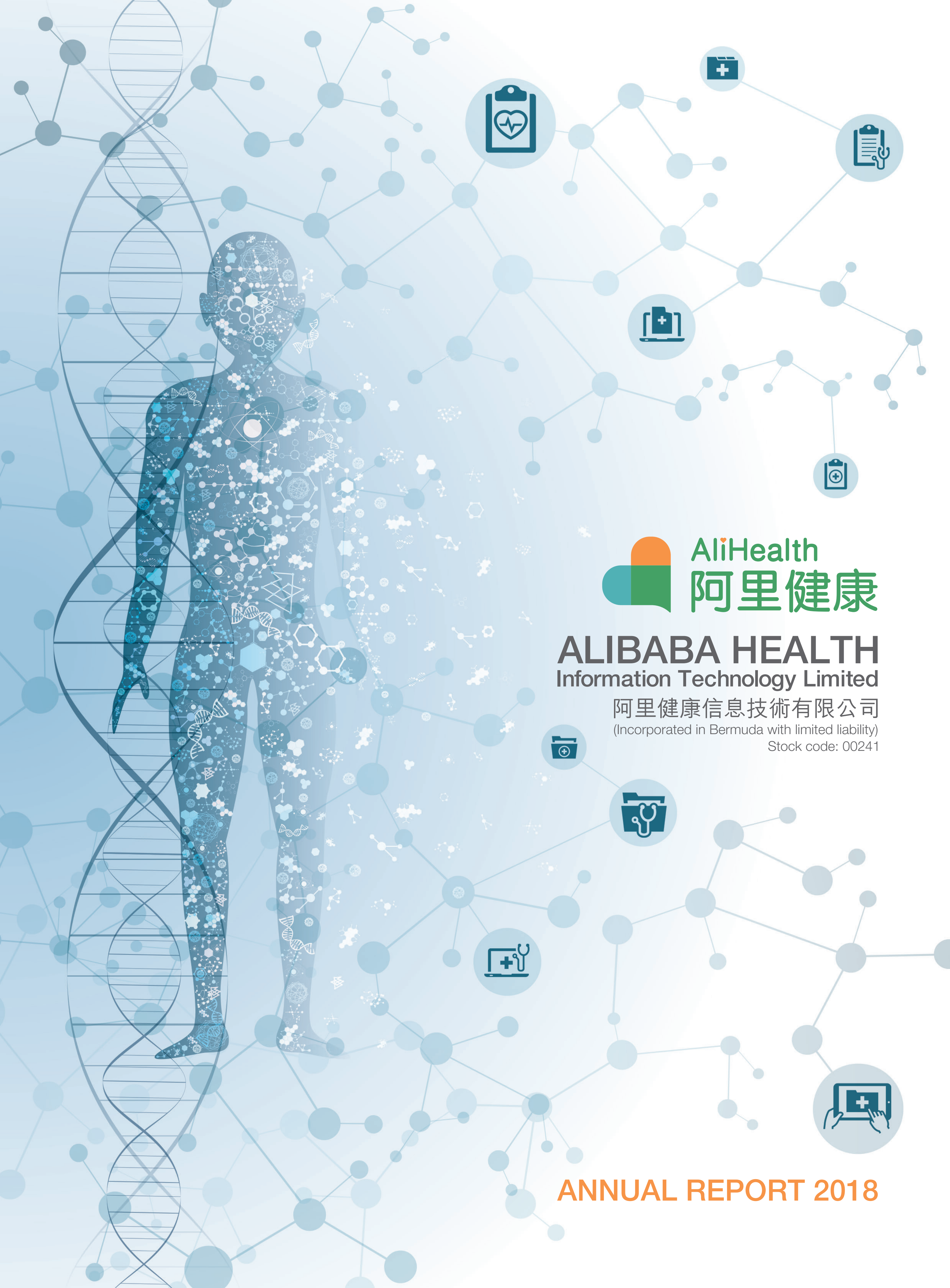

AliHealth 阿里健康

ALIBABA HEALTH Information Technology Limited

阿里健康信息技術有限公司

(Incorporated in Bermuda with limited liability)

Stock code: 00241

ANNUAL REPORT 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director
Mr. SHEN Difan *(Chief Executive Officer)*

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

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

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

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

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

AUTHORIZED REPRESENTATIVES
Mr. SHEN Difan
Ms. LEW Aishan, Nicole

COMPANY SECRETARY
Ms. LEW Aishan, Nicole

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

AUDITOR
Ernst & Young
Certified Public Accountants

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
26/F, Tower One
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR (IN BERMUDA)
Estera Management (Bermuda) Ltd.
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR (IN HONG KONG)
Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank Co., Ltd.
Bank of Ningbo Co., Ltd.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Only time will tell the good from the bad. For an enterprise, time is the touchstone to verify whether its business model and investments are scientific and reasonable, and whether they can create value.

We are delighted to see that as the healthcare flagship of Alibaba Group Holding Limited ("Alibaba Holding", together with its subsidiaries, "Alibaba Group"), Alibaba Health Information Technology Limited (the "Company") and its subsidiaries (the "Group") made significant progress in the past year. As quantified by the financial data, the Group's revenue and gross profit increased rapidly year-on-year, with substantial reduction in annual loss and continued improvement in operating cash flow. Meanwhile, we are also grateful to Alibaba Group for providing the Group with strategic support for a larger business scale in the future through its business and capital injections.

Looking around, China's medical and healthcare industry, in which we operate, has tremendous growth opportunities. On the one hand, there is still a considerable gap between the healthcare expenditure in China and in developed countries as a proportion of GDP. On the other hand, there are plenty of opportunities for enhancing efficiency in the existing medical and healthcare industry through information technology, digitization and artificial intelligence. Four years ago, Alibaba Group was optimistic about the future development of this area and decided to develop its healthcare initiatives separately, by investing in the Group as its healthcare flagship. Today, after four years, the Group will use its pharmaceutical e-commerce business as a starting point to continue to enhance its creative and innovative capabilities through active participation in the reform of the pharmaceutical, medical and health management industry, so as to realize its vision of "providing fair, affordable and accessible medical and healthcare services to 1 billion people".

Compared to the vast Chinese pharmaceutical market, the penetration of e-commerce in the area remains low, leaving huge potential for the market's development. Meanwhile, China's retail pharmacies also have much room for improvement in terms of digital transformation, supply chain optimization and service specialization. The Group believes that online and offline pharmacies have their own advantages. New retail pharmacies that combine online and offline configurations through technology and model innovation will enhance the efficiency of the pharmaceutical and healthcare product supply chain for the benefit of both market participants and consumers. The increases in channel coverage and efficiency will also help the Group develop its upstream supply chain, thereby contributing to the improvement of quality and enhancement of circulation efficiency of medical and healthcare products. During the year, the Group became the largest pharmaceutical e-commerce vendor in China. At the same time, the total gross merchandise volume of Tmall's pharmaceutical categories in respect of which the Group provided outsourced and value-added services and of the Group's health food category e-commerce platform services business which it acquired from Alibaba Group exceeded RMB30 billion in 2017. The Group will continue to balance its self-operated and platform services businesses from the perspective of consumers. At the same time, it will actively explore new online and offline integrated retail models and actively cooperate with offline pharmacies.

In the medical field, the Group believes that it is not enough to provide services to users online. It is necessary to promote digital transformation within offline medical institutions and to connect them with one another. From the beginning, Alibaba Health has positioned itself as a technology company in the medical and healthcare sector. Our unwavering ambitions are to use the Internet to help traditional medical institutions achieve digital transformation and upgrade, use artificial intelligence to help doctors and hospitals improve efficiency, and increase the supply of medical resources. During the year, the number of licensed physicians, licensed pharmacists and nutritionists who had contracted with the Group to provide online health consultation services reached nearly 23,000, allowing users to obtain professional guidance online in a convenient and real-time manner. Meanwhile, the Group also invested a lot of manpower and resources in its cooperation with leading hospitals and experts in the medical community to create artificial intelligence (AI) medical analysis engines to help medical institutions improve the efficiency of scientific research, operations and diagnosis. During the year, the Group launched its medical AI series "Doctor You", which has made considerable progress in intelligent engines such as image detection and chronic disease screening, and includes areas such as CT pulmonary nodules, diabetes and electroencephalograms, and has put these engines into use in a number of partnering institutions. Through big data and medical AI technologies and services, we will connect the government and medical institutions, serve medical personnel and patients, and use Internet hospitals and medical AI as key products to forge a closed loop of intelligent medical services.

Thanks to the complete ecosystem built by Alibaba Group, we have access to Taobao, Tmall, Alipay, DingTalk, UC, Youku and other Alibaba mobile applications to seamlessly offer our medical and healthcare products and healthcare management services to consumers with different needs according to different scenarios, resulting in the establishment of a rapidly growing and stable user base. During the year, the Group actively constructed a personal health management platform and provided users with extensive and personalized health management services through third-party partners, based on which personalized electronic health management tools were gradually forged to help users better prevent and treat diseases as part of their daily health management. As at the end of the year, the number of active users of the health management tools reached 28 million. The Group also took the lead in establishing Beijing Yizhilu Artificial Intelligence Medical Information Technology Research Institute* (北京醫知鹿人工智能醫療信息技術研究院) and brought together various parties to jointly build a health knowledge platform to provide professional and comprehensive health guidance and disease education to users as a public service.

Our mature product tracking business also won recognition from manufacturers version after version. At present, the Group's "Ma Shang Fang Xin" tracking platform covers more than 80% of pharmaceutical manufacturers in China. Its customer base has also been expanded to 20 industries, including food, alcohol, nutritional products, cosmetics, agricultural and animal husbandry products, and fast-moving consumer goods. The Group will continue to build on the product tracking platform, and work with enterprises, industry organizations and the government to create efficient and interactive tools that connect upstream enterprises and downstream consumers, with the goal of developing a safe and reliable information channel between businesses and consumers.

Shareholders, we have full respect for and take seriously our healthcare business undertakings which involve the well-being of billions of Chinese people, and we are fully aware of the difficulties ahead. However, this ever-changing Internet age has made many things that were once considered impossible possible. Looking back on today many years later, we may find that our path has become ever clearer. By continuing to step up the Group's investment in outstanding talent and in innovative technologies and by closely collaborating with Alibaba Group's affiliates and business partners in various fields, we believe that the Group will be well-positioned in the digitization and intelligent upgrade of the medical and healthcare industry, and will be able to keep up momentum for further development.

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

WU Yongming
Chairman

May 16, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2017, China's economy remained stable with an upward trend and China's gross domestic product increased by 6.9% year-on-year. China's economic development shifted from high-speed growth to high-quality advancement and the Chinese government strongly implemented innovative growth strategies. The deepening integration of the Internet, big data and AI with the real economy has promoted the optimization and upgrade of traditional industries. Meanwhile, the upgrading of consumer demand towards discretionary items has also effectively stimulated economic growth.

"Healthy China (健康中國)" is a key strategy for the next stage of China's development. As China's medical and healthcare system reforms continued to intensify, medical and healthcare reform policies were rolled out successively. In 2017, the State Council cancelled the Type A, B and C licences for Internet drug trading, signifying China's relaxation of entry barriers to allow enterprises to expand into the pharmaceutical e-commerce sector more easily. In December 2017, the promulgation of the Measures for the Supervision and Administration of Online Sale of Medical Devices^ (《醫療器械網絡銷售監督管理辦法》) by the former China Food and Drug Administration (the "CFDA") provided a legal basis for the development of online sales of medical devices, facilitating the healthy and orderly development of the industry and the growth of compliant enterprises. The institutional reform of the State Council in March 2018 further rationalized the top-level structure for pharmaceutical and medical regulation. Based on the original three-pronged medical system, a high-level integration was undertaken to bring closely related functions that could create positive synergies together, laying a good foundation for further reforms. On April 12, 2018, it was determined at the executive meeting of the State Council that the development of "Internet + Healthcare" should be accelerated to improve the efficiency of medical services, so that patients could be subject to less running around and more people could share premium medical resources. First, the provision of online services such as consultation appointment booking and check-up results enquiry in class 2 or higher hospitals should be expedited and medical institutions should be allowed to start providing Internet-based medical services. Second, remote medical services should be developed to cover all medical associations and county-level hospitals, the allocation or sharing of premium medical resources in East China to meet the needs of central and western regions in China should be encouraged, and a dedicated Internet channel should be established to cater for the requirements of remote medical services. Third, "smart" review and approval of medical insurance claims and "one-stop" settlement should be promoted to create a complete and standardized "Internet + Healthcare" system.

China's pharmaceutical market has been flourishing in a healthy and stable manner, driven by growth in GDP, greater spending power, an aging population, urbanization and upgrade of consumption structure. Despite increasingly intense competition, China's pharmaceutical distribution industry is expected to become more regulated and concentrated as medical reforms mainly aimed at the "separation of drug dispensation from drug prescription" continue to be implemented. There is huge room for growth and industrial integration in China's pharmaceutical distribution industry. In respect of medical and healthcare services, with the widening imbalance between the growing demands of citizens and the limited supply of medical and healthcare resources, the application of Internet and digital technologies (including remote medical treatment, digital healthcare products, big data, and AI) in the medical field presents new ways to improve diagnosis and treatment efficiency, facilitate personal health management and help prevent and diagnose disease at an earlier stage, to effectively mitigate such imbalance. The business opportunities brought about by various innovative models will also drive the future growth of the industry. Overall, the pharmaceutical and healthcare industry will be one of the sectors with the greatest growth potential in the future.

BUSINESS REVIEW

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

- **Healthcare product and service sales business**

  The Group has been actively utilizing Internet technologies to build an omni-channel healthcare product and service supply and new retail system that covers the whole industry chain.

  Capitalizing on its established online platform strengths and its understanding of the market and users, the Group connects upstream industry chain players (e.g. manufacturers and leading distributors) to offline pharmaceutical retail chains to facilitate product circulation along the whole chain and strives to offer quality products and services to downstream players and consumers at competitive prices. A comprehensive supply system helps to boost efficiency in the supply chain by bringing manufacturers, distributors and consumers closer together so that manufacturers can deliver their professional services more directly to consumers. Such enhanced connection is conducive to satisfying consumer needs and exploring and creating new consumption demand. During the year, the Group established good relationships with many pharmaceutical, nutritional health and healthcare supplement manufacturers, as well as leading pharmaceutical distributors in China, who are our important business partners.

  Meanwhile, the Group continued to explore the new retail concept for pharmaceutical sales, focusing on consumer needs to establish a one-stop health consumption service platform catering to specific consumer groups and scenarios. The platform provides consumers with a wide variety of healthcare products, contents and convenient services, offering an online and offline integrated high-quality consumer experience.

  Self-operated healthcare product sales

  During the year, revenue from the Group's self-operated healthcare product sales business reached RMB2,149.1 million, with the Group's self-operated online stores (AliHealth Pharmacy^ (阿里健康大藥房), AliHealth overseas flagship store and AliHealth flagship store) accumulating more than 15 million annual active consumers. Revenue from online self-operated stores sales showed impressive growth, fueled by the Group's operational and brand strengths as well as its business team's effective execution. Meanwhile, there were also significant improvements in the performance and capability of our warehousing, logistics, customer service and other supporting systems and services, which facilitated better quality control over products and services as well as a deeper understanding of the specific demands of different consumer groups.

E-commerce platform services

During the year, the Group continued to provide outsourced and value-added services, including merchant business development, customer services for merchants and technical support, for certain pharmaceutical-related categories (including drugs, medical devices, contact lenses, family planning products, and medical and healthcare services) on the Tmall platform for which it charged service fees. Given the rising awareness of nationals towards healthcare consumption, the continued strong growth of Tmall's e-commerce platform for pharmaceutical categories resulted in stable and fast growth of service income of the Group.

During the year, the Group also acquired the health food category e-commerce platform services business from Alibaba Group. Given that the penetration rate of, and per capita spending on, healthcare products in China have remained far lower than those of countries such as the US and Japan, as Chinese disposable income continues to rise, awareness of consumption on healthy living continues to grow and standardization of the Chinese healthcare product market continues, the market still shows potential and trend for continued rapid growth.

Through the Group's operation of e-commerce platform service business, the gross merchandise volume ("GMV") of Tmall Pharmacy (天猫醫葯館) reached nearly RMB40 billion, of which the GMV of Tmall's pharmaceutical categories in respect of which the Group provided outsourced and value-added services and the GMV of the health food category e-commerce platform services business acquired from Alibaba Group in 2017 exceeded RMB30 billion in aggregate.

Future prospects

With the innovation of technologies such as mobile Internet and Internet of Things and changes in Chinese consumption concepts, the new retail model which reconstructs business elements such as people, goods and markets is changing the shopping habits of consumers. Alibaba Group has been implementing the new retail model in various fields by integrating online and offline services to realize an effective communion of merchandise, membership, transaction and marketing data, to provide customers with a seamless cross-channel shopping experience and Alibaba Health has been following suit. By creating an integrated online and offline pharmaceutical ecology, and allowing for membership, merchandise and marketing data to be combined, Alibaba Health is working to connect to users in a comprehensive and personalized manner through technologically driven business innovation, and thereby gradually exploring its own direction towards the new retail model concept. In addition, Alibaba Health will continue to focus on addressing the problems faced by consumers when purchasing medical and healthcare products and services, and improving product and service quality control to enhance user experience, and will strive to build the best and most reliable healthcare product and service platform for consumers.

- **Internet-based medical services and personal health management platform**

  During the year, the Group established Alibaba Health Network Hospital Limited^ (阿里健康網絡醫院有限公司) in Guangzhou which obtained the medical institution business license. Based on this, the Group actively organized professionals such as medical practitioners and pharmacists to provide multi-faceted, multi-level, professional and convenient health consultation services and guidance for users of the Taobao, Tmall, Alipay and AliHealth mobile applications. As at the end of the year, nearly 23,000 medical practitioners, pharmacists and nutritionists had signed up with the Group to provide online health consultation services to users, providing an average of more than 50,000 consultation sessions daily by working through shifts. At the same time, the Group also sought to introduce AI during the consultation service process to further enhance consultation efficiency and user experience.

  The Group also actively built a personal health management platform based on automatic analysis of online and offline personal health data authorized by users to form personal health records and health indicators in order to provide users with personalized medical services and full-cycle health management. The Group is responsible for operating the medical and health segment in a number of applications for Alibaba Group. For instance, the Group is responsible for operating the "My Health" service in the Taobao mobile application. During the year, the number of active users who had used the "My Health" service reached 28 million. The Group also cooperated with third-party agencies to provide users with weight reduction, exercise management, childcare and health preservation tools. During the year, the Group also collaborated with various medical and health service organizations to launch a vaccination service platform, conducted disease education for the public and provided free online consultation services. Users could also look up online the telephone number, address and working hours of vaccination agencies near to them. As at the end of the year, the Group's vaccination service platform covered more than a thousand vaccination service points across more than a hundred cities, and provided vaccination education to nearly 200 million people, thereby providing the public with a new and convenient disease prevention service experience. During the year, the Group took the lead in setting up Beijing Yizhilu Artificial Intelligence Medical Information Technology Research Institute^ (北京醫知鹿人工智能醫療信息技術研究院) and brought together various parties to jointly build a health knowledge platform to provide professional and comprehensive health guidance and disease education to users as public service.

Future prospects

China is still facing the problems of a lack of high-quality primary care services as well as the scarcity and uneven distribution of quality medical resources. The intervention of Internet and mobile technologies in the traditional medical services market can promote better utilization of medical resources and reduce costs and time spent by patients for treatment. In April 2018, the executive meeting of the State Council considered and adopted the Opinions on Promoting the Development of "Internet + Healthcare"^ (《關於促進「互聯網+醫療健康」發展的意見》). In the field of Internet-based medical services, China is encouraging innovation while making clear the bottom line for supervision and safety, which is conducive to the orderly and healthy development of the sector. The Group will continue to expand the breadth and depth of Internet-based medical services that it provides. Furthermore, the Group will also examine in detail and comply with China's administrative measures for Internet diagnosis and treatment, ensure the safety and quality of the services provided, uphold data security and personal privacy, and provide citizens with multi-level and diversified Internet medical and healthcare services in an innovative yet compliant manner.

An ounce of prevention is worth a pound of cure. Through good health management and proactive prevention, we seek to control diseases from the source and reduce or even eliminate the risk of falling ill. This is the fundamental way to effectively ensure the well-being of the people and to save social resources. The Group is cooperating with various parties to build a health knowledge map to provide users with professional and comprehensive health guidance. The Group will also continue to expand beyond its current business scope and cooperate with like-minded parties to provide users with more personalized, professional and intelligent health management solutions. Using data accumulated through the provision of a wide variety of services and leveraging upon our data analysis capabilities, the Group aims to establish a personalized electronic health record for the public and promote integrated healthcare services throughout the entire life cycle, covering prevention, treatment, rehabilitation and health management.

- **Intelligent medicine**

The Group has been actively cooperating with governments, hospitals, research institutes, colleges and other external organizations to explore the Internet + Healthcare intelligent medicine model, which covers areas such as Internet hospitals, Internet medical associations, medical research platforms, medical education scenario simulation platforms, clinical decision support systems, cloud-based remote imaging platforms and solutions for blockchain data security.

Capitalizing on its strong cloud computing and healthcare big data mining and analytical capabilities and through cooperation with external institutions, the Group is committed to building an AI medical system that will have real-life application and rolled out AI engines for various diseases. During the year, the Group launched its AI medical system "Doctor You", made considerable progress in the development of intelligence engines for image examination and chronic disease screening in areas such as CT pulmonary nodules, diabetes and electroencephalogram, and put them into use in a number of partner institutions.

During the year, the Group signed agreements with more than ten triple-A graded hospitals, including The First Affiliated Hospital of Medical School of Zhejiang University, The Second Affiliated Hospital of Medical School of Zhejiang University and Xin Hua Hospital Affiliated to Shanghai Jiao Tong University School of Medicine, to promote the application of intelligent medicine in the fields of AI research, talent development and smart hospitals. Initiatives under these agreements include: establishing a laboratory for medical AI projects to promote the application of technologies such as AI and data mining in medical rescue and treatment in Zhejiang Province; setting up a national-tier medical talent intelligent training platform that connects medical institutions and private establishments and enterprises across the country to develop an intelligent training management platform for practitioners that provides standardized information and programme-based systematic training; and establishing a model smart hospital, which includes building a mixed hospital cloud platform, a pediatric medical association cloud platform and a medical research data platform, and enabling mobile payments for all hospital services in the hospital.

Future prospects

The Internet, big data and various innovative technologies have created new opportunities to solve the issues facing the medical and healthcare sector. In 2016 and 2017, the State Council issued notices regarding the Guiding Opinions of the General Office of the State Council on Promoting and Regulating the Development of Healthcare Big Data Applications^ (《國務院辦公廳關於促進和規範健康醫療大數據應用發展的指導意見》) and the Development Plan for the New Generation of Artificial Intelligence^ (《新一代人工智能發展規劃》) respectively, stating the need to keep up with the latest developments in information technology and its goals to regulate and promote the integration, sharing and open application of healthcare and medical big data; and identifying AI as a strategic technology for the future, thereby signifying that the Internet + Healthcare campaign is entering the era of cutting-edge technologies such as big data, AI technologies and cloud medical associations. Against this backdrop, the Group aspires to create a closed loop of comprehensive intelligent medical services by linking governments, medical institutions, patients and healthcare professionals through such major products as Internet hospital and AI healthcare solutions with its big data and AI healthcare technologies and services.

