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**ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED**  
**阿里健康信息技術有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 00241)**

**ANNOUNCEMENT OF FINAL RESULTS FOR  
THE YEAR ENDED MARCH 31, 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of Alibaba Health Information Technology Limited (the “**Company**” or “**Alibaba Health**”) is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended March 31, 2020 together with comparative figures for the preceding year. The annual consolidated financial statements have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

**HIGHLIGHTS**

- For the year ended March 31, 2020 (the “**Reporting Period**”), the Group reported revenue and gross profit of RMB9,596.5 million and RMB2,231.4 million, representing a significant year-on-year growth of 88.3% and 67.6%, respectively. Such rapid growth in revenue and gross profit was mainly attributable to the rapid growth of the pharmaceutical direct business and the pharmaceutical e-commerce platform business during the year.
- The Group’s loss for the year was RMB15.7 million, decreasing significantly by RMB76.1 million or 82.9% from a loss of RMB91.8 million for the preceding year. The Group’s adjusted net profit<sup>(note 1)</sup> increased by 114.8% to RMB261.4 million as compared to the preceding year. Net cash flows from operating activities also improved from RMB396.4 million to RMB583.6 million. The Group’s profitability continued to improve, laying a solid foundation for the Group to invest and make strategic deployments in businesses such as our prescription drugs, Internet healthcare and digital health businesses.

- During the year, the gross merchandise volume (GMV) generated by Tmall's pharmaceutical e-commerce platform ("**Tmall's Pharmaceutical Platform**") operated by the Group exceeded RMB83.5 billion. Annual active consumers of Tmall's Pharmaceutical Platform (consumers who made one or more actual purchase(s) on Tmall's Pharmaceutical Platform in the past 12 months) for the year ended March 31, 2020 exceeded 190 million. In February 2020, the Company and Ali JK Nutritional Products Holding Limited ("Ali JK"), a direct wholly-owned subsidiary of Alibaba Group Holding Limited ("Alibaba Holding", together with its subsidiaries, "**Alibaba Group**"), entered into a share purchase agreement in respect of the acquisition of, among others, relevant categories such as the pharmaceutical products and foods for special medical purposes (FSMPs) on Tmall's Pharmaceutical Platform. This transaction was completed in April 2020 and brings direct benefit to the Group through additional revenues and the integrated operation of these core categories of the pharmaceutical industry.
- During the year, the Group's pharmaceutical direct business continued to grow significantly, with revenue increasing by 92.4% year-on-year. Our direct online stores accumulated more than 48 million annual active consumers (consumers who made one or more actual purchase(s) at our direct online stores in the past 12 months) for the year ended March 31, 2020. During the Reporting Period, the Group became one of the first pilot enterprises approved by the government to conduct cross-border e-commerce pharmaceutical product business in China, thus gaining significant first-mover advantage. During the COVID-19 pandemic, the Group's direct business proactively leveraged on the strengths of its supply chain and on its operational capabilities to launch the Chronic Disease Welfare Program<sup>^</sup> (慢病福利計劃) to fulfil the medication and health management needs of many patients with chronic diseases. The launch and accelerated deployment of the direct prescription drug business will provide the Group with a new momentum for long-term, sustainable and rapid development.
- During the year, pursuant to the strategic partnership agreement entered into between the Group and Alipay.com Co., Ltd.<sup>^</sup>(支付寶(中國)網絡技術有限公司) ("**Alipay**") in November 2018, the Group has established an exclusive and independent healthcare channel for Alipay users and is responsible for managing the healthcare industry partners featured on such channel. As at the end of March 2020, Alipay had over 15,000 contracted medical institutions, including more than 3,900 Class II and Class III hospitals and nearly 400 Class III hospitals in 17 provinces across the country, which have been connected to medical insurance payment services. As a result of a series of convenient services launched by the Group during the COVID-19 pandemic, including anti-epidemic publicity and education as well as online medical consultation services, the number of active users of our healthcare services saw exponential growth. In the first quarter of 2020, the net total number of frequent active users of Alipay's healthcare channel exceeded 390 million.

- During the year, the Group continued to actively promote and deepen its exploration of Internet healthcare models in collaboration with governments and hospitals. In January 2019, the “Zhejiang Province Internet Hospital Platform”, constructed by Zhejiang Bianque Health Data Technology Co., Ltd.<sup>▲</sup> (浙江扁鵲健康數據技術有限公司) (“**Zhejiang Bianque**”), a company jointly invested by the Group and Ant Small and Micro Financial Services Group Co., Ltd.<sup>▲</sup> (浙江螞蟻小微金融服務集團股份有限公司) (“**Ant Financial**”), was officially launched as the first regional Internet-based hospital platform in China to have integrated supervision and service capabilities. As at the end of March 2020, more than 400 medical institutions, including Class IIIA hospitals, were registered on the platform, covering all prefecture-level cities in Zhejiang Province. In October 2019, the “Quzhou Chronic Disease Management Platform” jointly established by the Group and Quzhou Municipal Government of Zhejiang Province was officially launched, covering for the first time in China the full process of “Internet follow-up consultation + prescription online circulation + medical insurance online payment + drug delivery to home”. In April 2020, the Group pioneered an innovative model of Internet healthcare in Jinan city in Shandong Province. The model, featuring the use of electronic medical insurance certificates, was the first of its kind in China, offering combined electronic certificate collection, consultation and purchase services.
- During the year, the Group continued to forge an entire ecosystem in the consumer healthcare industry, covering vaccines, health screening, etc. During the COVID-19 pandemic, the Group quickly launched nucleic acid testing services. Within a week, these services were made available to more than a hundred cities, providing efficient support for the resumption of work and production. As at the end of the Reporting Period, the Group had also established cooperation with more than 2,000 public and private medical examination centers, providing diversified products and services through Tmall, Alipay, DingTalk, UC Browser and other channels. In the vaccination segment, the Group further promoted deployments in respect of the “vaccine booking service e-commerce” + “vaccine eco-cooperation” growth drivers. As at the end of the Reporting Period, the vaccine booking service already covered several dozen large and medium-sized cities across China.

- During the year, the Group continued to be committed to building an artificial intelligence (AI) medical system that can be applied in real-life situations, and successfully incubated the AI engine for brain health screening, utilizing the AI technology to conduct quantitative analysis on electroencephalograms (EEGs), so as to predict and screen risks relating to depression, Alzheimer's disease and epilepsy. The AI engine has already been put into use in medical examination centers. During the COVID-19 pandemic, the Group collaborated with Alibaba Cloud Computing Ltd.<sup>^</sup> (阿里雲計算有限公司) (“**Alibaba Cloud**”) and Alibaba DAMO Academy to develop COVID-19 AI technology to help doctors conduct quick COVID-19 screening using computed tomography (CT) imaging, which has been used in nearly 170 hospital across China.
- During the year, through its controlling interest in Seenew Medical Technology (Zhejiang) Co., Ltd.<sup>^</sup> (熙牛醫療科技(浙江)有限公司) (“**Seenew Technology**”), the Group has successfully developed an AI cloud-based hospital information platform for large-scale medical groups and medical associations, which has already been put into commercial use at two campuses of the First Affiliated Hospital, Zhejiang University School of Medicine (FAHZU). The Group has also successfully developed a regional cloud-based smart health platform focusing on the digitalization of the full spectrum of services offered by all medical institutions in each region. We have established considerable project reserves for this product in a number of provinces in China.
- During the year, the Group’s tracking business made many significant progresses. The Group started the tracking business for medical devices and Alibaba Health was among the first batch of entities approved to issue codes under a unique identification system and was one of the three largest code-issuing companies. The Group was also committed to establishing a full-process tracking model, and successfully achieved this in Guizhou Province, which became the first province in China to be fully and comprehensively covered by a vaccine tracking system. Meanwhile, the Group also made major breakthroughs in the application settings of tracking codes. For the first time, we enabled code scanning tracking in Class IIIA hospitals. These achievements mark the Group’s progress towards medical tracking and will serve as major impetus to the continued consolidation of Alibaba Health’s status and business value in the tracking industry.
- The Board of the Company does not recommend the payment of a final dividend for the year ended March 31, 2020.

<sup>1</sup> Adjusted net profit is based on the loss for the corresponding year after excluding share-based compensation expenses.

## **CHAIRMAN'S STATEMENT**

Dear Shareholders,

At the end of 2019, the outbreak of COVID-19 pandemic has brought unprecedented and major challenges to people's lives, and has affected the health and livelihoods of people, as well as the economy of China and many countries around the world. However, history has showed us that while every epidemic may cause panic, it also inspires human beings to respond with innovative and brave actions. Shortly after the start of the outbreak, the Chinese government took resolute and forceful counter measures without hesitation to curb the COVID-19 pandemic. Local governments were quick to organize manpower and material resources, whereas medical teams from the rest of the country rushed to Hubei Province almost overnight, as the strengths of the whole country were pooled together to fight this arduous battle against COVID-19.

Confronted by the COVID-19 pandemic, Alibaba Health has always been fully conscious of its social responsibility. With experience in the pharmaceutical and healthcare product sales, and Internet healthcare and digital healthcare, we are proud to have been able to devote our capabilities, technologies and resources to fight against the COVID-19 pandemic. We quickly responded to the situation by introducing various services, such as free online medical consultation for residents in affected area, home delivery of life-saving medicines, psychological assistance for medical staff and family members of patients, medicine home delivery, guidance for COVID-19 Prevention, real-time COVID-19 pandemic information map, "Close Contacts Inquiry" and AI-assisted diagnosis of COVID-19. Alibaba Health worked with those at the frontline of the fight against COVID-19 and at home in China and abroad. We quickly rolled out online health consultations for overseas Chinese, and also invited doctors from China with first-hand experience in fighting the COVID-19 pandemic to join our "Global MediXchange for Combating COVID-19 (GMCC)" platform.

