	23.28	Construction of medical platforms and provision of related services
A company engaging in the medical business@^# ("Company A") (note i)	Ordinary shares of RMB1 each	PRC/Mainland China	9.5	Provision of medical self-service equipment and smart healthcare solutions
嘉和美康(北京)科技股份有限公司 (Jiahe Meikang (Beijing) Technology Co., Ltd.)@^# ("Jiahe Meikang")(note ii)	Ordinary shares of RMB1 each	PRC/Mainland China	10.91	Provision of clinical information software products, infant medical equipment and mobile internet digitalised medical information software systems
江蘇曼荼羅軟件股份有限公司 (Jiangsu Mandalat Software Company Limited)@^# ("Mandalat") (note iii)	Ordinary shares of RMB1 each	PRC/Mainland China	11.278	Provision of software development
安徽華人健康醫藥股份有限公司 (Anhui Huaren Health Pharmaceutical Co., Ltd.)@^# ("Anhui Huaren") (note iv)	Ordinary shares of RMB1 each	PRC/Mainland China	8.838	Pharmaceutical retail chain business
漱玉平民大藥房連鎖股份有限公司 (Shuyu Civilian Pharmacy Corp., Ltd.)@^# ("Shuyu Civilian") (note v)	Ordinary shares of RMB1 each	PRC/Mainland China	8.41	Pharmaceutical retail chain business
甘肅德生堂醫藥科技集團有限公司 (Gansu Deshengtang Pharmaceutical Technology Co., Ltd)@^# ("Gansu Deshengtang")	Registered capital of RMB1 each	PRC/Mainland China	5	Pharmaceutical retail chain business
來未來科技(浙江)有限公司(Laiweilai Technology (Zhejiang) Co., Ltd)@# ("Laiweilai") (note vi)	Registered capital of RMB1 each	PRC/Mainland China	26	Construction of intelligent medical platform business
貴州一樹連鎖藥業股份有限公司 (Guizhou Ensure Chain Pharmacy Company Limited)@# ("Guizhou Ensure") (note vii)	Ordinary shares of RMB1 each	PRC/Mainland China	24.5	Pharmaceutical retail chain business

17. INVESTMENTS IN ASSOCIATES (CONTINUED)

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The statutory financial statements of the above associates were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

^ The investments in these companies are accounted for as associates of the Group because the Group is in a position to exercise significant influence. The Group has at least one director at each board of directors and/or has veto rights regarding certain significant financial and operating decisions in board meetings and/or shareholders' meetings of these associates.

The associates have a financial year ending December 31 and the financial statements for March 31 of these associates may not be available in a timely manner for the Group to apply the equity method, and therefore the Group elects to record its shares of the profits or losses of these associates on a quarterly lag basis. Accordingly, the Group elects to equity account for these associates in the Group's consolidated financial statements using their annual financial statements for the year ended December 31, 2021 for the current year (2021: year ended December 31, 2020).

The above investments are indirectly held by the Company.

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

Note ii: The equity interest in Jiahe Meikang held by the Group was diluted to 10.91% during the year ended March 31, 2022 as a result of the initial public offering of Jiahe Meikang.

Note iii: The equity interest in Mandalat held by the Group was diluted to 11.278% during the year ended March 31, 2021 as a result of capital injection in Mandalat by new investors.

Note iv: The equity interest in Anhui Huaren held by the Group was diluted to 8.838% during the year ended March 31, 2021 as a result of capital injection in Anhui Huaren by new investors.

Note v: On December 16, 2021, the Group appointed a representative as director of ShuYu Civilian. In the opinion of the directors, notwithstanding that the Group has only 8.41% equity interest in ShuYu Civilian, the Group has been able to exercise significant influence over ShuYu Civilian since December 16, 2021. The investment in ShuYu Civilian was therefore reclassified from financial assets at fair value through profit or loss to an investment in an associate. As shares of ShuYu Civilian are listed on the ChiNext Market of the Shenzhen Stock Exchange, the Group applied a fair value as deemed cost approach and accounted for Shuyu Civilian's initial investment cost as an associate, based on its quoted price and discount for lack of marketability ("DLOM") of 8%, amounting to approximately RMB871,003,000 as at the deemed acquisition date.

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

The equity interest in Laiweilai held by the Group was diluted to 26% during the year ended March 31, 2022 as a result of capital injection in Laiweilai by new investors.

NOTES TO FINANCIAL STATEMENTS

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17. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note vii: The equity interest in Guizhou Ensure held by the Group was diluted to 24.5% during the period ended December 16, 2021 as a result of capital injection in Guizhou Ensure by new investors.

On August 31, 2021 and December 16, 2021, the directors nominated by the Group resigned from the board of directors of Guizhou Ensure. In the opinion of the directors, notwithstanding that the Group has a 24.5% equity interest in Guizhou Ensure, the Group no longer has significant influence over Guizhou Ensure because no director has been nominated by the Group in the board of directors of Guizhou Ensure since December 16, 2021. Accordingly, the investment in Guizhou Ensure was reclassified from an investment in an associate to financial assets at fair value through profit or loss.

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

	2022 RMB'000	2021 RMB'000
Share of the associates' loss for the year	**46,889**	26,857
Share of the associates' total comprehensive loss for the year	**46,872**	26,857
Aggregate carrying amount of the Group's investments in the associates	**2,340,814**	2,173,938

18. INVENTORIES

	2022 RMB'000	2021 RMB'000
Trading goods	**1,550,150**	1,468,609

19. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**528,420**	326,766
Impairment	**(26,720)**	(26,588)
	501,700	300,178
Bills receivable	**14,285**	13,437
	515,985	313,615

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

The Group's trading terms with some of its customers are on credit. The Group provides a credit period of 30 days to 90 days. Trade receivables are settled in accordance with the terms of the respective contracts. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In the view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade and bills receivables are amounts due from subsidiaries of Alibaba Group of approximately RMB62,165,000 (2021: RMB53,161,000) and the Group's associates of approximately RMB77,000 (2021: RMB91,000), which are repayable on credit terms similar to those offered to major customers of the Group.