In cooperation with its partners, the Group will continue to provide healthcare big data applications and solutions to governments and offer information-based and intelligent solutions for medical institutions of different levels to become a platform through which healthcare information system technology companies can provide their services. The AliHealth platform will empower different participants in the healthcare industry chain by allowing convenient access and high-quality services, to provide consumers with easy access to intelligent medical services.

- **Tracking services**

As disclosed in the Company's annual report for the year ended March 31, 2017 published on June 25, 2017, following the publication by the former CFDA of the Decision of the China Food and Drug Administration Regarding Amendment of the Good Supply Practice for Pharmaceutical Products (CFDA Order No. 28)^ (《國家食品藥品監督管理總局關於修改〈藥品經營質量管理規範〉的決定》(國家食品藥品監督管理總局令第28號)) (Order No. 28), the Company completed the work on the finalization of the product identification, authentication and tracking system for the drug industry (the "Drug PIATS") under the former CFDA's direction.

The Chinese government attaches great importance to the construction of product tracking systems and recognizes their importance in enhancing supply chain efficiencies and product quality and safety standards, encouraging circulation transformation, upgrade and innovation, establishing information-based monitoring and regulatory systems, as well as fostering a safe consumption environment. As such, the Group continued to develop its Ma Shang Fang Xin platform. Leveraging on the strong computational and data processing capacity of Alibaba Cloud, such platform is capable of processing mega-sized big data and supporting several hundred thousand corporate users at the same time with its sound compatibility, accessibility and security.

In the pharmaceutical sector, the Group is committed to building Ma Shang Fang Xin into the largest pharmaceutical cloud in China. Through the Internet of Things, the Group will work to bring online, digitize and improve the transparency of, the pharmaceutical supply chain, and to provide basic tools and value-added services to pharmaceutical industry participants for their daily management and online and offline integration. These will include product tracking, channel management, vaccine cold chain tracking, medical insurance premium control and patient management. As at the end of the year, the number of pharmaceutical manufacturers which had signed up and renewed the agreement for product tracking accounted for more than 80% of the total number of pharmaceutical manufacturers in China. Moreover, as part of its charitable initiatives, the Group also leveraged on the "unique code for each object" feature of the Ma Shang Fang Xin system, to work with industry leaders to regularly recover expired drugs for environment protection while preventing expired drugs from falling into the wrong hands.

The customer base of the Ma Shang Fang Xin tracking platform has also expanded beyond the pharmaceutical sector into 20 other product sectors including food, alcohol, nutritional products and healthcare supplements, cosmetics, agricultural produce, fast-moving consumer goods, and the system now covers more than 1,000 stock keeping units ("SKUs"). The Group will integrate the e-commerce resources of Alibaba Group and strive to ensure product safety through improving the transparency of supply chain data. Meanwhile, on the back of domestic consumption upgrade and import and export trade expansion, the Group also launched cross-border product tracking services. Merchants directly procure the products from their country of origin and can collect inventory and test report information provided by institutions at that country of origin. Tracking records at key points during the product importation and circulation process are also available to ensure authenticity of the product and its country of origin.

Future prospects

Ensuring drug and food safety for the benefit of the people is an important policy of the Chinese government. During the National People's Congress and Chinese People's Political Consultative Congress held in March 2018, Premier Li Keqiang proposed in the government's report to innovate food and drug supervision methods, pay attention to the use of the Internet and big data to enhance regulatory effectiveness, accelerate the implementation of complete tracking and traceability of information to easily identify defective products and apprehend illegal producers and vendors, for the peace of mind of consumers. The electronic tracking system is an important means for the government to strengthen product safety management for key items such as drugs and food.

The Group will continue to construct the platform for the tracking system based on its platform operation experience accumulated in the past. It will also work with different enterprises, industry organizations and the government to create a healthy ecosystem, expand the functionality of the tracking platform, provide efficient and interactive tools that connect upstream enterprises and downstream consumers, with the goal of developing a safe and reliable information channel between businesses and consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The key financial figures of the Group for the year ended March 31, 2018 and March 31, 2017 are summarized as follows:

	2018	2017	Change
	RMB'000	*RMB'000*	*%*
Revenue	**2,442,618**	475,078	414.2
Gross profit	**652,824**	187,243	248.7
Gross profit margin	**26.7%**	39.4%	N/A
Fulfilment	**(338,763)**	(67,768)	399.9
Sales and marketing expenses	**(201,094)**	(113,090)	77.8
Administrative expenses	**(121,251)**	(95,740)	26.6
Product development expenses	**(126,220)**	(108,580)	16.2
Other income and gains	**52,393**	17,354	201.9
Other expenses	**(11,855)**	(24,679)	(52.0)
Finance costs	**(10,126)**	(6,886)	47.1
Operating loss	**(104,092)**	(212,146)	(50.9)
Share of profits of joint ventures	**7,949**	9,480	(16.1)
Share of profits/(losses) of associates	**998**	(4,433)	N/A
Loss for the year	**(109,034)**	(208,653)	(47.7)
Net loss attributable to owners of the parent	**(106,974)**	(207,626)	(48.5)
NON-HKFRS ADJUSTMENTS			
Adjusted net profit/(loss)	**8,000**	(98,329)	N/A

– **Revenue**

Revenue of the Group for the year ended March 31, 2018 amounted to RMB2,442,618,000 (2017: approximately RMB475,078,000), representing an increase of RMB1,967,540,000 or 414.2% as compared to the year ended March 31, 2017. The increase in revenue was mainly attributable to the rapid growth in revenue from self-operated healthcare product sales and e-commerce platform services during the year ended March 31, 2018.

– **Self-operated healthcare product sales**

The Group's self-operated healthcare product sales business comprises the self-operated B2C business and the B2B centralized procurement and distribution business. During the year, the Group proactively enriched its self-operated B2C product offerings. As at the end of the year, the product SKUs for online self-operated stores (AliHealth Pharmacy, AliHealth Overseas Flagship Store and AliHealth Flagship Store) reached over 46,000. As user recognition of the AliHealth self-operated stores continued to grow, the number of active consumers during the year exceeded 15 million. The Group continued to strengthen and refine the management of its self-operated business to offer its customers a more caring shopping experience. In respect of the centralized procurement and distribution business, the Group continued to strengthen its collaboration upstream with premium brand owners to select quality products, expanded its downstream distribution channels, and provided more value-added services to merchants and consumers in the sales process, thereby maintaining steady growth of the business line. During the year, revenue from the self-operated healthcare product sales amounted to RMB2,149,107,000.

– **E-commerce platform services**

Pursuant to the service agreement between the Group and Zhejiang Tmall Network Co., Ltd.^ (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd.^ (浙江天貓技術有限公司) under Alibaba Group, the Group provides merchant business development, customer support, technical support and other outsourced and value-added services for certain pharmaceutical-related categories on the Tmall platform in consideration of certain service fees. In tandem with the steady growth of Tmall's pharmaceutical category e-commerce platform business, the service fee income therefrom remained a significant source of revenue and profit for the Group during the year. In June 2017, the Group acquired the health food category e-commerce platform services business from Alibaba Group. Following such acquisition, the Group provided e-commerce platform services to health food merchants on the Tmall platform in consideration of software service fees from them. During the year, aggregate revenue from both services amounted to RMB171,079,000.

– Tracking services business

During the year, the Ma Shang Fang Xin tracking platform grew steadily in terms of customer and industry coverage, and revenue from the tracking business amounted to RMB24,353,000. Last year, revenue from the tracking business, which largely comprised revenue from the operation of the Drug PIATS in China, amounted to RMB96,305,000. The business model of the Ma Shang Fang Xin tracking platform is different from that of the operation of the Drug PIATS in China, as the Ma Shang Fang Xin tracking platform is focused on providing a wider range of value-added services for patron enterprises, and offering more comprehensive and innovative solutions to both drug and non-drug industries, in a way that will create greater synergies with other businesses of the Group and be accretive to the business as a whole.

– Innovative healthcare-related services

Apart from the above businesses, the Group also explored various forms of innovative value-added services in the healthcare sector. For example, the Group provided comprehensive marketing services covering all channels throughout the entire chain to pharmaceutical brand owners. During the year, the Group together with Tmall collaborated with its partners, including China Central Television, to produce an ecological health food documentary named Giving Cycles. With its high-quality content, the documentary was widely broadcasted, reaching an audience of nearly 300 million; it aroused public awareness and interest in traditional nutrition culture and industry, which promoted sales for the merchants in the nutrition category on Tmall. Moreover, the Group worked closely with industry partners to launch a vaccination service platform during the year, and reached a target audience of over 100 million people in the promotion of cervical cancer education and advanced vaccination bookings for its partners. During the year, revenue from these innovative healthcare-related services and projects amounted to RMB98,079,000.

– Gross profit and gross profit margin

The Group recorded gross profit for the year ended March 31, 2018 of RMB652,824,000 (2017: approximately RMB187,243,000), representing an increase of RMB465,581,000 or 248.7% as compared to the year ended March 31, 2017. Gross profit margin for the current year was 26.7% as compared to 39.4% for the preceding year. The change in gross profit margin was mainly attributable to the significant changes in the composition of the Group's businesses as compared with the preceding year.

– Fulfillment

Warehousing, logistics and customer service expenses incurred by the Group's self-operated healthcare product sales business were included in fulfillment costs. Fulfillment costs for the year ended March 31, 2018 amounted to RMB338,763,000, representing a substantial increase from RMB67,768,000 for the preceding year mainly due to the huge growth in turnover of self-operated online stores.

– **Sales and marketing expenses**

Sales and marketing expenses for the year ended March 31, 2018 amounted to RMB201,094,000, representing an increase of RMB88,004,000 or 77.8% as compared to RMB113,090,000 for the preceding year. Such increase was mainly due to the rise in promotional activities aimed at improving user sophistication and loyalty, meanwhile, the Group increased input in the staffing of its sales function and online medical consultation function.

– **Administrative expenses**

Administrative expenses for the year ended March 31, 2018 amounted to RMB121,251,000, representing an increase of RMB25,511,000 or 26.6% as compared to RMB95,740,000 for the preceding year. Such increase was mainly due to the increase in staff and increased travel expenses arising from business expansion.

– **Product development expenses**

Product development expenses for the year ended March 31, 2018 amounted to RMB126,220,000, representing an increase of RMB17,640,000 or 16.2% as compared to RMB108,580,000 for the preceding year. Such increase was mainly due to the increased headcount of the Company's research and development function. During the year, the Group continued to recruit more information technology engineers in order to expand its Internet-based medical services, as well as to develop its health management platform and intelligent medical analysis engines.

– **Other income and gains**

Other income and gains for the year ended March 31, 2018 amounted to RMB52,393,000, representing an increase of RMB35,039,000 or 201.9% as compared to RMB17,354,000 for the preceding year. Such increase was mainly attributable to the foreign exchange gains of RMB31,765,000 for the year.

– **Finance costs**

Finance costs for the year ended March 31, 2018 amounted to RMB10,126,000, representing an increase of RMB3,240,000 or 47.1% as compared to RMB6,886,000 for the preceding year. Such increase was mainly due to the increase in the principal amount of loans during the current year.

– **Other expenses**

Other expenses for the year ended March 31, 2018 amounted to RMB11,855,000, representing a decrease of RMB12,824,000 or 52.0% as compared to RMB24,679,000 for the preceding year. Such decrease was mainly due to the absence of exchange loss during the year ended March 31, 2018 as compared to the exchange loss of RMB19,761,000 for the preceding year.

MANAGEMENT DISCUSSION AND ANALYSIS

– Share of profits of joint ventures

Share of profits of joint ventures represented the share of the net operating results of the Group's 49%-owned joint venture, Beijing Honglian 95 Information Industries Company Limited^ (北京鴻聯九五信息產業有限公司) ("HL95") and its 40%-owned joint venture Yunnan Jiukang Yixin Information Technology Services Company Limited^ (雲南久康一心信息技術服務有限公司). The share of profits of joint ventures for the year ended March 31, 2018 amounted to RMB7,949,000, representing a reduction of RMB1,531,000 or 16.1% as compared to RMB9,480,000 for the preceding year. Such reduction in share of profits was mainly due to a slight decrease in the profits from the call-centre service business of HL95 as a result of intense market competition.

– Share of profits of associates

The Group actively invests in the healthcare sector. Some of the Group's associates are still at an early stage of business development, while some are in the transformation or growth stage. For the year ended March 31, 2018, the Group's share of profits of associates amounted to RMB998,000.

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

For the year ended March 31, 2018, the Group's loss amounted to RMB109,034,000, representing a decrease of RMB99,619,000 or 47.7% as compared to RMB208,653,000 for the preceding year. For the year ended March 31, 2018, the Group's adjusted net profit amounted to RMB8,000,000, while the same indicator for the preceding year is adjusted net loss of RMB98,329,000. The reduction in adjusted net loss was mainly attributable to the Group's market-leading and fast-growing online self-operated healthcare product sales and pharmaceutical e-commerce platform services businesses. The Group's increasing profitability in the above areas will enable the Group to increase investment in AI-related medical fields, as well as the launch and deployment of cutting-edge and innovative products, including intelligent medicine, Internet-based medical services and personal health management.

To supplement the Group's consolidated financial statements presented in accordance with Hong Kong Financial Reporting Standards, the Group has also reported its adjusted net profit, which is not required under, or presented in accordance with, HKFRS, as an additional financial indicator. We believe that such non-HKFRS indicator is conducive to the comparison of operating performance across different periods and between different companies by eliminating the potential impact of items which are, in the view of our management, not indicative of our operating performance. We believe that such indicator provides investors and other parties with useful information which would enable them to understand and evaluate our consolidated operating results in the same manner as our management does. However, the adjusted net profit presented by us may not be comparable to similar indicators presented by other companies. Such non-HKFRS indicator is subject to limitations as an analytical tool and should not be regarded as being independent from or a substitute for the analysis of our operating results or financial positions reported in accordance with HKFRS. The term "adjusted net profit/(loss) for the year" is not defined under HKFRS and accordingly it is not audited, not included in the financial statements and not presented in accordance with HKFRS.

The adjusted net profit/(loss) for the year ended March 31, 2018 and 2017 set out in the table below represent adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRS (i.e., loss for the year):

	For the year ended March 31,	
	2018	2017
	RMB'000	*RMB'000*
Loss for the year	**(109,034)**	(208,653)
Excluding		
— Share-based compensation expenses	**117,034**	110,324
Adjusted net profit/(loss)	**8,000**	(98,329)

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

The financial position of the Group as at March 31, 2018 and the corresponding comparative figures as at March 31, 2017 are summarized as follows:

	March 31, 2018	March 31, 2017
	RMB'000	*RMB'000*
Current assets	**2,016,093**	810,915
Including		
— Cash and cash equivalents (including fixed deposits with maturity within three months, and mainly denominated in Hong Kong dollars, United States dollars and Renminbi)	**1,397,197**	569,860
— Restricted cash	**2,268**	914
— Trade receivables and other receivables	**143,854**	58,118
Current liabilities	**580,238**	353,472
Current ratio (current assets/current liabilities)	**3.47**	2.29
Quick ratio (cash and cash equivalents and trade receivables/current liabilities)	**2.66**	1.78
Shareholders' equity	**2,580,248**	1,177,836
Gearing ratio (bank loans/shareholders' equity)	**N/A**	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and cash equivalents including fixed deposits with maturity within three months increased by RMB827,337,000 or 145.2% from RMB569,860,000 as at March 31, 2017 to RMB1,397,197,000 as at March 31, 2018. Such increase was mainly due to the issuance of new shares to Alibaba Group by the Group during the year to raise US$226,597,000, where a surplus exists after deducting the investments in associates and the drawdown to finance the operating cash outflow of the Group during the year.

Trade receivables and other receivables increased by RMB85,736,000 or 147.5% from RMB58,118,000 as at March 31, 2017 to RMB143,854,000 as at March 31, 2018. Such increase mainly reflected the increase in receivables from customers of the centralized procurement and distribution business during the year ended March 31, 2018.

As at March 31, 2018, the Group did not pledge any Group assets for bank loans or banking facilities (March 31, 2017: RMB222,848,000).

The increase in current and quick ratios as at March 31, 2018 mainly reflected the increase in cash and cash equivalents described above. The current ratio was 3.47 (March 31, 2017: 2.29) and the quick ratio was 2.66 (March 31, 2017: 1.78).

Shareholders' equity increased by RMB1,402,412,000 or 119.1% from RMB1,177,836,000 as at March 31, 2017 to RMB2,580,248,000 as at March 31, 2018, mainly reflecting the fundraising from issuance of new shares to Alibaba Group during the year.

The balance of the Group's outstanding bank loans as at March 31, 2018 amounted to nil (March 31, 2017: RMB200,000,000) and hence no gearing ratio was shown (March 31, 2017: nil). As at March 31, 2018, the Group did not have any material contingent liabilities.

The Group's operations and transactions are principally conducted in the People's Republic of China (the "PRC"). The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the current year. The board of directors of the Company (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 reviewed by the directors of the Company (the "Directors"). The Group does not have a foreign exchange hedging policy but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to a 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, 2018 was 484 (384 as at March 31, 2017). Total staff costs of the Group for the year ended March 31, 2018 amounted to RMB323.5 million (RMB250.7 million for the year ended March 31, 2017). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

The Group has also adopted a share award scheme as approved by the shareholders of the Company on November 24, 2014 (the "Share Award Scheme"). Pursuant to the Share Award Scheme, the Board may grant awards (the "Share 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. Details of the options and RSUs granted, lapsed and outstanding under the Share Award Scheme during the year are set out in note 27 to the consolidated financial statements.

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

On May 19, 2017, Hongyun Jiukang Data Technology (Beijing) Company Limited^ (弘云久康數據技術(北京)有限公司) ("Hongyun Jiukang"), a subsidiary of the Company, entered into a capital increase agreement (the "Target Holdco Capital Increase Agreement") with Jiahe Meikang (Beijing) Technology Co., Ltd^ (嘉和美康(北京)科技股份有限公司) ("Target Holdco"), pursuant to which Hongyun Jiukang agreed to inject RMB291,176,470.59 in cash into the Target Holdco, of which RMB15,045,882 was contributed to the increase in its registered capital, and RMB276,130,588.59 was contributed to its capital reserve. Upon completion of the Target Holdco Capital Increase Agreement, the registered capital of the Target Holdco was increased to RMB100,305,882, and the Target Holdco was held as to 85% by the existing shareholders of the Target Holdco and 15% by Hongyun Jiukang.

On the same day, Hongyun Jiukang also entered into another capital increase agreement (the "Target Subsidiary Capital Increase Agreement") with Beijing Jiamei Online Technology Co., Ltd^ (北京嘉美在線科技有限公司) ("Target Subsidiary"), pursuant to which Hongyun Jiukang agreed to inject RMB40,000,000 in cash to the Target Subsidiary, of which RMB36,654,545 was contributed to the increase in its registered capital, and RMB3,345,455 was contributed to its capital reserve. Upon completion of the Target Subsidiary Capital Increase Agreement, the registered capital of the Target Subsidiary was increased to RMB81,454,545, and the Target Subsidiary was held as to 55% by the existing shareholder of the Target Subsidiary, Beijing Jiahe Meikang Information Technology Co., Ltd^ (北京嘉和美康信息技術有限公司), and 45% by Hongyun Jiukang. For further information, please refer to the announcement of the Company dated May 19, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

On May 18, 2017, the Company entered into a share purchase agreement with Ali JK Nutritional Products Holding Limited (the "Vendor"), a direct wholly-owned Subsidiary of Alibaba Holding, pursuant to which the Company agreed to acquire a 100% equity interest in Ali JK Nutritional Products Limited, an offshore holding vehicle incorporated under the laws of the British Virgin Islands by the Vendor to hold the target business which comprises all merchant relationships with the target merchants for the promotion and distribution of the Blue Cap Health Food products sold on Tmall.com and certain relevant marketing and operations personnel managing the relationships with the target merchants. The aggregate consideration was HK$3,800,000,000 and was satisfied by the Company issuing 1,187,500,000 consideration shares to the Vendor at completion on June 30, 2017. For further information, please refer to the announcement of the Company dated May 19, 2017.

^ For identification purpose only

DIRECTORS' REPORT

The directors (the "Directors") of Alibaba Health Information Technology Limited (the "Company") present their report and the audited financial statements for the year ended March 31, 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Review of Business

A review of the Group's business, including the principal risks and uncertainties faced by such business and its possible future development are described under the paragraphs headed "Business Review" in the section headed "Management Discussion and Analysis" of this report on pages 6 to 21.

Analysis of Performance and Financial Position

The key financial figures and financial position of the Group for the year ended March 31, 2018 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 21.

Environmental Policies and Performance

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

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with legal and regulatory requirements. Internal compliance and risk management policies and procedures are in place to ensure the Group's adherence and compliance with all significant legal and regulatory requirements in Hong Kong and the PRC. For the year ended March 31, 2018 and up to the date of this report, to the best knowledge of the Directors, the Group has complied in all material respects with the applicable laws and regulations of Hong Kong and the PRC which have a significant impact on the business and operations of the Group, including in respect of its principal businesses of the sale of healthcare products and services, and the provision of product tracking, intelligent medicine and health management services, employment and labour practices and environmental protection, etc. The Group has also obtained all licenses, approvals and permits from the relevant regulatory authorities that are material for its business operations in the PRC.

Relationships with Key Stakeholders

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

Employees

Employees are regarded as the most important and valuable assets of the Group. The number of full-time employees of the Group as at March 31, 2018 was 484 (384 as at March 31, 2017). 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 paragraphs headed "Share Award Scheme" in this report.

Customers

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

Suppliers

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

RESULTS AND DIVIDENDS

The Group's financial performance for the year ended March 31, 2018 and the financial position of the Group as at that date are set out in the financial statements on pages 76 to 79.

The Board does not recommend the payment of any dividend for the year ended March 31, 2018 (2017: 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 172. This summary does not form part of the audited financial statements.

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

Details of movements in the Company's share capital, share options and RSUs during the year are set out in notes 26 to 27 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended March 31, 2018, 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 4,113,700 shares of the Company on the market to satisfy the Share Awards granted to connected employees of the Company upon vesting.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

The Company did not have any reserves available for distribution at the end of the reporting period. However, the Company's share premium account, in the amount of approximately RMB7,255,519,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

DIRECTORS

The Directors during the year were:

Executive Director:

Mr. Shen Difan *(appointed on March 29, 2018)*

Non-executive Directors:

Mr. Wu Yongming *(Chairman)*
Mr. Tsai Chung, Joseph *(resigned on December 29, 2017)*
Ms. Huang Aizhu *(resigned on December 29, 2017)*
Mr. Wang Lei *(re-designated from executive director to non-executive director on March 29, 2018)*
Mr. Kang Kai
Ms. Zhang Yu *(appointed on December 29, 2017)*

Independent Non-executive Directors:

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

Since the date of the interim report of the Company for the six months ended September 30, 2017, the changes to the information which are required to be disclosed and had been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules are as below:

- Each of Mr. Tsai Chung, Joseph and Ms. Huang Aizhu resigned as a non-executive Director on December 29, 2017.