## **Alibaba Health's Efforts in Combating the COVID-19 Pandemic**

Around January 20	Collaborated with online-to-offline (O2O) pharmacies in Wuhan to provide couriers in Wuhan with free masks, and undertook to ensure that Alibaba Health's urgent medicine delivery service would not be suspended due to the Spring Festival holiday and the COVID-19 pandemic
January 21	Published a “COVID-19 Prevention Guideline”
January 22	Launched the “COVID-19 Pandemic Map” service
January 24	Launched free medical consultation service for the Hubei region
January 25	Assisted the Health Communication Office <sup>^</sup> (健康傳播中心) of the Chinese Center for Disease Control and Prevention in producing and designing a series of promotional materials on COVID-19
January 31	Launched a “Live Q&A with Medical Practitioners” function
January 31	Launched a “Psychological Assistance Hotline” in collaboration with Alipay
February 1	Launched the “AliHealth Online Doctor” platform for Beijing
February 2	Under the guidance of the Department of Publicity of National Health Commission of the People’s Republic of China, rolled out a bundle of convenient services in cooperation with Health News, Alipay, Amap and UC Browser, such as navigation for outpatient fever clinics
February 6	Launched the “Medicine Home Delivery” service
February 10	Released a free applet for smart community COVID-19 pandemic prevention and control
February 11	Launched the “City-wide Anti-Epidemic Drugs Enquiry” function
February 13	Collaborated with nearly 50 well-known pharmaceutical companies to ensure the continued supply of drugs for chronic diseases during the COVID-19 pandemic
February 13	Launched the service “Registration of Shortage of Drugs” for Hubei Province

February 14	Introduced the function of “Close Contacts Inquiry” for contact tracing of confirmed and suspected cases
February 16	Released the “Proposal on Supporting Hubei with Medication Search Service for Chronic Disease Patients”
February 18	Released the “Medical Visit Guide”, which covered more than 300 hospitals in 14 cities
February 21	Assisted a number of hospitals in introducing “Online Renewal of Prescriptions and Dispensary” service, enabling patients to renew their prescriptions and access dispensary service without leaving home
February 25	Collaborated with pharmaceutical companies, logistics companies, volunteers and other partners to deliver life-saving medicine to 13 million chronic disease patients in Hubei
February 26	Launched the “Quality-assured Medicines” program, which enables patients with chronic diseases nationwide to purchase prescription drugs on Tmall’s Pharmaceutical Platform
February 27	Provided online management services for patients with chronic diseases in Zhejiang Province
March 2	Started the “Guaranteed Supply of 10 Million Masks at Low Price” project, through which 3 million low-priced masks were supplied to Hubei Province exclusively on a daily basis
March 8	Worked with Alipay to launch a free online medical consultation service to overseas Chinese
March 13	Connected dozens of primary hospitals to AI-assisted computed tomography (CT) imaging COVID-19 screening technology
March 23	The “Global MediXchange for Combating COVID-19 (GMCC)” platform featured our free online health consultation service targeted at overseas Chinese
March 27–Present	The “Global MediXchange for Combating COVID-19 (GMCC)” platform organized several webinars, featuring doctors from China sharing their first-hand experience at combating COVID-19 in China with front-line doctors and nurses around the world

March 31	Collaborated with Alibaba Cloud and Alibaba DAMO Academy to offer COVID-19 AI diagnosis technology, supporting the efforts of hospitals around the globe to fight against COVID-19
April 21	Launched the national nucleic acid testing platform to support the resumption of production and work, which was an innovative measure under Alibaba's Spring Thunder Initiative <sup>^</sup> (春雷計劃) designed to help society win the final battle against the COVID-19 pandemic

Alibaba Health's ongoing commitment in combating the COVID-19 pandemic has demonstrated its service capabilities and technical strengths developed in the field of healthcare, and is also in line with our 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". Over the past year, we continued to build on the foundation of our healthcare business and to make deployments for the future. On the one hand, we provided consumers with high-quality and affordable pharmaceutical and healthcare products and services, and developed more transparent and convenient medical services settings such as in consumer healthcare and Internet healthcare; on the other hand, leveraging on cloud computing, artificial intelligence and Internet of Things technologies, we explored opportunities to promote the development of the medical industry based on digital information, data and artificial intelligence and to enhance industry efficiency. These continual investments and efforts, coupled with our role as Alibaba Group's flagship healthcare platform, facilitated the integration of our and Alibaba Group's capabilities and technologies in order to support domestic and overseas efforts in combating the COVID-19 pandemic.

Apart from the fight against COVID-19, we also made some remarkable achievements in various areas during the last financial year. With the utilization of Internet technologies, we have built an omni-channel for pharmaceutical and healthcare product and service supply and a new retail system that covers the whole industry chain. This established a direct connection with manufacturers and leading distributors and have deepened our cooperation with offline pharmaceutical retail chains, to bring manufacturers, distributors and consumers closer together. The gross merchandise volume (GMV) of Tmall's Pharmaceutical Platform reached RMB83.5 billion, with over 190 million annual active consumers. We continued to explore deeper cooperation with upstream pharmaceutical companies on online channels, thereby realizing our goal of being the first to release certain innovative drugs in our direct drugstores and on our platform. With the introduction of the Chronic Disease Welfare Program<sup>^</sup> (慢病福利計劃), we are able to provide patients with a series of chronic disease management services such as Cloud-based Medical Consultation<sup>^</sup> (雲醫生), direct sourcing from pharmaceutical manufacturers and personalized medication guidelines. Our 24/7 30-minute drug delivery service is now available in a total of 14 cities, including Hangzhou, Beijing, Guangzhou, Shenzhen, Wuhan, Shanghai and Chengdu. The Ma Shang Fang Xin<sup>^</sup> (碼上放心) platform also became the first third-party tracking platform in China to meet the new

national vaccine and drug tracking standards. Leveraging on deep learning technology, we have developed a number of AI engines, including those for digital orthodontics, epilepsy, dynamic electrocardiography (DCG) and chronic obstructive pulmonary disease (COPD), which have gradually been promoted and applied at offline medical institutions and on out-of-hospital medical service platforms.

Looking back on the development of the industry over the past year, the Chinese government continued to implement its framework for the Outline of the Healthy China 2030 Plan<sup>^</sup> (《「健康中國2030」規劃綱要》) to deepen reform in the healthcare segment. With effect from December 1, 2019, the Amendment to the Drug Administration Law of the People's Republic of China<sup>^</sup> (《中華人民共和國藥品管理法》修訂案) (the “**New Drug Administration Law**”) eliminated the restrictions on the online sales of prescription drugs and adopted the principles of having the same standards for both online and offline business and integrated supervision, while emphasizing the importance of the drug tracking system.

In terms of online consultation services, the State Council issued the Notice of the General Office of the State Council on Publication of the Key Tasks for Deepening the Reform of the Medical and Healthcare System in 2019<sup>^</sup> (《國務院辦公廳關於印發深化醫藥衛生體制改革2019年重點工作任務的通知》), and the National Healthcare Security Administration issued the Guiding Opinions on Improving the Policies on the Pricing of “Internet+” Medical Services and Medical Insurance Payment<sup>^</sup> (《關於完善「互聯網+」醫療服務價格和醫保支付政策的指導意見》), which stipulated that the pricing of “Internet+” medical services should be incorporated into the pricing policies of existing medical services for the purpose of uniform management, and that medical insurance reimbursement policies should be applied to qualified “Internet+” medical services in accordance with the principle of equal treatment for both online and offline services.

In addition, the Chinese government issued the Action Plan for Promoting the Quality Development of the Healthcare Industry (2019–2022)<sup>^</sup> (《促進健康產業高質量發展行動綱要 (2019–2022年) 》), and clearly stated in the “Internet+ Healthcare” improvement project that a national health information platform should be built to gradually manage health information big data for the whole population through their entire life cycle. Meanwhile, it was proposed that “Internet + pharmaceutical distribution” should be actively developed by establishing interconnected channels for the real-time sharing of Internet consultation prescription information and retail drug consumption information and by supporting third-party drug delivery for online prescriptions, to accelerate the development of pharmaceutical e-commerce. The “Technological Innovation Project of the Healthcare Industry” proposed to support the development and application of cutting-edge technologies and products, accelerate the application of artificial intelligence technology in assisted interpretation of medical images, assisted clinical diagnosis and multi-dimensional medical data analysis, thereby promoting the realization of tiered healthcare delivery system.

During the COVID-19 pandemic, the Chinese government further issued a series of policies, such as the Opinions on Deepening the Reform of the Medical Insurance System<sup>^</sup> (《關於深化醫療保障制度改革的意見》), the Guiding Opinions on Promoting “Internet+” Medical Insurance Services During the Prevention and Control of COVID-19 Pandemic<sup>^</sup> (《關於推進新冠肺炎疫情防控期間開展「互聯網+」醫保服務的指導意見》), and the Implementation Plan for Cultivating the New Economy through the Promotion of the “Cloud Migration and Digitalization” Initiatives<sup>^</sup> (《關於推進「上雲用數賦智」行動培育新經濟發展實施方案》). These policies expressly showed the Government’s recognition of the significant positive social effect of Internet diagnosis and treatment during the COVID-19 pandemic and support for the new model of “Internet + medical service”, as well as efforts to incorporate online initial medical consultations and online medicine purchases into the scope for medical insurance reimbursement.

In view of these favorable policies and the rapid development of the industry, Alibaba Health will capitalize on two historical opportunities, namely the separation of prescription and dispensation and sales of prescription drugs outside the hospital, as well as tiered healthcare delivery system based on digital medical information. We will continue to capitalize on the business relating to the pharmaceutical products, FSMPs and other product categories acquired from Alibaba Group, to give full play to our pharmaceutical e-commerce service capabilities to reach hundreds of millions of patients, and further develop our technology in the field of medical systems informatization, digitalization, intelligentization and full-process drug tracking.

Meanwhile, we will continue to coordinate and facilitate healthcare resources among Alibaba Group entities, including Alibaba Cloud, Ant Financial, Alibaba DAMO Academy and UC Browser, and the opportunity to build the “Global MediXchange for Combating COVID-19 (GMCC)” platform. We will promote in-depth cooperation with domestic medical institutions at all levels, develop services that can bring user value to patients and doctors, strengthen our “Internet + medical service” capabilities, while rolling out comprehensive membership services for patients in online drug purchase, online medical treatment and health management, etc.

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

**ZHU Shunyan**  
*Chairman and Chief Executive Officer*

May 27, 2020

## KEY FINANCIAL FIGURES

	Year ended March 31,		
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Change %
Revenue	<b>9,596,476</b>	5,095,867	88.3
— Pharmaceutical e-commerce platform business	<b>1,170,333</b>	689,980	69.6
— Pharmaceutical direct business	<b>8,133,945</b>	4,226,950	92.4
— Internet healthcare business	<b>38,420</b>	11,963	221.2
— Consumer healthcare business	<b>214,287</b>	128,254	67.1
— Tracking and digital health business	<b>39,491</b>	38,720	2.0
Gross profit	<b>2,231,380</b>	1,331,263	67.6
Gross profit margin	<b>23.3%</b>	26.1%	N/A
Loss for the year	<b>(15,696)</b>	(91,764)	(82.9)
Excluding			
— Share-based compensation expenses	<b>277,139</b>	213,493	29.8
Adjusted net profit	<b>261,443</b>	<b>121,729</b>	<b>114.8</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended March 31, 2020*

	Notes	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
REVENUE	4	<b>9,596,476</b>	5,095,867
Cost of revenue		<b>(7,365,096)</b>	<b>(3,764,604)</b>
Gross profit		<b>2,231,380</b>	1,331,263
Operating expenses:			
Fulfilment	5	<b>(1,098,254)</b>	(572,123)
Sales and marketing expenses		<b>(722,720)</b>	(454,838)
Administrative expenses		<b>(219,973)</b>	(181,016)
Product development expenses		<b>(252,843)</b>	(219,018)
Other income and gains	4	<b>161,269</b>	67,014
Other expenses		<b>(33,768)</b>	(2,502)
Finance costs		<b>(21,965)</b>	(27,966)
Share of losses of:			
Joint ventures		<b>(12,737)</b>	(737)
Associates		<b>(21,295)</b>	<b>(907)</b>
PROFIT/(LOSS)BEFORE TAX	6	<b>9,094</b>	(60,830)
Income tax expense	7	<b>(24,790)</b>	<b>(30,934)</b>
LOSS FOR THE YEAR		<b><u>(15,696)</u></b>	<b><u>(91,764)</u></b>
Attributable to:			
Owners of the parent		<b>(6,586)</b>	(81,949)
Non-controlling interests		<b>(9,110)</b>	(9,815)
		<b><u>(15,696)</u></b>	<b><u>(91,764)</u></b>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	<b><u>RMB(0.06) cents</u></b>	<b><u>RMB(0.74) cents</u></b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*Year ended March 31, 2020*