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:

	2022 ***RMB'000***	2021 *RMB'000*
Within 3 months	**398,206**	177,677
3 to 12 months	**101,519**	122,501
12 to 24 months	**1,975**	—
	501,700	300,178

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

	2022 ***RMB'000***	2021 *RMB'000*
At April 1	**26,588**	26,908
Impairment/(reversal of impairment) *(note 6)*	**132**	(320)
At March 31	**26,720**	26,588

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at March 31, 2022

	Aging			
	Less than 1 year	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**0.02%**	**2.71%**	**100.00%**	**5.06%**
Gross carrying amount (RMB'000)	**499,820**	**2,030**	**26,570**	**528,420**
Expected credit losses (RMB'000)	**95**	**55**	**26,570**	**26,720**

As at March 31, 2021

	Aging			
	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.01%	0.00%	100.00%	8.14%
Gross carrying amount (RMB'000)	300,196	—	26,570	326,766
Expected credit losses (RMB'000)	18	—	26,570	26,588

Bills receivable are subject to impairment using the low credit risk simplification under the general approach. At each reporting date, the Group evaluates whether the bills receivable are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the credit ratings of the debt investments. The Group did not recognize any impairment loss on bills receivable as at March 31, 2021 and 2022.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Current:		
Prepayments	**306,922**	310,423
Loan to a third party *(note i)*	**–**	13,900
Other receivables and other assets	**564,713**	452,153
	871,635	776,476
Impairment	**(6,760)**	(6,760)
	864,875	769,716
Non-current:		
Long-term receivables	**13,030**	9,524
	877,905	779,240

Note i: Included in the loan to a third party as at March 31, 2021 was a loan to a shareholder of Beijing Honglian 95 Information Industries Company Limited (北京鴻聯九五信息產業有限公司) ("HL95"), which is secured by a pledge of 25% of HL95's equity and bore interest at a rate of 3% per annum. The loan has been fully repaid in September 2021. An interest income of RMB174,000 was earned by the Group from this loan during the year ended March 31, 2022 (2021: RMB711,000).

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

	2022	2021
	RMB'000	*RMB'000*
At April 1, 2021	**6,760**	1,856
Impairment	**–**	4,904
At March 31, 2022	**6,760**	6,760

The individually impaired other receivables of RMB6,760,000 (2021: RMB6,760,000) relate to debtors that were in default and the outstanding receivables are not expected to be recovered.

Other than the impaired other receivables, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at March 31, 2022 and 2021, their loss allowance is assessed to be minimal.

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21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2022 **RMB'000**	2021 RMB'000
Cash and bank balances	**8,325,424**	6,419,689
Time deposits	**2,285,552**	5,228,097
Total	**10,610,976**	11,647,786
Less: Restricted cash	**(63,125)**	(11,017)
Cash and cash equivalents	**10,547,851**	11,636,769

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB placed in the PRC amounted to approximately RMB6,246,376,000 (2021: RMB3,163,012,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and six months depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The cash equivalents placed in payment platform, including those in restricted cash, amounting to RMB127,910,000 (2021: RMB46,679,000) represent cash and restricted cash placed in Alipay, a subsidiary of Alibaba Group, which earns interest at floating rates.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Unlisted equity investments, at fair value *(note i)*	**1,654,233**	976,453
Other unlisted investments, at fair value *(note ii)*	**7,257**	8,003
	1,661,490	984,456

Note i: The above equity investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognize the fair value gain or loss through other comprehensive income.

Note ii: The above investments were financial derivatives which are mandatorily classified as financial assets at fair value through profit or loss.

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

	2022	2021
	RMB'000	*RMB'000*
Unlisted equity investment, at fair value:		
IK Healthcare Holdings Limited ("IK Healthcare")	**140,900**	163,212

The above equity investment was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature. During the year, the fair value changes in this investment resulted in a loss (net of tax) amounting to approximately US$2,677,000 (equivalent to approximately RMB15,459,000) (2021: a gain (net of tax) amounting to approximately US$398,000 (equivalent to approximately RMB2,426,000)), recorded in other comprehensive income.

24. 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:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**2,110,566**	1,268,105
3 to 12 months	**1,236,627**	1,184,311
Over 12 months	**181,404**	99,134
	3,528,597	2,551,550

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

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB1,492,580,000 (2021: RMB1,284,969,000), which are repayable on credit terms mutually agreed by the parties involved.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

25. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Current:		
Other payables	**716,308**	482,439
Accruals	**169,815**	105,730
Contingent consideration	**55,253**	—
	941,376	588,169
Non-current:		
Contingent consideration	**51,178**	—
Other payables	**55,185**	—
	106,363	—
	1,047,739	588,169

Other payables are non-interest-bearing. The current other payables have an average term of three months. The non-current other payables are to be paid after certain conditions are fulfilled (note 31).

Included in the Group's other payables are advances received from a joint venture amounting to RMB1,806,000 (2021: Nil), which are used to settle the management fees incurred in the subsequent period within three months.

26. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceutical direct sales business	**105,631**	62,559	43,291
Healthcare and digital services business	**155,047**	127,982	127,989
	260,678	190,541	171,280

Contract liabilities include short-term advances received for the provision of digital infrastructure and advertising related services. The increase in contract liabilities as at March 31, 2021 and 2022 was mainly due to the incentive policy of early collection and increasing scale of services.

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustment of equity investments at fair value through other comprehensive income	Fair value adjustment of equity investments at fair value through profit or loss	Distributable profits of the Group's PRC associates	Share of capital reserve of an associate	Fair value adjustment arising from acquisition of subsidiaries	Accelerated amortization of intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At April 1, 2020	4,616	365	14,848	–	–	–	19,829
Deferred tax charged to the statement of profit or loss *(note 9)*	–	12,554	6,670	–	–	–	19,224
Deferred tax charged to other comprehensive income	269	–	–	–	–	–	269
Gross deferred tax liabilities at March 31, 2021 and April 1, 2021	**4,885**	**12,919**	**21,518**	**–**	**–**	**–**	**39,322**
Deferred tax charged/(credited) to the statement of profit or loss *(note 9)*	**–**	**7,038**	**107,188**	**–**	**–**	**(2,443)**	**111,783**
Acquisition of subsidiaries *(note 31)*	**–**	**–**	**–**	**–**	**83,750**	**–**	**83,750**
Deferred tax credited to capital reserve	**–**	**–**	**–**	**(12)**	**–**	**–**	**(12)**
Deferred tax credited to other comprehensive income	**(1,718)**	**–**	**–**	**–**	**–**	**–**	**(1,718)**
Exchange realignment	**(1,152)**	**–**	**–**	**–**	**–**	**–**	**(1,152)**
Gross deferred tax liabilities at March 31, 2022	**2,015**	**19,957**	**128,706**	**(12)**	**83,750**	**(2,443)**	**231,973**