- Ms. Zhang Yu was appointed as a non-executive Director on December 29, 2017.

- Mr. Shen Difan was appointed as an executive Director and the chief executive officer of the Company on March 29, 2018.

- Mr. Wang Lei resigned as the chief executive officer of the Company and was re-designated as a non-executive Director on March 29, 2018.

In accordance with Bye-law 99 and Bye-law 102 of the bye-laws of the Company, Mr. Shen Difan, Mr. Kang Kai, Mr. Yan Xuan and Ms. Zhang Yu will retire at the forthcoming annual general meeting of the Company to be held on July 20, 2018 (the "AGM"). Mr. Shen Difan, Mr. Yan Xuan and Ms. Zhang Yu, being eligible, will offer themselves for re-election at the AGM. Mr. Kang Kai will not offer himself for re-election at the AGM.

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 44 to 47 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. The details of the Directors' emoluments are set out in note 8 to the consolidated financial statements in this report. During the year ended March 31, 2018, there was no arrangement under which a Director waived or agreed to waive any remuneration and no remuneration was paid by the Group to a Director as an inducement to join or upon joining the Group or as compensation for loss of office.

The Directors are also eligible to be granted Share Awards under the Company's Share Award Scheme. The details of the scheme are set out in note 27 to the consolidated financial statements.

SHARE AWARD SCHEME

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

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

The specific mandate granted to the Board at the annual general meeting of the Company held on September 30, 2015 (the "2015 Specific Mandate") to exercise all the powers of the Company to grant Share Awards lapsed at the conclusion of the annual general meeting of the Company held on August 18, 2016. The specific mandate was subsequently renewed by approval of the shareholders of the Company at the annual general meetings of the Company held on August 18, 2016 (the "2016 Specific Mandate") and July 26, 2017 (the "2017 Specific Mandate"), respectively. The total number of shares underlying the Share Awards granted and which remained outstanding as at March 31, 2018 amounted to 148,499,197, 43,463,100 of which were granted pursuant to the 2016 Specific Mandate, and 47,309,857 of which were granted pursuant to the 2017 Specific Mandate. As at March 31, 2018, Share Awards in respect of a total of 232,123,132 underlying shares, which represent 2.36% of the total issued shares as at March 31, 2018, remain available to be granted under the Share Award Scheme under the 2017 Specific Mandate.

Movements of the options and RSUs under the Share Award Scheme 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, 2017	Date of grant/ conditional Grant	Granted during the year	Exercise price *(HK$)*	Options exercised during the year	Options or RSUs lapsed/ cancelled during the year	RSUs vested during the year	Number of shares represented by options or RSUs outstanding as at March 31, 2018
Director of the Company									
Mr. Wang Lei	Options	7,491,000	September 7, 2015[1]	–	5.184	–	–	–	7,491,000
	RSUs	1,284,000	September 7, 2015[16]	–	–	–	–	642,000	642,000
	Options	1,141,000	July 29, 2016[2]	–	5.558	–	–	–	1,141,000
	RSUs	380,000	July 29, 2016[16]	–	–	–	–	95,000	285,000
	RSUs	–	June 14, 2017[16]	4,854,000	–	–	–	732,750[17]	4,121,250
Mr. Kang Kai	RSUs	–	October 10, 2017[16]	296,000	–	–	–	–	296,000
Employees	Options	18,149,500	September 7, 2015[3]	–	5.184	–	3,513,250	–	14,636,250
	RSUs	6,804,400	September 7, 2015[16]	–	–	–	1,360,000	3,075,150	2,369,250
	Options	1,980,000	October 20, 2015[4]	–	5.550	–	1,894,000	–	86,000
	RSUs	2,294,700	October 20, 2015[16]	–	–	–	379,000	1,017,850	897,850
	Options	4,264,000	April 28, 2016[5]	–	5.320	–	940,000	–	3,324,000
	RSUs	10,124,955	April 28, 2016[16]	–	–	–	3,303,105	2,795,910	4,025,940
	Options	17,096,600	July 29, 2016[6]	–	5.558	–	2,489,500	–	14,607,100
	RSUs	12,882,900	July 29, 2016[16]	–	–	–	1,554,750	3,107,300	8,220,850
	Options	1,783,000	October 11, 2016[7]	–	4.416	–	762,000	–	1,021,000
	RSUs	2,250,300	October 11, 2016[16]	–	–	–	1,052,800	835,200	362,300
	RSUs	1,750,200	November 23, 2016[16]	–	–	–	505,700	559,000	685,500
	Options	6,680,000	February 2, 2017[8] & [9]	–	3.626	–	1,867,000	–	4,813,000
	RSUs	4,176,000	February 2, 2017[16]	–	–	–	1,166,000	158,000	2,852,000
	Options	116,000	February 22, 2017[9] & [10]	–	3.610	–	–	–	116,000
	RSUs	2,967,000	February 22, 2017[16]	–	–	–	353,700	1,175,400	1,437,900
	Options	–	June 14, 2017[11] & [12]	3,523,000	3.902	–	–	–	3,523,000
	RSUs	–	June 14, 2017[16]	28,445,000	–	–	3,358,900	554,950	24,531,150
	Options	–	August 3, 2017[13]	14,797,000	3.686	–	379,000	–	14,418,000
	RSUs	–	August 3, 2017[16]	8,475,200	–	–	270,225	352,550	7,852,425
	Options	–	October 10, 2017[14]	11,739,000	4.400	–	–	–	11,739,000
	RSUs	–	October 10, 2017[16]	10,181,000	–	–	–	1,586,500	8,594,500
	Options	–	February 1, 2018[15]	929,000	4,144	–	–	–	929,000
	RSUs	–	February 1, 2018[16]	3,911,000	–	–	395,000	35,068	3,480,932

Notes:

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

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

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

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

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

(3) The options granted on September 7, 2015 to the employees shall vest on or before October 10, 2019.

DIRECTORS' REPORT

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

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

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

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

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

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

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

(8) 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.

(9) The options granted on February 2, 2017 and February 22, 2017 respectively shall vest as follows:

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

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

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

(10) 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.

(11) The options granted on June 14, 2017 shall vest as follows:

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

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

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

(12) 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.

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

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

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

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

(17) The 732,750 RSUs have vested in Mr. Wang Lei but have not yet been transferred to him during the year ended March 31, 2018.

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, 2018, please refer to note 2.4 (Share-based payments) and note 27 to the Group's consolidated financial statements for the year ended March 31, 2018.

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

As at March 31, 2018, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in shares and underlying shares of the Company

	Number of ordinary shares and underlying shares held, capacity and nature of interest		
Name of director	**Nature of Interest**	**Total interest in Shares**	**Percentage of the Company's share capital**
Mr. Wang Lei	Beneficial and equity derivative interests *(Note 1)*	15,150,000	0.15%
Mr. Wu Yongming	Beneficial Owner	1,262,000	0.01%
Mr. Kang Kai	Equity derivative interest *(Note 2)*	296,000	0.00%

Notes:

(1) Mr. WANG Lei beneficially held 737,000 ordinary shares and subject to vesting, is interested in 14,413,000 shares underlying the 8,632,000 options and 5,781,000 RSUs granted to him in accordance with the Share Award Scheme.

(2) Subject to vesting, Mr. KANG Kai is interested in 296,000 shares underlying the 296,000 RSUs granted to him in accordance with the Share Award Scheme.

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

Name of Director	Nature of interest	Number of shares/underlying shares held	Approximate percentage of issued shares of associated corporation
Mr. WANG Lei	Beneficial, equity derivative interests and interests of spouse[(1)]	60,538	0.00%
	Beneficiary of a trust[(2)]	20,000	0.00%
Mr. KANG Kai	Beneficial and equity derivative interest [(3)]	15,423	0.00%
Ms. ZHANG Yu	Beneficial and equity derivative interest [(4)]	64,859	0.00%
Mr. WU Yongming	Beneficial and interests of spouse[(5)]	231,017	0.01%
	Interests in controlled corporation[(6)]	200,000	0.01%
	Founder of a discretionary trust[(7)]	6,463,690	0.25%
Mr. SHEN Difan	Beneficial, equity derivative interests and interests of spouse[(8)]	67,461	0.00%

Notes:

(1) It represents 30,560 ordinary shares or underlying ordinary shares and 26,250 restricted share units beneficially held by Mr. WANG Lei and 3,728 ordinary shares or underlying shares and restricted share units held by his spouse.

(2) It represents 20,000 ordinary shares or underlying ordinary shares held by a private trust whereby Mr. WANG Lei and his family are beneficiaries.

(3) It represents 4,673 ordinary shares or underlying ordinary shares and 10,750 restricted share units beneficially held by Mr. KANG Kai.

(4) It represents 17,875 ordinary shares or underlying ordinary shares and 46,984 restricted share units beneficially held by Ms. ZHANG Yu.

(5) It represents 31,017 ordinary shares held by Mr. WU Yongming, and 200,000 ordinary shares held by his spouse.

(6) It represents 200,000 ordinary shares or underlying ordinary shares held by Plus Force Enterprise Ltd. (which is wholly owned by Mr. WU Yongming).

(7) It represents 6,463,690 ordinary shares or underlying ordinary shares held by Mr. WU Yongming through two private trusts whereby he is the founder of the discretionary trusts.

(8) It represents 23,648 ordinary shares or underlying ordinary shares and 35,500 restricted share units beneficially held by Mr. SHEN Difan and 8,313 ordinary shares or underlying shares held by his spouse.

Save as disclosed above, as at March 31, 2018, 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 titled "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 titled "Biographical Information of Directors and Senior Management", no Director and controlling shareholders of the Company had a material interest, either directly or indirectly, in any contract of significance (whether for the provision of services to the Company or any of its subsidiaries or not) to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year under review.

ARRANGEMENT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the section titled "Share Award Scheme", at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company 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, 2018, the following interests or short positions in the shares and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions:

Name	*Notes*	Capacity and nature of interest	Number of shares/ underlying shares	% of the issued share capital of the Company
Alibaba Group Holding Limited	(1)	Interest of controlled corporation	6,050,553,008	61.47%
Perfect Advance Holding Limited	(1)	Beneficial owner	4,420,628,008	44.91%
Alibaba Investment Limited	(1)	Interest of controlled corporation	4,420,628,008	44.91%
Innovare Tech Limited	(1)	Persons acting in concert	4,420,628,008	44.91%
Yunfeng Fund II, L.P.	(1)	Persons acting in concert	4,420,628,008	44.91%
Yunfeng Investment GP II, Ltd.	(1)	Interest of controlled corporation	4,420,628,008	44.91%
Yunfeng Investment II, L.P.	(1)	Interest of controlled corporation	4,420,628,008	44.91%
Mr. Yu Feng	(1)	Interest of controlled corporation	4,420,628,008	44.91%
Mr. Ma Yun	(1)	Interest of controlled corporation	4,420,628,008	44.91%
Ali JK Nutritional Product Holding Limited	(1)	Beneficial owner	1,629,925,000	16.56%
Uni-Tech International Group Limited	(2)	Beneficial owner	777,484,030	7.90%
21CN Corporation	(2)	Interest of controlled corporation	777,484,030	7.90%
Pollon Internet Corporation	(2)	Interest of controlled corporation	777,484,030	7.90%
Ms. Chen Xiao Ying	(2)	Interest of controlled corporation	777,484,030	7.90%

Notes:

(1) Perfect Advance Holding Limited ("Perfect Advance") holds 4,420,628,008 shares.

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

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

Ali JK Nutritional Products Holding Limited ("Ali JK") holds 1,629,925,000 shares. Ali JK is owned by Alibaba Holding as to 100%. Therefore Alibaba Holding is deemed to have an interest in an aggregate of 6,050,553,008 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.

Save as disclosed above, as at March 31, 2018, 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, 2018, 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 13, 2017, Alibaba Health Technology (China) Company Limited* (阿里健康科技(中國)有限公司) ("Alibaba Health Technology (China)"), an indirect wholly-owned subsidiary of the Company, entered into the third renewed cloud computing services agreement (the "Third Renewed Agreement") with Alibaba Cloud Computing Ltd.* (阿里雲計算有限公司) ("Alibaba Cloud"). Pursuant to the Third Renewed Agreement, Alibaba Cloud agreed to provide certain cloud computing services to the Group for a term of one year from April 1, 2017 to March 31, 2018. The annual cap for the service fees payable by Alibaba Health Technology (China) to Alibaba Cloud under the Third Renewed Agreement was HK$7 million. The aggregate service fees incurred under the Third Renewed Agreement during the year ended March 31, 2018 amounted to approximately RMB5.6 million (2017: RMB7.8 million).

On February 14, 2018, the same parties entered into the fourth renewed cloud computing services agreement (the "Fourth Renewed Agreement") to renew the Third Renewed Agreement for a term of one year from April 1, 2018 to March 31, 2019, with an annual cap of RMB9 million.

The Third and the Fourth Renewed Agreement allowed the Group to, among other things, acquire technology input on cloud computing or other data processing solutions for processing big data to maintain a stable and sophisticated system to cater for real-time access to the Group's Ma Shang Fang Xin tracking platform by customers.

Perfect Advance is a substantial shareholder and a connected person of the Company. Alibaba Holding is the ultimate majority 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 Third and Fourth Renewed Agreements constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(b) Continuing Connected Transaction — Tmall Services Agreement with Alibaba Health Technology (China)

On March 10, 2017, Alibaba Health Technology (China) entered into a services agreement (the "Services Agreement") with 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") to renew the original service agreement entered into by the same parties on August 24, 2016 with substantially the same key terms for one year until March 31, 2018. The annual cap for the service fees payable to the Group during the term of the Services Agreement was RMB110 million, which was revised to RMB130 million as approved by the independent shareholders at the special general meeting held on January 26, 2018. The aggregate service fees received by the Group under the Services Agreement during the year ended March 31, 2018 amounted to approximately RMB124.4 million.

On February 14, 2018, the same parties entered into the renewed services agreement (the "Renewed Services Agreement") for a term commencing on April 1, 2018 and ending on March 31, 2019. The Renewed Services Agreement was approved by the independent shareholders at a special general meeting held on March 29, 2018 with an annual cap of RMB241 million.

Pursuant to the Services Agreement and the Renewed Services Agreement, Alibaba Health Technology (China) agreed to provide to the Tmall Entities certain outsourced and value-added services in relation to certain categories of products or services sold on or offered on Tmall/Tmall Supermarket for the payment of fees.

The Tmall Entities are members of Alibaba Group. Accordingly, the Tmall Entities are connected persons of the Group. The transactions contemplated under the Services Agreement and the Renewed Services Agreement constitute continuing connected transactions of the Company, and were approved by independent shareholders of the Company at the special general meetings held on March 30, 2017 and March 29, 2018, respectively in accordance with the Listing Rules.

(c) Continuing Connected Transaction — Services Framework Agreement

On December 31, 2016, the Company (for itself and on behalf of its subsidiaries) entered into the services framework agreement with Alibaba.com China Limited (阿里巴巴網絡中國有限公司) and Taobao China Holding Limited (淘寶中國控股有限公司) ("Taobao China", collectively, "AGH Contracting Parties") (for themselves and on behalf of their subsidiaries) (the "Services Framework Agreement"), pursuant to which AGH Contracting Parties and their affiliates (the "AGH Relevant Entities") shall provide various services to the Group, and the Group shall pay the service fees calculated in accordance with the standard terms and conditions as amended and published on the respective online sales platforms operated by the respective entities from time to time. The Services Framework Agreement, which commenced on March 11, 2017 and remained effective until March 31, 2018, enabled the Company to continue to market and sell products and services on online sales platforms operated by the respective parties and thus allowed the Company to reach out to more customers and improve its understanding of their needs. The annual cap for the service fees payable by the Group under the Services Framework Agreement for the year ended March 31, 2018 was RMB60 million, which was revised to RMB80 million as approved by the independent shareholders at the special general meeting of the Company held on January 26, 2018. The aggregate service fees incurred under the Services Framework Agreement for the year ended March 31, 2018 amounted to RMB78.6 million.

On February 14, 2018, the same parties entered into the renewed services framework agreement (the "Renewed Services Framework Agreement") for a term commencing on April 1, 2018 and ending on March 31, 2019. The Renewed Services Framework Agreement was approved by the independent shareholders at a special general meeting held on March 29, 2018 with an annual cap of RMB229 million.

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 Services Framework Agreement and the Renewed Services Framework Agreement constituted continuing connected transactions of the Company, and were approved by independent shareholders of the Company at the special general meetings held on March 10, 2017 and March 29, 2018, respectively, in accordance with the Listing Rules.

(d) Continuing Connected Transactions — Agency Agreement

On June 28, 2017, Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司) ("Alimama") and Alibaba Health (Hong Kong) Technology Company Limited (阿里健康(香港)科技有限公司) ("Alibaba Health (HK)") entered into an agency agreement (the "Renewed Agency Agreement") to renew the original agency agreement entered into between Alimama and Alibaba Health Technology (China) for a term of one year running retrospectively from April 1, 2017 to March 31, 2018. Pursuant to the Renewed Agency Agreement, Alibaba Health (HK) (for itself and on behalf of its subsidiaries), as the marketing agent, agreed to refer contracted clients of Alibaba Health HK and its subsidiaries (the "Alibaba Health Group") to purchase, and Alimama, as the marketing services provider, agreed to provide to Alibaba Health Group's contracted clients, various marketing and advertising services on the marketing and branding platforms provided by Alimama and/or its affiliated companies during the term of the Renewed Agency Agreement. The annual cap for the incentive fees to be received by the Group under the Renewed Agency Agreement for the year ending March 31, 2018 was RMB7 million. The aggregate incentive fees received by the Group for the year ended March 31, 2018 amounted to approximately RMB0.9 million.

As Alimama is an indirect wholly-owned subsidiary of Alibaba Holding, Alimama is an associate of Perfect Advance and hence a connected person of the Company. The transactions contemplated under the Renewed Agency Agreement constituted continuing connected transactions of the Company in accordance with the Listing Rules.

(e) Continuing Connected Transactions — Logistics Services Framework Agreement

On June 28, 2017, the Company (for itself and on behalf of its subsidiaries) entered into the logistics services framework agreement (the "Logistics Services Framework Agreement") with Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司) ("Zhejiang Cainiao") (for itself and on behalf of its affiliates), pursuant to which Cainiao Smart Logistics Network Limited ("Cainiao Smart Logistics"), the ultimate controlling shareholder of Zhejiang Cainiao, and its subsidiaries (collectively the "Cainiao Group") agreed to provide various logistics services and the Group agreed to pay the service fees. The term of the Logistics Services Framework Agreement was from April 1, 2017 to March 31, 2018. The annual cap for the service fees under the Logistics Services Framework Agreement was RMB23 million, which was revised to RMB26 million as approved by the independent shareholders at the special general meeting held on January 26, 2018. The aggregate service fees incurred under the Logistics Services Framework Agreement for the year ended March 31, 2018 amounted to approximately RMB22.9 million.

On February 14, 2018, Hangzhou Cainiao Supply Chain Management Co., Ltd* (杭州菜鳥供應鏈管理有限公司) ("Hangzhou Cainiao") (for itself and on behalf of its affiliates) entered into the renewed logistics services framework agreement (the "Renewed Logistics Services Framework Agreement") with the Company, for a term commencing from April 1, 2018 and ending on March 31, 2019. The Renewed Logistics Services Framework Agreement was approved by the independent shareholders at a special general meeting held on March 29, 2018 with an annual cap of RMB59 million.

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

(f) Continuing Connected Transactions — Shared Services Agreement

On July 3, 2017, the Company entered into the shared services agreement (the "Shared Services Agreement") with Alibaba Holding, pursuant to which Alibaba Holding shall procure certain shared service providers, including Alibaba Holding and persons controlled by it, to provide to the Group certain shared services, including office premises sharing and support services, for a term of one year with retrospective effect from April 1, 2017 to March 31, 2018. The annual cap for the service fees payable under the Shared Services Agreement was RMB23 million. The aggregate service fees incurred under the Shared Services Agreement for the year ended March 31, 2018 amounted to approximately RMB17.5 million.

On February 14, 2018, the same parties entered into the renewed shared services agreement for a term commencing from April 1, 2018 and ending on March 31, 2019 (the "Renewed Shared Services Agreement"). The Renewed Shared Services Agreement was approved by the independent shareholders at a special general meeting held on March 29, 2018 with an annual cap of RMB42 million. As Alibaba Holding is a connected person of the Company, the transactions contemplated under the Shared Services Agreement and the Renewed Shared Services Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

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

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

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

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

(h) Continuing connected transactions — Payment Services Framework Agreement

On September 20, 2017, the Company (for itself and on behalf of its subsidiaries) entered into the payment services framework agreement (the "Payment Services Framework Agreement") with Alipay.com Co., Ltd.* (支付寶(中國)網絡技術有限公司) ("Alipay"), pursuant to which Alipay agreed to provide the payment services and the Group agreed to pay the service fees. The term of the Payment Services Framework Agreement was from September 20, 2017 to March 31, 2018. The annual cap for the service fees payable (i) under the individual service agreements entered into between the Group and Alipay for the provision of the payment services prior to the confirmation of Alipay as a deemed connected person of the Group; and (ii) under the Payment Services Framework Agreement for the period from July 10, 2017 to March 31, 2018 was RMB10 million. The aggregate service fees incurred under such agreements during the year ended March 31, 2018 amounted to approximately RMB7.8 million.

On February 14, 2018, the same parties entered into the renewed payment services framework agreement (the "Renewed Payment Services Framework Agreement") for a term commencing from April 1, 2018 and ending on March 31, 2019 with an annual cap of RMB23 million.

Alipay is a wholly-owned subsidiary of Ant Small and Micro Financial Services Group Co., Ltd.* (浙江螞蟻小微金融服務集團股份有限公司) ("Ant Financial"), which, together with its subsidiaries, were confirmed as deemed connected persons of the Company by the Stock Exchange on July 10, 2017 under Rule 14A.19 of the Listing Rules. Accordingly, Alipay has been deemed as a connected person of the Company since July 10, 2017 and the transactions contemplated under the Payment Services Framework Agreement and the Renewed Payment Services Framework Agreement constitute continuing connected transactions for the Company in accordance with the Listing Rules.

(i) Continuing connected transactions — Tracking Services Agreement

On September 26, 2017, Alibaba Health Technology (China), an indirect wholly-owned subsidiary of the Company, entered into the tracking services agreement (the "Tracking Services Agreement") with Taobao China Holding Limited ("Taobao China"), pursuant to which Alibaba Health Technology (China) agreed to provide to Taobao China certain tracking services for a term commencing on September 26, 2017 and ending on August 31, 2018. The annual cap for the service fees payable under the Tracking Services Agreement was RMB9.0 million. The aggregate service fees incurred under the Tracking Services Agreement for the year ended March 31, 2018 amounted to approximately RMB6.3 million.

