Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

8,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Alibaba Health Information Technology Limited with a Daily Leverage of -5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S$0.50 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by SG Issuer (the "**Issuer**") unconditionally and irrevocably guaranteed by Société Générale (the "**Guarantor**"), and is supplemental to and should be read in conjunction with a base listing document dated 19 June 2020 including such further base listing documents as may be issued from time to time (the "**Base Listing Document**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see "Placing and Sale" contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer and of no other person, and the guarantee dated 19 June 2020 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 15 October 2020.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

14 October 2020

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates. Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

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RISK FACTORS

The following are risk factors relating to the Certificates:

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;

(b) the Certificates constitute general unsecured obligations of the Issuer and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;

(c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;

(d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;

(e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;

(f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

(g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

(h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 29 to 33 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;

(i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);

(k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);

(l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

(m) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(o) investors should note that the Air Bag Mechanism (as defined below) reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(p) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday increase in the price of the Underlying Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 48 to 49 of this document for more information;

(q) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 35 to 37 of this document for more information;

(r) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;

(s) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(t) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

(u) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

(v) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

(w) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:

– Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and

– The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

(x) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;

(y) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

(z) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

(i) investors should note that no definitive certificate will be issued in relation to the Certificates;

(ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

(iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(aa) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer is subject to FATCA and, as a result, is required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide us with such certification, the Issuer and the Guarantor could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(bb) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under "TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986." Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

(cc) risk factors relating to the BRRD

French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force on 2 July 2014. The BRRD has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the "**BRR Act 2015**"). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15

July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism ("**SRM**") and a Single Resolution Fund (the "**SRM Regulation**") has established a centralised power of resolution entrusted to a Single Resolution Board (the "**SRB**") in cooperation with the national resolution authorities.

Since 2014, the European Central Bank ("**ECB**") has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism ("**SSM**"). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States' resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Regulation**") and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the "**Resolution Authority**") with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system (including taxpayers' exposure to losses).

Under the SRM Regulation, a centralised power of resolution is established and entrusted to the SRB acting in cooperation with the national resolution authorities. In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions' resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the "**Bail-in**

Power"). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The application of any measure under the BRRD and the SRM Regulation or any suggestion of such application with respect to the Issuer, the Guarantor or the Group could materially adversely affect the rights of Certificate Holders, the price or value of an investment in the Certificates and/or the ability of the Issuer or the Guarantor to satisfy its obligations under any Certificates, and as a result investors may lose their entire investment.

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure or in combination with a resolution measure when it determines that the Issuer, the Guarantor or the Group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The current regime will evolve as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called "EU Banking Package", the following legislative texts have been published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the "**BRRD II**"); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity ("**TLAC**") of credit institutions and investment firms (the "**SRM II Regulation**" and, together with the BRRD II, the "**EU Banking Package Reforms**").

The EU Banking Package Reforms will introduce, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet ("**FSB TLAC Term Sheet**"), by adapting, among others, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC will be implemented in accordance with the FSB TLAC Term Sheet, which impose a level of "Minimum TLAC" that will be determined individually for each global systemically important bank ("**G-SIB**"), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets through January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator through January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the "**CRR II**"), EU G-SIBs, such as Societe Generale, will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale will have to comply at the same time with TLAC and MREL requirements.

Consequently, criteria for MREL-eligible liabilities will be closely aligned with those laid down in the CRR, as amended by the CRR II for the TLAC-eligible liabilities, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet the MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance while only an additional return is linked to that derivative component and depends on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL will be set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance any may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The scope of liabilities used to meet the MREL will include, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in the BRRD, as amended by the BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that the MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail- in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements will apply to resolution groups with assets above EUR 100 billion (top-tier banks).

If the SRB finds that there could exist any obstacles to resolvability by the Issuer or the Guarantor and/or the Group, a higher MREL requirement could be imposed. Any failure by the Issuer or the Guarantor, as applicable, and/or the Group to comply with its MREL may have a material adverse effect on the Issuer’s business, financial conditions and results of operations.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	8,000,000 European Style Cash Settled Short Certificates relating to the ordinary shares of Alibaba Health Information Technology Limited (the **"Underlying Stock**")
ISIN:	LU1986502851
Company:	Alibaba Health Information Technology Limited (RIC: 0241.HK)
Underlying Price[3] and Source:	HK$22.20 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 0.50
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	6.90%, is a hedging cost against extreme market movements overnight.
Stock Borrowing Cost[6]:	The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.
Rebalancing Cost[6]:	The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.
Launch Date:	9 October 2020
Closing Date:	14 October 2020