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March 31, 2022

27. DEFERRED TAX (CONTINUED)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

	Loss available for offsetting against future taxable profits *RMB'000*
At April 1, 2020, March 31, 2021 and April 1, 2021	—
Deferred tax credited to the statement of profit or loss *(note 9)*	132,880
Gross deferred tax assets at March 31, 2022	**132,880**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 ***RMB'000***	2021 *RMB'000*
Net deferred tax assets recognized in the consolidated statement of financial position	**17,390**	—
Net deferred tax liabilities recognized in the consolidated statement of financial position	**(116,483)**	(39,322)

The Group has tax losses arising in Hong Kong of approximately RMB47,840,000 (2021: RMB13,057,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB1,004,668,000 (2021: RMB1,240,473,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respect of these losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

27. DEFERRED TAX (CONTINUED)

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

	2022 *RMB'000*	2021 *RMB'000*
Tax losses	**1,052,508**	1,253,530
Deductible temporary differences	**209,003**	249,953
	1,261,511	1,503,483

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

At March 31, 2022, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately RMB465,252,000 at March 31, 2022 (2021: RMB282,696,000). At March 31, 2022, there were unremitted earnings shared by the Group of approximately RMB126,082,000 (2021: RMB97,406,000) from the Group's associates and an joint venture established in Mainland China in respect of earnings generated from January 1, 2008.

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

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March 31, 2022

28. SHARE CAPITAL

Shares

	2022 *RMB'000*	2021 *RMB'000*
13,517,806,542 (2021: 13,487,965,042) ordinary shares of HK$0.01 each	**119,102**	118,859

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

	Number of shares in issue	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Treasury shares** *RMB'000*	**Total** *RMB'000*
At March 31 and April 1, 2020	12,074,135,224	106,108	22,344,732	(13,039)	22,437,801
Issue of shares for restricted share units to be vested in subsequent periods *(note a)*	37,800,000	321	—	(321)	—
Repurchase of shares *(note b)*	—	—	—	(39,580)	(39,580)
Vested awarded shares transferred to employees *(note c)*	—	—	123,627	30,675	154,302
Share options exercised *(note d)*	16,402,500	147	114,809	—	114,956
Issue of shares *(note e)*	1,359,627,318	12,283	20,698,113	—	20,710,396
At March 31 and April 1, 2021	**13,487,965,042**	**118,859**	**43,281,281**	**(22,265)**	**43,377,875**
Issue of shares for restricted share units to be vested in subsequent periods *(note a)*	**27,000,000**	**219**	**—**	**(219)**	**—**
Repurchase of shares *(note b)*	**—**	**—**	**—**	**(16,519)**	**(16,519)**
Vested awarded shares transferred to employees *(note c)*	**—**	**—**	**203,824**	**15,487**	**219,311**
Share options exercised *(note d)*	**2,841,500**	**24**	**14,792**	**—**	**14,816**
At March 31, 2022	**13,517,806,542**	**119,102**	**43,499,897**	**(23,516)**	**43,595,483**

28. SHARE CAPITAL (CONTINUED)

Notes:

a. During the year ended March 31, 2022, 27,000,000 shares of HK$0.01 each were issued for RSUs to be vested for non-connected persons (2021: 37,800,000 shares of HK$0.01 each were issued for RSUs to be vested for non-connected persons).

b. In July 2021, 1,300,000 shares of HK$0.01 each were repurchased for RSUs to be vested for connected persons at a total cash consideration of RMB16,519,000 (2021: 2,000,000 shares of HK$0.01 each were repurchased for RSUs to be vested for connected persons at a total cash consideration of RMB39,580,000).

c. Upon vesting of RSUs for the year ended March 31, 2022, 25,052,000 issued shares were transferred to non-connected persons and 1,207,000 repurchased shares were transferred to connected persons, respectively. (Upon vesting of RSUs for the year ended March 31, 2021, 30,990,000 issued shares were transferred to non-connected persons and 2,353,000 repurchased shares were transferred to connected persons, respectively.)

d. The subscription rights attaching to 2,841,500 share options were exercised at the subscription price of HK$4.13 per share (note 29), resulting in the issue of 2,841,500 shares for a total cash consideration, before expenses, of RMB9,693,000. An amount of RMB5,123,000 was transferred from the share option reserve to share premium upon the exercise of the share options (2021: The subscription rights attaching to 16,402,500 share options were exercised at the subscription price of HK$5.20 per share (note 29), resulting in the issue of 16,402,500 shares for a total cash consideration, before expenses, of RMB76,542,000. An amount of RMB38,414,000 was transferred from the share option reserve to share premium upon the exercise of the share options).

e. On April 9, 2020, 860,874,200 shares were issued to Ali JK Medical Products Limited ("Ali JK Medical") at a subscription price of HK$15.08 per share and for a total consideration of HK$12,981,983,000 (approximately RMB11,793,226,000).

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

SHARE OPTIONS

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

29. SHARE-BASED COMPENSATION COSTS

Share award scheme

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

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

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

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

The total number of shares in respect of which Awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the "Scheme Mandate Limit"), or 3% of the shares in issue as at the new approval date of the renewed Scheme Mandate Limit. There are no other restrictions specified under Chapter 17 of the Listing Rules on the maximum number of shares to be granted to each eligible participants under the Share Award Scheme.

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

29. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

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

	Weighted average exercise price of share options *HK$ per share*	**Number of share options** *'000*	**Number of restricted share units** *'000*
Outstanding at April 1, 2020	4.84	28,679	85,761
Granted during the year	19.92	6,698	23,847
Forfeited or lapsed during the year	6.91	(1,694)	(14,225)
Exercised or vested during the year	5.20	(16,403)	(33,343)
Outstanding at March 31 and April 1, 2021	**10.14**	**17,280**	**62,040**
Granted during the year	**13.69**	**2,554**	**34,019**
Forfeited or lapsed during the year	**19.90**	**(1,814)**	**(8,433)**
Exercised or vested during the year	**4.13**	**(2,842)**	**(26,259)**
Outstanding at March 31, 2022	**10.69**	**15,178**	**61,367**

The weighted average share price at the date of exercise for share options exercised during the year was HK$11.56 per share (2021: HK$20.71).