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 Tracking Services Agreement constitute continuing connected transactions of the Company in accordance with the Listing Rules.

(j) Connected transactions — Subscription Agreement

On November 17, 2017, the Company and Ali JK Nutritional Products Holding Limited entered into the subscription agreement ("Subscription Agreement") in relation to the subscription of 442,425,000 Shares ("Subscription Shares") at the subscription price of HK$4.00 per Subscription Share. The Subscription Shares represented approximately: (i) 4.72% of the issued share capital of the Company as at 17 November 2017; and (ii) 4.50% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

Ali JK Nutritional Products Holding Limited is a substantial shareholder and hence a connected person of the Company. The entry into of the Subscription Agreement and the transactions contemplated thereunder (including the Subscription and the issue of the Subscription Shares) constituted connected transactions of the Company in accordance with the Listing Rules.

(k) Continuing connected transactions — Supply Framework Agreement

On October 15, 2017, the Company entered into the supply framework agreement (the "Supply Framework Agreement") with Alibaba.Com Singapore E-Commerce Private Limited ("Alibaba Singapore"), pursuant to which the Company agreed to procure the Group to supply to Alibaba Group various products including but not limited to health products, nutritional supplements and family planning products for a term commencing on October 15, 2017 and ending on March 31, 2018. The annual cap for the purchases under the Supply Framework Agreement was HK$10 million, which was subsequently revised to RMB23 million. The aggregate purchases incurred under the Supply Framework Agreement for the year ended March 31, 2018 amounted to approximately RMB19.3 million.

On February 14, 2018, the same parties entered into the renewed supply framework agreement (the "Renewed Supply Framework Agreement") for a term commencing from April 1, 2018 and ending on March 31, 2019 with an annual cap of RMB23 million.

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

(l) Continuing connected transactions — Alimama

Since April 1, 2017, members of the Group and Alimama entered into the Zuanshi (鑽石) services agreements, the Zhitongche (直通車) services agreements and the Yiyebaping (一夜霸屏) services agreement in respect of the provision of advertising services to the Group. On January 8, 2018, Hangzhou Lihe Pharmaceutical Co., Ltd.* (杭州禮和醫藥有限公司) and Alibaba Health Technology (China) entered into the Lihe advertising services agreement (together with the Zuanshi services agreements, the Zhitongche services agreements and the Yiyebaping services agreement, the "Advertising Services Agreements") with Alimama, pursuant to which the Group agreed to pay Alimama advertising fees approximately RMB4.2 million for the advertising services. The annual cap for such advertising fees payable under the Advertising Services Agreements for the year ended March 31, 2018 was RMB10 million. The aggregate advertising fees incurred under the Advertising Services Agreements for the year ended March 31, 2018 amounted to approximately RMB7.7 million.

On February 14, 2018, the Company and Alimama entered into the advertising service framework agreement (the "Advertising Service Framework Agreement") for a term commencing from April 1, 2018 and ending on March 31, 2019 with an annual cap of RMB54 million. Pursuant to the Advertising Service Framework Agreement, the Group shall engage Alimama and its subsidiaries and affiliates to provide the advertising services.

Alimama is an indirect wholly-owned subsidiary of Alibaba Holding. Accordingly, Alimama is an associate of Perfect Advance and also a connected person of the Company. The transactions contemplated under the Advertising Services Agreements and the Advertising Service Framework Agreement constitute continuing connected transactions for 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 has been set up during the year to carry out independent appraisal of the adequacy and effectiveness of the internal control procedures and to review all the connected transactions. Any findings by the internal audit function have been provided to the Directors to assist them in performing the annual review of the continuing connected transactions. The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and have confirmed that such continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

RELATED PARTY TRANSACTIONS

During the year, save as disclosed in note 33 to the consolidated financial statements, the Group had no material transactions with its related parties.

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

As at the date of this report, Mr. Wu Yongming, a non-executive Director, was the controlling shareholder of Hangzhou Vision Plus Capital Management Company Limited* (杭州圓璟投資管理有限公司). As of the date of this report, Hangzhou Vision Plus Capital Management Company Limited* (杭州圓璟投資管理有限公司) and its associates were a substantial shareholder of Choice Technology Inc., a company which operates a medical healthcare systems and data services platform, Beijing Huifukang Information Consultancy Co., Ltd* (北京惠福康信息諮詢有限公司), a company which operates an online doctor referral platform, Shanghai Mudi Biological Technology Co., Ltd.* (上海妙一生物科技有限公司), a company which operates an online clinical research platform, and Yawlih Technology (Beijing) Co., Ltd.* (曜立科技(北京)有限公司), a company which provides hospital and other medical data processing technology solutions. 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 is a non-executive Director and does not participate in the day-to-day operations of the Group, the Directors believe that it would be unlikely that Mr. Wu's aforesaid interests in the above companies would cause any material adverse impact to the business of the Group. Mr. Wu has confirmed he is fully aware of and has been discharging his fiduciary duty to the Company to avoid conflicts of interest. In situations where any conflict of interests arises, Mr. Wu will refrain from discussion, taking part in the decision-making process and voting on the relevant Board resolutions at the Board meetings.

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

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

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

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

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

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

SHEN Difan
Chief Executive Officer and Executive Director

Hong Kong
May 16, 2018

* For identification purpose only

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Mr. SHEN Difan, aged 39, was appointed as the executive Director and chief executive officer of the Company on March 29, 2018. Prior to his current position, he was the general manager of Alibaba Group's AliExpress business from March 2012, and led the rapid expansion of AliExpress, growing Alibaba Group's overseas brand influence. Mr. Shen joined Alibaba Group in 2004 and had held various positions in Alibaba Group, including in relation to B2B product operations, and in the security department and advertising product department. Mr. Shen holds a bachelor's degree in computing from Yantai University. Mr. Shen also acts as a consultant to Alibaba Group.

NON-EXECUTIVE DIRECTORS

Mr. WU Yongming, aged 43, was appointed as a non-executive Director and Chairman of the Company on April 17, 2015. Mr. Wu has been a senior vice president of the Alibaba Group since June 2010 and has been a special assistant to the chairman of the board of directors of Alibaba Group Holding Limited ("Alibaba Holding") since September 2014, the shares of which are listed on the New York Stock Exchange (stock code: BABA). Mr. Wu also served as technology director of Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司) from September 1999, technology director of Alipay (China) Information Technology Co., Ltd.* (支付寶(中國)網絡技術有限公司) from December 2004, P4P business director of Alibaba Group from November 2005, general manager of Hangzhou Alimama Technology Co., Ltd.* (杭州阿里媽媽網絡技術有限公司) from December 2007, chief technology officer of Taobao (China) Software Co., Ltd.* (淘寶(中國)軟件公司) from September 2008, and was responsible for Alibaba Group's search business, advertising business and mobile business from October 2011. Mr. Wu was previously a director of AutoNavi Holdings Limited, a then NASDAQ-listed company, from May 2013 to July 2014. Mr. Wu graduated from college of information engineering of Zhejiang University of Technology, PRC in June 1996.

Mr. WANG Lei, aged 38, was re-designated as a non-executive Director on 29 March 2018. Mr. Wang currently serves as vice president of Alibaba Group Holding Limited and chief executive officer of Ele.me. Prior to this position, Mr. Wang was the general manager of Alibaba Group's Taobao Diandian business from September 2013. Mr. Wang held various positions within Alibaba Group since he joined Alibaba Group in 2003, including senior director of the B2B advertising service department and senior director of the mobile Internet business department's O2O workshop. Mr. Wang holds a bachelor's degree in precision instruments from China Jiliang University. Mr. Wang is a director of certain subsidiaries of the Company.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. KANG Kai, aged 41, has been a director of Tmall that is a third party online platform for brands and retailers operated by Alibaba Group (a group of companies comprising Alibaba Holding and its subsidiaries, the "Alibaba Group") under the domain name Tmall.com (the "Tmall") and head of Tmall's medical and healthcare business since he joined Alibaba Group in July 2014. Mr. Kang was previously the chief operating officer of Beijing Haoyaoshi Pharmacy Chain Co., Ltd.* (北京好藥師大藥房連鎖有限公司) and before that, he was a member of management of Leyou (China) Chain Supermarket Company Limited* (樂友(中國)超市連鎖有限公司) where he was responsible for formulating and implementing the goals and strategies for the company's e-commerce business. He was vice-president, health products business for Shanghai Yishiduo e-Commerce Company Limited* (上海益實多電子商務有限公司) (more commonly known as Yihaodian) from October 2009 to December 2010. Mr. Kang was also a deputy general manager of Jinxiang Internet Technology Co., Ltd* (北京金象在綫網絡科技有限公司), from April 2007 to September 2009. Mr. Kang obtained a bachelor's degree in computer science and engineering from the Beijing University of Technology, PRC in July 1999 and a master of science degree in multimedia and internet computing from the Loughborough University, United Kingdom in December 2003.

Ms. ZHANG Yu, aged 45, was appointed a non-executive Director on December 29, 2017. She joined Alibaba Group in November 2015, and is the vice president of finance at Alibaba Group. She is also a director of Suning Commerce Group Co., Ltd. (蘇寧雲商集團股份有限公司) (a company listed on the Shenzhen Stock Exchange) since March 2017, a supervisor of Ant Small and Micro Financial Services Group Co., Ltd.* (浙江螞蟻小微金融服務集團股份有限公司) since December 2016 and the financial controller and the supervisor of various subsidiaries of Alibaba Group. Ms. Zhang was an independent non-executive director of Alibaba Pictures Group Limited (SEHK: 1060) from June 2014 to November 2015. She was a partner of the Corporate Finance Audit (CFA) function in Siemens AG's East Asia Pacific Region since October 2010 where she managed a team of professionals across the finance, operations, IT, compliance and forensic audit disciplines, serving regions and countries such as the PRC, Southeast Asia, Korea, Japan, Australia and New Zealand. Before joining Siemens AG, Ms. Zhang was a partner at KPMG, where she had worked for more than 14 years serving large multinational companies and PRC companies. She has extensive business experience working with audit committees and management. Ms. Zhang holds a bachelor's degree in economics from Renmin University of China and a master's degree in accounting from University of Denver, the United States. She is also a Certified Public Accountant in the PRC and the United States.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YAN Xuan, aged 56, was appointed as an independent non-executive Director of the Company on May 9, 2014. Appointed in June 2011, Mr. Yan was President of Nielsen Holdings N.V. Greater China. He became Chairman of Growth Markets of Nielsen Holdings N.V. in January 2018. Before joining Nielsen Holdings N.V., Mr. Yan spent close to two decades in China in senior and executive positions with leading global companies, such as AT&T, Microsoft Corporation, Oracle Corporation and Qualcomm Incorporated. Mr. Yan was previously a vice chairman of the board of governors of American Chamber of Commerce in China from January to December 2008 as well as a member of the board of directors of the United States Information Technology Office. Mr. Yan also served as a director or vice-chairman on the boards of directors of several US-China telecom equipment and software joint ventures. Mr. Yan received his juris doctor from Duke University School of Law, U.S. as a Richard M. Nixon Scholar in 1987, and attended the Advanced Management Program at Harvard Business School, U.S. in 2000.

Mr. LUO Tong, aged 51, was appointed as an independent non-executive Director of the Company on May 9, 2014. Mr. Luo is currently the chief strategy officer of Yiguo Information Technology Co., Ltd. Mr. Luo has over 20 years of experience of retailing operation and management. Before joining the Board of the Company, he worked as the regional general manager for Walmart's Zhejiang Province Operations, the vice president of operations and development for China Nepstar Chain Drugstore Ltd., the vice president of operations for Tesiro Jewellery Company and the general manager of retail development of Guangzhou Pharmaceuticals Corporation. Mr. Luo has obtained a diploma in business administration from Guangzhou Finance and Trade Management Institute and a diploma in English from Guangdong Social Science College.

Mr. WONG King On, Samuel, aged 65, was appointed as an independent non-executive Director of the Company on May 9, 2014. During the period from October 2010 to November 2013, Mr. Wong was an independent non-executive director and chairman of the audit committee of Yashili International Holdings Limited (Stock code: 1230) which was listed on the Hong Kong Stock Exchange Limited. Mr. Wong has over 30 years of experience in accounting and finance. Mr. Wong joined Ernst & Young in October 1979 and was elected to its partnership in January 1993. Mr. Wong was the managing partner, China Central of Ernst & Young and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in 2010. Mr. Wong was a professor of practice (accounting) of the school of accounting and finance of the Hong Kong Polytechnic University from September 2013 to August 2016, and also an adjunct professor of the school of accounting & finance of the Hong Kong Polytechnic University from 2002 to 2010. Mr. Wong was the president of Association of Chartered Certified Accountants (ACCA) Hong Kong for 1998–1999 and a member of the global council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA for 2003–2004. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants, a member of the ACCA and a Certified Practising Accountant Australia. Mr. Wong obtained a master of business administration degree from the University of Bradford, United Kingdom in December 1978. Mr. Wong was awarded the Binder Hamlyn Prize for the best student in financial management in 1978.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

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

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

* For identification purpose only

CORPORATE GOVERNANCE REPORT

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

In the opinion of the Board of the Company, throughout the year ended March 31, 2018, the Company has complied with the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Listing Rules, except in respect of the following matter:

Code provision A.6.7 stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wu Yongming, Mr. Tsai Chung, Joseph*, Ms. Huang Aizhu* and Mr. Kang Kai, being non-executive Directors, and Mr. Yan Xuan and Mr. Luo Tong, being independent non-executive Directors were not able to attend the special general meeting of the Company held on June 29, 2017; Mr. Wu Yongming, Mr. Tsai Chung, Joseph, Ms. Huang Aizhu and Mr. Kang Kai were not able to attend the annual general meeting of the Company held on July 26, 2017; Mr. Wu Yongming and Mr. Kang Kai were not able to attend the special general meetings of the Company held on January 4, 2018 and January 26, 2018, respectively; and Mr. Kang Kai and Ms. Zhang Yu, a non-executive Director appointed on December 29, 2017, were not able to attend the special general meeting of the Company held on March 29, 2018 due to conflicts of prior scheduled engagements with the meeting times. However, the Company has reported to the Directors on the items discussed at the general meetings and the feedback from the shareholders.

THE BOARD

Composition

As at the date of this report, the Board comprises eight Directors, including (i) an executive Director, namely Mr. Shen Difan (Chief Executive Officer); (ii) four non-executive Directors, namely Mr. Wu Yongming (Chairman), Mr. Wang Lei, Mr. Kang Kai and Ms. Zhang Yu; and (iii) three independent non-executive Directors ("INED(s)"), namely Mr. Yan Xuan, Mr. Luo Tong and Mr. Wong King On, Samuel. The names and biographical details of each Director are disclosed on pages 44 to 46 of this annual report. The non-executive Directors and the INEDs are appointed for a term of one year and their appointment shall be renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of their appointment unless terminated by the Company in accordance with the term of their appointment letters and the provisions of the bye-laws of the Company, respectively.

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

* Mr. Tsai Chung, Joseph and Ms. Huang Aizhu resigned as non-executive Directors on December 29, 2017.

Each INED, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, has confirmed he had been independent of the Company throughout the year ended March 31, 2018 and up to the date of this report, and the Company also considers that they have been independent. Each INED is subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the bye-laws of the Company. Save as disclosed, there is no relationship (including financial, business, family or other material or relevant relationship) between each Director (including INED) and the other members of the Board or the senior management and between the Chairman and the Chief Executive Officer.

Function

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

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

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

Chairman and Chief Executive Officer

Mr. Wu Yongming is the chairman of the Board and Mr. Wang Lei was the chief executive officer of the Company for the year ended March 31, 2018 up to March 28, 2018, following which Mr. Shen Difan was appointed on March 29, 2018. As such, the Company has fully complied with the code provision A.2.1 of the CG Code during the year ended March 31, 2018.

The Board held eight Board meetings during the year ended March 31, 2018. Agenda and accompanying board papers were sent to all Directors in a timely manner. Directors who could not attend in person could participate through other electronic means of communications. Individual attendance of each Director at the Board meetings, Board Committee meetings and general meetings during the year ended March 31, 2018 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 Director						
Mr. Shen Difan *(Chief Executive Officer, appointed on March 29, 2018)*	0/0	0/0	0/0	N/A	N/A	N/A
Non-executive Directors						
Mr. Wu Yongming *(Chairman)*	0/1	1/4	6/8	N/A	2/2	2/2
Mr. Tsai Chung, Joseph *(resigned on December 29, 2017)*	0/1	0/1	3/5	N/A	N/A	N/A
Ms. Huang Aizhu *(resigned on December 29, 2017)*	0/1	0/1	3/5	N/A	N/A	N/A
Mr. Wang Lei *(re-designated from executive director to non-executive director on March 29, 2018)*	1/1	1/4	8/8	N/A	N/A	N/A
Mr. Kang Kai	0/1	0/4	6/8	N/A	N/A	N/A
Ms. Zhang Yu *(appointed on December 29, 2017)*	0/0	2/3	3/3	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Yan Xuan	1/1	3/4	8/8	3/3	2/2	N/A
Mr. Luo Tong	1/1	3/4	8/8	2/3	N/A	2/2
Mr. Wong King On, Samuel	1/1	4/4	8/8	3/3	2/2	2/2

Directors' Training

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

Pursuant to Code Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the financial year ended March 31, 2018, all of the following Directors participated in continuous professional development by attending seminars or by self-studying of materials on topics related to corporate governance, regulations and business:

Executive Director

Mr. Shen Difan	Self-study

Non-executive Directors

Mr. Wu Yongming	Attending seminars and self-study
Mr. Wang Lei	Attending seminars and self-study
Mr. Kang Kai	Attending seminars and self-study
Ms. Zhang Yu	Attending seminars and self-study

Independent Non-executive Directors

Mr. Yan Xuan	Attending seminars
Mr. Luo Tong	Attending seminars and self-study
Mr. Wong King On, Samuel	Attending seminars

Board Committees

Throughout the year ended March 31, 2018, the Company maintained the Audit Committee, the Nomination Committee and the Remuneration Committee in compliance with the Listing Rules and the relevant Code Provisions of the CG Code.

Remuneration Committee

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

The main duties of the Remuneration Committee include:

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

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

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

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

The Remuneration Committee held two meetings for the year ended March 31, 2018. The Remuneration Committee discussed and made recommendations on the remuneration to be paid to the Directors for the year ended March 31, 2018, 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 and the amendments to the standard policy of grant of share awards of the Company.

Audit Committee

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

The main duties of the Audit Committee include:

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

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

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

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

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

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

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

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

The Audit Committee held three meetings for the financial year ended March 31, 2018. The Audit Committee reviewed the financial statements of the Company for the year ended March 31, 2017 and for the six months period ended September 30, 2017, 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, 2018, and made relevant recommendations to the Board for its approval.

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

Nomination Committee

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

The main duties of the Nomination Committee include:

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

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

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

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

The Nomination Committee held two meetings for the year ended March 31, 2018. The Nomination Committee, assessed the independence of the independent non-executive Directors, reviewed the retirement schedule, made recommendations on the retirement and re-election of Directors and reviewed the composition, size and diversity of the Board.

Board Diversity Policy

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 to the Listing Rules (the "Model Code") to regulate the Directors' dealings in the Group's securities. In response to specific enquires by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2018.

COMPANY SECRETARY

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

AUDITOR'S REMUNERATION

The remuneration paid to Ernst & Young for audit and non-audit services for the year ended March 31, 2018 amounted to approximately RMB1,229,000 and RMB661,000, respectively. The non-audit services provided by Ernst & Young to the Group were in relation to the review service on the interim results, limited assurance services on continuing connected transactions, other professional service related to the environmental, social and governance assessment and tax review service.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Audit Committee and the Board performed its annual review of the Group's risk management and internal controls and concluded that for the year ended March 31, 2018, (a) the Group's risk management and internal control systems were effective; (b) the Group had adopted the necessary control mechanisms to monitor and correct non-compliance; and (c) the Group had complied satisfactorily with the requirements of the Corporate Governance Code in respect of risk management and internal control systems.

SHAREHOLDER COMMUNICATION POLICY

Purpose

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

Communication Strategies

Corporate Website

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

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

Shareholders' meetings

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

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

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

Shareholder Privacy

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

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), but any SGM so convened shall not be held after the expiration of three months from the deposit of the requisition.