	<b>2020</b> <i>RMB'000</i>	<b>2019</b> <i>RMB'000</i>
LOSS FOR THE YEAR	<b>(15,696)</b>	<b>(91,764)</b>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income may be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	<b>74,824</b>	<b>62,213</b>
Other comprehensive income will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income (“FVOCI”):		
Change in fair value	<b>46,161</b>	—
Income tax effect	<b>(4,616)</b>	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<b>116,369</b>	<b>62,213</b>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<b>100,673</b>	<b>(29,551)</b>
Attributable to:		
Owners of the parent	<b>109,783</b>	(19,736)
Non-controlling interests	<b>(9,110)</b>	(9,815)
	<b>100,673</b>	<b>(29,551)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*March 31, 2020*

	<i>Notes</i>	<b>March 31, 2020</b>	<b>March 31, 2019</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property and equipment		<b>12,999</b>	8,886
Right-of-use assets		<b>59,333</b>	—
Investment property		<b>10,599</b>	—
Other intangible assets		<b>4,467</b>	—
Goodwill		<b>54,576</b>	27,006
Investments in joint ventures		<b>111,247</b>	10,985
Investments in associates		<b>1,945,789</b>	1,964,854
Long-term receivables		<b>21,732</b>	39,372
Equity investment designated at FVOCI		<b>173,456</b>	119,801
Financial assets at fair value through profit or loss ("FVPL")		<b>462,778</b>	<u>507,587</u>
Total non-current assets		<b>2,856,976</b>	<u>2,678,491</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>1,217,258</b>	595,793
Trade and bills receivables	10	<b>324,541</b>	365,446
Prepayments, other receivables and other assets		<b>413,492</b>	323,352
Financial assets at FVPL		<b>402,485</b>	1,736,713
Restricted cash		<b>60,239</b>	1,719
Cash and cash equivalents		<b>2,594,981</b>	<u>280,371</u>
Total current assets		<b>5,012,996</b>	<u>3,303,394</u>
<b>CURRENT LIABILITIES</b>			
Interest-bearing borrowings		<b>—</b>	1,700,000
Lease liabilities		<b>32,030</b>	—
Trade and bills payables	11	<b>1,865,526</b>	902,651
Other payables and accruals		<b>513,250</b>	463,642
Contract liabilities		<b>171,280</b>	151,991
Tax payable		<b>27,817</b>	<u>15,098</u>
Total current liabilities		<b>2,609,903</b>	<u>3,233,382</u>
<b>NET CURRENT ASSETS</b>		<b>2,403,093</b>	<u>70,012</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>5,260,069</b>	<u>2,748,503</u>

	<b>March 31, 2020</b> <b>RMB'000</b>	March 31, 2019 <b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<b>37,725</b>	—
Deferred tax liabilities	<b>19,829</b>	<u>11,677</u>
Total non-current liabilities	<b><u>57,554</u></b>	<u>11,677</u>
Net assets	<b><u>5,202,515</u></b>	<u>2,736,826</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<b>106,108</b>	102,898
Treasury shares	<b>(13,039)</b>	(25,052)
Reserves	<b>5,176,076</b>	<u>2,716,673</u>
<b>Non-controlling interests</b>	<b><u>5,269,145</u></b>	<u>2,794,519</u>
	<b><u>(66,630)</u></b>	<u>(57,693)</u>
Total equity	<b><u>5,202,515</u></b>	<u>2,736,826</u>

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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

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

## 2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group’s financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application started from April 1, 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at April 1, 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

#### **New definition of a lease**

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 as at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after April 1, 2019.

#### **As a lessee — Leases previously classified as operating leases**

##### ***Nature of the effect of adoption of HKFRS 16***

The Group has lease contracts for properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from April 1, 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

##### ***Impact on transition***

Lease liabilities at April 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate as at April 1, 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before April 1, 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 as at April 1, 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

#### **Financial impact as at April 1, 2019**

The impact arising from the adoption of HKFRS 16 as at April 1, 2019 was as follows:

	Increase/ (decrease) RMB'000
<b>Assets</b>	
Increase in right-of-use assets	73,087
Decrease in prepayments, other receivables and other assets	<u>(4,786)</u>
Increase in total assets	<u>68,301</u>
<b>Liabilities</b>	
Increase in lease liabilities	<u>68,301</u>
Increase in total liabilities	<u>68,301</u>

The lease liabilities as at April 1, 2019 reconciled to the operating lease commitments as at March 31, 2019 are as follows:

	RMB'000
<b>Operating lease commitments as at March 31, 2019</b>	74,940
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before March 31, 2020	<u>(764)</u>
Weighted average incremental borrowing rate as at April 1, 2019	<u>4.676%</u>
<b>Lease liabilities as at April 1, 2019</b>	<u>68,301</u>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on April 1, 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have significant impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have significant impact on the financial position or performance of the Group.

### **3. OPERATING SEGMENT INFORMATION**

The Group is primarily engaged in pharmaceutical direct business, operation of pharmaceutical e-commerce platform, and consumer healthcare services platform, provision of tracking and digital health business and internet healthcare business. Given that the chief operating decision maker of the Company considers that the Group’s business is operated and managed as a single segment of distribution and development of pharmaceutical and healthcare business, accordingly, no segment information is presented.

## **Geographical information**

### **(a) Revenue from external customers**

	<b>For the year ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Mainland China	9,275,741	4,979,016
Hong Kong	<u>320,735</u>	<u>116,851</u>
	<b><u>9,596,476</u></b>	<b><u>5,095,867</u></b>

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

### **(b) Non-current assets**

	<b>For the year ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Mainland China	2,047,963	1,859,409
Hong Kong	<u>151,047</u>	<u>152,322</u>
	<b><u>2,199,010</u></b>	<b><u>2,011,731</u></b>

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

## **Information about a major customer**

During the years ended March 31, 2020 and 2019, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group's revenue.

#### 4. REVENUE, OTHER INCOME AND GAINS

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

	For the year ended March 31, 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Pharmaceutical direct business	<b>8,133,945</b>	4,226,950
Pharmaceutical e-commerce platform business	<b>1,170,333</b>	689,980
Consumer healthcare business	<b>214,287</b>	128,254
Tracking and digital health business	<b>39,491</b>	38,720
Internet healthcare business	<b>38,420</b>	11,963
	<hr/>	<hr/>
	<b>9,596,476</b>	5,095,867
	<hr/>	<hr/>
<b>Revenue from contracts with customers</b>		
<i>(i) Disaggregated revenue information</i>		
	For the year ended March 31, 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Type of goods or services:		
Sales of products	<b>7,656,912</b>	4,049,991
Provision of services	<b>1,939,564</b>	1,045,876
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>9,596,476</b>	5,095,867
	<hr/>	<hr/>
Timing of revenue recognition:		
At a point in time	<b>8,992,831</b>	4,796,919
Over time	<b>603,645</b>	298,948
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>9,596,476</b>	5,095,867
	<hr/>	<hr/>

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

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:

	For the year ended March 31, 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Sales of products	1,708	15,957
Provision of services	<u>123,458</u>	<u>69,179</u>
	<b><u>125,166</u></b>	<b><u>85,136</u></b>

*(ii) Performance obligations*

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

*Sales of products*

The performance obligation is satisfied upon delivery of the healthcare products. For business-to-consumer ("B2C") pharmacy sales, payment is received from the payment platform, i.e. Alipay, when the receipt of goods is confirmed by customers or by the payment platform automatically at a pre-specified period of time after delivery. For business-to-business ("B2B") pharmacy sales, payment is generally due within 30 to 90 days except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

*Provision of services*

The performance obligation is satisfied over time or at a point in time as services are rendered. Payment is generally received upon the completion of the underlying transactions, prior to the provision of services on a full prepayment basis, or due within 30 to 90 days except for new customers, where payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31, 2020 and 2019 are as follows:

	As at March 31, 2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one year	366,441	371,270
More than one year	<u>26,825</u>	<u>26,825</u>
	<b><u>393,266</u></b>	<b><u>398,095</u></b>

For the year ended March 31,  
2020                                    2019  
*RMB'000*                                    *RMB'000*

**Other income**

Bank interest income	<b>54,904</b>	23,573
Government grants <sup>#</sup>	<b>20,258</b>	2,400
Rental income from investment property operating leases	<b>8,399</b>	—
Management fee income	<b>7,700</b>	—
Dividend income	<b>1,874</b>	—
Other interest income	<b>1,307</b>	1,483
Others	<b>3,243</b>	878
	<hr/>	<hr/>
	<b>97,685</b>	28,334

**Gains**

Gain on deemed partial disposal of associates	<b>41,762</b>	—
Gain on disposal of an associate	<b>21,791</b>	—
Gain on disposal of items of property and equipment	<b>31</b>	15
Fair value gains on financial assets at FVPL	<b>—</b>	17,659
Fair value gains on financial liabilities at FVPL	<b>—</b>	8,589
Gain on disposal of a joint venture	<b>—</b>	12,417
	<hr/>	<hr/>
	<b>63,584</b>	38,680
	<hr/>	<hr/>
	<b>161,269</b>	67,014

<sup>#</sup> Government grants mainly represented incentives received in certain regions in Mainland China in which the Company's subsidiaries operate.

## 5. FULFILMENT

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

## 6. PROFIT/(LOSS) BEFORE TAX

	For the year ended March 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of goods sold*	6,325,330	3,343,225
Cost of services provided* (excluding employee benefit expense and share-based compensation expenses)	1,003,665	408,409
Interest on bank loans**	—	833
Interest on other loans**	21,879	27,133
Depreciation of property and equipment	5,830	3,989
Depreciation of right-of-use assets	27,295	—
Depreciation of investment property	7,087	—
Amortisation of intangible assets	1,477	—
Minimum lease payments under operating leases for office buildings	—	18,425
Lease payments not included in the measurement of lease liabilities	636	—
(Reversal of impairment)/Impairment of trade receivables***	(888)	1,226
Reversal of impairment of other receivables***	—	(807)
Provision/(reversal of provision) inventories*	13,282	(12,616)
Write-off of inventories***	5,301	1,090
Fair value losses/(gains) on financial assets at FVPL***	22,003	(17,659)
Auditor's remuneration	2,220	1,330
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	289,629	226,066
Bonuses	94,233	87,699
Pension scheme contributions <sup>#</sup>	24,670	23,420
Share-based compensation expenses	277,139	213,493
	685,671	550,678
Foreign exchange differences, net***	6,752	64

\* 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" or "Other income and gains" in the consolidated statement of profit or loss.

# As at March 31, 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

## 7. INCOME TAX

	For the year ended March 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current – Hong Kong		
Charge for the year	979	560
Underprovision in prior years	—	199
Current — Mainland China		
Charge for the year	32,397	33,063
Overprovision in prior years	(12,122)	(6,883)
Deferred	3,536	3,995
Total tax charge for the year	24,790	30,934

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong. During the year, provision of RMB979,000 for Hong Kong profits tax has been made for assessable profits arising in Hong Kong (2019: RMB560,000).

In general, the PRC subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% except for one PRC subsidiary which is entitled to a preferential tax rate of 15%, and one PRC subsidiary which is entitled to the preferential tax treatment under a two-year income tax exemption and then a three-year 50% tax reduction policy starting from 2018. An income tax reversal of RMB9,500,000 was recorded by one PRC subsidiary in this year after the approval of the preferential tax treatment for prior year taxable income was obtained.