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

29. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2022

Number of options *'000*	Exercise price *HK$ per share*	Exercise period		
508	5.184	2015/9/7	to	2025/9/6
187	5.32	2016/4/28	to	2026/4/27
1,838	5.558	2016/7/29	to	2026/7/28
776	3.626	2017/2/2	to	2027/2/1
331	3.902	2017/6/14	to	2027/6/13
1,684	3.686	2017/8/3	to	2027/8/2
2,020	4.4	2017/10/10	to	2027/10/9
690	4.144	2018/2/1	to	2028/1/31
4,512	19.94	2020/6/15	to	2030/6/14
119	18.66	2020/9/15	to	2030/9/14
1,663	18.21	2021/6/15	to	2031/6/14
100	7.438	2021/12/15	to	2031/12/14
750	4.24	2022/3/15	to	2032/3/14
15,178				

29. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

2021

Number of options *'000*	Exercise price *HK$ per share*	Exercise period		
508	5.184	2015/9/7	to	2025/9/7
217	5.32	2016/4/28	to	2026/4/28
2,302	5.558	2016/7/29	to	2026/7/29
1,048	3.626	2017/2/2	to	2027/2/2
116	3.61	2017/2/22	to	2027/2/22
854	3.902	2017/6/14	to	2027/6/14
2,732	3.686	2017/8/3	to	2027/8/3
2,288	4.4	2017/10/10	to	2027/10/10
810	4.144	2018/2/1	to	2028/2/1
6,286	19.94	2020/6/15	to	2030/6/15
119	18.66	2020/9/15	to	2030/9/15
17,280				

The fair value of the share options granted during the year was RMB13,717,000 (HK$6.47 each) (2021: RMB66,231,000, HK$10.82 each), of which the Group recognized a share option expense of RMB3,117,000 (2021: RMB16,362,000) during the year ended March 31, 2022.

The fair value of the RSUs granted during the year was RMB385,520,000 (HK$13.87 each) (2021: RMB435,425,000, HK$20.49 each), of which the Group recognized a share option expense of RMB101,461,000 (2021: RMB106,277,000) during the year ended March 31, 2022.

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

29. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

The fair value of share options granted during the year ended March 31, 2022 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	Share options granted in 2022
Fair value of the Company's shares as at the grant date	**HK$1.87~HK$8.73**
Expected volatility (%)	**60**
Expected dividend (%)	**0.00**
Exercise multiple	**2.5**
Exercise price	**HK$4.24~HK$18.21**
Risk-free interest rate (%)	**1.06**
Forfeiture rate (%)	**21~24**

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

The fair values of the RSUs granted during the year ended March 31, 2022 were determined based on the market value of the Company's shares at the respective grant dates.

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

29. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

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

	2022 *RMB'000*	2021 *RMB'000*
Cost of revenue	**16,132**	16,512
Sales and marketing expenses	**120,656**	121,358
Administrative expenses	**98,528**	90,321
Product development expenses	**139,052**	138,642
Fulfilment	**33,730**	30,126
Total	**408,098**	396,959

At the end of the reporting year, the Company had approximately 15,178,000 share options and 61,367,000 RSUs outstanding under the Share Award Scheme, which represented approximately 0.57% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options and RSUs, under the present capital structure of the Company, would result in the issue of approximately 58,733,000 additional ordinary shares of the Company and additional share capital of HK$587,000 (equivalent to approximately RMB484,000) (before issue expenses), the purchase of 305,000 existing shares from the market and the release of 17,507,000 shares from treasury shares.

The Company recognized share-based compensation expenses of RMB114,854,000 for awards under Alibaba Group's Share Award Scheme for the year ended March 31, 2022 (2021: RMB55,492,000) with a corresponding payable of RMB161,552,000 due to Alibaba Group recorded at the end of the reporting year (2021: RMB55,492,000).

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 97 to page 98 of the financial statements.

Merger reserve

The merger reserve represents the differences between the fair value of consideration shares issued by the Company and the carrying amount of the net assets of the target company at the acquisition date pursuant to the business combination under common control of the Group that took place in prior years.

Other reserves

Other reserves mainly consist of PRC statutory reserves and contributed surplus. Under the relevant PRC laws and regulations, PRC companies are required to allocate 10% of their net profit to the fund until such fund reaches 50% of their registered capital. The statutory reserve fund can be utilized, upon approval by the relevant authorities, to offset against accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capital. Contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries and the net asset value of the subsidiaries acquired, and the surplus arising from the reduction of share capital. Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is distributable to shareholders. The Company has no distributable reserves at 31st March 2022 and 2021.

31. BUSINESS COMBINATION

(A) Business combination not under common control

Acquisition of International AIQING Technology Investment Co., Ltd. (the "International AIQING Acquisition")

On July 26, 2021, Ali JK Medical Products Limited ("Ali JK Medical"), a subsidiary of the Group, International AIQING Technology Investment Co., Ltd. ("International AIQING") and its original shareholders (the "Vendor") entered into an equity transfer agreement, pursuant to which Ali JK Medical conditionally agreed to purchase and the Vendor conditionally agreed to sell its entire 100% equity interest in International AIQING, for a consideration of approximately of United States Dollars ("USD")163,417,000 (equivalent to approximately RMB1,053,222,000), which was to be satisfied by (i) cash of USD144,327,000 (equivalent to approximately RMB930,205,000); (ii) contingent consideration of USD16,328,000 (equivalent to approximately RMB105,221,000), which was to be paid on the first and second anniversaries of the closing date, respectively, subject to adjustments dependent on the performance of International AIQING; and (iii) issuing replacement restricted shares of approximately of 1,426,000 of the Company with a total fair value of USD2,431,000 (equivalent to approximately RMB15,669,000) at the acquisition date for the unvested Employee Share Option Plans shares ("ESOP") of International AIQING with a fair value of USD2,762,000 (equivalent to approximately RMB17,796,000) at the acquisition date, which were to be issued at the first RSU grant date of the Company after the maturity date of the original ESOP. The International AIQING Acquisition was made as part of the Group's strategy to expand its online medical-service related business, which was mainly carried out by Pingan Zhengyang, an indirect subsidiary of International AIQING, with a brand name known as Xiaolu Traditional Chinese Medicine. The transaction was completed on 10 September 2021, and accordingly International AIQING became a wholly owned subsidiary of the Group. During the year, a cash consideration of USD134,067,000 (equivalent to approximately RMB864,087,000) was paid to International AIQING's original shareholders, and the remaining amount of USD10,260,000 (equivalent to approximately RMB66,118,000) is to be paid after certain conditions are fulfilled.

