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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, 2022

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, 2022 (the “**Reporting Period**”) together with comparative figures for the preceding financial year. The annual consolidated financial statements have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

HIGHLIGHTS

- During the Reporting Period, the Group recorded revenue of RMB20,577.6 million, representing a year-on-year growth of 32.6%, and gross profit of RMB4,108.0 million. Revenue maintained a stable growth, with revenue from drugs generated from the pharmaceutical direct sales business under the brand of Alibaba Health accounting for 64% of revenue of the business. The revenue generated from prescription drug business increased by 105.2%. At the same time, in response to an increasingly challenging and competitive environment, especially in the second half of the financial year, we stepped up our efforts to control marketing expenses and optimize operational efficiency, and steadily improved the efficiency of fulfillment costs of warehousing and distribution, etc. Adjusted net loss for the second half of the financial year narrowed significantly as compared with the first half of the financial year.

- As a leading pharmaceutical and healthcare products service platform in China, Alibaba Health's pharmaceutical e-commerce platform possesses the most comprehensive product catalog in terms of SKUs, and boasts the safest and the most reliable sales process. As at the end of the Reporting Period, Alibaba Health served over 26,000 merchants, an addition of 1,000 compared to half a year ago. The number of SKUs also increased significantly from half a year ago by 4 million to the current level of over 44 million.
- During the Reporting Period, owing to the Group's operational and brand advantages as well as the team's efficient execution, revenue from the pharmaceutical direct sales business reached RMB17,911.1 million, representing a year-on-year growth of 35.5%. Benefiting from the meticulous operation in the field of prescription drugs, revenue generated from the prescription drug business increased by 105.2%. The number of chronic disease users reached 6.5 million, representing an increase of 119% year-on-year, with the per capita length of medication use and repurchase rate continuously on the rise. As at March 31, 2022, the number of annual active users (those who made one or more actual purchase(s) in our direct online stores in the past 12 months) of the direct online stores has reached over 110 million.
- The Group's pharmaceutical direct sales business has formed in-depth cooperation with hundreds of well-known pharmaceutical companies, including Bayer and Eisai China, and has set up 15 direct sales healthcare centers in collaboration with pharmaceutical companies in the field of prescription drugs. It also leverages on Alibaba Health's digital advantages to reach targeted customers across the whole chain and through all-round channels and provide consumers with safe and reliable medication and healthcare services with efficiency. In terms of the supply chain, the Group has established a distribution network of 29 warehouses in 17 locations and a smart logistics strategy. This has enabled next-day delivery services of direct sales pharmaceutical products, including delivery of new specialty drugs requiring cold chain transportation, in over 210 cities with next-day delivery rate reaching 76%. In terms of risk control, the Group implemented a product operation management platform, a GSP compliance system, AI medication safety, prescription reviews, consultation quality controls and other intelligent auxiliary quality control tools to safeguard product quality and medication safety.

- In terms of healthcare and digital services, the Group has continued to cultivate its expertise and offerings in the “Internet + Healthcare” sector and continued to upgrade its healthcare service experience by providing users with seamless online-to-offline operation of appropriate services including TCM, medical checkups, nucleic acid testing, medical consultation, registration, vaccination, dental care, mental care, optometry, and nursing. By leveraging on its resources and strong capabilities, the Group is able to harvest the user traffic from Alibaba’s ecosystem to offer multi-level, diversified, professional and convenient medical and healthcare services to end users from channels including Taobao, Tmall, Alipay, “Dr. Deer” APP, Gaode, DingTalk and Quark. As at the end of the Reporting Period, the number of annual active users on Alipay healthcare channel has reached 690 million, representing an increase of 170 million year-on-year. Nearly 160,000 licensed physicians, pharmacists and nutritionists have contracted with the Group and provided online health consultation services, which represents an increase of more than 20,000 as compared with the number as at September 30, 2021 (including those from Xiaolu TCM). The Group’s online consultation services have reached an average of 300,000 consultations per day, representing an increase of 50,000 consultations per day as compared to half a year ago. As at the end of the Reporting Period, the Group has worked with thousands of vaccination providers and provided users with millions of vaccination appointment services. During the Reporting Period, revenue generated from the healthcare and digital services business was approximately RMB670.2 million, representing an increase of 98.9% year-on-year.