No tax attributable to a joint venture was included in “Share of profits or losses of joint ventures” in the consolidated statement of profit or loss (2019: RMB4,389,000).

The share of tax (credit)/charge attributable to associates of approximately RMB(10,045,000) (2019: RMB11,877,000) is included in “Share of profits or losses of associates” in the consolidated statement of profit or loss.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of RMB6,586,000 (2019: RMB81,949,000), and the weighted average number of ordinary shares of 11,931,343,239 (2019: 11,054,967,978) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended March 31, 2020 and 2019 in respect of a dilution as the impact of the share options and RSUs outstanding had no dilutive effect on the loss per share amounts presented.

## 9. DIVIDENDS

The Board does not recommend the payment of dividend for the year ended March 31, 2020 (2019: Nil).

## 10. TRADE AND BILLS RECEIVABLES

	As at March 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	319,278	213,467
Bills receivables	32,171	179,775
	<hr/>	<hr/>
Impairment	351,449	393,242
	(26,908)	(27,796)
	<hr/>	<hr/>
	324,541	365,446

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.

Included in the Group's trade and bills receivables are amounts due from subsidiaries of Alibaba Group of approximately RMB80,178,000 (2019: RMB10,735,000) and the Group's associates of approximately RMB24,394,000 (2019: RMB25,331,000), which are repayable on credit terms similar to those offered to major customers of the Group.

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

	As at March 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	266,972	179,668
3 to 12 months	25,398	5,867
Over 12 months	—	136
	<hr/>	<hr/>
	292,370	185,671

## **11. TRADE AND BILLS PAYABLES**

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

	<b>As at March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	<b>973,060</b>	715,779
3 to 12 months	<b>683,915</b>	186,182
Over 12 months	<b>208,551</b>	690
	<b><u>1,865,526</u></b>	<b><u>902,651</u></b>

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 RMB950,468,000 (2019: RMB405,955,000), which are repayable on credit terms similar to those offered by the related companies to their major customers.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

As the healthcare flagship of Alibaba Holding, the Group, whose mission is to “make good health achievable at the fingertips”, has been strengthening the foundation of our pharmaceutical and healthcare businesses and actively planning for our 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 pharmaceutical and healthcare product and service sales business, actively expand its Internet-based medical platform, explore digital health through technologies such as cloud computing and big data, and develop its consumer healthcare business.

#### **Pharmaceutical and healthcare omni-channel business**

The Group has been actively utilizing Internet technologies to build an omni-channel for pharmaceutical and healthcare product and service supply and a new retail system that covers the whole industry value 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 value 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 serving consumers as well as exploring and creating new consumption demand.

During the Reporting Period, the Group continued to actively expand its cooperation with quality upstream brands and further strengthen its business partnerships with pharmaceutical, nutritional and healthcare product manufacturers and major domestic pharmaceutical distributors. As at the end of the Reporting Period, the Group was authorized to undertake the management of or open more than 80 franchised flagship stores on Tmall’s Pharmaceutical Platform, helping them to achieve favorable sales performance on Tmall.

- **Pharmaceutical e-commerce platform business — Tmall's Pharmaceutical Platform**

During the Reporting Period, the Group continued its full operation of Tmall's Pharmaceutical Platform. In February 2020, the Company signed a share purchase agreement with Ali JK, a wholly-owned subsidiary of Alibaba Holding, in relation to the acquisition of, among others, relevant categories such as pharmaceutical products and foods for special medical purposes (FSMPs) by issuing new consideration shares of the Company to Ali JK. The transaction was completed in April 2020. On that basis, Alibaba Health currently owns and operates the businesses relating to the categories of medical devices and healthcare products, sexual health and family planning products, contact lenses, health food, FSMPs, as well as medical and healthcare services on Tmall's Pharmaceutical Platform, which have previously been acquired from Alibaba Group. In the meantime, the Group continues to provide outsourced and value-added services for the product categories of nutritional supplements (excluding health food and FSMPs) on Tmall.

During the Reporting Period, the gross merchandise volume (GMV) generated by Tmall's Pharmaceutical Platform as operated by the Group exceeded RMB83.5 billion. Annual active consumers of Tmall's Pharmaceutical Platform (consumers who made one or more actual purchase(s) on Tmall's Pharmaceutical Platform in the past 12 months) exceeded 190 million, with an increase of more than 30 million within the six month period.

During the COVID-19 pandemic, the Group fully participated in anti-epidemic initiatives and did its upmost to fulfill its social responsibilities, sparing no effort to deploy resources to fulfilling consumers' anti-epidemic needs. On February 6, 2020, the Group launched the "Medicine Home Delivery"<sup>^</sup> (買藥不出門) service firstly on Taobao. It features online medical consultation and prescription and home delivery of medicine, allowing patients with chronic diseases to receive their medicine at home with peace of mind. At the same time, leveraging its popularity and influence in the industry, Alibaba Health partnered with more than 50 well-known pharmaceutical companies both at home and abroad to ensure the continued supply of medicine during the COVID-19 pandemic. In response to the shortage of medicine for chronic disease patients in Hubei Province, the epicenter of the COVID-19 pandemic outbreak in China, Alibaba Health launched the "Drug Shortage Registration" service and published a "Proposal on Supporting Hubei with Medication Search Service for Chronic Disease Patients"<sup>^</sup> (《火線馳援，湖北慢病找藥倡議書》). Mobilizing the resources of our platform and merchants, we helped patients with chronic disease and their families who live in areas subject to strict quarantine, and who were running out of medication, to urgently find medicine resources and mobilized our business partners to send life-saving drugs to those patients. As the battle against the COVID-19 pandemic continues, Alibaba Health and Tmall jointly announced the launch of the "Quality-assured Medicine"<sup>^</sup> (放心購藥) project, aimed at providing convenient medicine delivery to a large number of chronic disease patients nationwide. While ensuring and focusing on anti-epidemic resources, we

voluntarily suspended marketing campaigns for non-critical categories, such as sexual health and family planning products, contact lenses, and ordinary medical devices, which to an extent resulted in a negative impact on the GMV growth of the platform. However, we also received recognition and positive feedback from our users for these efforts. The number of active consumers of the Group has increased substantially since the beginning of 2020.

Apart from our active efforts to help consumers fight against the COVID-19 pandemic, we were also engaged in Alibaba's Spring Thunder Initiative<sup>^</sup> (春雷計劃), trying our best to help SMEs and local governments out of difficulties and to reinvigorate distinctive industries. We further deepened our previous comprehensive cooperation with local governments in Ningxia, Yunnan and other areas, developing five major industry belts of nutritional products, including Chinese wolfberry, ejiao (donkey hide gelatin), bird's nest, ginseng, and panax notoginseng, with remarkable results. Since the beginning of 2020, the GMV of these categories has increased significantly.

The Group is also committed to making strategic deployments in relation to consumption upgrade to meet the diverse product needs of users. In view of increasing healthcare regimen demands from consumers, we have taken the initiative to expand our product portfolio. We have successfully incubated new categories involving dozens of market segments. Those new supplies were widely recognized by consumers and recorded significant growth during the Reporting Period. The Group also continued to focus on identifying and building target consumers, launching and operating projects aimed specifically at various groups, such as employees, families, beauty lovers and health-conscious people, so as to lay a solid foundation for the continued conversion of these groups.

## **Future prospects**

The successful acquisition of the pharmaceutical products categories during the Reporting Period was a significant business progress for Alibaba Health, which not only illustrates the determination of Alibaba Group to operate Alibaba Health as a healthcare flagship platform, but also enables the Group to own core categories in the pharmaceutical industry. The Group will directly benefit from the effect of additional revenue generated from these categories in the future. In addition, the acquisition enables us to interface directly with regulatory authorities for our prescription drug business. It is also a crucial development opportunity for creating an operation model integrating merchants and consumers. The COVID-19 pandemic since the Spring Festival holiday has fueled consumers' virtual behaviors of seeking medical advice and medication online. Moreover, it has accelerated the development of the industry with the introduction of a series of new policies. As industry leader, we will make active deployment and leverage on the important opportunities for strategic development at present. We will continue to promote and facilitate relevant policies, breakthroughs and innovations, by capitalizing on our branding advantages and operation foundation. We will also continue to focus on

the expansion of new users and new categories. On the basis of constantly meeting consumers' differentiated and diversified needs, we will create and enrich the ecosystem of the platform, helping merchants become bigger and stronger, so as to provide endless motivation for sustainable growth.

- ***Pharmaceutical e-commerce platform business — New retail model***

Based on previous accumulated experiences, the Group continues to explore in-depth the development strategy and path of the new pharmaceutical retail segment. As at March 2020, the 24/7 30-minute drug delivery service was available in a total of 14 cities, including Hangzhou, Beijing, Guangzhou, Shenzhen, Wuhan, Shanghai and Chengdu. At the same time, we launched the “emergency drug delivery” service in more than 140 cities nationwide, and will roll this out to more cities in the future.

During the COVID-19 pandemic, the Group's online-to-offline (O2O) business team persevered on the anti-epidemic frontlines and overcame various difficulties to continue to provide services during the Spring Festival holiday, ensuring the continued supply of emergency medicine. In response to the common problems of inadequate supply of anti-epidemic products and asymmetric information, we capitalized on our technologies to launch a “City-wide Anti-Epidemic Drug Enquiry<sup>^</sup>” (疫情防控藥品全城查詢) tool in a number of cities across the country, providing local residents with timely information on the availability of related products in their cities and surrounding areas, which was well received by consumers.

Based on our accumulated operational experience and capabilities, the Group's O2O prescription drug service was fully launched during the Reporting Period. At the same time, we established an online follow-up consultation system and a compliance system for issuing prescriptions. Through overall coordinated supervision, we have realized compliance for the whole process of online follow-up consultations, prescription and medicine delivery for returning patients. Through linkage with our Internet healthcare business, our O2O business further enabled the pilot program online payment for medical insurance in Quzhou City, Zhejiang Province, thus leading industry development.

During the Reporting Period, the Group further deepened its cooperation with O2O alliance merchants and upstream brands, achieving end-to-end cooperation with more than 20 brands, such as Dong-E E-Jiao and Yunnan Baiyao, and experimented with the debut of new products within our O2O alliance. These initiatives are intended to cultivate and strengthen consumer recognition, while creating greater value for business partners.

## **Future prospects**

The Group will continue to invest in and explore the new pharmaceutical retail segment. We will continue to ensure the stable provision of our services during the COVID-19 pandemic, while optimizing service experience. Taking this as an opportunity, we will further strengthen consumer education on online medicine purchase, and continually consolidate and expand our target user base. We will also continue to explore innovative cooperation with offline alliance pharmacies and upstream pharmaceutical companies, to help alliance merchants expand their traffic base, reduce costs and increase efficiency. At the same time, we will help pharmaceutical companies reach target users more efficiently. We will leverage online channels for brand-building, product innovation, customer service experience accumulation and capability enhancement. Based on the full launch of our prescription drug O2O business, we will continue to focus on the enhancement of basic capabilities of the prescription drug business. We will continue to promote business innovation such as category expansion on the basis of strengthened infrastructure in terms of supply, distribution, compliance, etc. Against the background of ongoing breakthroughs in industry policies, we will also actively promote the linkage between the O2O business and other segments, including Internet healthcare. We will facilitate the implementation of relevant policies in more regions in China, enriching the range of application scenarios for online “pharmacy, medical care and medical insurance”. We intend to achieve sustainable long-term development on the basis of promoting and leading industry innovation.