[3] These figures are calculated as at, and based on information available to the Issuer on or about 14 October 2020. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 14 October 2020.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Expected Listing Date:	15 October 2020
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 5 October 2023
Expiry Date:	12 October 2023 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	11 October 2023 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 40 to 54 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: "**t**" refers to "**Observation Date**" which means each Underlying

Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Inverse Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An "**Underlying Stock Business Day**" is a day on which The Stock Exchange of Hong Kong Limited (the "**HKEX**") is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 40 to 54 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the "Specific Definitions relating to the Leverage Inverse Strategy" section on pages 19 to 23 below.

Initial Exchange Rate[3]: 0.175

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore

	Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.
Air Bag Mechanism:	The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses. Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero. Please refer to the "Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")" section on pages 21 to 23 below and the "Description of Air Bag Mechanism" section on pages 46 to 47 of this document for further information of the Air Bag Mechanism.
Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Hong Kong Dollar ("**HKD**")
Settlement Currency:	Singapore Dollar ("**SGD**")
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (the "**SGX-ST**")
Relevant Stock Exchange for the Underlying Stock:	HKEX
Business Day and Exchange Business Day:	A "**Business Day**" is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are

	open for business in Singapore. An "**Exchange Business Day**" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.
Warrant Agent:	The Central Depository (Pte) Limited ("**CDP**")
Clearing System:	CDP
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.
Further Information:	Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

The Leverage Inverse Strategy is designed to track a 5 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Inverse Strategy Formula

$\mathrm{LSL_t}$ means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t).

Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae:

On Observation Date(1):

$\mathrm{LSL_1} = 1000$

On each subsequent Observation Date(t):

$$\mathrm{LSL_t} = \mathrm{Max}\left[\mathrm{LSL_{t-1}} \times \left(1 + \mathrm{LR_{t-1,t}} - \mathrm{FC_{t-1,t}} - \mathrm{SB_{t-1,t}} - \mathrm{RC_{t-1,t}}\right), 0\right]$$

$\mathrm{LR_{t-1,t}}$ means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows:

$$\mathrm{LR_{t\text{-}1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t\text{-}1}} \times \mathrm{Rfactor_t}} - 1\right)$$

$\mathrm{FC_{t-1,t}}$ means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$\mathrm{FC_{t-1,t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{t-1}} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$$

$\mathrm{SB_{t-1,t}}$ means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows :

$$\mathrm{SB_{t-1,t}} = -\mathrm{Leverage} \times \frac{\mathrm{CB} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$$

CB means the Cost of Borrowing applicable that is equal to 3.00%.

$\mathrm{RC_{t-1,t}}$ means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows :

$$\mathrm{RC_{t-1,t}} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left|\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right|\right) \times \mathrm{TC}$$

TC means the Transaction Costs applicable (including Stamp Duty) that are equal to :

0.10%

Leverage -5

$\mathrm{S_t}$ means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.

$\mathrm{Rate_t}$ means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page.

$\mathbf{Rfactor_t}$ means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula :

$$Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$$

where

Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.

ACT(t-1,t) ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

DayCount BasisRate 365

Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")

Extraordinary Strategy Adjustment for Performance Reasons If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date,** noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse Strategy Closing Level on the Intraday Restrike Date ($\mathrm{LSL_{IRD}}$) should be computed as follows :

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}} \times \left(1 + \mathrm{ILR_{IR(n),IR(C)}} - \mathrm{IRC_{IR(n),IR(C)}}\right), 0\right]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}}, 0\right]$$

$\mathbf{ILSL_{IR(k)}}$ means, in respect of IR(k), the Intraday Leverage Inverse Strategy Level in accordance with the following provisions :

(1) for k = 1 :

$$\mathrm{ILSL_{IR(1)}} = \mathrm{Max}\left[\mathrm{LSL_{IRD-1}} \times \left(1 + \mathrm{ILR_{IR(0),IR(1)}} - \mathrm{FC_{IRD-1,IRD}} - \mathrm{SB_{IRD-1,IRD}} - \mathrm{IRC_{IR(0),IR(1)}}\right), 0\right]$$