KEY FINANCIAL FIGURES

	For the year ended March 31,		
	2022	2021	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue	20,577,616	15,518,468	32.6
Gross profit	4,107,993	3,617,249	13.6
(Loss)/Profit for the year	(265,941)	342,680	N/A
Adjusted net (loss)/profit ¹	(394,259)	630,663	N/A

Note:

- Adjusted net (loss)/profit is based on the (loss)/profit for the corresponding period after excluding non-operating profit or loss items such as share-based compensation expenses, change in fair value of financial assets at FVPL (non-current portion), gain or loss on deemed disposal of interests in associates, and gain or loss on disposal of subsidiaries. By excluding the impact of such items which are not indicative of our key operational performance, investors can better compare our operational performance across various periods.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

During the Reporting Period, the total revenue of the Group has reached RMB20,577.6 million, representing an increase of 32.6% year-on-year. In view of the increasing demand for Internet healthcare, Alibaba Health has continued to expand its offerings in pharmaceutical platform categories. During the Reporting Period, Tmall’s Pharmaceutical Platform has reached over 44 million stock keeping units (“**SKUs**”) of service products, serving over 26,000 merchants. The pharmaceutical direct sales business has achieved a revenue of RMB17,911.1 million and revenue generated from prescription drug business increased by 105.2%. As at March 31, 2022, the number of annual active consumers (those who made one or more actual purchase(s) in our direct online stores in the past 12 months) of the direct online stores has exceeded 110 million. To cope with the increasingly challenging and competitive environment, especially in the second half of the

financial year, we stepped up our efforts to control marketing expenses and optimize operational efficiency, and steadily improved the efficiency of fulfillment costs of warehousing and distribution, etc. Adjusted net loss for the second half of the financial year narrowed significantly as compared with the first half of the financial year. In terms of risk control, the Group implemented a product operation management platform, a Good Supply Practice for Pharmaceutical Products (GSP) compliance system, AI medication safety, prescription reviews, consultation quality controls and other intelligent auxiliary quality control tools to safeguard product quality and medication safety. In terms of the supply chain, with the support of the distribution network of 29 warehouses in 17 locations and the smart logistics strategy, the next-day delivery rate of direct sales pharmaceutical products reached 76%. With regard to customer service, the Group integrated three strategies of product intelligence, service efficiency, and user experience through the offering of specialized and 24/7 licensed pharmacist consultation services. This helped the Group achieve customer service efficiency and significantly elevated user satisfaction. For medical and healthcare services, as at the end of the Reporting Period, the number of annual active users on Alipay healthcare channel has reached 690 million, representing an increase of 170 million as compared with the number as at the end of the preceding financial year. As at March 31, 2022, nearly 160,000 licensed physicians, pharmacists and nutritionists have contracted with the Group and provided online health consultation services, which represents an increase of more than 20,000 professionals (including those from Xiaolu Traditional Chinese Medicine (“**Xiaolu TCM**”)) as compared with the number as at September 30, 2021. As at March 31, 2022, online consultation services have reached an average of 300,000 consultations per day, representing an increase of 50,000 consultations per day compared to half a year ago.

As the flagship healthcare platform of Alibaba Group Holding Limited (together with its subsidiaries, “**Alibaba Group**”), the Group has an unwavering commitment to the mission of “promoting healthy living of 120 years for everyone”. The Group will continue to consolidate and strengthen existing business foundations in healthcare, and explore innovative business models, foster new business ventures in the industry and prepare for the future to align with the evolving needs of our customers. The ultimate goal of Alibaba Health is to build the largest, most complete healthcare foundation in China through one to two decades of hard work. By utilizing Alibaba Health’s comprehensive suite of digital healthcare products and services, the Group is able to involve in the users’ health at an early stage and through the Group’s platforms, improve their quality of life through “early prevention, early examination, early detection, and early treatment”. To achieve this goal, the Group will utilize its leading digital technology and digital operation capabilities, with “cloud-based infrastructure” as the foundation, “cloud-based pharmacy” as the core, and “cloud-based hospital” as the engine to provide affordable, convenient, efficient and reliable medical and healthcare services to hundreds of millions of families.

Pharmaceutical E-commerce Business

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

- ***Pharmaceutical Direct Sales Business***

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

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

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

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

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

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

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

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

Healthcare and Digital Services Business

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

- ***Healthcare Services***

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

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

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

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

- ***Digital Tracking Business***

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

capabilities in pharmaceutical traceability and digital marketing to provide users with a diverse range of services from tracking, anti-counterfeiting, channel management to private domain operation.