- ***Pharmaceutical direct business***

Through the pharmaceutical direct business, the Group provides customers with a wide range of products with strict quality control, including prescription drugs, over-the-counter (OTC) drugs, health supplements, medical devices, contact lenses and skincare, and is committed to providing customers with better shopping experience and after-sales protection. During the Reporting Period, fueled by the Group's scientific approach to operation and branding advantages as well as its business team's efficient execution, the pharmaceutical direct business maintained rapid revenue growth. As at March 31, 2020, our direct online stores (AliHealth Pharmacy<sup>^</sup> (阿里健康大藥房) and AliHealth Overseas Flagship Store<sup>^</sup> (阿里健康海外旗艦店)) accumulated more than 48 million annual active consumers (those who made one or more actual purchase(s) in our direct online stores in the past 12 months).

During the COVID-19 pandemic, the Group's direct business team persevered on the frontline. Faced with the large volume of consultation and drug purchase demands from users, the team actively leveraged on the strengths of our supply chain and on our operational capabilities and built on the “Quality-assured Medicines” project jointly launched by the Group and Tmall to launch the Chronic Disease Welfare Program<sup>^</sup> (慢病福利計劃). This program gives full play to the capacity reserve and operational experience of our “Super Pharmacy”, so as to provide chronic disease

patients with a series of chronic disease management services such as Cloud-based Medical Consultation<sup>^</sup> (雲醫生), direct sourcing from the pharmaceutical manufacturers and personalized medication guidelines. Due to force majeure factors relating to traffic and transport during the COVID-19 pandemic, the direct business was negatively affected by inadequate transport capacity and temporary shortage of some medicines. Fortunately, the overall revenue of the direct business of the Group was less affected by the COVID-19 pandemic, having benefitted from the Group's product portfolio being able to fulfil user demands and from the Group's rapid organizational response. As a result, the Group continued to achieve significant increase in revenue in the fourth quarter of the Reporting Period.

During the Reporting Period, the Group further promoted in-depth online cooperation with upstream pharmaceutical companies. In March 2020, we joined forces with the world-renowned pharmaceutical company GlaxoSmithKline (GSK) to debut their innovative flagship chronic obstructive pulmonary disease (COPD) product in Alibaba Health's direct drugstores and on its platform. Through the Group's traffic base, brand influence, industry-leading technologies and operational capabilities, the accessibility of the GSK products was further enhanced, while meeting the medication and health management needs of many COPD patients.

During the Reporting Period, the Group actively supported China's policy pilot program on the sale of pharmaceutical products on cross-border e-commerce platforms, which was first implemented in Beijing at the end of 2019. Alibaba Health was the first to apply and was approved as a pilot company under the program, and thus gained a unique first-mover advantage.

The Group continued to improve its supporting system rules and service capabilities in warehousing, logistics, customer service, quality control, etc. and achieved significant results. To improve user experience, the Group continued to promote product transformation, reducing the need for further enquires with better managed customer service. With the accelerated development of the pharmaceutical direct business, the Group continued to invest in quality control to ensure safe operation, with implementation of tools such as the rational drug use system and transparent laboratories. In terms of warehousing and logistics, the Group dispatched deliveries from seven warehouses located in five different locations, with next day delivery available to 20 cities across the country. During the Reporting Period, we also completed construction of new customized warehouses for prescription drugs. The establishment and steady improvement of these comprehensive capabilities resulted in a significant increase in the user repurchase rate.

## **Future prospects**

In December 2019, the *New Drug Administration Law* came into effect, providing strong legal support for the online prescription drug business, as well as a new momentum to the long-term, sustainable and rapid development of the Group's direct business. Alibaba Health's direct drugstores have maintained rapid growth in the past three years of their operation. These encouraging results are attributable to our in-depth understanding of user needs in our direct business, as well as the creation and extension of user value. The Group is actively carrying out product transformation and team upgrading, and is deepening its business deployment in relation to prescription drugs. Through its direct business, it has established a full range of online health management services including consultation, prescription, drug purchase, distribution, medication guidance, health profiling, etc. With membership services such as the Chronic Disease Welfare Program, the Group will further expand its user base and optimize service experience. The Group has also accelerated its cooperation with upstream pharmaceutical companies. Through the Alibaba Health platform, it has enhanced the links between upstream pharmaceutical companies and patients to provide value-added services for pharmaceutical companies, and will continue to expand its business model on that basis.

## **Medical and healthcare services**

- ***Internet healthcare business***

During the year, the Group leveraged on the previously established Alibaba Health Network Hospital Limited<sup>^</sup> (阿里健康網絡醫院有限公司) to organize professionals such as medical practitioners, pharmacists and nutritionists to provide multi-faceted, multi-level, professional and convenient health consultation services and guidance for, among others, Taobao, Tmall and Alipay end-users. As at the end of March 2020, over 42,000 medical practitioners, pharmacists and nutritionists had signed up with the Group to provide online health consultation services, including more than 29,000 attending, chief or associate chief physicians.

The Group provides an array of medical and healthcare services to users through Alipay and has brought onboard Ant Financial as a shareholder to lay a solid foundation for further comprehensive and in-depth cooperation. Based on its strategic cooperation agreement with Alipay in November 2018, the Group established an exclusive and independent healthcare channel for Alipay users and was fully responsible for managing the healthcare industry partners featured on such channel. As at the end of March 2020, Alipay had over 15,000 contracted medical institutions, including more than 3,900 Class II and Class III hospitals. Moreover, nearly 400 Class III hospitals in 17 provinces across the country had been connected to medical insurance payment services.

During the COVID-19 pandemic, Alibaba Health and Alipay worked closely to actively utilize our platform strengths and technology to help fight against COVID-19. After the outbreak in late January, we launched a number of related services on Alipay, such as “COVID-19 Prevention Guidelines”, a “COVID-19 Pandemic Map”, and real-time updates of COVID-19 pandemic information. We also actively cooperated with the Chinese Center for Disease Control and Prevention to design and produce anti-epidemic publicity materials, and leveraged to distribute the materials through Alipay and Taobao, using Alibaba’s ecological traffic and technical capabilities, so as to assist the government in anti-epidemic publicity and education. For Hubei Province, which was the epicenter of the COVID-19 pandemic in China, we promptly launched a free online medical consultation service on Alipay, as well as a mental health assistance hotline for medical staff and their families. We also expanded the online consultation service to other parts of the country. To assist in the implementation of protection measures to mitigate population mobility risks, we continued to upgrade our products and launched the functions of “Close Contacts Inquiry” and “Medical Visit Guide” on Alipay, helping the Government and hospitals in COVID-19 pandemic prevention and control work, while providing convenient services for consumers at large. In view of the severity of the global COVID-19 pandemic, Alibaba Health again responded swiftly and launched online consultation services for Chinese overseas on Alipay, which were officially recommended by hundreds of Chinese embassies and consulates abroad and widely praised by overseas Chinese groups. Given the launch of a series of services during the COVID-19 pandemic, the number of active users of our healthcare services saw exponential growth. In the first quarter of 2020, the net total number of frequent active users of Alipay’s healthcare channel exceeded 390 million.

The Group has been continually working to enhance supply and efficiency using technology to satisfy users’ needs for offline treatment, online consultation and convenient healthcare management. During the year, we again made remarkable progress in the area of Internet-based healthcare. In January 2019, the Zhejiang Province Internet Hospital Platform, constructed by Zhejiang Bianque, a company jointly invested in by the Group and Ant Financial, was officially launched as the first regional Internet hospital platform in China with integrated supervision and service capabilities. As at the end of March 2020, more than 400 medical institutions, including Class IIIA hospitals, were registered on the supervision and service sub-platforms, covering all prefecture-level cities in Zhejiang Province. As a model project of the National Health Commission (NHC), the Zhejiang Province Internet Hospital Platform actively played a pioneering role during the COVID-19 pandemic. At the end of January when the outbreak began, a dedicated channel for free medical consultations was promptly launched on the platform. It not only provided convenient services for residents in Zhejiang Province, but also effectively helped brick-and-mortar hospitals with patient management, thus avoiding cross infections in offline hospital settings. Under the NHC’s coordination, guidance and support, the platform utilized its advantages and launched a free consultation

channel for Hubei Province, through which free online consultation services were provided for Hubei residents. On that basis, services were then expanded to the entire country.

As the COVID-19 pandemic developed, Alibaba Health co-sponsored and organized a global initiative to share and exchange medical knowledge about COVID-19. Collaborating with top hospitals and experts with anti-epidemic experience on the “Global MediXchange for Combating COVID-19 (GMCC)” platform and harnessing the power of technology, we facilitated academic sharing and exchange between domestic and foreign medical experts, and further disseminated know-how to more medical workers through the Internet. As at May 15, 2020, the Group had organized 13 webinars for a global audience including several African nations, as well as Indonesia and Sri Lanka. To date, almost 10,000 anti-epidemic doctors in nearly 120 countries and regions had volunteered to join GMCC, which has become the world’s largest online anti-epidemic public welfare campaign initiated from China.

We are also constantly accumulating operational experience and using industry-leading technical capabilities to promote breakthroughs in online payment for medical insurance. In October 2019, the “Quzhou Chronic Disease Management Platform” jointly established by Alibaba Health and Quzhou Municipal Government of Zhejiang Province was officially launched, covering for the first time in China the full process of “Internet follow-up consultation + prescription online circulation + medical insurance online payment + drug delivery to home”. During the COVID-19 pandemic, the Quzhou Municipal Government leveraged on this platform to offer one-stop services for chronic disease patients, including online follow-up consultation, renewed prescription, drug purchase and delivery to home, all of which supported medical insurance settlement. In this way, Alibaba Health used its technical capabilities and operational experience to solve the difficulties of chronic disease patients during such difficult times. In April this year, Alibaba Health collaborated with Alipay to pioneer an innovative model of Internet healthcare in Jinan city in Shandong Province. The model, featuring the use of electronic medical insurance certificates, was the first of its kind in China, offering combined “electronic certificate collection + online follow-up consultation + prescription online circulation + medical insurance online payment + drug delivery to home” services. This model also represents another significant innovation of Alibaba Health in the pharmaceutical industry fully leveraging on the new policies and industry development opportunities.

## **Future prospects**

Leveraging on the consumer recognition cultivated and the policy breakthroughs realized during this COVID-19 pandemic, the Group will continue to accumulate experience, and integrate resources and capabilities, to provide high-quality and efficient healthcare services for our constantly growing user base. We will increase our investment in the Internet healthcare business and synergize the traffic acquisition ability of Alibaba’s

ecosystem, to continually realize the expansion of our target user group based on the large number of users acquired during the COVID-19 pandemic. On that basis, we will also continue to optimize the supply and deployment of healthcare tools and services, and strengthen the production and operation of quality content, to establish the general consumer recognition of the Group as China's preferred Internet healthcare platform. Starting with our successful operation of the GMCC, the Group will continue to gather top-notch hospital and doctor resources. With our industry-leading brand value, technical capabilities and traffic advantages, we will help medical experts and doctors in China to amplify their value and contributions and provide affordable healthcare services to patients and their families across the country.