31. BUSINESS COMBINATION (CONTINUED)

(A) Business combination not under common control (continued)

Acquisition of International AIQING Technology Investment Co., Ltd. (the "International AIQING Acquisition") (continued)

The fair values of the identifiable assets and liabilities of International AIQING as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition RMB'000
Property and equipment	*12*	3,502
Right-of-use assets	*13(a)*	8,567
Other intangible assets	*15*	335,000
Inventories		544
Trade receivables		488
Prepayments, other receivables and other assets		13,197
Financial assets at fair value through profit or loss		35,980
Cash and cash equivalents		50,340
Lease liabilities	*13(b)*	(8,567)
Trade payables		(17,463)
Other payables and accruals		(38,900)
Contract liabilities		(34)
Deferred tax liabilities	*27*	(83,750)
Total identifiable net assets at fair value		298,904
Goodwill on acquisition	*14*	754,318
		1,053,222
Satisfied by:		
Cash		930,205
Contingent consideration included in other payables and accruals		105,221
Replacement awards*		17,796
Total purchase consideration		1,053,222

* Replacement awards represent the replacement of the then unvested ESOP of International AIQING with a fair value of RMB17,796,000 at the acquisition date by the RSU of the Company, which constitutes a portion of the acquisition consideration and is included in the employee share-based compensation reserve.

The Group incurred transaction costs of RMB2,631,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

31. BUSINESS COMBINATION (CONTINUED)

(A) Business combination not under common control (continued)

Acquisition of International AIQING Technology Investment Co., Ltd. (the "International AIQING Acquisition") (continued)

As part of the purchase agreement, contingent consideration is payable, which is dependent on the amount of gross merchandise volume of International AIQING for each of the two years ending 30 April 2022 and 2023 and the accumulated net profit of the two years ending 30 April 2023. The initial amount recognized was RMB105,221,000, which was determined using the Monte Carlo Simulation model under the income approach and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders on the first and second anniversary date of 10 September 2021. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Significant unobservable valuation inputs for the fair value measurement of the contingent consideration are as follows:

Volatility	20.0%
Discount rate	15.7%

A significant increase (decrease) in the volatility would result in a significant decrease (increase) in the fair value of the contingent consideration liability. A significant increase (decrease) in the discount rate would result in a significant decrease (increase) in the fair value of the contingent consideration liability.

As of March 31, 2022, the fair value of the contingent consideration included in other payables and accruals was remeasured at USD16,762,000 (equivalent to approximately RMB106,431,000). A loss of USD434,000 (equivalent to approximately RMB2,782,000) resulted from the change in fair value of the contingent consideration included in other payables and accruals was recognized in other expenses and losses in the consolidated statement of profit or loss for the year ended March 31, 2022.

An analysis of the cash flows in respect of the acquisition of International AIQING is as follows:

	RMB'000
Cash consideration	(864,087)
Cash and bank balances acquired	50,340
Net outflow of cash and cash equivalents included in cash flows from investing activities	(813,747)

31. BUSINESS COMBINATION (CONTINUED)

(A) Business combination not under common control (continued)

Acquisition of International AIQING Technology Investment Co., Ltd. (the "International AIQING Acquisition") (continued)

Since the acquisition, International AIQING contributed RMB222,940,000 to the Group's revenue and loss of RMB17,971,000 to the consolidated loss for the year ended March 31, 2022.

Had the combination taken place at the beginning of the year, the revenue and loss of the Group for the year would have been RMB20,736,859,000 and RMB278,777,000, respectively.

Acquisition of Guangzhou Zhongbai Lide Vitiligo Treatment Center (the "Zhongbai acquisition")

On May 6, 2021, Ali Health Network Hospital Co., Ltd. ("Ali Health Network"), a subsidiary of the Group, Guangzhou Zhongbai Lide Policlinic Co., Ltd ("Zhongbai") and Xue Xipeng ("Mr. Xue"), a third party entered into an equity transfer agreement, pursuant to which Ali Health Network conditionally agreed to purchase and Mr. Xue conditionally agreed to sell its entire 100% equity interest in Zhongbai, for a cash consideration of approximately RMB2,200,000, of which RMB1,900,000 has been paid during the year. The Zhongbai Acquisition was made as part of the Group's strategy to expand its offline medical-service related business. The transaction was completed on June 17, 2021, and accordingly Zhongbai became a wholly owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities of Zhongbai as at the date of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** *RMB'000*
Property and equipment	*12*	8
Inventories		125
Trade receivables		31
Prepayments, other receivables and other assets		127
Cash and cash equivalents		50
Trade payables		(14)
Other payables and accruals		(86)
Total identifiable net assets at fair value		241
Goodwill on acquisition	*14*	1,959
		2,200
Satisfied by cash		2,200

31. BUSINESS COMBINATION (CONTINUED)

(A) Business combination not under common control (continued)

Acquisition of Guangzhou Zhongbai Lide Vitiligo Treatment Center (the "Zhongbai acquisition") (continued)

The Group incurred transaction costs of RMB100,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of Zhongbai is as follows:

	RMB'000
Cash consideration	(1,900)
Cash and bank balances acquired	50
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,850)

Since the acquisition, Zhongbai contributed RMB1,365,000 to the Group's revenue and loss of RMB1,434,000 to the consolidated loss for the year ended March 31, 2022.

Had the combination taken place at the beginning of the year, the revenue and loss of the Group for the year would have been RMB20,636,925,000 and RMB259,663,000, respectively.