Procedures for putting forward proposals at general meetings

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

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

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

Procedures for sending enquires to the Board

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

CONSTITUTIONAL DOCUMENTS

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

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 69 to 75 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

1. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

(ii) continually optimizing its risk management organizational structure;

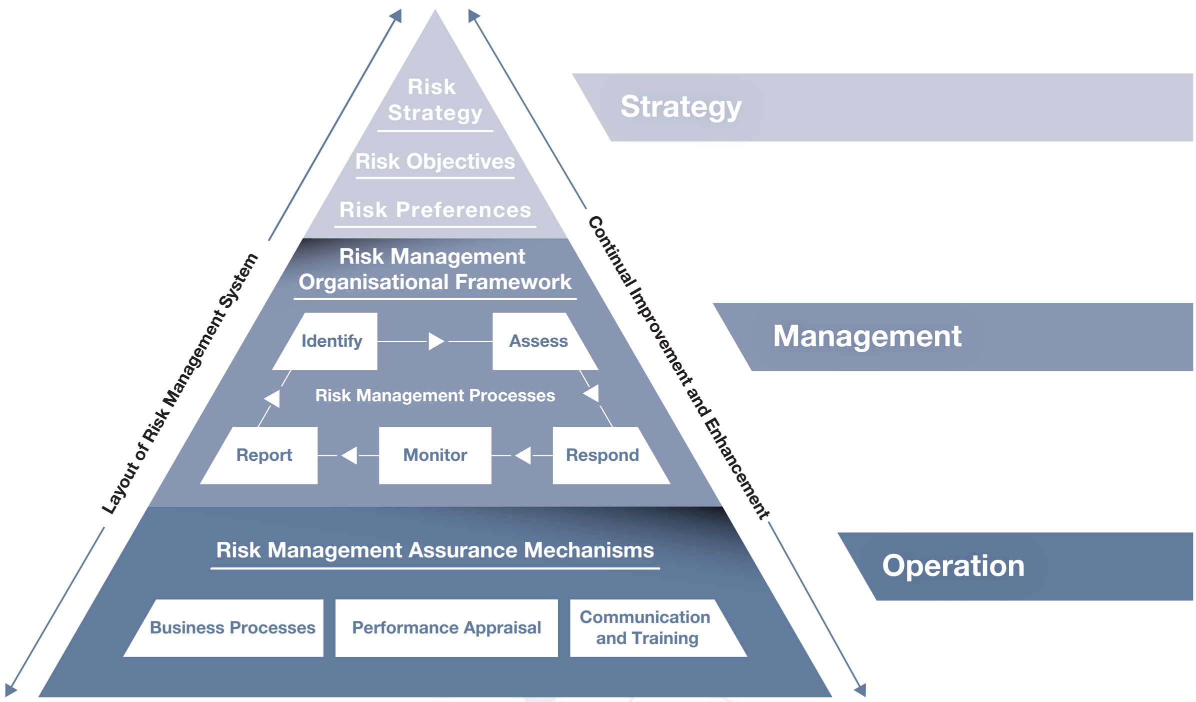
(iii) standardizing its risk management processes; and

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

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

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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



- **Risk Management Strategy**

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

- **Risk Management Objectives**

The Company's risk management objectives include:

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

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

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

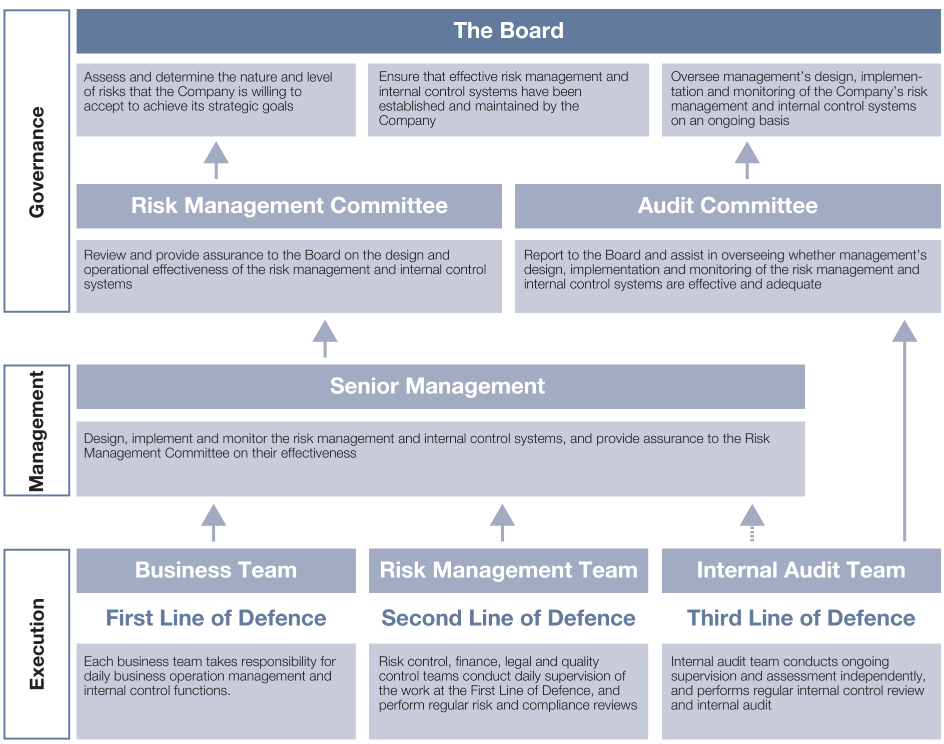
(4) Compliance objective — to ensure compliance with both external regulatory requirements and internal management policies, standardize our operational management and business processes to maintain the legality and compliance of each business transaction of the Company.

- **Risk Preferences**

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

- **Risk Management Organizational Structure**

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



- **Risk Management Processes**

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

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

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

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

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

- **Risk Management Assurance Mechanisms**

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

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

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

3. MAIN RISK MANAGEMENT AND INTERNAL CONTROLS WORK CONDUCTED IN FY2018

- By the end of March 31, 2018, the Risk Management Committee had held three meetings and reported to the Board of Directors twice on the effectiveness of the Company's risk management and internal control systems. The tasks completed by the committee in FY2018 included: (i) discussion and review of the Group's findings on major risk identification and assessment, the risk heat map, the risk management strategies and major internal control measures mitigating key risks; (ii) discussion and review of the Report on Internal Control Assessment for FY2018 submitted by the internal audit team and oversight of management's responsibilities of design, implementation and monitoring of the risk management and internal control systems; (iii) discussion and review of the Risk Management and Internal Control Report and Environmental, Social and Governance Report required to be disclosed in the Company's annual report for FY2018; (iv) discussion and review of the work plan and key points of risk management and internal control work for FY2019 as well as the expected outputs and timetable etc.

- Management identified uncertainties and risk exposures in 11 major areas (including strategic risk, operational risk, marketing risk, financial risk, legal risk, human resources risk, information technology and data security risk, reputational risk, strategic investment, customer experience, big data and algorithms); completed the definition, assessment and ranking of the identified risks; drew up the risk heat map; discussed risk mitigation proposals and measures and updated the Risk Evaluation Summary of Alibaba Health, which forms the main basis for risk management and internal control work for FY2018 and FY2019.

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

- The internal audit team completed its independent review of the design and operational effectiveness of the Company's internal control activities in certain major risk areas and presented the Internal Control Review Report to the Audit Committee, the Risk Management Committee and the Company's management team.

- The risk management function's quality control team monitored data analysis reports on key risk indicators on a weekly basis, constantly focusing on warning data shown through the risk indicators and adopting relevant preventative measures in a timely manner.

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

4. DISCLOSURE OF MATERIAL RISKS

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

Major Risks	Description of Risks	Risk Responses
Regulatory Risks	As the Company operates its principal businesses under a strict regulatory regime, if we breach applicable regulatory requirements, we may be subject to penalties which may adversely affect our brand reputation and business. If we do not have a timely understanding of changes in and updates on the applicable policies, rules and regulations, or do not sufficiently assess the impact of policies and regulations changes on our business operation, management would be unable to adopt mitigating measures on a timely basis, which would affect the Company's regular business activities and its business continuity.	• Establish relevant business processes and procedures and internal control measures, and added internal monitoring and checks by specialist teams in relation to matters involving regulatory issues, to ensure that the Company's business operations comply with regulatory requirements;

Major Risks	Description of Risks	Risk Responses
		• Stay up-to-date with applicable rules, regulations and regulatory requirements issued by the government and regulators via announcements and notices from the authorities, as well as the news media, the internet and Alibaba Group's legislation monitoring system. The Company also actively participates in forums organized by the government and regulatory bodies to ensure that it is fully aware of the latest government and regulatory requirements and updates; • The Company has established information sharing channels to keep business teams abreast of the latest regulatory requirements; we also organize regular internal seminars and trainings to study and discuss the applicable rules, regulations and regulatory requirements issued by the government and regulators, with a view to ensuring that the relevant business teams accurately understand the policies and regulations;

Major Risks	Description of Risks	Risk Responses
		• The legal team and business teams jointly assess the impact of policy and regulatory changes on our business, and design mitigating measures and alternative business models in response to the changes, so as to ensure business continuity as well as regulatory compliance.
Information Technology and Data Management Risks	As an Internet company, information technology and data management form a solid foundation and an important infrastructure for the Company's business development and operation, as well as one of the competitive advantages to help the Company maintain high innovation levels and to become an industry leader. Any failure or postponement in our product R&D, disruption of transactions due to malfunctioning information systems, or leakage or loss of or unauthorized tampering of our data would have a material adverse impact on us achieving our strategic objectives, our brand reputation, business continuity and customer satisfaction.	• The Company has established standardized product research and development (R&D) procedures, R&D project management mechanisms, coordination, communication and incentive mechanisms for cross-team cooperation between R&D, business, product and marketing teams to ensure timely and effective development of products to meet business needs; • The Company has established IT system maintenance standards and business continuity management procedures, contingency plans for IT system interruptions, and the disaster recovery plans and drills to ensure smooth and uninterrupted operation of our systems and to improve the capability of the system to respond quickly to risk events;

Major Risks	Description of Risks	Risk Responses
		• To comprehensively safeguard the Company from the risks of data leakage, loss and tampering from the three areas of staff, processes and information technology, the Company (i) has established management procedures for data collection and transmission, storage security, encrypted protection, authorized access and usage, and destruction; (ii) has deployed information technology for data security management and encrypted protection; and (iii) organizes regular trainings to communicate data security and encryption requirements to all our employees. • In the course of obtaining ISO27001 (information security management system) and ISO9001 (quality management system) accreditation, the Company also further conducted self-review and enhanced its information technology and data security management systems and procedures according to international standards.

RISK MANAGEMENT AND INTERNAL CONTROL

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

5. OUTLOOK AND KEY ACTIONS FOR FY2019

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

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

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

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

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

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

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

6. STATEMENT OF THE BOARD REGARDING INTERNAL CONTROL RESPONSIBILITY

The Group's internal controls are aimed at ensuring compliance of its operations with laws and regulations, the security of its assets and the validity and completeness of its financial reports and related information, to thereby enhance its operational efficiency and effectiveness and facilitate the realization of its growth strategies. The Company has established internal control procedures to safeguard against the unauthorized use or disposition of its assets, to ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable laws, rules and regulations. During FY2018, the Company conducted a comprehensive self-assessment of its internal controls which it reported to the Audit Committee and the Board of Directors, and no significant deficiencies were identified. The Board believes that, for the year ended March 31, 2018, the Company's existing internal control systems were sufficient and effective to assure the interests of the Company and its shareholders.

INDEPENDENT AUDITOR'S REPORT

EY 安永

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 76 to 171, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2018, 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 matter	How our audit addressed the key audit matter
Impairment of investments in associates	
As at March 31, 2018, the Group's investments in associates amounted to RMB950,973,000. The Group identified indicators of impairment for two investments in associates and accordingly performed impairment tests for these investments by comparing their carrying amounts as at March 31, 2018 with the recoverable amounts. The impairment assessment which was based on the discounted cash flows method was complex and required management to use significant judgement and make estimations in respect of future market and economic conditions such as economic growth, expected inflation rates, revenue and margin development. Relevant disclosures are included in notes 3 and 15 to the financial statements.	We performed the following procedures to address the key audit matter: — Evaluating the Group's policies and procedures for identifying triggering events for potential impairment of the investments in associates; — With the assistance of internal valuation specialists, examining the Group's value-in-use methodologies and evaluating the assumptions used in the forecast cash flows, including the discount rate and the long term growth rate, through comparison of current trading performance, making enquiry with management in respect of key growth and trading assumptions; and testing the mathematical accuracy of management's model; — Making enquiries with management in respect of growth and trading assumptions; and — Testing the mathematical accuracy of management's model.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories	
As at March 31, 2018, the carrying amount of the Group's inventories before provision was RMB456,700,000. The inventories were stated at the lower of cost and net realisable value. The determination of the net realisable value and identification of the obsolete and slow-moving inventory items involved management judgement and estimation. Specific factors management considered included the ageing and expiry dates of the inventories, condition of the goods, historical and recent sale patterns, available selling prices and budgeted fulfilment costs, and any other available information concerning the provision of the inventories. For the year ended March 31, 2018, an impairment of inventories of RMB14,469,000 was recognised. Relevant disclosures are included in notes 3 and 7 to the financial statements.	We performed the following procedures to address the key audit matter: — Evaluating the Group's policies and procedures for identifying events for impairment of inventories; — Gaining an understanding of management's assessment on available selling prices and budgeted fulfilment costs based on historical and recent sales patterns; and — Evaluating the ageing report and expiry dates of the inventories, and comparing available market selling prices.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Measurement of share-based compensation expenses	
The Company granted share-based awards to certain employees of the Group during the current year. The share-based compensation expenses were measured with reference to the fair values of the share options at the grant dates. The fair values were determined by management with the assistance of an external valuer. The determination of fair values and the forfeiture rate of share options required significant management judgements and estimation and was based on assumptions. The share-based compensation expenses recognised attributed to RMB117,034,000 in profit or loss for the current year. Relevant disclosures are included in notes 3 and 27 to the financial statements.	We performed the following procedures to address the key audit matter: — Obtaining an understanding of the agreement of the share-based awards; — For each batch of grants made during the year, checking the approval and evaluating the terms against the scheme plans; — Obtaining an understanding of the valuation reports of the valuer engaged by management regarding the fair value estimation of the awards; — Enquiring with management about the assumptions used in the model, including the dividend yield and forfeiture rate; — With the assistance of our internal valuation specialists, evaluating the valuation model and assumptions used in the valuation model, including exercise multiples and volatility; — Testing the mathematical accuracy of the valuation model; and — Checking the calculation of the share-based compensation expenses and movements of outstanding awards.

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, related safeguards.

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

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

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

May 16, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**2,442,618**	475,078
Cost of revenue		**(1,789,794)**	(287,835)
Gross profit		**652,824**	187,243
Operating expenses:			
Fulfilment	6	**(338,763)**	(67,768)
Sales and marketing expenses		**(201,094)**	(113,090)
Administrative expenses		**(121,251)**	(95,740)
Product development expenses		**(126,220)**	(108,580)
Other income and gains	5	**52,393**	17,354
Other expenses		**(11,855)**	(24,679)
Finance costs		**(10,126)**	(6,886)
Share of profits or losses of:			
Joint ventures	14	**7,949**	9,480
Associates	15	**998**	(4,433)
LOSS BEFORE TAX	7	**(95,145)**	(207,099)
Income tax expense	10	**(13,889)**	(1,554)
LOSS FOR THE YEAR		**(109,034)**	(208,653)
Attributable to:			
Owners of the parent		**(106,974)**	(207,626)
Non-controlling interests		**(2,060)**	(1,027)
		(109,034)	(208,653)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	11	**RMB(1.16) cents**	RMB(2.54) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

Year ended March 31, 2018

	2018 *RMB'000*	2017 *RMB'000*
LOSS FOR THE YEAR	**(109,034)**	(208,653)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income may be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(69,750)**	62,550
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(69,750)**	62,550
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(178,784)**	(146,103)
Attributable to:		
Owners of the parent	**(176,724)**	(145,076)
Non-controlling interests	**(2,060)**	(1,027)
	(178,784)	(146,103)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2018

	Notes	March 31, 2018 RMB'000	March 31, 2017 RMB'000
NON-CURRENT ASSETS			
Property and equipment	12	**6,274**	5,065
Goodwill	13	**19,123**	19,123
Investments in joint ventures	14	**62,593**	42,644
Investments in associates	15	**950,973**	524,801
Long-term receivables	18	**55,921**	54,304
Pledged deposits	19	**—**	222,848
Total non-current assets		**1,094,884**	868,785
CURRENT ASSETS			
Inventories	16	**442,231**	151,505
Trade receivables	17	**91,373**	38,501
Prepayments, deposits and other receivables	18	**78,924**	39,835
Financial asset at fair value through profit or loss	20	**4,100**	10,300
Restricted cash	19	**2,268**	914
Cash and cash equivalents	19	**1,397,197**	569,860
Total current assets		**2,016,093**	810,915
CURRENT LIABILITIES			
Trade payables	21	**323,310**	125,862
Other payables and accruals	22	**137,629**	189,462
Deferred revenue	23	**716**	—
Advance from customers		**111,160**	38,148
Tax payable		**7,423**	—
Total current liabilities		**580,238**	353,472
NET CURRENT ASSETS		**1,435,855**	457,443
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,530,739**	1,326,228
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	24	**—**	200,000
Deferred tax liabilities	25	**7,682**	6,566
Total non-current liabilities		**7,682**	206,566
Net assets		**2,523,057**	1,119,662

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

March 31, 2018

	Notes	**March 31, 2018 RMB'000**	March 31, 2017 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**86,617**	72,481
Treasury shares	26	**(5,474)**	(91)
Reserves	28	**2,499,105**	1,105,446
		2,580,248	1,177,836
Non-controlling interests		**(57,191)**	(58,174)
Total equity		**2,523,057**	1,119,662

WU Yongming
Director

SHEN Difan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2018

		Attributable to owners of the parent												
	Notes	Share capital RMB'000	Share premium account RMB'000	Treasury shares RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve RMB'000	Employee share-based compensation reserve RMB'000	General reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2017		72,481	1,907,220*	(91)	–	25,037*	77,335*	83,410*	104,282*	13,468*	(1,105,306)*	1,177,836	(58,174)	1,119,662
Loss for the year		–	–	–	–	–	–	–	–	–	(106,974)	(106,974)	(2,060)	(109,034)
Other comprehensive loss for the year:														
Translation from functional currency to presentation currency		–	–	–	–	–	–	(69,750)	–	–	–	(69,750)	–	(69,750)
Total comprehensive loss for the year		–	–	–	–	–	–	(69,750)	–	–	(106,974)	(176,724)	(2,060)	(178,784)
Issue of new shares	26	3,672	1,465,002	–	–	–	–	–	–	–	–	1,468,674	–	1,468,674
Issue of new shares for restricted share units	26	164	–	(164)	–	–	–	–	–	–	–	–	–	–
Issue of new shares for acquisition under common control	26	10,300	3,821,342	–	(3,828,605)	–	–	–	–	–	–	3,037	–	3,037
Purchase of shares by Share Award Scheme Trust	26	–	–	(13,129)	–	–	–	–	–	–	–	(13,129)	–	(13,129)
Share-based compensation expenses	27	–	–	–	–	–	–	–	117,034	–	–	117,034	–	117,034
Vested awarded shares transferred to employees	26	–	61,955	7,910	–	–	–	–	(69,865)	–	–	–	–	–
Transfer of share-based compensation reserve of options lapsed after vesting date		–	–	–	–	–	–	–	(8,971)	–	8,971	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	3,000	3,000
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	(43)	–	–	–	–	–	(43)	43	–
Share of capital reserve of an associate		–	–	–	–	3,563	–	–	–	–	–	3,563	–	3,563
At March 31, 2018		86,617	7,255,519*	(5,474)	(3,828,605)*	28,557*	77,335*	13,660*	142,480*	13,468*	(1,203,309)*	2,580,248	(57,191)	2,523,057

* These reserve accounts comprise the consolidated reserves of RMB2,499,105,000 (March 31, 2017: RMB1,105,446,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended March 31, 2017

		Attributable to owners of the parent											
	Notes	Share capital *RMB'000*	Share premium account *RMB'000*	Treasury shares *RMB'000*	Capital reserve *RMB'000*	Contributed surplus *RMB'000*	Exchange fluctuation reserve *RMB'000*	Employee share-based compensation reserve *RMB'000*	General reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-Controlling interests *RMB'000*	Total equity *RMB'000*
At April 1, 2016		72,305	1,863,621	–	33,979	77,335	20,860	37,472	13,468	(897,680)	1,221,360	(66,089)	1,155,271
Loss for the year		–	–	–	–	–	–	–	–	(207,626)	(207,626)	(1,027)	(208,653)
Other comprehensive income for the year:													
Translation from functional currency to presentation currency		–	–	–	–	–	62,550	–	–	–	62,550	–	62,550
Total comprehensive income/(loss) for the year		–	–	–	–	–	62,550	–	–	(207,626)	(145,076)	(1,027)	(146,103)
Share-based compensation expenses	27	–	–	–	–	–	–	110,324	–	–	110,324	–	110,324
Exercise of share options	26	–	249	–	–	–	–	(79)	–	–	170	–	170
Vested awarded shares transferred to employees	26	85	43,350	–	–	–	–	(43,435)	–	–	–	–	–
Issue of shares	26	91	–	(91)	–	–	–	–	–	–	–	–	–
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		–	–	–	(8,942)	–	–	–	–	–	(8,942)	8,942	–
At March 31, 2017		72,481	1,907,220*	(91)	25,037*	77,335*	83,410*	104,282*	13,468*	(1,105,306)*	1,177,836	(58,174)	1,119,662

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(95,145)**	(207,099)
Adjustments for:			
Interest on bank loans	7	**6,393**	6,886
Interest on other loans	7	**3,733**	—
Share of profits of joint ventures		**(7,949)**	(9,480)
Share of (profits)/losses of associates		**(998)**	4,433
Bank interest income	5	**(13,206)**	(11,567)
Other interest income	5	**(1,617)**	(404)
Gain on disposal of items of property and equipment	7	**(4)**	(17)
Gain on disposal of a subsidiary	5	**—**	(4,550)
Fair value loss on financial asset at fair value through profit or loss	7	**6,200**	—
Depreciation	7	**4,508**	4,618
Impairment of trade receivables	7	**1,167**	2,710
Impairment of other receivables	7	**—**	1,706
Impairment of inventories	7	**14,469**	3,565
Write-off of inventories	7	**2,363**	—
Foreign exchange differences, net		**(31,760)**	17,298
Share-based compensation expenses	7	**117,034**	110,324
		5,188	(81,577)
Increase in trade receivables		**(54,039)**	(41,105)
Increase in prepayments, deposits and other receivables		**(36,521)**	(16,833)
Increase in inventories		**(307,558)**	(152,176)
Increase in trade payables		**197,448**	121,464
Increase in other payables and accruals		**54,024**	26,728
Increase/(decrease) in deferred revenue		**716**	(86,873)
Increase/(decrease) in advance from customers		**73,012**	(1,730)
Increase in restricted cash		**(1,354)**	(614)
Exchange differences		**(9,513)**	(2,349)
Cash used in operations		**(78,597)**	(235,065)
Interest received		**8,836**	9,088
Dividend received from an associate		**4,839**	—
Income taxes paid		**(5,350)**	(269)
Net cash flows used in operating activities		**(70,272)**	(226,246)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended March 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
Net cash flows used in operating activities		**(70,272)**	(226,246)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	12	**(5,731)**	(2,140)
Proceeds from disposal of items of property and equipment		**13**	76
Decrease/(increase) in pledged time deposits		**222,848**	(222,848)
Acquisition of subsidiaries	29	**–**	(19,675)
Increase in financial asset at fair value through profit or loss		**–**	(10,300)
Subscription of new shares in associates		**(527,166)**	(320,255)
Capital injection of a joint venture		**(12,000)**	–
(Increase)/decrease of time deposits with original maturity of over three months		**(888,778)**	416,390
Net cash flows used in investing activities		**(1,210,814)**	(158,752)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of options		**–**	170
Issue of new shares		**1,468,674**	–
Repurchase of shares		**(13,129)**	–
Bank loans and other loans		**595,931**	200,000
Repayment of bank loans and other loans		**(795,931)**	(735)
Interest paid		**(10,428)**	(6,584)
Capital contribution from a non-controlling shareholder of a subsidiary		**3,000**	–
Net cash flows from financing activities		**1,248,117**	192,851
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(32,969)**	(192,147)
Effect of foreign exchange rate changes		**(28,472)**	47,589
Cash and cash equivalents at beginning of year		**569,860**	714,418
CASH AND CASH EQUIVALENTS AT END OF YEAR		**508,419**	569,860

Year ended March 31, 2018

	Notes	2018 RMB'000	2017 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**288,910**	145,225
Non-pledged time deposits with original maturity of three months or less when acquired	19	**219,509**	424,635
Non-pledged time deposits with original maturity of over three months		**888,778**	—
Cash and cash equivalents as stated in the consolidated statement of financial position	19	**1,397,197**	569,860
Non-pledged time deposits with original maturity of over three months when acquired		**(888,778)**	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		**508,419**	569,860

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are primarily engaged in the sale of healthcare products and services, and the provision of product tracking, intelligent medicine and health management services.