(2) for k > 1 :

$$\mathrm{ILSL_{IR(k)}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(k-1)}} \times \left(1 + \mathrm{ILR_{IR(k-1),IR(k)}} - \mathrm{IRC_{IR(k-1),IR(k)}}\right), 0\right]$$

$\mathbf{ILR_{IR(k-1),IR(k)}}$ means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :

$$\mathrm{ILR_{IR(k-1),IR(k)}} = \mathrm{Leverage} \times \left(\frac{\mathrm{IS_{IR(k)}}}{\mathrm{IS_{IR(k-1)}}} - 1\right)$$

$IRC_{IR(k-1),IR(k)}$ means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :

$$IRC_{IR(k-1),IR(k)} = \text{Leverage} \times (\text{Leverage}-1) \times \left(\left| \frac{IS_{IR(k)}}{IS_{IR(k-1)}} - 1 \right| \right) \times TC$$

$IS_{IR(k)}$ means the Underlying Stock Price in respect of IR(k) computed as follows :

(1) for k=0

$IS_{IR(0)} = S_{IRD-1} \times Rfactor_{IRD}$

(2) for k=1 to n

means in respect of IR(k), the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to IR(C)

$IS_{IR(C)} = S_{IRD}$

In each case, subject to the adjustments and provisions of the Conditions.

IR(k) For k=0, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

For k=1 to n, means the k^{th} Intraday Restrike Event on the relevant Intraday Restrike Date.

IR(C) means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.

n means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.

Intraday Restrike Event means in respect of an Observation Date(t) :

(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(0)}}$ as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(k)}}$ as of such Calculation Time.

Calculation Time means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.

TimeReferenceOpening means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

TimeReferenceClosing means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

Intraday Restrike Event Observation Period means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

Intraday Restrike Event Time means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF

THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

(a) *Form*. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 19 June 2020, made by SG Issuer (the "**Issuer**") and Société Générale (the "**Guarantor**"); and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the "**Certificate Holders**") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

(b) *Status and Guarantee*. The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a "**Guarantee Obligation**").

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the "**Code**").

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

(i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the “**Law**”) on 11 December 2016;

(ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;

(iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and

(iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

(c) Transfer. The Certificates are represented by a global warrant certificate (“**Global Warrant**”) which will be deposited with The Central Depository (Pte) Limited (“**CDP**”). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression “**Certificate Holder**” shall be construed accordingly.

(e) *Bail-In*. By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer’s liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

(C) the cancellation of the Certificates; and/or

(D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the Regulator,

(the "**Statutory Bail-In**");

(ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**M&F Code**"):

(A) ranking:

(1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;

(2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and

(3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and

(B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

(C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer's obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself, and as if any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the "**Contractual Bail-in**").

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the

Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

"**Amounts Due**" means any amounts due by the Issuer under the Certificates.

"**Bail-In Power**" means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

"**MREL**" means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

"**Relevant Resolution Authority**" means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

"**Regulator**" means the European Central Bank and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

2. Certificate Rights and Exercise Expenses

(a) *Certificate Rights*. Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "**Closing Level**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

(i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

"**Market Disruption Event**" means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

(b) *Exercise Expenses*. Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the

Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

(c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. Exercise of Certificates

(a) *Exercise*. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).

(b) *Automatic Exercise*. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

(c) *Settlement*. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

(d) *CDP not liable*. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a “poison pill” being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the “**Option Reference Source**”) make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "**Nationalisation**" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Certificate Holders; Modification

(a) *Meetings of Certificate Holders*. The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

(b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

12. Delisting

(a) Delisting. If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

(b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

(a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

"**Regulatory Event**" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer, Société Générale and the Relevant Affiliates, a "**Relevant Entity**") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the

Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"**Change in law**" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

(b) *Early Termination for Holding Limit Event*. The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

"**Holding Limit Event**" means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

(c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

(d) *Termination*. If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

16. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	SG Issuer
Company:	Alibaba Health Information Technology Limited
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	8,000,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 19 June 2020 (the "**Master Instrument**") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the "**Master Warrant Agent Agreement**") and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 15 October 2020.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is a qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the "**Certificates**") are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will decrease and are seeking short-term leveraged inverse exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

(i) <u>For Certificate Holders who trade the Certificates intraday</u>: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and

(ii) <u>For Certificate Holders who hold the Certificates overnight</u>: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees

Daily Fees	=	**Daily Management Fee Adjustment** 1 – Management Fee x ACT (t-1;t) / 360 x **Daily Gap Premium Adjustment** 1 – Gap Premium (t-1) x ACT (t-1;t) / 360

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

		t[7]=0		t=1		t=2		t=i
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance[8] x Daily Fees	x	Leverage Inverse Strategy daily performance x Daily Fees	x …	Leverage Inverse Strategy Daily performance x Daily Fees

		t=0		**Product of the daily Leverage Inverse Strategy Performance**		**Product of the Daily Fees (Hedging Fee Factor)**
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance	x	Daily Fees x Daily Fees

		t=0				
Final Value of Certificates	=	Notional Amount	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

[7] "t" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.
[8] Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse Strategy Closing Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary shares of Alibaba Health Information Technology Limited
Expected Listing Date:	**03/07/2018**
Expiry Date:	**18/07/2018**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**0.50 SGD**
Notional Amount per Certificate:	**0.50 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**6.90%**
Strike Level:	Zero

Hedging Fee Factor

Hedging Fee Factor on the n^{th} Underlying Stock Business Day after issuance of Certificate ("HFF (n)") is calculated as follows:

HFF(0) = 100%

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\mathrm{HFF}\,(1) = \mathrm{HFF}\,(0) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\,(t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\,(t-1;t)}{360}\right)$$

$$\mathrm{HFF}\,(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.90\% \times \frac{1}{360}\right)$$

$$\mathrm{HFF}\,(1) = 100\% \times 99.9989\% \times 99.9808\% \approx 99.9797\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\text{HFF}\ (2)\ =\ \text{HFF}\ (1) \times \left(1 - \text{Management Fee}\ \times \frac{\text{ACT}\ (t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium}\ \times \frac{\text{ACT}\ (t-1; t)}{360}\right)$$

$$\text{HFF}\ (2)\ =\ 99.9797\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.90\% \times \frac{3}{360}\right)$$

$$\text{HFF}\ (2)\ =\ 99.9797\% \times 99.9967\% \times 99.9425\% \approx 99.9189\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\text{HFF}\ (n)\ =\ \text{HFF}\ (n-1) \times \left(1 - \text{Management Fee}\ \times \frac{\text{ACT}\ (t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium}\ \times \frac{\text{ACT}\ (t-1; t)}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.6962% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9797%
5/7/2018	99.9594%
6/7/2018	99.9392%
9/7/2018	99.8784%
10/7/2018	99.8581%
11/7/2018	99.8379%
12/7/2018	99.8176%
13/7/2018	99.7974%
16/7/2018	99.7367%
17/7/2018	99.7165%
18/7/2018	99.6962%

Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.6962%

= 119.64%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.64% x 0.50 SGD

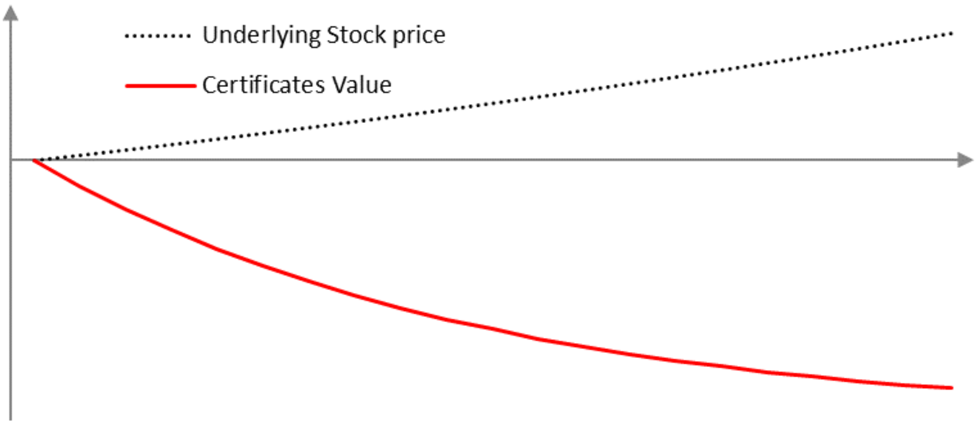
= 0.598 SGD

Illustration on how returns and losses can occur under different scenarios

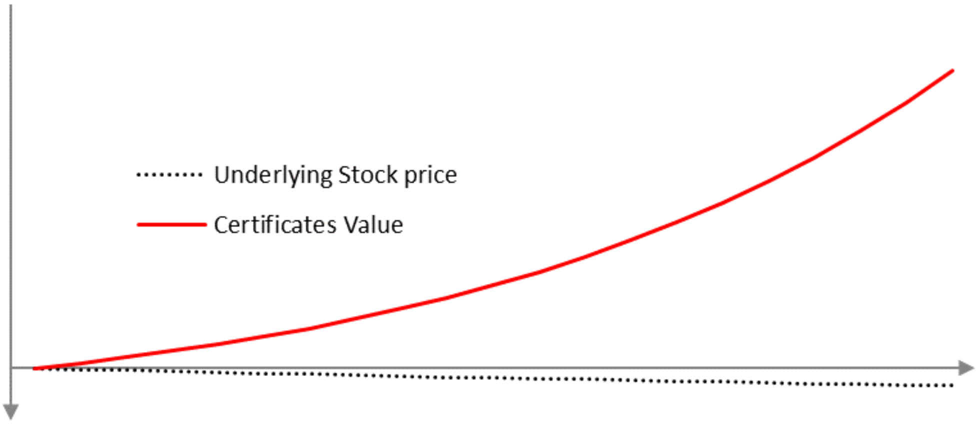
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. Illustrative examples

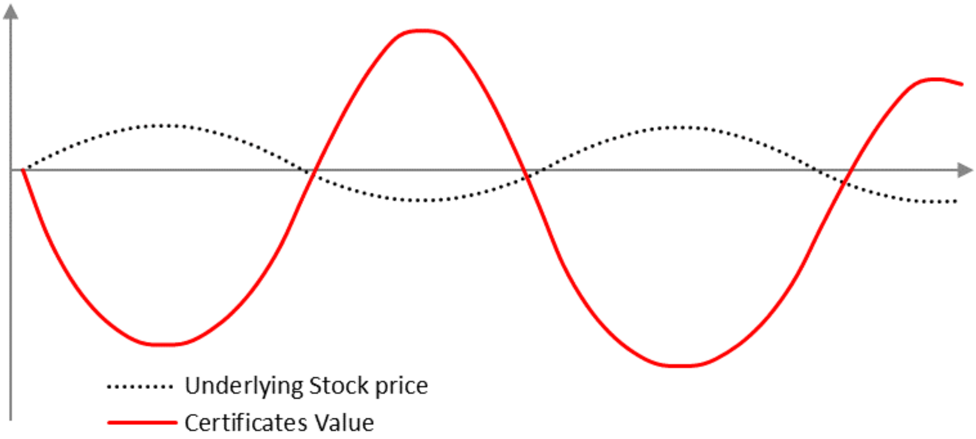
Scenario 1 – Upward Trend



Scenario 2 – Downward Trend



Scenario 3 – Volatile Market



2. Numerical Examples

Scenario 1 – Upward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	0.5	0.45	0.40	0.36	0.33	0.30
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 2 – Downward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	0.5	0.55	0.61	0.67	0.73	0.81
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 3 – Volatile Market

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return		2.00%	-0.04%	1.96%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	10.0%	-10.0%	10.0%	-10.0%
Price at end of day	0.5	0.45	0.50	0.45	0.49	0.44
Accumulated Return		-10.00%	-1.00%	-10.90%	-1.99%	-11.79%

Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period.