In addition, we will continue to leverage on and accumulate the leading advantages and operational experience of the "Zhejiang Province Internet Hospital Platform". With the increasing popularity of Internet healthcare, we will continue to help more brick-and-mortar hospitals establish and provide online consultation services, thereby expanding the platform. Apart from enabling efficient supervision as required by the Health Commission of Zhejiang Province, we will continue to optimize the core business links that guide patients from online portals to offline services, and that bring offline patients online to the platform, while continually upgrading the prescription circulation model which has been implemented, to create greater value for the medical institutions registered on the platform. At the same time, we will continue to promote diversified services on the platform, to satisfy the growing demands of users while enhancing the value contributions of the platform. On the basis of the previous breakthroughs achieved in relation to online medical insurance payment, we will closely follow the national policies on the promotion of the use of electronic medical insurance certificates and will work closely with Alipay to promote online payment for medical insurance in more regions. Taking this as an opportunity, we will achieve in-depth links and collaboration among our different business segments, promoting widespread "triple medical reform" within the ecosystem of Alibaba Health, so that we can establish a unique competitive edge and lead the industry.

- ***Consumer healthcare business***

The Group is committed to forging an entire ecosystem in the consumer healthcare industry in the long run, that covers vaccines, health screening, etc. On this basis, we will reshape the consumer healthcare environment and provide consumers with convenient, reliable, transparent and localized professional medical services.

Due to the strong localization features of the consumer healthcare business, whereby the services for consumers are completed offline, the business segment was greatly affected by the COVID-19 pandemic, resulting in a deceleration of GMV growth in the second half of the year. However, the impact on the overall performance of the Group was limited. At the same time, we paid close attention to the development of the COVID-19 pandemic and to consumer demand, while actively promoting business innovation. As the COVID-19 pandemic situation in China improved

recently, work and production have resumed in different parts of China and we also actively participated in Alibaba's Spring Thunder Initiative<sup>^</sup> (春雷計劃) to help society win the final battle against COVID-19. In late April, we launched COVID-19 nucleic acid testing services in ten major cities in China, including Beijing, Shanghai and Guangzhou. The service was later expanded to about a hundred cities within a week, via multiple channels such as Taobao, Alipay, UC Browser and Quark. This not only satisfied the need for upgraded regular COVID-19 pandemic prevention and control in different regions in China, but also guaranteed the mobility requirements for the smooth resumption of work and production. The rapid response and efficient execution in relation to the nucleic acid testing services further highlight the competitive advantages of our health screening segment. As at the end of the Reporting Period, the Group had established cooperation with more than 2,000 public and private medical examination centers, providing diversified products and services through Tmall, Alipay, DingTalk and other channels.

With regards to vaccination, we furthered our deployments in respect of "vaccine booking service e-commerce" + "vaccine eco-cooperation" growth drivers. The vaccine booking service has already covered several dozen large and medium-sized cities across China. On the basis of our close cooperation with GlaxoSmithKline, we established another strategic partnership with Sanofi Pasteur, helping to improve the inoculation rates of influenza and combined vaccines in China. At the same time, we expanded the ecosystem by establishing a cooperative relationship with China's leading providers of immunization planning information. We also launched services for people's well-being such as online vaccine booking in Fuzhou, Guangzhou and other cities, helping to improve the inoculation rates among Chinese consumers through ecological deployment.

## Future prospects

We will continue to explore the vast consumer healthcare market space. By making full use of the preliminary results of our ecological deployment in the vaccine business, we will strive to build a leading online vaccine booking platform for China, which will cover public and private inoculation service providers in major cities across the nation. By providing an online service capability matrix with online booking at its core, we will improve the vaccination service experience for Chinese consumers and further increase inoculation rates. We will also strengthen cooperation with upstream pharmaceutical companies to further cultivate consumer recognition on the basis of optimizing supply, while building a leading online synergies platform in the industry. In the field of health screening, we will build on the opportunities offered by COVID-19 nucleic acid testing and increase our investment in this business. While strengthening the synergies and coordination with Alibaba's existing ecosystem partners, such as Alipay, UC Browser, Quark, Meinián Onehealth and iKang Guobin, we will also actively expand Alibaba's local life service terminals by working with Ele.me and Koubei. We will diversify product supply, innovate marketing approaches and tap into our leading operational capabilities and technical strengths, to realize sustainable growth and returns as an industry leader.

## Digital infrastructure business

- **Digital health business**

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

During the year, the Group continued to assist the government and hospitals in information technology construction using its technologies, promoting digital health transformation and infrastructure construction to provide affordable and convenient medical and healthcare services to the public. Zhejiang Bianque, the “brain” of our digital health business, has long been committed to building healthcare data product and smart service product capabilities. On this basis, we successfully incubated urban digital health platform construction and operational capabilities. During the Reporting Period, the “Healthy Yuhang Smart Cloud”<sup>^</sup>(「健康余杭智慧雲」), a comprehensive regional smart health application system developed by the Yuhang district government of Hangzhou city with the help of Zhejiang Bianque, was officially launched. This was another interim achievement of Zhejiang Bianque in the domain of urban digital health platforms, as well as another compelling proof of its leading technical capabilities and operational experience in the industry. Following the completion of the two phases of the project, the Yuhang district government not only realized efficient supervision and comprehensive understanding of the medical resources, medical standards and health conditions of residents in the district, but also developed its data prediction and analytical capabilities. Therefore, the system helps the Government to conduct reasonable planning in terms of training medical staff and improving medical services, among other things, through determinations of medical service capabilities and sustainable development capabilities. At the same time, the project puts into practice our aims of realizing the potential of data and enabling the general public to enjoy more efficient and convenient services. By providing local residents with affordable life services such as online appointment, registration, payment and personal health management, it truly enables the construction and operation of a city health “smart brain” driven by a healthcare big data center.

Capitalizing on its strong cloud-based medical big data analytical capabilities and through internal and external cooperation, the Group is committed to building an AI medical system that can be applied in real-life situations. During the Reporting Period, we successfully incubated the AI engine for brain health screening, utilizing AI technology to conduct quantitative analysis on electroencephalograms (EEGs), so as to predict and screen risks relating to depression, Alzheimer’s disease and epilepsy. The engine has already been put into use in medical examination centers. With deep learning technology, we also successfully developed four major AI engines,

including those for digital orthodontics, epilepsy, dynamic electrocardiography and chronic obstructive pulmonary disease (COPD), featuring a wide range of applications in daily health, offline medical institutions, out-of-hospital medical services platform and other settings. During the COVID-19 pandemic, Alibaba Health collaborated with Alibaba Cloud and Alibaba DAMO Academy to develop a COVID-19 AI technology, which helps doctors conduct quick COVID-19 screening with computed tomography (CT) images, and this AI technology has been made available to over 550 hospitals in China. In view of the increasing severity of the situation overseas, Alibaba Health again contributed to anti-epidemic efforts overseas after organizing free medical consultations around the world by releasing the COVID-19 AI technology to help hospitals in Japan and other countries fight against the virus, thus enabling more extensive screening and benefitting more patients.

Through its controlling interest in Seenew Technology, the Group is committed to research and development, and establishment of an integrated smart healthcare cloud platform for medical institutions that covers comprehensive business processes including medical care, public health and management in both online and offline settings. Through its accumulated experience, strengthened capabilities and product refinement, Seenew Technology has successfully developed an AI cloud-based hospital information platform for large-scale medical groups/medical associations, which has already been put into commercial use in the two campuses of the First Affiliated Hospital, Zhejiang University School of Medicine (FAHZU). During the COVID-19 pandemic, such platform provided powerful technical support for the Zhijiang campus of FAHZU in terms of rapid deployment of anti-epidemic resources and steady and efficient operation. The Group's technical and operational excellence was also conclusively proven when tested in such critical period. Updated with the cloud native system, our product enabled unified process control, service level and quality standards for all branches within the medical groups/medical associations, while meeting customized needs. We also successfully developed a regional cloud-based smart health platform focusing on the digitalization of the full spectrum of services offered by all medical institutions in each region. The platform effectively promotes the interconnection between medical institutions and medical authorities as well as between the medical care system and the public health system in the regions concerned, reduces the cost of informatization upgrade, and improves the efficiency and value of the extraction and application of medical data. Our cloud-based smart health platform has won several bids in a number of provinces in China, thereby establishing considerable project reserves for this product. Taking this opportunity, we will provide medical and health management services to the general public in China in the future.

## **Future prospects**

Based on the technology and experience it has accumulated in practice, the Group will continue to assist the government and industry partners in informatization upgrade and medical service transformation. We will actively synthesize our experience from the “Healthy Yuhang Smart Cloud” project, and will work closely with our ecosystem partners including Alibaba Cloud. As a major healthcare player in the construction of “city brains” across China, we will expand and apply Alibaba Health’s leading technical capabilities and operational experience in the healthcare industry to more domains. Based on this, we will gain access to more customer resources and operational portals. We will build regional-based ecological operation systems to explore and expand the boundaries of our business model. In the field of medical AI, we will improve the supply of medical resources and reduce the cost of medical services through screening products such as our brain health screening, which has shown preliminary results, as well as AI engines including the one for epilepsy EEGs. We hope to create more value for the medical industry and bring affordable medical services to the public. We will use our cloud-based smart health platform to develop those of our existing projects that have been successfully launched and operated as benchmarks. On this basis, we will promote their extensive application in the new regional digital healthcare infrastructure market in China in the future, which will also help to promote the implementation of tiered healthcare delivery system, facilitate the construction of county-level medical associations and assist in national medical reform.

- ***Tracking business***

The Group continued to develop its Ma Shang Fang Xin<sup>^</sup> (碼上放心) tracking platform. Leveraging on the strong computational and data processing capacity of Alibaba Cloud, the platform is capable of processing mega-sized big data and supporting several hundred thousand corporate users at the same time with its sound accessibility, compatibility and security.

As at the end of the Reporting Period, the number of pharmaceutical manufacturers which had signed up for the Ma Shang Fang Xin platform of the Group and renewed their agreement for product tracking continued to cover over 90% of the total number of pharmaceutical manufacturers in China, with 100% coverage for vaccine manufacturers.

During the Reporting Period, the Group made significant business progress in a number of areas. We followed the vaccine and drug tracking standards officially promulgated in China and obtained China’s Information Security Protection Level Three<sup>^</sup> (信息安全等級保護三級) certification, thus becoming the first third-party tracking platform to meet such tracking standards in China. We also started the tracking business for the medical device sector and became one of the first group of pilot entities for the unique device identification system and one of the three largest code-issuing companies in China, which marked a new milestone for the Group in

healthcare tracking. We provided tracking code service for a number of health-related segments, covering nutritional products, healthcare supplements, food, fresh produce and milk powder, providing tracking services for more than 1500 brands. The Group also actively explored the integration of multiple coding systems, striving to enhance the commercial service value of manufacturer tracking. We cooperated with a number of well-known milk powder brands including Mead Johnson, Wyeth, Abbott and Nestlé. We also made major breakthroughs in the application settings of tracking codes. For the first time, we enabled code scanning tracking in Class IIIA hospitals, which will serve as an important impetus to the continued consolidation of Alibaba Health's status and business value in the tracking industry.