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Alibaba Health (Hong Kong) Technology Company Limited ("Alibaba Health (Hong Kong)")	Hong Kong	HK$1,000,000	–	100	Investment holding and pharmaceutical e-commerce
中信二十一世紀(中國)科技有限公司 (CITIC 21CN (China) Technology Company Limited[a)][bc]	PRC/Mainland China	RMB300,000,000	–	100	Provision of product tracking platform services
中信國檢信息技術有限公司 (CITIC Credit Information Technology Co., Ltd.[a]) ("CCIT")[bcd]	PRC/Mainland China	RMB60,000,000	–	50	Provision of product tracking platform services
阿里健康科技(中國)有限公司 (Alibaba Health Technology (China) Limited[a)][bc] (Formerly known as Alibaba Health Technology (Beijing) Co., Ltd.[a])	PRC/Mainland China	RMB220,000,000	–	100	Telemedicine service, comprehensive member service to users and pharmaceutical e-commerce

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
阿里健康大藥房醫藥連鎖有限公司 (Alibaba Health Pharmaceutical Chain Co., Ltd.[a])[bd]	PRC/Mainland China	RMB120,000,000	–	100	Pharmacy business
杭州禮和醫藥有限公司 (Hangzhou Lihe Pharmaceutical Co., Ltd.[a]) ("Lihe")[bd]	PRC/Mainland China	RMB20,000,000	–	100	Pharmaceutical product trading and healthcare service business
弘云久康數據技術(北京)有限公司 (Hongyun Jiukang Data Technology (Beijing) Co., Ltd.[a]) ("Hongyun Jiukang")[bdf]	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
阿里健康科技(杭州)有限公司 (Alibaba Health Technology (Hangzhou) Limited[a])[bc] (Formerly known as Hangzhou Hengping Information Technology Co., Ltd.[a])	PRC/Mainland China	RMB3,000,000	–	100	Provision of e-commerce platform services

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (continued)

a For identification purposes only.

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

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

d Registered as limited liability companies under PRC law.

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

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

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

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (CONTINUED)

Merger accounting for Business combinations under common control

As disclosed in note 29(B) to the consolidated financial statements, a business combination under common control was effected during the current year, where the business acquired in the business combination and the Company are both ultimately controlled by Alibaba Holding. The business combination were accounted for using the principles of merger accounting.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended March 31, 2018. 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 27). 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.

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.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 30 to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group had no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group had no disposal group held for sale as at March 31, 2018.

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 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 19	*Employee Benefits*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)–Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)–Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

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

[1] Effective for annual periods beginning on or after January 1, 2018
[2] Effective for annual periods beginning on or after January 1, 2019
[3] Effective for annual periods beginning on or after January 1, 2021
[4] No mandatory effective date yet determined but available for adoption

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

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from April 1, 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from April 1, 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at April 1, 2018. During fiscal year 2018, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that the provision for impairment will have no significant changes upon the initial adoption of the standard.

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

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at April 1, 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before April 1, 2018. The expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During fiscal year 2018, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

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

The Group's principal activities consist of self-operated healthcare product sales, e-commerce platform services, tracking services and innovative healthcare related services in the PRC. The expected impact arising from the adoption of HKFRS 15 on the Group is summarised as follows:

Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determining the transaction prices of those contracts that include variable consideration, how the transaction prices have been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling price of each performance obligation. In addition, as required by HKFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosure, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

Presentation and disclosure (continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from January 1, 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 31 to the financial statements, at March 31, 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB15,639,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 19, issued in February 2018, require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements, but do not address the accounting for "significant market fluctuations" in the absence of a plan amendment, curtailment or settlement.

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

Presentation and disclosure (continued)

Amendments to HKAS 28, issued in October 2017, clarify that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using HKFRS 9. In applying HKFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying this standard.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from April 1, 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from April 1, 2018. The interpretation is 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)

Presentation and disclosure (continued)

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from January 1, 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

Fair value measurement

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or CGU'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 CGU to which the asset belongs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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 capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

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

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

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

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

Operating leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial asset at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Loans and receivables

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

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 recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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.

Inventories

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Revenue recognition

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

(a) Product tracking platform service income

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

(b) Income from the pharmacy business which includes:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

Outsourced and value-added services to Tmall Entities@

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

E-commerce platform services

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

Marketing services

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

Centralised procurement and distribution business

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

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

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

@ 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)

* For identification purpose only

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Costs of services

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the grant date. The fair value of share options is determined using a binomial model and the fair value of restricted share units ("RSUs") is determined with reference to the market price of the underlying shares, further details of which are given in note 27 to the financial statements.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

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

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

Other employee benefits

Pension schemes

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

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

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Service period of the product identification, authentication and tracking system ("PIATS") business

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

Impairment of investments in associates

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

Impairment of inventories

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

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Impairment of trade receivables

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. No deferred tax asset was recognised in the consolidated statement of financial position at March 31, 2018 in relation to the estimated unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Measurement of share-based compensation expenses

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

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 CGUs 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 CGUs 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, 2018 was RMB19,123,000 (March 31, 2017: RMB19,123,000). Further details are given in note 13 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in online and offline self-operated healthcare product sales, the provision of e-commerce platform services, which includes providing e-commerce platform maintenance related software services to Blue Cap Health Food merchants on Tmall.com and providing outsourced and value-added services to Tmall Entities, the provision of tracking services principally for the drug industry in the PRC, the construction of a medical services network and other innovative healthcare related services. Given that the chief operating decision maker of the Company considers that the Group's business is operated and managed as a single segment, accordingly, no segment information is presented.

Geographical information

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

Information about a major customer

During the years ended March 31, 2018 and 2017, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

5. REVENUE AND OTHER INCOME

The Group is primarily engaged in self-operated healthcare product sales, e-commerce platform services, tracking services and innovative healthcare related services in the PRC.

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

	2018 *RMB'000*	2017 *RMB'000*
Revenue		
Self-operated healthcare product sales	**2,149,107**	313,686
E-commerce platform services	**171,079**	40,341
Tracking services	**24,353**	96,305
Innovative healthcare related services and others	**98,079**	24,746
	2,442,618	475,078

5. REVENUE AND OTHER INCOME (CONTINUED)

	2018	2017
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**13,206**	11,567
Other interest income *(note 18)*	**1,617**	404
Government grant#	**5,326**	—
Gain on disposal of a subsidiary^	**—**	4,550
Gain on disposal of items of property and equipment	**4**	17
Foreign exchange difference, net	**31,765**	—
Others	**475**	816
	52,393	17,354

Government grant has been received for incentive in certain region in Mainland China in which the Company's subsidiary operate.

^ 廣東天圖科技有限公司 (Guangdong Grand Cycle Technology Company Limited*) ("Grand Cycle"), a wholly-owned subsidiary of the Group, was engaged in software development and system integration services. Grand Cycle was disposed of during the year ended March 31, 2017 for a cash consideration of RMB30,000.

* For identification purposes only

6. FULFILMENT

Fulfilment primarily consists of those costs incurred in warehousing, shipping, operation and customer services, which are associated with the Group's B2C online pharmacy business of over-the-counter drugs and other health related products.

7. LOSS BEFORE TAX

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

	Notes	**2018** **RMB'000**	2017 RMB'000
Auditor's remuneration		**1,228**	1,144
Cost of goods sold*		**1,711,194**	249,856
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)		**53,755**	33,241
Interest on bank loans**		**6,393**	6,886
Interest on other loans**		**3,733**	—
Depreciation	12	**4,508**	4,618
Gain on disposal of items of property and equipment		**(4)**	(17)
Minimum lease payments under operating leases for office buildings		**13,347**	11,965
Impairment of trade receivables***	17	**1,167**	2,710
Impairment of other receivables***	18	**—**	1,706
Impairment of inventories*		**14,469**	3,565
Write-off of inventories***		**2,363**	—
Fair value loss on financial asset at fair value through profit or loss***	20	**6,200**	—
Employee benefit expense (including directors' and chief executive's remuneration — note 8):			
Wages and salaries		**145,403**	102,878
Bonuses		**46,752**	27,485
Pension scheme contributions#		**14,350**	9,993
Share-based compensation expenses	27	**117,034**	110,324
		323,539	250,680
Foreign exchange differences, net****		**(31,765)**	19,761

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

** These items are included in "Finance costs" in the consolidated statement of profit or loss.

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

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

At March 31, 2018, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2017: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2018 *RMB'000*	2017 *RMB'000*
Fees	**996**	926
Other emoluments:		
Salaries, allowances and benefits in kind	**1,553**	1,050
Performance related bonus	**120**	—
Share-based compensation expenses	**13,697**	8,386
Pension scheme contributions	**52**	48
	15,422	9,484
	16,418	10,410

During the year ended March 31, 2018, two directors (2017: one) 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 27 to the financial statements. The fair values of such options and RSUs, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the years ended March 31, 2018 and 2017 are included in the above directors' and chief executive's remuneration disclosures.

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

(a) Independent non-executive directors

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

	2018 *RMB'000*	2017 *RMB'000*
Mr. Wong King On, Samuel	**488**	419
Mr. Yan Xuan	**244**	250
Mr. Luo Tong	**264**	257
	996	926

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

(b) Executive directors and non-executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Share-based compensation expenses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2018						
Executive directors:						
Mr. Shen Difan[6]	–	–	–	–	–	–
Mr. Wang Lei[7]	–	1,481	120	13,384	52	15,037
	–	1,481	120	13,384	52	15,037
Non-executive directors:						
Mr. Wu Yongming[1]	–	–	–	–	–	–
Mr. Tsai Chung, Joseph[5]	–	–	–	–	–	–
Ms. Huang Aizhu[5]	–	–	–	–	–	–
Mr. Kang Kai[2]	–	72	–	313	–	385
Mr. Wang Lei[7]	–	–	–	–	–	–
Ms. Zhang Yu[4]	–	–	–	–	–	–
	–	72	–	313	–	385
	–	1,553	120	13,697	52	15,422

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

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

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Share-based compensation expenses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2017						
Executive directors:						
Mr. Wang Lei[7]	–	990	–	8,386	48	9,424
Ms. Chen Xiao Ying[3]	–	–	–	–	–	–
	–	990	–	8,386	48	9,424
Non-executive directors:						
Mr. Wu Yongming[1]	–	–	–	–	–	–
Mr. Tsai Chung, Joseph[5]	–	–	–	–	–	–
Ms. Huang Aizhu[5]	–	–	–	–	–	–
Mr. Kang Kai[2]	–	60	–	–	–	60
	–	60	–	–	–	60
	–	1,050	–	8,386	48	9,484

1 Appointed on April 17, 2015
2 Appointed on September 8, 2015
3 Resigned on August 18, 2016
4 Appointed on December 29, 2017
5 Resigned on December 29, 2017
6 Appointed as executive director on March 29, 2018, also appointed as the chief executive
7 Resigned as an executive director and the chief executive, and appointed as a non-executive director on March 29, 2018

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2017: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2017: four) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018	2017
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,846**	2,155
Performance related bonuses	**2,197**	381
Share-based compensation expenses	**16,770**	15,873
Pension scheme contributions	**135**	82
Termination benefit	**—**	4,435
	22,948	22,926

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

	Number of employees	
HK$5,000,001 to HK$5,500,000	2	2
HK$5,500,001 to HK$6,000,000	1	—
HK$6,000,001 to HK$6,500,000	—	1
HK$9,500,001 to HK$10,000,000	—	1
HK$11,000,001 to HK$11,500,000	1	—
	4	4

During the years ended March 31, 2017 and March 31, 2018, share options and RSUs were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair values of such options and RSUs, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

	2018	2017
	RMB'000	*RMB'000*
Current — Hong Kong		
Charge for the year *(note)*	**2,551**	1,738
Underprovision in prior years	**—**	6
Current — Mainland China		
Charge for the year	**10,222**	—
Underprovision in prior years	**—**	263
Deferred *(note 25)*	**1,116**	(453)
Total tax charge for the year	**13,889**	1,554

Note: No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil). The amounts represented the withholding tax levied on the profits or income arising in Mainland China.

In general, the PRC subsidiaries of the Group are subject to the PRC corporate income tax rate of 25% except for two PRC subsidiaries which are entitled to a preferential tax rate at 15% for the three years ending September 8, 2018 and ending December 22, 2019, respectively.

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

The share of tax attributable to a joint venture amounting to approximately RMB224,000 (2017: RMB2,677,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

The share of tax charge attributable to associates amounting to approximately RMB247,000 (2017: tax credit of RMB245,000) is included in "Share of profits or losses of associates" in the consolidated statement of profit or loss.

10. INCOME TAX (CONTINUED)

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

2018

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Loss before tax	(85,508)		(9,637)		(95,145)	
Tax at the statutory tax rate of Mainland China	(21,377)	25.0	(2,409)	25.0	(23,786)	25.0
Effect of different tax rates of subsidiaries operating in Hong Kong	6,706	(7.8)	–	–	6,706	(7.0)
Lower tax rate enacted by local authority	–	–	(2,103)	21.8	(2,103)	2.2
Income not subject to tax	(6,322)	7.4	–	–	(6,322)	6.6
Expenses not deductible for tax	19,854	(23.2)	7,597	(78.8)	27,451	(28.9)
Research and development super deduction	–	–	(1,207)	12.5	(1,207)	1.3
Tax losses utilised from previous periods	–	–	(1,322)	13.7	(1,322)	1.4
Tax losses and deductible temporary differences not recognised	3,524	(4.1)	10,012	(103.9)	13,536	(14.2)
(Profits)/losses attributable to joint ventures and associates	(1,431)	1.7	(346)	3.6	(1,777)	1.9
Withholding tax on the distributable interest income from banks in PRC	2,713	(3.2)	–	–	2,713	(2.9)
Tax charge at the Group's effective rate	3,667	(4.2)	10,222	(106.1)	13,889	(14.6)

10. INCOME TAX (CONTINUED)

2017

	Hong Kong		Mainland China		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Loss before tax	(38,999)		(168,100)		(207,099)	
Tax at the statutory tax rate of Mainland China	(9,750)	25.0	(42,025)	25.0	(51,775)	25.0
Effect of different tax rates of subsidiaries operating in Hong Kong	4,442	(11.4)	—	—	4,442	(2.1)
Lower tax rate enacted by local authority	—	—	13,101	(7.8)	13,101	(6.3)
Income not subject to tax	2,600	(6.7)	(5,138)	3.1	(2,538)	1.2
Expenses not deductible for tax	5,903	(15.1)	27,013	(16.1)	32,916	(15.9)
Adjustments in respect of current tax of previous periods	6	(0.0)	263	(0.2)	269	(0.1)
Research and development super deduction	—	—	(1,310)	0.8	(1,310)	0.6
Tax losses utilised from previous periods	—	—	(14,305)	8.5	(14,305)	6.9
Tax losses and deductible temporary differences not recognised	120	(0.3)	21,041	(12.5)	21,161	(10.2)
(Profits)/losses attributable to a joint venture and associates	(2,030)	5.2	1,623	(1.0)	(407)	0.2
Tax charge at the Group's effective rate	1,291	(3.3)	263	(0.2)	1,554	(0.8)

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB106,974,000 (2017: RMB207,626,000), and the weighted average number of ordinary shares of 9,188,229,561 (2017: 8,178,983,926) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended March 31, 2018 and 2017 in respect of a dilution as the impact of the share options and RSUs outstanding had no dilutive effect on the loss per share amounts presented.

12. PROPERTY AND EQUIPMENT

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2018				
At March 31, 2017 and at April 1, 2017:				
Cost	6,912	31,743	406	39,061
Accumulated depreciation and impairment	(2,750)	(31,158)	(88)	(33,996)
Net carrying amount	4,162	585	318	5,065
At April 1, 2017, net of accumulated depreciation and impairment	4,162	585	318	5,065
Additions	2,566	3,165	–	5,731
Disposals	–	(9)	–	(9)
Depreciation provided during the year *(note 7)*	(3,292)	(1,108)	(108)	(4,508)
Exchange realignment	–	(5)	–	(5)
At March 31, 2018, net of accumulated depreciation and impairment	3,436	2,628	210	6,274
At March 31, 2018:				
Cost	9,478	60,599	406	70,483
Accumulated depreciation and impairment	(6,042)	(57,971)	(196)	(64,209)
Net carrying amount	3,436	2,628	210	6,274

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, 2017				
At March 31, 2016 and at April 1, 2016:				
Cost	6,397	29,263	208	35,868
Accumulated depreciation and impairment	(769)	(28,536)	(17)	(29,322)
Net carrying amount	5,628	727	191	6,546
At April 1, 2016, net of accumulated depreciation and impairment	5,628	727	191	6,546
Additions	757	1,383	—	2,140
Acquisition of subsidiaries *(note 29)*	—	852	192	1,044
Disposals	—	(59)	—	(59)
Depreciation provided during the year *(note 7)*	(2,223)	(2,330)	(65)	(4,618)
Exchange realignment	—	12	—	12
At March 31, 2017, net of accumulated depreciation and impairment	4,162	585	318	5,065
At March 31, 2017:				
Cost	6,912	31,743	406	39,061
Accumulated depreciation and impairment	(2,750)	(31,158)	(88)	(33,996)
Net carrying amount	4,162	585	318	5,065

13. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost and net carrying amount at March 31	**19,123**	19,123

Impairment testing of goodwill

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

- Retailing of healthcare products in PRC CGU; and
- Centralised procurement and distribution of healthcare products business CGU.

Trading of over-the-counter pharmaceutical products CGU

The recoverable amount of the trading of retailing of healthcare products in PRC CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 18.9%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which approximates the long term average growth rate of the healthcare products retailing industry in PRC.

Centralised procurement and distribution of healthcare products business CGU

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

13. GOODWILL (CONTINUED)

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

	Retailing of healthcare products in PRC 2018 *RMB'000*	Centralised procurement and distribution of healthcare products business 2018 *RMB'000*	Total 2018 *RMB'000*
Carrying amount of goodwill	**13,607**	**5,516**	**19,123**

Assumptions were used in the value in use calculation of the retailing of healthcare products in PRC and centralised procurement and distribution of healthcare products business CGUs. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

14. INVESTMENTS IN JOINT VENTURES

	2018 *RMB'000*	2017 *RMB'000*
Share of net assets	**62,593**	42,644

14. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

Name	Particulars of capital held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
北京鴻聯九五信息產業有限公司 (Beijing Honglian 95 Information Industries Company Limited@)* ("HL95")	Registered capital of RMB1 each	PRC/Mainland China	49	49	49	Telecommunications/ information value added services
雲南久康一心信息技術服務有限公司 (Yunnan Jiukang Yixin Information Technology Service Company Limited @)* ("Jiukang Yixin") *(note)*	Registered capital of RMB1 each	PRC/Mainland China	40	40	40	Application software services

@ For identification purposes only

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

Note: On August 28, 2017, Hongyun Jiukang Data Technology (Beijing) Co., Ltd.* (弘云久康數據技術(北京)有限公司) ("Hongyun Jiukang"), a company controlled by the Group, entered into the framework cooperation agreement with Yunnan Hongxiang Yixintang Pharmaceutical Co., Ltd.* (雲南鴻翔一心堂藥業(集團)股份有限公司) ("Yixintang") and Beijing Jiahe Meikang Information Technology Co., Ltd.* (北京嘉和美康信息技術有限公司) ("Jiamei Xinxi") to establish Jiukang Yixin. Pursuant to the management, Hongyun Jiukang shall contribute registered capital of RMB30,000,000 in cash to Jiukang Yixin. Upon the establishment on October 18, 2017, Jiukang Yixin was held as to 40% by Hongyun Jiukang, 40% by Yixintang and 20% by Jiamei Xinxi, respectively.

The capital injection of RMB12,000,000 was paid to Jiukang Yixin on November 15, 2017.

Jiukang Yixin has a financial year ending December 31, and the financial statements of the joint venture may not be available in timely manner for the Group to apply the equity method, the Group therefore elects to record its shares of the profits or losses of Jiukang Yixin on a quarter lag basis.

The above joint ventures are indirectly held by the Company.

14. INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**90,993**	88,628
Other current assets	**397,953**	267,856
Current assets	**488,946**	356,484
Non-current assets	**124,971**	40,353
Bank loan	**(130,000)**	(10,000)
Other current liabilities	**(265,155)**	(188,245)
Current liabilities	**(395,155)**	(198,245)
Non-current liabilities	**(115,501)**	(111,565)
Net assets	**103,261**	87,027
Reconciliation to the Group's investment in the joint venture:		
Proportion of the Group's ownership	**49%**	49%
Group's share of net assets of the joint venture	**50,598**	42,644
Carrying amount of the investment	**50,598**	42,644
Revenue	**1,855,708**	1,424,381
Depreciation and amortisation	**(6,117)**	(8,453)
Interest income	**282**	(157)
Tax	**(458)**	(5,464)
Profit and total comprehensive income for the year	**16,233**	19,346
Dividend received	**—**	53,900

14. INVESTMENTS IN JOINT VENTURES (CONTINUED)

The following table illustrates the financial information of Jiukang Yixin:

	2018 *RMB'000*	2017 *RMB'000*
Share of the joint ventures' loss and total comprehensive loss for the year	**5**	—
Aggregate carrying amount of the Group's investment in the joint venture	**11,995**	—

15. INVESTMENTS IN ASSOCIATES

	2018 *RMB'000*	2017 *RMB'000*
Share of net assets	**426,215**	230,080
Goodwill on acquisition	**524,758**	294,721
Total	**950,973**	524,801

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") *(note i)*	Registered capital of RMB1 each	PRC/Mainland China	25	Construction of medical platforms and provision of related services

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
A Company in respective of medical business@*^# ("Company A") *(note ii)*	Registered capital of RMB1 each	PRC/Mainland China	10	Provision of medical self-service equipment and smart healthcare solutions
嘉和美康(北京)科技股份有限公司 (Jiahe Meikang (Beijing) Technology Co., Ltd@)*# ("Jiahe Meikang") *(note iii)*	Registered capital of RMB1 each	PRC/Mainland China	15	Provision of clinical information software products, infant medical equipment and mobile internet digitalised medical information software system
北京嘉美在線科技有限公司 (Beijing Jiamei Online Technology Co., Ltd.@)*# (Jiamei Online) *(note iv)*	Registered capital of RMB1 each	PRC/Mainland China	45	Provision of clinical information software products, infant medical equipment and mobile internet digitalised medical information software system
江蘇曼荼羅軟件股份有限公司 (Jiangsu Mandalat Software Company Limited@)*# ("Mandalat") *(note v)*	Registered capital of RMB1 each	PRC/Mainland China	12	Provision of software development

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

@ For identification purposes only

* 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 company in respective of medical business is accounted for as an associate of the Group because the Group is in a position to exercise significant influence. The Group has 20% voting rights in the board meeting and has veto rights in both board meeting and shareholders' meeting of this company.

The associates have a financial year ending December 31, and the financial statements of these associates may not be available in timely manner for the Group to apply the equity method, the Group therefore elects to record its shares of the profits or losses of these associates on a quarter lag basis.

The above investments are indirectly held by the Company.