Public Service

In order to strengthen the clinical capacity of county-level hospitals and improve the clinical skills of local doctors, Alibaba Health Philanthropy, together with Alibaba Foundation, launched the “Join Us for Training on Yi Die Gu”[^] (醫蝶谷一起學) training program. The Group also cooperated with China Association of County Hospital President, Beijing Ling Feng Foundation and Chinese Red Cross Foundation to provide free access to medical knowledge and skill training for grassroots doctors in less developed countries, so as to improve their ability to diagnose common illnesses and frequently-occurring disease, identify critical illness at its early stage, treat patients with serious diseases and provide emergency care. As at March 31, 2022, the program covered nearly 10,000 local doctors from over 420 county hospitals in 32 provinces (or autonomous regions and municipalities under the direct control of the Central People’s Government of the PRC) with a total of 70,000 training attendances.

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

Dealing with the lingering COVID-19 pandemic, Alibaba Health launched an online volunteer medical consultation campaign. Thousands of doctors trained in western medicine and TCM actively responded to our call, as they collaborated in a concerted effort to serve a wide range of consultation needs of patients who were unable to leave home. We also integrated the resources of Alibaba Health Pharmacy and merchants on the Tmall Platform to launch a “COVID-19 Zone”, offering quick access to chronic disease medicines, common medicines, as well as personal protection equipment such as masks and rapid antigen test kits. We also donated masks and other anti-epidemic items to frontline healthcare workers. Amid the COVID-19 outbreak in Shanghai, obstetricians and gynaecologists provided online pregnancy advisory services to pregnant mothers through Alibaba Health. Some of these doctors helped more than 300 pregnant women

online in one month. In addition, after receiving urgent requests for help from Shanghai families caring for children with rare diseases, we cooperated with our partners to deliver infant formula for special medical purposes to those children who are 1,300 kilometers away, in order to meet their pressing needs.

Ecosystem Collaboration

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

Future Prospects

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

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

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

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

FINANCIAL REVIEW

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

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

— Revenue

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

— *Pharmaceutical Direct Sales Business*

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

process for the purchase of prescription drugs and expand the sales volume of prescription drugs; and (iv) ongoing cooperation with well-known pharmaceutical companies to help them reach more customers and boost their sales with our digital marketing capability.

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

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

— ***Healthcare and Digital Services Business***

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

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

— **Gross profit and gross profit margin**

The Group recorded gross profit for the year ended March 31, 2022 of RMB4,107,993,000, representing an increase of RMB490,744,000 or 13.6% from RMB3,617,249,000 for the preceding financial year. Gross profit margin for the year ended March 31, 2022 was 20.0%, representing a reduction as compared with 23.3% for the preceding financial year. This was mainly attributable to the following reasons: (i) a decrease in the proportion of revenue from pharmaceutical e-commerce

platform business which has higher gross profit; (ii) a decrease in the gross profit margin of the pharmaceutical direct sales business as a result of the increase in the Group's market share of online B2C pharmaceutical sales for the Reporting Period; and (iii) a significant growth of prescription drug business with lower gross profit margin and increase in its proportion of revenue as a result of the Group's accelerated business deployment of prescription drug business for the Reporting Period.

— Other income and gains

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

— Fulfillment

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

— **Sales and marketing expenses**

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

— **Administrative expenses**

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

— **Product development expenses**

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

— **Share of losses of associates**

The Group actively invests in the healthcare segment. The Group's share of losses of associates for the Reporting Period amounted to RMB46,889,000, representing an increase of RMB20,032,000 as compared with the losses of RMB26,857,000 recorded for the preceding financial year. The share of losses of associates for the year was

mainly attributable to the delayed progress of projects of certain associates of the Group providing services to hospitals due to the impact of COVID-19, and the fact that some associates were still at the transformation or growing stage.

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

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

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

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

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

FINANCIAL RESOURCES, LIQUIDITY AND FOREIGN EXCHANGE EXPOSURES

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

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

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

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

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

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

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

— Net cash flows used in financing activities

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

— Gearing ratio

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

EMPLOYEES AND REMUNERATION POLICIES

The number of full-time employees of the Group as at March 31, 2022 was 1,870 (March 31, 2021: 1,033). Total staff costs of the Group for the year ended March 31, 2022 amounted to RMB1,303.2 million (For the year ended March 31, 2021: RMB934.7 million). All staff employed by the Group in Hong Kong participated in the Mandatory Provident Fund Scheme.