(B) Business combination under common control

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

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

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31. BUSINESS COMBINATION (CONTINUED)

(B) Business combination under common control (continued)

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

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

32. DISPOSAL OF A SUBSIDIARY

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

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

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, other than disclosed elsewhere in the financial statements, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB136,195,000 (2021: RMB2,974,000) and RMB136,195,000 (2021: RMB2,974,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

	2022 Lease liabilities *RMB'000*	2021 Lease liabilities *RMB'000*
Carrying amount at April 1	**37,740**	69,755
Changes from financing cash flows	**(47,012)**	(31,616)
New leases	**136,195**	2,974
Acquisition of subsidiaries	**8,567**	—
Interest expense	**3,815**	2,449
Interest paid classified as operating cash flows	**(3,815)**	(2,449)
Covid-19-related rent concessions from lessors	**(76)**	(189)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**—**	(3,184)
Carrying amount at March 31	**135,414**	37,740

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

(c) Total cash outflow for leases

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

	2022 *RMB'000*	2021 *RMB'000*
Within operating activities	**4,693**	2,766
Within financing activities	**47,012**	31,616
	51,705	34,382

34. COMMITMENTS

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

	March 31, 2022 *RMB'000*	March 31, 2021 *RMB'000*
Contracted, but not provided for:		
Capital contribution payable to joint ventures	**39,800**	167,500

35. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

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

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Ultimate holding company:			
Share-based compensation expenses attributable to connected persons	*(i)*	**(22,858)**	(29,409)
Advertising services received from Alibaba Group	*(ii)*	**(824,163)**	(378,573)
Shared services received from Alibaba Group	*(ii)*	**(305,863)**	(262,096)
Platform services received from Alibaba Group	*(ii)*	**(282,463)**	(301,227)
Fellow subsidiaries:			
Cloud computing services received from Alibaba Cloud Computing Ltd. ("Alibaba Cloud")	*(ii)*	**(139,593)**	(4,573)
Logistics and warehouse services received from Hangzhou Cainiao Supply Chain Management Co., Ltd. ("Hangzhou Cainiao")	*(ii)*	**(301,227)**	(242,467)
Payment services received from Alipay	*(ii)*	**(65,163)**	(66,093)
Technical services received from Tmall Entities@ regarding Blue Cap Health Food#	*(ii)*	**(69,704)**	(69,456)
Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services	*(ii)*	**(774,945)**	(794,555)
Technical services received from Taobao Holding Limited ("Taobao Holding") regarding Tmall Products and Services and Tmall Global Products and Services*	*(ii)*	**(259,831)**	(177,865)
Purchases of products from Alibaba Group	*(ii)*	**–**	(10,118)
Business sourcing and promotion services from Koubei (Shanghai) Information Technology Co., Ltd. ("Koubei")	*(ii)*	**–**	(27,030)
Warehouse rent from Hangzhou Chuanfu	*(ii)*	**(2,332)**	–
Incentive fee received from Hangzhou Alimama Software Services Co., Ltd. ("Alimama")	*(ii)*	**3,455**	103
Outsourced and value-added services provided to Taobao Holding	*(ii)*	**103,725**	105,676
Tracking related services provided to a subsidiary of Alibaba Group	*(ii)*	**1,869**	1,576
Sales of products to Alibaba Group	*(ii)*	**67,673**	161
Rent received from a subsidiary of Alibaba Group		**–**	7,384
Software services provided to Taobao Holding	*(ii)*	**62,545**	34,248
Business sourcing and promotion services provided to Koubei	*(ii)*	**574**	–
Associates:			
Sales of products	*(ii)*	**674**	12,624

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

	Notes	2022 RMB'000	2021 RMB'000
Joint ventures:			
Loans to a joint venture		–	2,500
Management fee	*(ii)*	**20,674**	9,041
Others:			
Subscription Agreement with Antfin and Ali JK	*(note 28(e))*	–	11,793,224
Capital increase agreement and equity transfer agreement with associates of a non-executive Director	*(iii)*	–	216,000

@ Tmall Entities refers to Zhejiang Tmall Network Co., Ltd.^ (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd.^ (浙江天貓技術有限公司)

Blue Cap Health Food refers to a kind of health food approved by the State Administration for Market Regulation of China.

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

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

^ For identification purposes only

Notes:

(i) On June 15, 2020, the Company granted 2,900,000 options and 500,000 RSUs to Mr. ZHU Shunyan, an executive Director, the current chairman of the Board and chief executive officer of the Company, and hence a connected person of the Company under the Share Award Scheme. On the same day, the Company granted 292,500 options and 117,000 RSUs to Mr. WANG Qiang, the then executive Director (resigned on October 23, 2020), and hence a connected person of the Company, and 290,000 options and 116,000 RSUs to other connected persons (other than the Directors), under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 15, 2020.

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

On June 15, 2021, the Company granted 421,250 options and 168,500 RSUs to Mr. ZHU Shunyan, an executive Director, the current chairman of the Board and chief executive officer of the Company, and hence a connected person of the Company under the Share Award Scheme. On the same day, the Company granted 67,250 options and 26,900 RSUs to Mr. TU Yanwu, an executive Director and the chief financial officer of the Company, and hence a connected person of the Company under the Share Award Scheme. The Company granted a total of 481,000 options and 192,400 RSUs to two directors of the subsidiaries of the Company, and hence connected persons of the Company under the Share Award Scheme. Further details of the transaction were set out in the announcement of Company dated June 15, 2021.

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(ii) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

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

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

(II) Outstanding balances with related parties:

In addition to the outstanding balances detailed elsewhere in these financial statements, the balances with related parties as at March 31, 2022 and March 31, 2021 are listed below:

	2022 ***RMB'000***	2021 *RMB'000*
(1) Amounts due from related parties:		
Subsidiaries of Alibaba Holding	**56,692**	70,046
Joint venture	**–**	2,500
	56,692	72,546
(2) Amounts due to related parties:		
Subsidiaries of Alibaba Holding	**165,297**	44,829

The balances with fellow subsidiaries are unsecured, interest-free, and have no fixed terms of repayment.

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35. RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Compensation of key management personnel of the Group

	2022 *RMB'000*	2021 *RMB'000*
Short-term employee benefits	**15,135**	12,504
Performance related bonuses	**9,182**	5,023
Share-based compensation expenses	**28,995**	54,036
Pension scheme contributions	**583**	395
Total compensation paid to key management personnel	**53,895**	71,958

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

The related party transactions in respect of items (i) and (ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

2022	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
Financial assets	Designated as such upon initial recognition *RMB'000*	Mandatorily designated as such *RMB'000*	Debt investments *RMB'000*	Equity investments *RMB'000*	Financial assets at amortized cost *RMB'000*	Total *RMB'000*
Equity investment at fair value through other comprehensive income	–	–	–	140,900	–	140,900
Trade receivables	–	–	–	–	501,700	501,700
Bills receivable	–	–	14,285	–	–	14,285
Financial assets included in other receivables and other assets	–	–	–	–	510,942	510,942
Financial investments at fair value through profit or loss	1,654,233	7,257	–	–	–	1,661,490
Cash and cash equivalents	–	–	–	–	10,547,851	10,547,851
Restricted cash	–	–	–	–	63,125	63,125
Long-term receivables	–	–	–	–	13,030	13,030
	1,654,233	7,257	14,285	140,900	11,636,648	13,453,323