Note i: On March 28, 2016, Alibaba Health Technology (China) Co., Ltd., the Company's wholly-owned subsidiary, entered into a capital injection agreement with Wanliyun, a company established in the PRC with limited liability, and China Resources Wandong Medical Equipment Company Limited ("Wandong Medical"), a company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600055), pursuant to which Alibaba Health Technology (China) Co., Ltd. shall inject RMB225,000,000 in cash to Wanliyun, of which approximately RMB2,667,000 will be contributed to Wanliyun's registered capital, and the remaining amount will be contributed to its capital reserve. Upon completion of the transaction on April 22, 2016, Wanliyun was held as to 75% by Wandong Medical and 25% by Alibaba Health Technology (China) Co., Ltd., respectively.

The cash consideration was RMB225,000,000, including goodwill of RMB165,918,000, with RMB112,500,000 paid on April 27, 2016 and the remaining RMB112,500,000 paid on October 27, 2016.

Note ii: On December 21, 2016, Hongyun Jiukang, a company controlled by the Group, entered into a capital injection agreement with Company A, which was established in the PRC with limited liability, and the then shareholders of this company ("Original Shareholders"), pursuant to which Hongyun Jiukang shall inject RMB211,110,000 in cash to Company A. Upon completion of the transaction on December 28, 2016, the company was held as to 90% by the Original Shareholders and 10% by Hongyun Jiukang, respectively.

A cash consideration of RMB105,555,000, including goodwill of RMB128,803,000, was paid on December 28, 2016, while the remaining RMB105,555,000 was paid on November 17, 2017.

Note iii: On March 19, 2017, Hongyun Jiukang, a company controlled by the Group, entered into a capital injection agreement with Jiahe Meikang, a company established in the PRC with limited liability, and shareholders of Jiahe Meikang ("Original Shareholders"), pursuant to which Hongyun Jiukang shall inject RMB291,176,470 in cash to Jiahe Meikang, of which approximately RMB15,045,882 will be contributed to Jiahe Meikang's registered capital, and the remaining amount will be contributed to its capital reserve. Upon completion of the transaction on May 19, 2017, Jiahe Meikang was held as to 85% by Original Shareholders and 15% by Hongyun Jiukang, respectively.

The cash consideration was RMB291,176,470, including goodwill of RMB168,308,000, with RMB145,588,235 paid on May 23, 2017 and the remaining RMB145,588,235 paid on December 28, 2017.

15. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note iv: On May 19, 2017, Hongyun Jiukang entered into a capital injection agreement with Jiahe Meikang and Jiamei Online, which were established in the PRC with limited liability, pursuant to which Hongyun Jiukang shall inject RMB40,000,000 in cash to Jiahe Meikang, of which approximately RMB36,654,545 will be contributed to Jiamei Online's registered capital, and the remaining amount will be contributed to its capital reserve. Upon completion of the transaction on July 19, 2017, Jiamei Online was held as to 55% by Jiahe Meikang and 45% by Hongyun Jiukang, respectively.

A cash consideration of RMB40,000,000, including goodwill of RMB20,190,000, was fully paid by Hongyun Jiukang on June 21, 2017.

Note v: On October 27, 2017, Alibaba Health Hebei information technology Co., Ltd.* ("阿里健康河北信息技術有限公司") ("Alibaba Health Hebei") entered into a subscription agreement with Mandalat, a company established in the PRC, pursuant to which Alibaba Health Hebei subscribed an aggregate of 4,000,000 shares at the subscription price of RMB16.09 each, following RMB64,347,800 in cash.

At the same day, Alibaba Health Hebei entered into a share transfer agreement with four original shareholders in relation to the subscription of an aggregate of 2,000,000 shares at the subscription price of RMB13.04 each, following RMB26,087,000 in cash.

Upon completion of the transactions on January 24, 2018, Mandalat was held as to 88% by the original shareholders and 12% by Alibaba Health Hebei, respectively.

The cash consideration was RMB90,434,800, including goodwill of RMB41,539,000, with RMB26,087,000 paid on November 17, 2017 and RMB64,347,800 paid on January 12, 2018.

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

	2018	2017
	RMB'000	*RMB'000*
Share of the associates' profit/(loss) for the year	**998**	(4,433)
Share of the associates' other comprehensive income	**3,563**	—
Share of the associates' total comprehensive income/(loss)	**4,561**	(4,433)
Aggregate carrying amount of the Group's investments in the associates	**950,973**	524,801

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

16. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Trading stock	**442,231**	151,505

17. TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**79,556**	63,904
Bills receivable	**38,387**	—
	117,943	63,904
Impairment	**(26,570)**	(25,403)
	91,373	38,501

The Group's trading terms with some of its customers are on credit. The Group provides a credit period of 30 days to 90 days. Trade receivables are settled in accordance with the terms of the respective contracts. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**86,531**	38,501
3 to 12 months	**4,842**	—
	91,373	38,501

17. TRADE RECEIVABLES (CONTINUED)

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

	2018	2017
	RMB'000	*RMB'000*
At April 1	**25,403**	22,693
Impairment losses recognised *(note 7)*	**1,167**	2,710
Amount written off as uncollectible	**—**	—
At March 31	**26,570**	25,403

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately RMB26,570,000 (2017: RMB25,403,000) with a carrying amount before provision of approximately RMB26,570,000 (2017: RMB25,403,000). The individually impaired trade receivables relate to customers that were in default and the full amount of the receivables is not expected to be recoverable.

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

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**87,031**	38,501
Past due but not impaired	**4,342**	—
	91,373	38,501

Included in the Group's trade receivables are amounts due from subsidiaries of Alibaba Group of RMB28,954,000 (2017: RMB25,375,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES AND LONG-TERM RECEIVABLES

	2018 *RMB'000*	2017 *RMB'000*
Current:		
Prepayments	**26,443**	20,218
Deposits and other receivables	**55,144**	22,280
	81,587	42,498
Impairment	**(2,663)**	(2,663)
	78,924	39,835
Non-current:		
Long-term receivables *(note i)*	**55,921**	54,304
	134,845	94,139

Note i: Long-term receivables consist of a loan to the Group's joint venture, HL95, amounting to RMB53,900,000 and related interest receivable of RMB2,021,000. HL95 declared a dividend of RMB53,900,000 to the Group and the dividend was loaned back to HL95. An interest income of RMB1,617,000 was earned by the Group during the year ended March 31, 2018 (2017: RMB404,000). The loan was unsecured and bore interest at a rate of 3% per annum.

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

	2018 *RMB'000*	2017 *RMB'000*
At April 1	**2,663**	957
Impairment losses recognised *(note 7)*	**—**	1,706
At March 31	**2,663**	2,663

The individually impaired other receivables of RMB2,663,000 (2017: RMB2,663,000) relate to debtors that were in default and the outstanding receivables are not expected to be recovered.

Included in the Group's prepayment and other receivables are amounts due from subsidiaries of Alibaba Group and dividend receivable from an associate of the Group, Dongfang Customs, of RMB5,107,000 (2017: RMB761,000) and Nil (2017: RMB4,839,000), respectively. These balances are unsecured, interest-free and have no fixed terms of repayment.

19. CASH AND CASH EQUIVALENTS, RESTRICTED CASH, PLEDGED DEPOSITS AND LONG-TERM DEPOSITS

	2018	2017
	RMB'000	*RMB'000*
Cash and bank balances	**288,910**	145,225
Restricted cash	**2,268**	914
Time deposits with original maturity of three months or less when acquired	**219,509**	424,635
Time deposits with original maturity of over three months when acquired	**888,778**	222,848
Total	**1,399,465**	793,622
Less: Restricted cash and pledged deposits:		
Long-term pledged time deposits for long term bank loans *(note 24)*	**–**	(222,848)
Restricted cash	**(2,268)**	(914)
	1,397,197	569,860
Cash and cash equivalents	**1,397,197**	569,860

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 RMB498,848,000 (2017: RMB129,059,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	RMB'000	*RMB'000*
Financial asset at fair value through profit or loss	**4,100**	10,300

In connection with the capital injection in a company in respective of medical business, an associate of the Group, as further explained in note 15 to the financial statements, Hongyun Jiukang, a subsidiary of the Company and a shareholder of the associate, is entitled to withdraw a portion of its investment cost of RMB73,890,000 (representing a 3.5% ownership interest) in the associate at a minimum return of 8% interest per annum if the associate failed to achieve certain pre-determined operating targets in each of the three years ending December 31, 2018.

Upon initial recognition, the Group's put option was classified as financial asset measured at fair value through profit or loss.

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

	2018	2017
Expected volatility (%)	**66**	62
Expected dividend (%)	**0.00**	0.00
Exercise probability	**20**	30
Withdrawal ownership	**30**	30
Risk-free interest rate (%)	**2.743**	2.785

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

21. TRADE PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**274,628**	125,079
3 to 12 months	**45,438**	4
Over 12 months	**3,244**	779
	323,310	125,862

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 RMB55,928,000 (2017: RMB4,635,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

22. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Other payables	**97,540**	157,433
Accruals	**40,089**	32,029
	137,629	189,462

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

Included in the Group's other payables are amounts due to subsidiaries of Alibaba Group, an associate of the Group and HL95, a joint venture of the Group, of approximately RMB2,723,000 (2017: RMB1,463,000), nil (2017: RMB105,555,000) and RMB2,685,000 (2017: RMB4,627,000).

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

23. DEFERRED REVENUE

	2018 RMB'000	2017 RMB'000
Deferred revenue from the product tracking platform service, current portion	**716**	–

24. INTEREST-BEARING BANK LOANS

	2018 Effective interest rate (%)	2018 Maturity	2018 RMB'000	2017 Effective interest rate (%)	2017 Maturity	2017 RMB'000
Non-current						
Bank loan-secured	–	–	–	5.05	April 26, 2018	100,000
Bank loan-secured	–	–	–	5.05	October 10, 2018	100,000
			–			200,000

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
In the second year	–	200,000
	–	200,000

Note:

The Group's bank loans were secured by the pledge of certain of the Group's time deposits and related interest income accrued of March 31, 2017, which amounted to approximately RMB222,848,000 and repaid in October 2017.

25. DEFERRED TAX

Deferred tax liabilities

	Withholding taxes on distributable profits of the Group's PRC joint ventures and associates *RMB'000*
At April 1, 2016	7,019
Deferred tax charged to the statement of profit or loss *(note 10)*	(453)
Gross deferred tax liabilities at March 31, 2017 and April 1, 2017	6,566
Deferred tax credited to the statement of profit or loss *(note 10)*	1,116
Gross deferred tax liabilities at March 31, 2018	7,682

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

	2018 *RMB'000*	2017 *RMB'000*
Tax losses	**717,944**	844,453
Impairment of trade receivables and other receivables	**29,233**	28,066
	747,177	872,519

The Group has tax losses arising in Hong Kong of approximately RMB544,639,000 (2017: RMB523,279,000) 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 RMB173,305,000 (2017: RMB321,174,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (continued)

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

At March 31, 2018 and 2017, there were no unremitted earnings of the Group's subsidiaries established in Mainland China. At March 31, 2018, there were unremitted earnings shared by the Group of approximately RMB67,249,000 (2017: RMB65,660,000) and RMB78,144,000 (2017: RMB70,190,000) from the Group's associates and 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.

26. SHARE CAPITAL

Shares

	2018 *RMB'000*	2017 *RMB'000*
Issued and fully paid:		
9,842,737,787 (2017: 8,192,736,918) ordinary shares of HK$0.01 each	**86,617**	72,481

26. SHARE CAPITAL (CONTINUED)

Shares (continued)

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, 2016 and April 1, 2016	8,172,644,639	72,305	1,863,621	–	1,935,926
Share options exercised *(note a)*	38,000	–	249	–	249
Vested awarded shares transferred to employees *(note b)*	9,752,649	85	43,350	–	43,435
Issue of shares *(note c)*	10,301,630	91	–	(91)	–
At March 31, 2017	8,192,736,918	72,481	1,907,220	(91)	1,979,610
At March 31, 2017 and April 1, 2017	**8,192,736,918**	**72,481**	**1,907,220**	**(91)**	**1,979,610**
Issue of new shares for acquisition under common control *(note d)*	**1,187,500,000**	**10,300**	**3,821,342**	**–**	**3,831,642**
Issue of shares *(note e)*	**442,425,000**	**3,672**	**1,465,002**	**-**	**1,468,674**
Issue of shares to be vested in subsequent periods *(note f)*	**20,075,869**	**164**	**–**	**(164)**	**–**
Repurchase of shares *(note g)*	**–**	**–**	**–**	**(13,129)**	**(13,129)**
Vested awarded shares transferred to employees *(note h)*	**–**	**–**	**61,955**	**7,910**	**69,865**
At March 31, 2018	**9,842,737,787**	**86,617**	**7,255,519**	**(5,474)**	**7,336,662**

Notes:

(a) On June 10, 2016 and July 19, 2016, 38,000 shares of HK$0.01 each were issued at the price of HK$5.184 (approximately to RMB4.438) per share upon exercise of share options by the option holders.

(b) On April 21, 2016, July 19, 2016, August 24, 2016 and November 2, 2016, 9,752,649 shares of HK$0.01 each were issued and transferred to employees upon vesting of restricted share units.

(c) On March 15, 2017, 10,301,630 shares of HK$0.01 each were issued for restricted share units to be vested before September 15, 2017. The 10,301,630 shares were held by the Trusts and were transferred from share capital to treasury shares upon the issue of new shares.

26. SHARE CAPITAL (CONTINUED)

Shares (continued)

Notes: (continued)

(d) On June 30, 2017, 1,187,500,000 shares of HK$0.01 each were issued to a related company. Please refer to note 29(B) for further information.

(e) On January 5, 2018, 442,425,000 shares of HK$0.01 each were issued for cash to a related company at a subscription price of HK$4.00 per share.

(f) On October 3, 2017, November 23, 2017 and March 21, 2018, 20,075,869 shares of HK$0.01 each were issued for restricted share units to be vested for non-connected persons.

(g) On June 2017, September 2017, February 2018 and March 2018, 4,113,700 shares of HK$0.01 each were repurchased for restricted share units to be vested for connected persons at a total cash consideration of RMB13,129,000.

(h) Upon vesting of restricted share units for the year ended March 31, 2018, 14,297,328 issued shares were transferred to non-connected persons and 2,425,300 repurchased shares were transferred to connected persons, respectively.

27. SHARE-BASED COMPENSATION COSTS

Share award scheme

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

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

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.

27. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

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

The total number of shares in respect of which Awards may be granted under the Share Award Scheme and any other share award schemes of the Company shall not exceed 3% of the shares in issue as at the Adoption Date (the "Scheme Mandate Limit"), or 3% of the shares in issue as at the new approval date of the renewed Scheme Mandate Limit. There is no other restrictions specified under Chapter 17 of the Listing Rules on the maximum number of shares to be granted to each eligible participants under the Share Award Scheme.

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

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

	Weighted average exercise price of share options *HK$ per share*	Number of options *'000*	Number of RSUs *'000*
Outstanding at April 1, 2016	5.21	32,185	19,344
Granted during the year	5.09	35,888	43,395
Forfeited during the year	5.32	(9,334)	(8,073)
Exercised or vested during the year	5.18	(38)	(9,752)
Outstanding at March 31, 2017 and April 1, 2017	5.12	58,701	44,914
Granted during the year	**3.99**	**30,988**	**56,162**
Forfeited or lapsed during the year	**4.99**	**(11,845)**	**(13,699)**
Exercised or vested during the year	**—**	**—**	**(16,722)**
Outstanding at March 31, 2018	**4.69**	**77,844**	**70,655**

27. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

The weighted average grant date fair value per unit for options at March 31, 2018 was RMB2.20 (2017: RMB2.33) and the weighted average grant date fair value per unit for RSUs at March 31, 2018 was RMB3.15 (2017: RMB4.32).

For share options outstanding at the end of the reporting period, the exercise prices ranged from HK$3.610 to HK$5.558. The exercise period of the options is from the vesting date to 10 years from the grant date. As at March 31, 2018, the remaining vesting periods for the options and RSUs granted ranged from 1 month to 46 months (2017: 1 month to 46 months).

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

	Options granted in 2018	Options granted in 2017
Fair value of the Company's shares as at the grant date	**HK$3.58–HK$4.01**	HK$3.57–HK$5.39
Expected volatility (%)	**65**	70
Expected dividend (%)	**0.00**	0.00
Exercise multiple	**2.2–2.8**	2.2–2.8
Exercise price	**HK$3.686–HK$4.40**	HK$3.61–HK$5.558
Risk-free interest rate (%)	**1.15**	0.94–1.31
Forfeiture rate (%)	**20–30**	20–30

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

The fair values of the RSUs granted during the years ended March 31, 2018 and March 31, 2017 were determined based on the market value of the Company's shares at the respective grant dates.

27. SHARE-BASED COMPENSATION COSTS (CONTINUED)

Share award scheme (continued)

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

	2018 *RMB'000*	2017 *RMB'000*
Cost of revenue	**2,533**	956
Sales and marketing expenses	**30,159**	36,243
Administrative expenses	**49,877**	34,842
Product development expenses	**28,753**	36,405
Fulfilment	**5,712**	1,878
Total	**117,034**	110,324

At the end of the reporting year, the Company had approximately 77,844,350 options and 70,654,847 RSUs outstanding under the Share Award Scheme. The exercise in full of the outstanding options and RSUs would, under the present capital structure of the Company, result in the issue of approximately 123,204,326 additional ordinary shares of the Company and additional share capital of HK$1,232,043 (equivalent to approximately RMB1,043,799) (before issue expenses), the purchase of 7,526,300 existing shares from the market and release of 17,768,571, shares from treasury shares. The purchase of 7,526,300 existing shares was for RSUs to be vested, which are held by connected persons of the Group. Please refer to note 33(i) for details. For details of the release of 17,768,571 shares from treasury shares, please refer to note 26.

At the date of approval of these financial statements, the Company had approximately 76,478,850 share options and 56,934,776 RSUs outstanding under the Share Award Scheme, which represented approximately 1.36% of the Company's shares in issue as at that date.

28. 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 80 and page 81 of the annual report.

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

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

29. BUSINESS COMBINATIONS

(A) Business combinations not under common control

(1) Acquisition of Alibaba Health Pharmaceutical Chain Co., Ltd.

On August 16, 2016, the Group acquired a 100% equity interest in Alibaba Health Pharmaceutical Chain Co., Ltd. from certain individual sellers (together, the "Sellers"). Alibaba Health Pharmaceutical Chain Co., Ltd. is principally engaged in the retail of pharmaceutical products and traditional Chinese medicine beverages in the PRC and operates a retail pharmacy chain in the PRC. The Company's mission is to build an online community where it will connect participants in China's healthcare market. The Company believes that its acquisition of Alibaba Health Pharmaceutical Chain Co., Ltd. will enable it to engage in the online retail pharmaceutical business to provide more products and services to end consumers. The purchase consideration for Alibaba Health Pharmaceutical Chain Co., Ltd. was in the form of cash of RMB16,800,000. The fair values of total identifiable net assets at fair value as at acquisition date was approximately RMB3,193,000 and goodwill on acquisition was RMB13,607,000.

The fair values of the identifiable assets and liabilities of Alibaba Health Pharmaceutical Chain Co., Ltd. as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property and equipment	223
Inventories	2,948
Prepayments, deposits and other receivables	2,102
Cash and cash at banks	826
Short term bank loans	(735)
Other payables	(126)
Trade payables	(2,045)
Total identifiable net assets at fair value	3,193
Goodwill on acquisition	13,607
Total purchase consideration satisfied by cash	16,800

29. BUSINESS COMBINATIONS (CONTINUED)

(A) Business combinations not under common control (continued)

(1) Acquisition of Alibaba Health Pharmaceutical Chain Co., Ltd. (continued)

The Group incurred transaction costs of RMB450,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss for the year ended March 31, 2017.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Alibaba Health Pharmaceutical Chain Co., Ltd. is as follows:

	RMB'000
Cash consideration paid	(13,800)
Cash and bank balances acquired	826
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,974)
Transaction costs of the acquisition included in cash flows from operating activities	(450)
	(13,424)

Since the acquisition, Alibaba Health Pharmaceutical Chain Co., Ltd. contributed RMB286,250,000 to the Group's revenue and loss of RMB11,688,000 to the consolidated loss for the year ended March 31, 2017.

Had the combination taken place at the beginning of the prior year, the revenue from continuing operations of the Group and the loss of the Group for the year ended March 31, 2017 would have been RMB479,678,000 and RMB209,103,000, respectively.

29. BUSINESS COMBINATIONS (CONTINUED)

(A) Business combinations not under common control (continued)

(2) Acquisition of Lihe

On September 23, 2016, the Group acquired a 100% equity interest in Lihe from a third party. The purchase consideration for Lihe was in the form of cash, and was fully paid on September 19, 2016. Lihe is principally engaged in centralised procurement and distribution business. The total fair value of the identifiable net assets of Lihe as at the date of acquisition was approximately RMB2,334,000 and the goodwill on acquisition was RMB5,516,000.

The fair values of the identifiable assets and liabilities of Lihe as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property and equipment	821
Prepayments, deposits and other receivables	491
Cash and cash at banks	1,149
Restricted cash	300
Other payables	(427)
Total identifiable net assets at fair value	2,334
Goodwill on acquisition	5,516
Total purchase consideration satisfied by cash	7,850

29. BUSINESS COMBINATIONS (CONTINUED)

(A) Business combinations not under common control (continued)

(2) Acquisition of Lihe (continued)

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Lihe is as follows:

	RMB'000
Cash consideration	(7,850)
Cash and bank balances acquired	1,149
Net outflow of cash and cash equivalents included in cash flows from investing activities	(6,701)
Transaction costs of the acquisition included in cash flows from operating activities	—
	(6,701)

Since the acquisition, Lihe contributed RMB25,004,000 to the Group's revenue and loss of RMB356,000 to the consolidated loss for the year ended March 31, 2017.

Had the combination taken place at the beginning of the prior year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB477,355,000 and RMB209,290,000, respectively.

29. BUSINESS COMBINATIONS (CONTINUED)

(B) Business combination under common control

On June 30, 2017, the Group acquired 100% equity interest in Ali JK Nutritional Products Limited and its subsidiaries, Ali JK Nutritional Products HK Limited and Alibaba Health Technology (Hangzhou) Limited (formerly known as Hangzhou Hengping Information Technology Co., Ltd.*) (阿里健康科技(杭州)有限公司) (collectively referred to as the "Ali JK Nutritional Products Group") from Ali JK Nutritional Products Holding Limited, or the "Vendor", a direct wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK Nutritional Products Group are under the common control of Alibaba Holding before and after the acquisition, the business combination has been accounted for in the consolidated financial statements of the Group as a business combination under common control using the pooling of interest method.

Ali JK Nutritional Products Group was established by the Vendor to hold the business (the "Target Business") which comprises: (i) all merchant relationships with the target merchants for the promotion and distribution of Blue Cap Health Food on Tmall.com; and (ii) certain relevant marketing and operations personnel managing the relationships with the target merchants. The Target Business earns software service fees from merchants when sales of Blue Cap Health Food on Tmall.com are completed.