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

The Group has also adopted a share award scheme as approved by the shareholders of the Company (the "Shareholders") on November 24, 2014 (the "Share Award Scheme"). Pursuant to the Share Award Scheme, the Board may grant awards in the form of restricted share units ("RSUs") or options to eligible participants, including the Directors,

the directors of the Company's subsidiaries, the employees of the Group or any other persons who, as determined by the Board in its absolute discretion, have contributed or will contribute to the Group.

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

Investment

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

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

DIVIDEND

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	20,577,616	15,518,468
Cost of revenue		<u>(16,469,623)</u>	<u>(11,901,219)</u>
Gross profit		4,107,993	3,617,249
Other income and gains	4	899,494	405,828
Operating expenses			
Fulfillment		(2,097,287)	(1,619,459)
Selling and marketing expenses		(1,981,279)	(1,222,008)
Administrative expenses		(395,082)	(293,595)
Product development expenses		(728,828)	(423,632)
Other expenses and losses		(8,090)	(22,302)
Finance costs		(3,815)	(2,449)
Share of profits/(losses) of:			
Joint ventures		1,269	(11,556)
Associates		<u>(46,889)</u>	<u>(26,857)</u>
PROFIT/(LOSS) BEFORE TAX	5	(252,514)	401,219
Income tax expense	6	<u>(13,427)</u>	<u>(58,539)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(265,941)</u>	<u>342,680</u>
Attributable to:			
Owners of the parent		(265,555)	348,588
Non-controlling interests		<u>(386)</u>	<u>(5,908)</u>
		<u>(265,941)</u>	<u>342,680</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7	<u>RMB(1.97) cents</u>	<u>RMB2.63 cents</u>
Diluted	7	<u>RMB(1.97) cents</u>	<u>RMB2.62 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*March 31, 2022*

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2022

1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments at FVPL, bills receivable, an equity investment designated at FVOCI and contingent consideration included in other payables and accruals, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	For the year ended March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	20,112,464	14,873,444
Hong Kong	465,152	645,024
	<u>20,577,616</u>	<u>15,518,468</u>

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.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

(b) Non-current assets

	For the year ended March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	3,647,208	2,199,264
Hong Kong	156,440	183,022
	<u>3,803,648</u>	<u>2,382,286</u>

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

Information about a major customer

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

4. REVENUE, OTHER INCOME AND GAINS

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

	For the year ended March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Pharmaceutical direct sales business	17,911,088	13,216,284
Pharmaceutical e-commerce platform business	1,996,332	1,965,169
Healthcare and digital services business ¹	670,196	337,015
	<u>20,577,616</u>	<u>15,518,468</u>

Note:

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

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(i) Disaggregated revenue information

	For the year ended March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Type of goods or services:		
Sale of products	17,128,890	12,535,890
Provision of services	<u>3,448,726</u>	<u>2,982,578</u>
	<u><u>20,577,616</u></u>	<u><u>15,518,468</u></u>
Timing of revenue recognition:		
At a point in time	19,263,318	14,704,729
Over time	<u>1,314,298</u>	<u>813,739</u>
	<u><u>20,577,616</u></u>	<u><u>15,518,468</u></u>

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

	For the year ended March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of products	3,815	4,400
Provision of services	<u>182,703</u>	<u>140,055</u>
	<u><u>186,518</u></u>	<u><u>144,455</u></u>

(ii) Performance obligations

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

Sale of products

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

4. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

(ii) Performance obligations (Continued)

Provision of services

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

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at March 31, 2022 and 2021 are as follows:

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Within one year	640,842	366,996
	316,197	235,924
	899,494	405,828
Other income		
Bank interest income	209,664	164,704
Government grants [#]	75,637	52,270
Rental income from investment property operating leases	—	7,320
Management fee income	20,674	9,041
Dividend income	3,741	1,363
Other interest income	174	711
Technical services income	4,000	—
Others	2,307	515
	316,197	235,924
Gains		
Gain on disposal of a subsidiary	—	70,608
Fair value gains on financial assets at FVPL	162,062	55,290
Foreign exchange difference, net	39,701	32,418
Gain on disposal of property and equipment	142	—
Gain on deemed disposal of interests in associates	381,392	11,588
	583,297	169,904
	899,494	405,828