Following the official implementation of the *Vaccine Administration Law*<sup>A</sup> (《疫苗管理条例》), Alibaba Health actively explored the vaccine tracking business in Guizhou, which became the first province in China to be fully and comprehensively covered by a vaccine tracking system. As a good example of technology serving the general benefits of people, the project enables the Government's smart supervision of vaccines and also provides free access to information about the availability and flow of vaccines to people across the provinces. After assisting all vaccine companies to complete the required data interfacing with the national vaccine coordination platform, the Group also actively helped companies meet the regulatory interfacing requirement in different provinces and actively participated in the construction of provincial vaccine supervision platforms. So far, interfacing has been completed with the platforms in Guangdong, Guizhou and Fujian, and is underway with the platforms in other provinces. The creation of the full-process tracking model has not only enabled access to and accumulation of richer and larger volume of data, but has also successfully established a business model in the tracking industry.

## Future prospects

The *New Drug Administration Law* came into effect in December 2019, and provides legal basis for “establishing a complete drug tracking system”. As at the end of the Reporting Period, the National Medical Products Administration had successively released ten documents on guiding opinions and relevant data standards, providing clear direction on the establishment of an information-based and comprehensive drug tracking system. The Group will capitalize on its first-mover advantage and industry-leading technologies and operational capabilities, to consolidate and enhance its leading position in the industry, and to continually expand the scenarios for code-scanning. It will also further strengthen the construction of the full-process tracking model, which will serve as the basis for the accumulation of complete process data. At the same time, we will also strengthen the linkage and coordination with other business sectors, including pharmaceutical and healthcare product and services, which will not only help the Group's overall business continue to grow and develop, but also help us explore and foster new business models in the tracking industry.

## FINANCIAL REVIEW

The key financial figures of the Group for the years ended March 31, 2020 and March 31, 2019 are summarized as follows:

	For the year ended March 31,		Change %
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	
Revenue	<b>9,596,476</b>	5,095,867	88.3
Gross profit	<b>2,231,380</b>	1,331,263	67.6
Gross profit margin	<b>23.3%</b>	26.1%	N/A
Fulfilment	<b>(1,098,254)</b>	(572,123)	92.0
Sales and marketing expenses	<b>(722,720)</b>	(454,838)	58.9
Administrative expenses	<b>(219,973)</b>	(181,016)	21.5
Product development expenses	<b>(252,843)</b>	(219,018)	15.4
Other income and gains	<b>161,269</b>	67,014	140.6
Other expenses	<b>(33,768)</b>	(2,502)	1,249.6
Finance costs	<b>(21,965)</b>	(27,966)	(21.5)
<b>Operating profit/(loss)</b>	<b>43,126</b>	(59,186)	N/A
Share of losses of joint ventures	<b>(12,737)</b>	(737)	1,628.2
Share of losses of associates	<b>(21,295)</b>	(907)	2,247.9
Income tax expenses	<b>(24,790)</b>	(30,934)	(19.9)
<b>Loss for the year</b>	<b>(15,696)</b>	(91,764)	(82.9)
Net loss attributable to owners of the parent	<b>(6,586)</b>	(81,949)	(92.0)
<b>NON-HKFRS ADJUSTMENTS</b>			
Adjusted net profit	<b>261,443</b>	121,729	114.8

## — Revenue

Revenue of the Group for the year ended March 31, 2020 amounted to RMB9,596,476,000, representing an increase of RMB4,500,609,000 or 88.3% as compared to RMB5,095,867,000 for the year ended March 31, 2019. The increase in revenue was mainly attributable to the rapid growth in revenue from pharmaceutical direct business, pharmaceutical e-commerce platform business and consumer healthcare business during the year.

### — *Pharmaceutical E-commerce Platform Business*

Our pharmaceutical e-commerce platform business comprises the e-commerce platform business (relating to health food and medical devices, etc.) acquired from Alibaba Group, the business of providing outsourced services to Tmall's Pharmaceutical Platform (in respect of categories other than those that have already been acquired) and the pharmaceutical O2O business. By the end of the reporting year, the Group had acquired the e-commerce platform business of health food, medical devices and healthcare products, sexual health and family planning products, contact lenses, and medical and healthcare service categories from Alibaba Group. In addition, the Group also actively expanded its pharmaceutical O2O business and efficiently connected consumers to their nearby pharmacies. During the year, the total revenue of the above businesses amounted to RMB1,170,333,000, representing a year-on-year increase of 69.6%.

### — *Pharmaceutical Direct Business*

The pharmaceutical direct business of the Group comprises our direct B2C retail, related advertisement business and our B2B centralized procurement distribution business. During the year, the general revenue from pharmaceutical direct business reached RMB8,133,945,000, representing a year-on-year increase of 92.4%. The rapid growth in revenue was mainly due to the continual enrichment of the categories of goods sold through the Group's direct B2C and stock keeping units ("SKUs"), more detailed management of the direct business, optimization of the customer purchase experience and enhancement of repeated purchases by customers. Continuing to strengthen our cooperation with upstream quality brands, the Group had been authorized to undertake the management of or establish more than 80 franchised flagship stores on Tmall's Pharmaceutical Platform as at the end of the reporting year.

#### **— *Internet Healthcare Business***

Apart from the business mentioned above, the Group has also been exploring fee models in the Internet healthcare areas. During the year, revenue of the Group from Internet healthcare business segments, including online health consultation, amounted to RMB38,420,000, representing a year-on-year growth of 221.2%.

#### **— *Consumer Healthcare Business***

Noticing consumers' increasing demands for beauty and health, the Group actively cooperates with aesthetic medical, health screening, vaccination, oral health and other medical and healthcare service organizations through its online platforms and direct stores, to provide users with safe, professional and transparent medical and healthcare services, as well as health education, consultation, appointment booking and other value-added services. The Group also provides integrated marketing services to many quality upstream pharmaceutical enterprises in the industry through its consumer healthcare platform, which has greatly enhanced the brand profile of Alibaba Health in the medical service industry. During the year, the consumer healthcare business grew rapidly, with revenue attributable to the business amounting to RMB214,287,000, representing a year-on-year growth of 67.1%.

#### **— *Tracking and Digital Health Business***

As at the end of the Reporting Period, the number of pharmaceutical manufacturers which had signed up for the Ma Shang Fang Xin platform of the Group and renewed their agreement for product tracking continued to cover over 90% of the total number of pharmaceutical manufacturers in China, with 100% coverage for vaccine manufacturers. Revenue from tracking and digital health business for the year was RMB39,491,000, representing a year-on-year growth of 2.0%.

#### **— *Gross profit and gross profit margin***

The Group recorded gross profit for the year ended March 31, 2020 of RMB2,231,380,000, representing an increase of RMB900,117,000 or 67.6% as compared to RMB1,331,263,000 for the preceding year. Gross profit margin for the year was 23.3% as compared to 26.1% for the preceding year. Gross profit margin declined slightly.

— **Fulfilment**

Warehousing, logistics and customer service expenditures incurred by the Group's pharmaceutical direct business were included in fulfilment costs. Fulfilment costs for the year ended March 31, 2020 amounted to RMB1,098,254,000, representing an increase of RMB526,131,000 or 92.0% from RMB572,123,000 for the preceding year. Such increase was mainly due to the rapid growth in revenue of the B2C retail business. During the Reporting Period, fulfillment costs as a percentage of revenue of B2C retail business decreased by approximately 1% as compared to that for the corresponding period of the preceding year, which reflected the enhancement of operating efficiency of the Group in respect of warehousing, logistics and customer services.

— **Sales and marketing expenses**

Sales and marketing expenses for the year ended March 31, 2020 amounted to RMB722,720,000, representing an increase of RMB267,882,000 or 58.9% as compared to RMB454,838,000 for the preceding year. Such increase was mainly due to the increase in promotional costs to publicize the Group's direct stores. Besides, the Group also increased the headcount of its sales and operation functions and innovative business segment staff.

— **Administrative expenses**

Administrative expenses for the year ended March 31, 2020 amounted to RMB219,973,000, representing an increase of RMB38,957,000 or 21.5% as compared to RMB181,016,000 for the preceding year. Such increase was mainly attributable to rapid business growth which led to an increase in back-end supporting costs, travel expenses and professional costs.

— **Product development expenses**

Product development expenses for the year ended March 31, 2020 amounted to RMB252,843,000, representing an increase of RMB33,825,000 or 15.4% as compared to RMB219,018,000 for the preceding year. Such increase was mainly due to the increased headcount of the Company's research and development function. During the Reporting Period, the Group continued to recruit more information technology engineers to expand its Internet healthcare and digital health businesses, as well as to support the rapid growth in its pharmaceutical business and consumer healthcare business.

## — **Other income and gains**

Other income and gains for the year ended March 31, 2020 amounted to RMB161,269,000, representing an increase of RMB94,255,000 or 140.6% as compared to RMB67,014,000 for the preceding year. This was mainly due to the increase in interest income, fiscal subsidies, gain from the disposal of associates and gain on deemed disposal of associates during the Reporting Period. In August 2019, the Group disposed of its equity interests in Beijing Jiamei Online Technology Co., Ltd.<sup>^</sup> (北京嘉美在線科技有限公司), its 45%-owned associate, and recognized a gain of RMB21,791,000.

## — **Other expenses**

Other expenses for the year ended March 31, 2020 amounted to RMB33,768,000, representing an increase of RMB31,266,000 or 1,249.6% as compared to RMB2,502,000 for the preceding year. Such increase was mainly attributable to other expenses arising from the increase in loss of financial assets measured at fair value through profit or loss of RMB22,003,000 during the Reporting Period, while no such expenses were recorded during the preceding year. Besides, inventory losses and foreign exchange loss for the year also increased as compared to the preceding year.

## — **Finance costs**

Finance costs for the year ended March 31, 2020 amounted to RMB21,965,000, representing a decrease of RMB6,001,000 or 21.5% from RMB27,966,000 for the preceding year. Such decrease was mainly attributable to the decrease in the average balance of borrowings given that the Group's borrowings from Alibaba Group was fully repaid during the year.

## — **Share of losses of joint ventures**

Share of losses of joint ventures represented the share of net operating results of the Group's 45%-owned joint venture, Zhejiang Bianque and our 13.72%-owned joint venture, JiangSu Zijin Hongyun Health Industry Investment LLP<sup>^</sup> (江蘇紫金弘雲健康產業投資合夥企業(有限合夥)). For the year ended March 31, 2020, share of losses of joint ventures was RMB12,737,000, while share of losses of joint ventures of RMB737,000 was recorded for the preceding year. The year-on-year increase in share of losses of joint ventures was mainly attributable to the fact that Zhejiang Bianque was still at an early stage of investment and operation during the year.

— **Share of losses of associates**

The Group actively invests in the healthcare segment. During the year, the Group made active deployments in the pharmaceutical retail market through its strategic investments in regionally leading pharmaceutical retail chains such as Anhui Huaren Anhui Huaren Health Pharmacy Company Limited<sup>^</sup> (安徽華人健康醫藥股份有限公司), Guizhou Ensure Chain Pharmacy Company Limited<sup>^</sup> (貴州一樹連鎖藥業有限公司), Shandong ShuYu Civilian Pharmacy Corp. Ltd.<sup>^</sup> (山東漱玉平民大藥房連鎖股份有限公司) and Gansu Deshengtang Pharmaceutical Technology Co., Ltd.<sup>^</sup> (甘肅德生堂醫藥科技集團有限公司) to deepen our business partnerships with them and to jointly explore a new pharmaceutical retail model. The Group's share of losses of associates for the year ended March 31, 2020 amounted to RMB21,295,000, representing an increase of RMB20,388,000 or 2,247.9% as compared to the share of losses of associates of RMB907,000 recorded for the preceding year. The share of losses of associates for the year was mainly attributable to the fact that some of the Group's associates were still at an early stage of business development, while some were in the transformation or growing stage.