The consideration amounting to HK$3,800 million was satisfied by the Company issuing 1,187.5 million shares on June 30, 2017 to the Vendor. With the market price of ordinary share of the Company as at June 30, 2017 was HK$3.72 per share, the fair value of consideration shares amounted to HK$4,417.5 million (approximately to RMB3,831.6 million). The difference of RMB3,828.6 million between the fair value of consideration shares issued amounting to approximately RMB3,831.6 million and the carrying amount of the net assets of Ali JK Nutritional Products Group at the acquisition date amounting to approximately RMB3.0 million is recognised in the merger reserve at the amount.

Since the acquisition, Ali JK Nutritional Products Group contributed RMB56,310,000 to the Group's revenue and caused a loss of RMB3,274,000 to the consolidated loss for the year ended March 31, 2018.

* For identification purpose only

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans *RMB'000*
At April 1, 2017	200,000
Changes from financing cash flows	(200,000)
At March 31, 2018	—

31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office buildings under operating lease arrangements, which are negotiated for terms ranging from 4 months to 59 months.

At March 31, 2018, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within one year	**8,648**	14,312
In the second to fifth years, inclusive	**6,991**	11,404
Over five years	**—**	80
	15,639	25,796

32. COMMITMENT

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitment at the end of the reporting period:

	2018 *RMB'000*	2017 *RMB'000*
Contracted, but not provided for:		
Capital injection of investments	**62,000**	50,000

33. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Notes	**2018** **RMB'000**	2017 RMB'000
Services received from related parties:			
Share based compensation paid to connected persons	(i)	**(16,716)**	(8,381)
Cloud computing services received from Alibaba Cloud	(ii)	**(5,599)**	(7,838)
Internet information and other related services received from relevant entities of Alibaba Group	(iii)	**(68,930)**	(10,693)
Shared services received from Alibaba Group	(iv)	**(17,478)**	(3,353)
Marketing services received from a subsidiary of Alibaba Holding	(v)	**(7,659)**	(755)
Logistics and warehouse services received from a subsidiary of Alibaba Holding	(vi)	**(22,949)**	(957)
Payment services received from Alipay	(vii)	**(7,759)**	N/A
Technical services received from Tmall entities regarding Blue Cap Health Food	(viii)	**(27,093)**	—
Services received from a joint venture	(ix)	**(8,079)**	(5,455)
Promotion services received from an associate of Alibaba Group	(x)	**—**	(500)
Services and products provided to related parties:			
Incentive fee received from a subsidiary of Alibaba Holding	(v)	**859**	517
Outsourced and value-added services provided to Tmall Entities	(xi)	**114,769**	40,341
Tracking related services provided to a subsidiary of Alibaba Holding	(xii)	**6,298**	—
Products provided to Alibaba Group	(xiii)	**19,339**	—
Others:			
Interest expense to Alibaba Holding	(xiv)	**(2,675)**	—
Interest income from a joint venture	(xv)	**1,617**	404

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes:

(i) On July 29, 2016, the Company granted a total of 2,509,000 options, with an exercise price of HK$5.558 per share, and granted 1,065,000 RSUs to Mr. Wang Lei, the former chief executive officer of the Company and certain employees of the Group, each of them either being a director of a subsidiary or certain subsidiaries of the Company, under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated July 29, 2016.

On February 22, 2017, the Company granted a total of 2,029,000 RSUs to Ms. Lew Aishan, Nicole, a director of two subsidiaries of the Company and a supervisor of a subsidiary of the Company, under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated February 22, 2017.

On June 14, 2017, the Company granted a total of 6,415,000 RSUs to Mr. Wang Lei and certain employees of the Group, each of them either being a director of a subsidiary or certain subsidiaries of the Company, under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 14, 2017.

On October 10, 2017, the Company granted a total of 296,000 RSUs to Mr. Kang Kai, the non-executive director of the Company under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated October 10, 2017.

(ii) On May 30, 2016, CITIC 21CN Technology and Alibaba Cloud Computing Ltd.* (阿里雲計算有限公司) ("Alibaba Cloud"), a subsidiary of Alibaba Group, entered into a second renewed cloud computing service agreement for a term of one year that ran retrospectively from April 1, 2016 to March 31, 2017, pursuant to which Alibaba Cloud provided certain cloud computing services to the Group. On March 13, 2017, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and Alibaba Cloud entered into a third renewed cloud computing service agreement for a term of one year from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated March 13, 2017. On February 14, 2018, the same parties entered into a fourth renewed cloud computing services agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(iii) On July 12, 2016, Alibaba Health Pharmaceutical Chain Co., Ltd.* (阿里健康大藥房醫藥連鎖有限公司), entered into a Tmall service agreement with the Tmall Entities, pursuant to which the Tmall Entities would provide internet information and other related services to the Group. The term of the Tmall service agreement was from July 12, 2016 to December 31, 2016. Further details of the transaction were set out in the announcement of the Company dated August 16, 2016. On December 31, 2016, the Company, Alibaba.com China Limited* (阿里巴巴網絡中國有限公司), and Taobao China Holding Limited entered into a service framework agreement, pursuant to which relevant entities# of Alibaba Group will provide to the Group internet information related software technical services and other related services. The contract commenced from March 11, 2017, being the date following approval at the special general meeting on March 10, 2017 and ended on March 31, 2018. For the year ended March 31, 2018, a service fee of RMB78,582,000 (2017: RMB12,653,000) was charged to the Group. 21.5% of the part of the above-mentioned service fee was paid to Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company. A net service fee of RMB68,930,000 (2017: RMB10,693,000) was recorded in the consolidated statement of profit or loss. Further details of the transaction were set out in the announcements of the Company dated January 3, 2017 and November 21, 2017.

On February 14, 2018, the same parties entered into a renewed services framework agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

\# Relevant entities refers to Alibaba (China) Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司), Hangzhou Alibaba Advertising Co., Ltd.* (杭州阿里巴巴廣告有限公司), Taobao China Holding Limited, the Tmall Entities and their respective affiliates, collectively.

(iv) On July 3, 2017, the Company entered into a shared service agreement with Alibaba Holding, pursuant to which Alibaba Holding shall procure the Alibaba Service Providers^ to provide to the Group the shared services for a term of one year with retrospective effect from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated July 3, 2017. On February 14, 2018, the same parties entered into a renewed shared services agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

^ Alibaba Service Providers refers to Alibaba Holding, persons controlled by it and persons under the common control of Alibaba Holding, and any other persons designated by Alibaba Holding.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(v) On August 4, 2016, Hangzhou Alimama Software Services Co., Ltd.* (杭州阿里媽媽軟件服務有限公司) ("Alimama"), a subsidiary of Alibaba Holding, and Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, entered into an agency agreement to provide marketing services to Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司) and its contracted clients for a term of nine months from July 1, 2016 to March 31, 2017. As the marketing agent, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司) would be entitled to receive certain incentive fees. Further details of the transaction were set out in the announcement of the Company dated January 6, 2017.

Since April 1, 2017, members of the Group and Alimama entered into a zuanshi service agreements, the zhitongche service agreements and a yiyebaping services agreement in respect of the provision of the advertising services to the Group. On January 8, 2018, Hangzhou Lihe and Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司) entered into a Lihe Advertising Service Agreement with Alimama. Further details of the transactions were set out in the announcement of the Company dated January 8, 2018.

On June 28, 2017, Alibaba Health (Hong Kong) Technology Company Limited ("Alibaba Health (HK)"), which holds 100% of shares of Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), and Alimama entered into a renewed agency agreement for a term of one year, which ran retrospectively from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcement of the Company dated June 28, 2017.

On February 14, 2018, Alimama and the Company entered into an advertising services framework agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

On April 20, 2018, Alimama, Shanghai Quam Tudou Cultraul Communications Company Limited* (上海全土豆文化傳播有限公司) and Alibaba Health (HK) entered into a second renewed agency agreement for a term of one year retrospectively from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated April 20, 2018.

(vi) On September 20, 2016, Zhejiang Cainiao Supply Chain Management Co., Ltd.* (浙江菜鳥供應鏈管理有限公司) ("Cainiao"), an indirect non-wholly-owned subsidiary of Alibaba Holding, and Alibaba Health (Hong Kong) Technology Company Limited, a wholly-owned subsidiary of the Company, entered into a service agreement, pursuant to which Cainiao will provide bonded warehouse services, customs clearance services and distribution services. The term of the service agreement was one year from April 1, 2016 to March 31, 2017. On June 28, 2017, the Group and Cainiao entered into a Logistics Service Framework Agreement for a term of one year from April 1, 2017 to March 31, 2018. Further details of the transaction were set out in the announcements of the Company dated June 28, 2017 and November 21, 2017.

On February 14, 2018, Hangzhou Cainiao Supply Chain Management Co., Ltd* (杭州菜鳥供應鏈管理有限公司) entered into a renewed logistics services framework agreement with the Company for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(vii) On September 20, 2017, the Company (for itself and on behalf of its subsidiaries) entered into a payment service framework agreement with Alipay.com Co., Ltd.* (支付寶(中國)網絡技術有限公司) ("Alipay")*, a wholly-owned subsidiary of Ant 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), a company established in the PRC with limited liability, which together with its subsidiaries have been deemed by the Stock Exchange as connected persons of the Company on July 10, 2017. Pursuant to the agreement, Alipay will provide payment services and the Group will pay service fees. The term of the payment service framework agreement is from July 10, 2017 to March 31, 2018. For the period from July 10, 2017 to March 31, 2018, a service fee of RMB7,759,000 was charged by Alipay to the Group. Further details of the transaction were set out in the announcement of the Company dated September 20, 2017.

On February 14, 2018, the same parties entered into a renewed payment services framework agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

(viii) On May 18, 2017, the Company entered into a framework technical service agreement with the Tmall Entities, pursuant to which the Tmall Entities will continue to provide technical support, internet information services and secondary domain names and other services for the operation of the Target Business as described in note 29 (B) on Tmall.com. Tmall charged service fee of 50% of total software service fees received by the Target Business from the relevant merchants on Tmall.com. A technical service agreement was approved by the independent shareholders at special general meeting, and the term of the framework technical service agreement commence on the day following the completion of business acquisition under common control as described in note 29 (B) and end on March 31, 2020. For the year ended March 31, 2018, a service fee of RMB27,093,000 was charged by the Tmall Entities to the Company. As at March 31, 2018, service fee payable to the Tmall Entities included in the Group's account payable amounted to RMB24,841,000. Further details of the transaction were set out in the announcement of the Company dated May 19, 2017.

(ix) On April 3, 2015, April 1, 2016, November 7, 2016, September 1, 2016, April 3, 2017, September 1, 2017, and October 27, 2017, the Group entered into certain promotion service agreements and call centre outsourcing service agreements with HL95 and one of its subsidiaries, pursuant to which HL95 will provide certain promotion service and call centre services to the Group. The terms of the agreements are approximately one year commencing on the agreement date.

(x) The promotion services received from an associate of Alibaba Group were made according to price and conditions offered to its major customers.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xi) On August 24, 2016, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirectly wholly-owned subsidiary of the Company, and the Tmall Entities, members of Alibaba Group, entered into a service agreement, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the service agreement. The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the merchants to the relevant Tmall Entities in respect of the value of the completed sales of products or services under certain categories on Tmall. The transaction was approved by the Company's independent shareholders at a special general meeting. The term of the service agreement was from September 13, 2016 to March 31, 2017. On March 10, 2017, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), and the Tmall Entities renewed the service agreement for a term of one year from April 1, 2017 to March 31, 2018. For the year ended March 31, 2018, a service income of RMB124,421,000 (2017: RMB42,301,000) was charged by the Group to the Tmall Entities. Certain of the above-mentioned service income included 21.5% of the fees paid by Alibaba Health Pharmaceutical Chain Co., Ltd.* (阿里健康大藥房醫藥連鎖有限公司), an indirectly wholly-owned subsidiary of the Company, to the Tmall Entities in respect of the value of the completed sales of products. A net service income of RMB114,769,000 (2017: RMB40,341,000) was recorded in the consolidated statement of profit or loss. Further details of the transaction were set out in the announcements of the Company dated August 24, 2016, March 10, 2017 and November 21, 2017.

On February 14, 2018, the same parties entered into a renewed services agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

(xii) On September 26, 2017, Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司), an indirecting wholly-owned subsidiary of the Company, entered into the tracking service agreement with Taobao China Holding Limited, an indirecting wholly-owned subsidiary of Alibaba Holding, pursuant to which Alibaba Health Technology (China) Co., Ltd.* (阿里健康科技(中國)有限公司) shall provide development, maintenance and operation service of tracking information system to Taobao China Holding Limited for a term commencing on September 26, 2017 and ending on August 31, 2018. Further details of the transaction were set out in the announcement of the Company dated September 26, 2017.

(xiii) On October 15, 2017, the Company entered into the supply framework agreement with Alibaba.com Singapore E-commerce Private Limited, a company incorporated in Singapore and an indirectly wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company shall procure the Group to supply to Alibaba Group various products including but not limited to health products, nutritional supplements and family planning products for a term commencing on October 15, 2017 and ending on March 31, 2018. Further details of the transaction were set out in the announcements of the Company dated October 15, 2017, October 27, 2017 and January 10, 2018. On February 14, 2018, the same parties entered into a renewed supply framework agreement for a term of one year from April 1, 2018 to March 31, 2019. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xiv) On October 4, 2017, the company entered into the facility agreement with Alibaba Holding, pursuant to which Alibaba Holding agreed to make available a revolving credit facility in the principal amount up to US$90,000,000 to the Company for general corporate purpose of the company. The availability period is the period from and including the date of the facility agreement to and including the date falling 11 months after the date of the facility agreement. The interest rate of the loan for each interest period is the percentage rate per annum which is the aggregate of 1.8% per annum and the London InterBank Offered Rate.

The loans were provided on October 24, 2017 as to the amount of US$12,000,000 (equivalent to approximately RMB75,325,000), November 14, 2017 as to the amount of US$53,000,000 (equivalent to approximately RMB332,686,000) and December 12, 2017 as to the amount of US$25,000,000 (equivalent to approximately RMB156,928,000). These loans were repaid on January 5, 2018.

During the year, interest expense paid by the Group to Alibaba Holding amounted to RMB2,675,000. The directors consider that the receipt of loans from and the payment of interest expense to Alibaba Holding were made in accordance with the Facility Agreement.

(xv) On January 1, 2017, HL95 entered into a loan agreement with Alibaba Health (Hong Kong) Technology Company Limited, a wholly-owned subsidiary of the Company, pursuant to which Alibaba Health (Hong Kong) Technology Company Limited agreed to provide a loan of RMB53,900,000 to which is unsecured and bears interest at a rate of 3% per annum HL95 for the period of three years ending December 31, 2019.

The related party transactions in respect of items (i) to (viii), and (xi) to (xiv) above for the current year also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

* For identification purpose only

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Outstanding balances with related parties:

In addition to the outstanding balances detailed elsewhere in these financial statements, the balance with related parties as at March 31, 2018 and March 31, 2017 are listed below:

	March 31, 2018 *RMB'000*	March 31, 2017 *RMB'000*
(1) Amounts due from related parties:		
Subsidiaries of Alibaba Holding	**34,061**	26,135
Joint venture	**55,921**	54,304
	89,982	80,439
(2) Amounts due to related parties:		
Subsidiaries of Alibaba Holding	**58,651**	5,810
Associate *(note 15(ii))*	**—**	105,555
Joint venture	**2,685**	4,627
	61,336	115,992

(III) Compensation of key management personnel of the Group

	2018 *RMB'000*	2017 *RMB'000*
Short-term employee benefits	**8,282**	5,973
Performance related bonuses	**3,597**	—
Share-based compensation expenses	**37,023**	21,902
Pension scheme contributions	**367**	155
Total compensation paid to key management personnel	**49,269**	28,030

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets — loans and receivables

	March 31, 2018 *RMB'000*	March 31, 2017 *RMB'000*
Trade receivables	**91,373**	38,501
Financial assets included in prepayments, deposits and other receivables	**52,481**	19,617
Cash and cash equivalents	**1,397,197**	569,860
Restricted cash and pledged deposits	**2,268**	223,762
Long-term receivables	**55,921**	54,304
	1,599,240	906,044

Financial assets — financial asset at fair value through profit or loss

	Held for trading	
	March 31, 2018 *RMB'000*	March 31, 2017 *RMB'000*
Financial asset at fair value through profit and loss	**4,100**	10,300

Financial liabilities — Financial liabilities at amortised cost

	March 31, 2018 *RMB'000*	March 31, 2017 *RMB'000*
Trade payables	**323,310**	125,862
Interest-bearing bank loans	**—**	200,000
Financial liabilities included in other payables and accruals	**97,540**	157,433
	420,850	483,295

35. 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	
	2018 *RMB'000*	2017 RMB'000	**2018** *RMB'000*	2017 RMB'000
Financial assets				
Financial asset at fair value through profit or loss	**4,100**	10,300	**4,100**	10,300
Pledged deposits, non-current portion	**–**	222,848	**–**	222,848
Long-term receivables	**55,921**	54,304	**55,921**	54,304
	60,021	287,452	**60,021**	287,452
Financial liabilities				
Interest-bearing bank loans	**–**	200,000	**–**	200,000

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of pledged deposits, long-term receivables and interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at March 31, 2018 was assessed to be insignificant.

35. 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, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial asset at fair value through profit or loss	–	–	4,100	4,100

As at March 31, 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial asset at fair value through profit or loss	–	–	10,300	10,300

The Group did not have any financial liabilities measured at fair value as at March 31, 2018 and 2017.

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 (2017: Nil).

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at March 31, 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Long-term receivables	**—**	**—**	**55,921**	**55,921**

As at March 31, 2017

	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	—	—	54,304	54,304
Pledged deposits, non-current portion	—	222,848	—	222,848

Liabilities for which fair values are disclosed:

The Group did not have any financial liabilities for which fair values are disclosed as at March 31, 2018.

As at March 31, 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing bank loans	—	—	200,000	200,000

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit risk

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

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

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

	Increase/ (decrease) in RMB rate *%*	Increase/ (decrease) in loss before tax *RMB'000*
2018		
If the Hong Kong dollar weakens against RMB	**1**	**106**
If the Hong Kong dollar strengthens against RMB	**(1)**	**(106)**
2017		
If the Hong Kong dollar weakens against RMB	1	2,218
If the Hong Kong dollar strengthens against RMB	(1)	(2,218)

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:

	2018	
	Less than 1 year or on demand *RMB'000*	1 to 5 years *RMB'000*
Trade payables	**323,310**	**–**
Financial liabilities included in other payables and accruals	**97,540**	**–**
	420,850	**–**

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	2017	
	Less than 1 year or on demand	1 to 5 years
	RMB'000	*RMB'000*
Interest-bearing bank loans	10,100	203,265
Trade payables	125,862	—
Financial liabilities included in other payables and accruals	157,433	—
	293,395	203,265

Capital management

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

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

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

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	March 31, 2018 *RMB'000*	March 31, 2017 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**6,011,840**	582,720
Pledged deposits	**—**	222,848
Total non-current assets	**6,011,840**	805,568
CURRENT ASSETS		
Prepayments and other receivables	**7,329**	4,922
Cash and cash equivalents	**497,056**	435,240
Total current assets	**504,385**	440,162
CURRENT LIABILITIES		
Accounts payable	**1,862**	—
Other payables and accruals	**13,098**	23,825
Due to subsidiaries	**14,847**	12,626
Accrued salaries	**477**	—
Total current liabilities	**30,284**	36,451
NET CURRENT ASSETS	**474,101**	403,711
TOTAL ASSETS LESS CURRENT LIABILITIES	**6,485,941**	1,209,279
Net assets	**6,485,941**	1,209,279
EQUITY		
Share capital	**86,617**	72,481
Treasury shares	**(5,474)**	(91)
Reserves	**6,404,798**	1,136,889
Total equity	**6,485,941**	1,209,279

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve# RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At April 1, 2016		1,863,621	10,752	57,741	(15,588)	37,472	(853,611)	1,100,387
Loss for the year		–	–	–	–	–	(147,415)	(147,415)
Other comprehensive income for the year:								
Translation from functional currency to presentation currency		–	–	–	73,508	–	–	73,508
Total comprehensive income/(loss) for the year		–	–	–	73,508	–	(147,415)	(73,907)
Share-based compensation expenses	27	–	–	–	–	110,324	–	110,324
Exercise of share options		249	–	–	–	(79)	–	170
Vested awarded shares transferred to employees		43,350	–	–	–	(43,435)	–	(85)
At March 31, 2017		1,907,220	10,752	57,741	57,920	104,282	(1,001,026)	1,136,889
Profit for the year		**–**	**–**	**–**	**–**	**–**	**55,967**	**55,967**
Other comprehensive loss for the year:								
Translation from functional currency to presentation currency		**–**	**–**	**–**	**(174,555)**	**–**	**–**	**(174,555)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**(174,555)**	**–**	**55,967**	**(118,588)**
Issue of new shares	26	**1,465,002**	**–**	**–**	**–**	**–**	**–**	**1,465,002**
Issue of new shares for acquisition under common control	26	**3,821,342**	**–**	**–**	**–**	**–**	**–**	**3,821,342**
Share-based compensation expenses	27	**–**	**–**	**–**	**–**	**117,034**	**–**	**117,034**
Vested awarded shares transferred to employees	26	**61,955**	**–**	**–**	**–**	**(69,865)**	**–**	**(7,910)**
Transfer of share-based compensation reserve of options lapsed after vesting date		**–**	**–**	**–**	**–**	**(8,971)**	**–**	**(8,971)**
At March 31, 2018		**7,255,519**	**10,752**	**57,741**	**(116,635)**	**142,480**	**(945,059)**	**6,404,798**

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

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on May 16, 2018.

FINANCIAL SUMMARY

	Year ended March 31,				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Restated)	(Restated)
RESULTS					
Revenue	**2,442,618**	475,078	56,595	29,744	21,990
Loss before tax	**(95,145)**	(207,099)	(197,117)	(83,178)	(26,898)
Income tax expense	**(13,889)**	(1,554)	(1,851)	(927)	(768)
Loss for the year	**(109,034)**	(208,653)	(198,968)	(84,105)	(27,666)
Attributable to:					
Owners of the parent	**(106,974)**	(207,626)	(191,608)	(81,221)	(31,360)
Non-controlling interests	**(2,060)**	(1,027)	(7,360)	(2,884)	3,694
	(109,034)	(208,653)	(198,968)	(84,105)	(27,666)

	As at March 31,				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**3,110,977**	1,679,700	1,348,150	1,408,721	395,312
Total liabilities	**(587,920)**	(560,038)	(192,879)	(141,830)	(113,686)
	2,523,057	1,119,662	1,155,271	1,266,891	281,626
Equity attributable to owners of the parent	**2,580,248**	1,177,836	1,221,360	1,325,620	337,471
Non-controlling interests	**(57,191)**	(58,174)	(66,089)	(58,729)	(55,845)
	2,523,057	1,119,662	1,155,271	1,266,891	281,626