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

5. PROFIT/(LOSS) BEFORE TAX

	Notes	For the year ended March 31,	
		2022	2021
		RMB'000	RMB'000
Cost of goods sold*		14,645,711	10,262,605
Cost of services provided* (excluding employee benefit expenses)		1,723,443	1,576,165
Depreciation of property and equipment		9,978	6,102
Depreciation of right-of-use assets		38,693	24,960
Depreciation of investment property		—	6,551
Amortization of intangible assets		11,905	2,013
Lease payments not included in the measurement of lease liabilities		878	317
Impairment losses on financial assets**			
Impairment/(reversal of impairment) of trade receivables	9	132	(320)
Impairment of other receivables		—	4,904
		<u>132</u>	<u>4,584</u>
Provision of inventories*		48,328	32,475
Impairment of investment of a joint venture**		1,357	1,143
Fair value loss on contingent consideration included in other payables and accruals**		2,782	—
Loss/(gain) on disposal of property and equipment**		(142)	75
Auditor's remuneration		3,470	3,000
Employee benefit expense (including directors' and chief executive's remuneration)			
Wages and salaries		677,005	371,533
Bonuses		166,970	140,736
Pension scheme contributions#		51,171	25,443
Share-based compensation expenses		408,098	396,959
		<u>1,303,244</u>	<u>934,671</u>

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

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

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

6. INCOME TAX

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Current — Hong Kong		
Charge for the year	118	870
Underprovision in prior years	—	1,353
Current — Mainland China		
Charge for the year	34,406	37,188
Overprovision in prior years	—	(96)
Deferred	(21,097)	19,224
	<u>13,427</u>	<u>58,539</u>
Total tax charge for the year	<u>13,427</u>	<u>58,539</u>

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

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

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

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

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

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

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

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

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

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

	For the year ended March 31,	
	2022	2021
	RMB'000	RMB'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation:	<u>(265,555)</u>	<u>348,588</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	13,482,634,084	13,245,718,572
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	13,098,726
Restricted share units	—	<u>67,707,377</u>
	<u>13,482,634,084</u>	<u>13,326,524,675</u>

8. DIVIDENDS

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

9. TRADE AND BILLS RECEIVABLES

	As at March 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables	528,420	326,766
Impairment	<u>(26,720)</u>	<u>(26,588)</u>
	501,700	300,178
Bills receivable	<u>14,285</u>	<u>13,437</u>
	<u>515,985</u>	<u>313,615</u>

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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

An 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,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	398,206	177,677
3 to 12 months	101,519	122,501
12 to 24 months	1,975	—
	<u>501,700</u>	<u>300,178</u>

10. 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:

	As at March 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	2,110,566	1,268,105
3 to 12 months	1,236,627	1,184,311
Over 12 months	181,404	99,134
	<u>3,528,597</u>	<u>2,551,550</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 days to 90 days.

Included in the Group's trade payables are amounts due to subsidiaries of Alibaba Group of approximately RMB1,492,580,000 (2021: RMB1,284,969,000), which are repayable on credit terms mutually agreed by the parties involved.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

Code Provision C.1.2 (which has been renumbered as D.1.2 of the CG Code since 1 January 2022) stipulates that management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company on a quarterly basis and 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, including the existing Directors and the former Directors who had been Directors during the year ended March 31, 2022, have confirmed that they have complied with the Model Code in their securities transactions throughout the year ended March 31, 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities, except that a trustee of the Share Award Scheme purchased a total of 1,300,000 shares of the Company on the market to satisfy the share awards granted under the Share Award Scheme to connected employees of the Company upon vesting.

AUDIT COMMITTEE REVIEW

The Group’s annual results for the year ended March 31, 2022 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 RESULTS 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, 2022 as set out in the preliminary results 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 results announcement.

PUBLICATION OF PRELIMINARY RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/alihealth). The annual report for the Reporting Period containing the information as required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

For and on behalf of the Board
Alibaba Health Information Technology Limited
ZHU Shunyan
Chairman and Chief Executive Officer

Hong Kong, May 25, 2022

As at the date of this announcement, the Board comprises seven Directors, of whom (i) three are executive Directors, namely Mr. ZHU Shunyan, Mr. SHEN Difan and Mr. TU Yanwu; (ii) one is a non-executive Director, namely Mr. LI Faguang; and (iii) three are independent non-executive Directors, namely Mr. LUO Tong, Mr. WONG King On, Samuel and Ms. HUANG Yi Fei (Vanessa).

[^] *For identification purposes only*