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

For the year ended March 31, 2020, the Group's loss amounted to RMB15,696,000, representing a decrease of RMB76,068,000 or 82.9% as compared to loss of RMB91,764,000 for the preceding year. For the year ended March 31, 2020, the Group's adjusted net profit amounted to RMB261,443,000, representing a significant increase of RMB139,714,000 as compared to adjusted net profit of RMB121,729,000 for the preceding year. The increase in adjusted net profit was mainly attributable to the speedy growth and economies of scale of the Group's pharmaceutical e-commerce platform business and pharmaceutical direct business, as well as the contribution from the consumer healthcare business to the Group's profit. The profitability of the Group continued to improve, which will enable us to further explore new pharmaceutical retail models in the future, and to invest in and make strategic deployments in respect of innovative business segments such as those engaged in Internet healthcare and digital health.

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

The adjusted net profit for the years ended March 31, 2020 and 2019 set out in the table below represents adjustments to the most direct and comparable financial indicator calculated and presented in accordance with HKFRS (i.e. loss for the year):

	<b>For the year ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Loss for the year	(15,696)	(91,764)
Excluding		
— Share-based compensation	<u>277,139</u>	<u>213,493</u>
Adjusted net profit	<u><u>261,443</u></u>	<u><u>121,729</u></u>

## **FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES**

The cash and other liquid financial resources of the Group as at March 31, 2020 and the corresponding comparative figures as at March 31, 2019 are summarized as follows:

	<b>March 31, 2020</b> <b>RMB'000</b>	March 31, 2019 <b>RMB'000</b>
Cash and cash equivalents	<b>2,594,981</b>	280,371
Short-term investment at fair value through profit or loss		
— Wealth management products	<b>402,485</b>	<u>1,736,713</u>
Cash and other liquid financial resources	<b>2,997,466</b>	<u>2,017,084</u>

Cash and cash equivalents increased by RMB2,314,610,000 or 825.6% from RMB280,371,000 as at March 31, 2019 to RMB2,594,981,000 as at March 31, 2020. Such increase mainly reflected the issuance of new shares to Alibaba Group and Ant Financial by the Group for financing and the net inflows generated from the cash flow from operating activities during the year.

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

Cash flows of the Group for the years ended March 31, 2020 and March 31, 2019 were as follows:

	<b>For the year ended March 31, 2020</b> <b>RMB'000</b>	2019 <b>RMB'000</b>
Net cash flows generated from operating activities	<b>583,615</b>	396,370
Net cash flows generated from/(used in) investing activities	<b>1,345,385</b>	(2,395,711)
Net cash flows generated from financing activities	<b>328,814</b>	1,708,489
Net increase/(decrease) in cash and cash equivalents	<b>2,257,814</b>	<u>(290,852)</u>
Cash and cash equivalents at the beginning of the year	<b>280,371</b>	508,419
Effects of exchange rate changes	<b>56,796</b>	<u>62,804</u>
Cash and cash equivalents at the end of the year	<b>2,594,981</b>	<u>280,371</u>

— **Net cash flows generated from operating activities**

For the year ended March 31, 2020, net cash flows generated from operating activities amounted to RMB583,615,000, which was primarily attributable to our profit before income tax from continuing operations of RMB9,094,000, as adjusted by: (1) addition of non-cash or non-operating activities expense items, which primarily comprised share-based compensation expenses of RMB277,139,000, depreciation of right-of-use assets and investment property of RMB34,382,000, share of loss in joint ventures and associates of RMB34,032,000, loss of financial assets at fair value through profit or loss of RMB22,003,000, finance costs of RMB21,965,000 and impairment of inventories and write-off of RMB18,583,000; deducting non-cash or non-operating activities income items, mainly including gain from the disposal of associates and gain on deemed disposal of associates of RMB63,553,000 and bank and other interest income of RMB54,904,000; and (2) changes in working capital, which primarily comprised an increase in trade payables of RMB960,575,000, an increase in other payables and accruals of RMB57,877,000, a decrease in trade receivables of RMB41,796,000, an increase in inventories of RMB638,960,000, an increase in prepayments, deposits and other receivables of RMB169,541,000 and an increase in restricted cash of RMB58,520,000.

— **Net cash flows generated from investing activities**

For the year ended March 31, 2020, net cash flows generated from investing activities was RMB1,345,385,000, which was primarily attributable to net cash generated from redemption of financial assets at fair value through profit or loss of RMB1,357,034,000.

— **Net cash flows generated from financing activities**

For the year ended March 31, 2020, net cash flows generated from financing activities was RMB328,814,000, which was primarily attributable to those generated from the issuance of new shares of RMB2,000,580,000 and those used by the Group in repaying borrowings from Alibaba Group of RMB1,700,000,000.

## — Gearing ratio

As at March 31, 2020, the Group did not have any borrowings, and hence no gearing ratio was shown (March 31, 2019: Nil).

As at March 31, 2020, the Group did not have any material contingent liabilities.

The Group's operations and transactions are principally conducted in the PRC. The Group prudently managed its treasury functions and maintained a healthy liquidity position throughout the year ended March 31, 2020. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of our assets, liabilities and other commitments can meet the Group's funding requirements from time to time. Other than a certain amount of bank balances and cash, most of the Group's bank balances and cash are placed in fixed deposits and are denominated in Hong Kong dollars, Renminbi and United States dollars, while other assets and liabilities are mainly denominated in either Hong Kong dollars or Renminbi. The Group changed its presentation currency from Hong Kong dollars to Renminbi starting from the year ended March 31, 2016 to better reflect its operations in the PRC and to be consistent with the internal reporting portfolio reviewed by the Directors. The Group does not have a foreign exchange hedging policy, but the management will continue to closely monitor exchange rate fluctuations and will take appropriate measures to keep foreign exchange risk exposure to the minimum. The Group does not use any financial instruments for hedging purposes.

## EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at March 31, 2020 was 990 (808 as at March 31, 2019). Total staff costs of the Group for the year ended March 31, 2020 amounted to RMB685.7 million (RMB550.7 million for the year ended March 31, 2019). 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 in the form of restricted share units or options to eligible participants, including the Directors, the directors of the Company's subsidiaries, the employees of the Group or any other persons who, as determined by the Board in its absolute discretion, have contributed or will contribute to the Group.

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

The Group engaged in trading of short-term and liquid investments and financial assets ranging from unit trusts, structured deposits and other wealth management during the Reporting Period in accordance with its treasury policy initially adopted in June 2015 to utilise surplus cash reserves for treasury management purpose. The Company's treasury policy sets out the selection guidelines and relevant approval procedures for acceptable short-term investments and financial assets with reference to its risk management policy. According to such treasury policy, the Company invests in products including non-equity financial asset investments with strong liquidity which can be realised either at any time or within a short period of time. Such investments shall be subscribed from financial institutions in the approved list, which shall be reviewed every two years. During the Reporting Period, such financial institutions included various branches of the China Merchant Bank, Bank of Ningbo, Pudong Development Bank, Huaxia Bank, Minsheng Bank, Bank of China and Ping An Bank. According to the Company's prevailing approval procedures, any investment decision related to financial assets shall be approved by the financial and treasury manager of the Company, and shall, depending on the investment size, be approved by the financial controller or vice president (finance). Such short-term investments at FVPL amounted to approximately RMB402.5 million as at March 31, 2020 (equivalent to approximately 5.1% of the total assets of the Company), with an aggregate amount of not more than approximately RMB251.7 million, which was equivalent to 3.2% of the total assets of the Company, having been subscribed from any single financial institution. During the Reporting Period, (i) the Company has not disposed of any investment at FVPL, and the decrease in the total value of such short-term investments was mainly due to repurchases of part of the short-term investment products upon expiry during the Reporting Period by issuers in accordance with their relevant terms; and (ii) the Company realised fair value gains of approximately RMB22.8 million on financial assets at FVPL as a result of its trading in the aforesaid short-term investments.

On February 6, 2020, the Company entered into a share purchase agreement with Ali JK, a direct wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company acquired 100% equity interest in Ali JK ZNS Limited, an offshore holding vehicle incorporated under the laws of the British Virgin Islands which was indirectly wholly-owned by Alibaba Holding to hold the target business which comprised the ownership of all merchant relationships for the sales of certain pharmaceutical products, medical purpose food products, medical devices, adult products, healthcare products, medical and healthcare services, and blue cap health food sold through Tmall or Tmall Supermarket only, and pharmaceutical products, medical devices, healthcare products, FSMPs and medical and healthcare services on Tmall Global and the employment relationships with the relevant marketing and operation personnel managing the relationships with these merchants. The aggregate consideration was HK\$8,075,000,000 and was satisfied by the Company issuing 860,874,200 consideration shares to Ali JK at completion in April 2020.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended March 31, 2020 (For the year ended March 31, 2019: Nil).

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

In the opinion of the Board, throughout the year ended March 31, 2020, the Company has complied with the code provisions (“**Code Provisions**”) set out in the Corporate Governance Code under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), except in respect of the following matters:

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

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. Mr. Zhu Shunyan has been appointed as the executive Director, Chairman of the Board and Chief Executive Officer of the Company, with effect from March 16, 2020. However, he was not subject to election by the shareholders of the Company at the adjourned special general meetings held on April 9, 2020 (which was originally scheduled to be held on March 30, 2020 and adjourned due to the prohibition of group gatherings of more than four people in public places in accordance with the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “SGMs”) due to insufficient time to arrange the logistics in relation to the re-election of Mr. Zhu at the SGMs). Given that Mr. Zhu is also subject to retirement by rotation at the next annual general meeting of the Company to be held in July 2020 (the “**2020 AGM**”) according to the Company’s bye-laws, the Board considers that the bye-laws have provided adequate measures to ensure the Company has a good corporate governance practice in place. As a result, Mr. Zhu will retire and offer himself for re-election at the 2020 AGM.

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) to regulate the dealings of the Directors in the Group’s securities. In response to specific enquiries by the Company, all Directors have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2020.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the year ended March 31, 2020, 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 2,413,200 shares of the Company on the market to satisfy the share awards granted to connected employees of the Company upon vesting.

## **AUDIT COMMITTEE REVIEW**

The Group's annual results for the year ended March 31, 2020 have been reviewed by the Audit Committee. The Audit Committee has also discussed auditing, internal control and financial reporting matters including the review of accounting practices and principles adopted by the Group.

## **SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended March 31, 2020 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

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

By Order of the Board  
**ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED**  
ZHU Shunyan  
*Chairman and Chief Executive Officer*

Hong Kong, May 27, 2020

*As at the date of this announcement, the Board comprises eight Directors, of which (i) two are executive Directors, namely Mr. ZHU Shunyan and Mr. WANG Qiang; (ii) three are non-executive Directors, namely Mr. WU Yongming, Mr. WANG Lei and Mr. XU Hong; and (iii) three are independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa).*

<sup>^</sup> For identification purpose only