Financial liabilities	Financial liabilities at fair value through profit or loss designated as such upon initial recognition *RMB'000*	Financial liabilities at amortized cost *RMB'000*	Total *RMB'000*
Trade and bills payables	–	3,528,597	3,528,597
Financial liabilities included in other payables and accruals	106,431	396,269	502,700
Lease liabilities	–	135,414	135,414
	106,431	4,060,280	4,166,711

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36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

2021	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
Financial assets	Designated as such upon initial recognition	Mandatorily designated as such	Debt investments	Equity investments	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment at fair value through other comprehensive income	—	—	—	163,212	—	163,212
Trade receivables	—	—	—	—	300,178	300,178
Bills receivable	—	—	13,437	—	—	13,437
Financial assets included in other receivables and other assets	—	—	—	—	409,229	409,229
Financial investments at fair value through profit or loss	976,453	8,003	—	—	—	984,456
Cash and cash equivalents	—	—	—	—	11,636,769	11,636,769
Restricted cash	—	—	—	—	11,017	11,017
Long-term receivables	—	—	—	—	9,524	9,524
	976,453	8,003	13,437	163,212	12,366,717	13,527,822

Financial liabilities	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	2,551,550
Financial liabilities included in other payables and accruals	238,197
Lease liabilities	37,740
	2,827,487

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amount		**Fair value**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss	**1,661,490**	984,456	**1,661,490**	984,456
Equity investment designated at fair value through other comprehensive income	**140,900**	163,212	**140,900**	163,212
Long-term receivables	**13,030**	9,524	**11,213**	9,127
Bills receivable	**14,285**	13,437	**14,285**	13,437
	1,829,705	1,170,629	**1,827,888**	1,170,232
Financial liabilities				
Contingent consideration included in other payables and accruals	**106,431**	—	**106,431**	—

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of long-term receivables and bills receivable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of unlisted equity investments designated at FVOCI or fair values of unlisted equity investments designated at FVPL have been estimated using a market-based valuation technique and the key assumptions applied in the calculation are the comparable companies, relevant multiples and DLOM. Comparable companies are actively traded in stock market and the multiples are publicly available. Also, to adjust the fair value difference between a publicly traded company and a private company, an independent valuer has applied the option price model to estimate the DLOM. The fair value of put option measured at FVPL was estimated as at the date of grant and each financial reporting period end, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The Directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income and fair value gain or loss, are reasonable.

The fair values of the contingent consideration included in other payables and accruals are determined using the Monte Carlo Simulation model under the income approach.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at March 31, 2022 and 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	1.32 to 14.13 (2021: 6.80)	1% (2021: 1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB703,000 to RMB7,913,000 (2021: RMB4,845,000)
		Discount for lack of marketability	11.0% to 30.0% (2021: 17.1%)	1% (2021: 1%) increase/decrease in discount would result in decrease/increase in fair value by RMB301,000 to RMB1,978,000 (2021: RMB487,000 to RMB998,000)
	Valuation multiples	Median P/S multiple of peers	12.61	1% (2021: 1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB8,417,000
		Discount for lack of marketability	23.0%	1% (2021: 1%) increase/decrease in discount would result in decrease/increase in fair value by RMB676,000

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at March 31, 2022 and 2021: (continued)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Upper quartile P/S multiple of peers (2021: Average P/S Multiple of peers)	1.70 (2021: 2.90)	1% (2021:1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB556,000/RMB240,000 (2021: RMB1,140,000)
		Upper quartile P/B multiple of peers (2021: Average P/B Multiple of peers)	2.98 (2021: 3.24)	1% (2021:1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB1,170,000/RMB854,000 (2021: RMB1,140,000)
		Discount for lack of marketability	20.0% (2021:25%)	1% (2021:1%) increase/decrease in discount would result in decrease/increase in fair value by RMB195,000/RMB511,000 (2021: RMB544,000)
Other unlisted investment	Black-Scholes model	Risk free rate	2.26% (2021: 2.76%)	1% (2021:1%) increase/decrease in risk free rate would result in decrease/increase in fair value by RMB5,000 (2021:RMB7,000)
		Volatility	44.0% (2021: 45.0%)	1% (2021:1%) increase/decrease in volatility would result in increase/decrease in fair value by RMB25,000 (2021: RMB33,000)
Contingent consideration included in other payables and accruals and other non-current liabilities	Monte Carlo Simulation model	Volatility	20.0%	5% increase/decrease in volatility would result in decrease/ increase in GMV by RMB50,000/RMB51,000
		Discount rate	15.0%	1% increase/decrease in discount would result in decrease/ increase in fair value by RMB21,000/RMB24,000

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

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at March 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Equity investment designated at fair value through other comprehensive income	**–**	**–**	**140,900**	**140,900**
Financial assets at fair value through profit or loss	**–**	**–**	**1,661,490**	**1,661,490**
Bills receivable	**–**	**14,285**	**–**	**14,285**
	–	**14,285**	**1,802,390**	**1,816,675**

As at March 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investment designated at fair value through other comprehensive income	–	–	163,212	163,212
Financial assets at fair value through profit or loss	–	–	984,456	984,456
Bills receivable	–	13,437	–	13,437
	–	13,437	1,147,668	1,161,105

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	March 31, 2022 *RMB'000*	March 31, 2021 *RMB'000*
Equity investments at fair value though profit or loss		
At 1 April	**984,456**	462,778
Total gains recognized in profit or loss	**162,062**	55,290
Purchases	**355,000**	466,388
Reclassified from investment in associate to financial assets at fair value through profit or loss	**1,050,168**	—
Reclassified from financial assets at fair value through profit or loss to investment in associate	**(871,003)**	—
Exchange realignment	**(19,193)**	—
At the end of the period	**1,661,490**	984,456

	March 31, 2022 *RMB'000*	March 31, 2021 *RMB'000*
Equity investment at fair value though other comprehensive income		
At 1 April	**163,212**	173,456
Total (losses)/gains recognized in other comprehensive income	**(17,177)**	2,695
Exchange realignment	**(5,135)**	(12,939)
At the end of the period	**140,900**	163,212

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at March 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contingent consideration included in other payables and accruals	–	–	106,431	106,431

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

Assets for which fair values are disclosed:

As at March 31, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term receivables	–	11,213	–	11,213

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

As at March 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Long-term receivables	—	9,127	—	9,127

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit risk

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

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

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year-end staging classification as at March 31. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at March 31, 2022	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Trade receivables*	**—**	**—**	**—**	**528,420**	**528,420**
Bills receivable	**14,285**	**—**	**—**	**—**	**14,285**
Financial assets included in prepayments, other receivables and other assets					
— Normal**	**510,942**	**—**	**—**	**—**	**510,942**
— Doubtful**	**—**	**—**	**6,760**	**—**	**6,760**
Restricted cash					
— Not yet past due	**63,125**	**—**	**—**	**—**	**63,125**
Cash and cash equivalents					
— Not yet past due	**10,547,851**	**—**	**—**	**—**	**10,547,851**
	11,136,203	**—**	**6,760**	**528,420**	**11,671,383**

As at March 31, 2021	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Trade receivables*	—	—	—	326,766	326,766
Bills receivable	13,437	—	—	—	13,437
Financial assets included in prepayments, other receivables and other assets					
— Normal**	409,229	—	—	—	409,229
— Doubtful**	—	—	6,760	—	6,760
Restricted bank balances					
— Not yet past due	11,017	—	—	—	11,017
Cash and cash equivalents					
— Not yet past due	11,636,769	—	—	—	11,636,769
	12,070,452	—	6,760	326,766	12,403,978

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

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

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Foreign currency risk

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

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

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in profit/(loss) before tax**
	%	*RMB'000*
2022		
If the Hong Kong dollar weakens against RMB	**1**	**(2,114)**
If the Hong Kong dollar strengthens against RMB	**(1)**	**2,114**
2021		
If the Hong Kong dollar weakens against RMB	1	(7,676)
If the Hong Kong dollar strengthens against RMB	(1)	7,676

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

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

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

As at March 31, 2022

	Less than 1 year or on demand *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
Trade and bills payables	**3,528,597**	**–**	**3,528,597**
Financial liabilities included in other payables and accruals	**396,337**	**106,363**	**502,700**
Lease liabilities	**56,865**	**82,050**	**138,915**
	3,981,799	**188,413**	**4,170,212**

As at March 31, 2021

	Less than 1 year or on demand *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
Trade and bills payables	2,551,550	–	2,551,550
Financial liabilities included in other payables and accruals	238,197	–	238,197
Lease liabilities	26,662	18,130	44,792
	2,816,409	18,130	2,834,539

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	March 31, 2022 *RMB'000*	March 31, 2021 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**34,139,037**	33,846,096
Due from subsidiaries	**8,249,684**	8,623,399
Total non-current assets	**42,388,721**	42,469,495
CURRENT ASSETS		
Prepayments and other receivables	**86,115**	36,769
Other intangible assets	**169**	176
Cash and cash equivalents	**6,903**	2,886
Total current assets	**93,187**	39,831
CURRENT LIABILITIES		
Other payables and accruals	**26,035**	27,399
Due to subsidiaries	**12,008**	7,556
Total current liabilities	**38,043**	34,955
NET CURRENT ASSETS	**55,144**	4,876
TOTAL ASSETS LESS CURRENT LIABILITIES	**42,443,865**	42,474,371
Net assets	**42,443,865**	42,474,371
EQUITY		
Share capital	**119,102**	118,859
Treasury shares	**(23,516)**	(22,265)
Reserves	**42,348,279**	42,377,777
Total equity	**42,443,865**	42,474,371

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

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

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve# RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At March 31, 2020		22,344,732	10,752	57,741	210,919	210,730	(1,036,448)	21,798,426
Loss for the year		–	–	–	–	–	(13,015)	(13,015)
Translation from functional currency to presentation currency		–	–	–	(522,728)	–	–	(522,728)
Total comprehensive loss for the year		–	–	–	(522,728)	–	(13,015)	(535,743)
Issue of new shares		20,698,113	–	–	–	–	–	20,698,113
Exercise of share options		114,809	–	–	–	(38,414)	–	76,395
Share-based compensation expenses		–	–	–	–	341,467	–	341,467
Vested awarded shares transferred to employees	28	123,627	25,326	–	–	(149,834)	–	(881)
At March 31, 2021		43,281,281	36,078	57,741	(311,809)	363,949	(1,049,463)	42,377,777
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(11,899)**	**(11,899)**
Translation from functional currency to presentation currency		**–**	**–**	**–**	**(337,121)**	**–**	**–**	**(337,121)**
Total comprehensive loss for the year		**–**	**–**	**–**	**(337,121)**	**–**	**(11,899)**	**(349,020)**
Exercise of share options		**14,792**	**–**	**–**	**–**	**(5,123)**	**–**	**9,669**
Share-based compensation expenses		**–**	**–**	**–**	**–**	**293,244**	**–**	**293,244**
Vested awarded shares transferred to employees	28	**203,824**	**22,574**	**–**	**–**	**(209,789)**	**–**	**16,609**
At March 31, 2022		**43,499,897**	**58,652**	**57,741**	**(648,930)**	**442,281**	**(1,061,362)**	**42,348,279**

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

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on May 25, 2022.

FINANCIAL SUMMARY

	Year ended March 31,				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**20,577,616**	15,518,468	9,596,476	5,095,867	2,442,618
Profit/(loss) before tax	**(252,514)**	401,219	9,094	(60,830)	(95,145)
Income tax expense	**(13,427)**	(58,539)	(24,790)	(30,934)	(13,889)
Profit/(loss) for the year	**(265,941)**	342,680	(15,696)	(91,764)	(109,034)
Attributable to:					
Owners of the parent	**(265,555)**	348,588	(6,586)	(81,949)	(106,974)
Non-controlling interests	**(386)**	(5,908)	(9,110)	(9,815)	(2,060)
	(265,941)	342,680	(15,696)	(91,764)	(109,034)

	As at March 31,				
	2022	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Total assets	**19,201,969**	17,739,204	7,869,972	5,981,885	3,110,977
Total liabilities	**(5,129,737)**	(3,457,600)	(2,667,457)	(3,245,059)	(587,920)
	14,072,232	14,281,604	5,202,515	2,736,826	2,523,057
Equity attributable to owners of the parent	**14,098,419**	14,301,950	5,269,145	2,794,519	2,580,248
Non-controlling interests	**(26,187)**	(20,346)	(66,630)	(57,693)	(57,191)
	14,072,232	14,281,604	5,202,515	2,736,826	2,523,057