The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

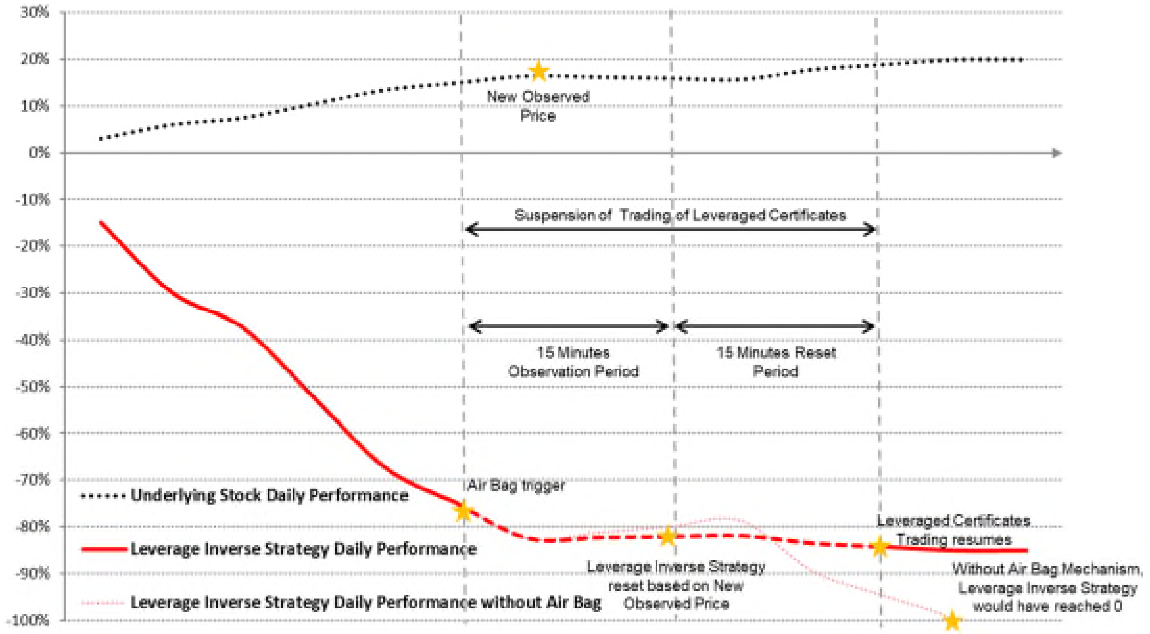
<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="5">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<tr><td>45 minutes before Market Close</td><td rowspan="6">Next trading day at Market Open</td></tr>
<tr><td>30 to 45 minutes before Market Close</td></tr>
<tr><td>30 minutes before Market Close</td></tr>
<tr><td>15 to 30 minutes before Market Close</td></tr>
<tr><td>15 minutes before Market Close</td><td rowspan="2">From Air Bag Trigger to Market Close</td></tr>
<tr><td>Less than 15 minutes before Market Close</td></tr>
</table>

With **Market Close** defined as:

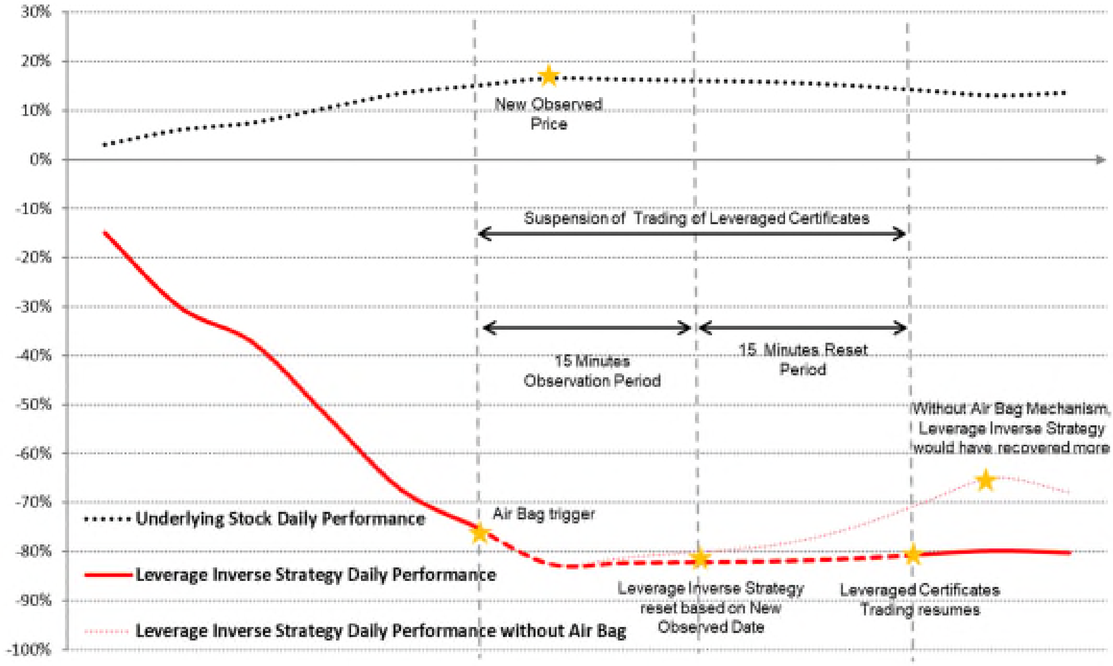
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading

Illustrative examples of the Air Bag Mechanism[9]

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



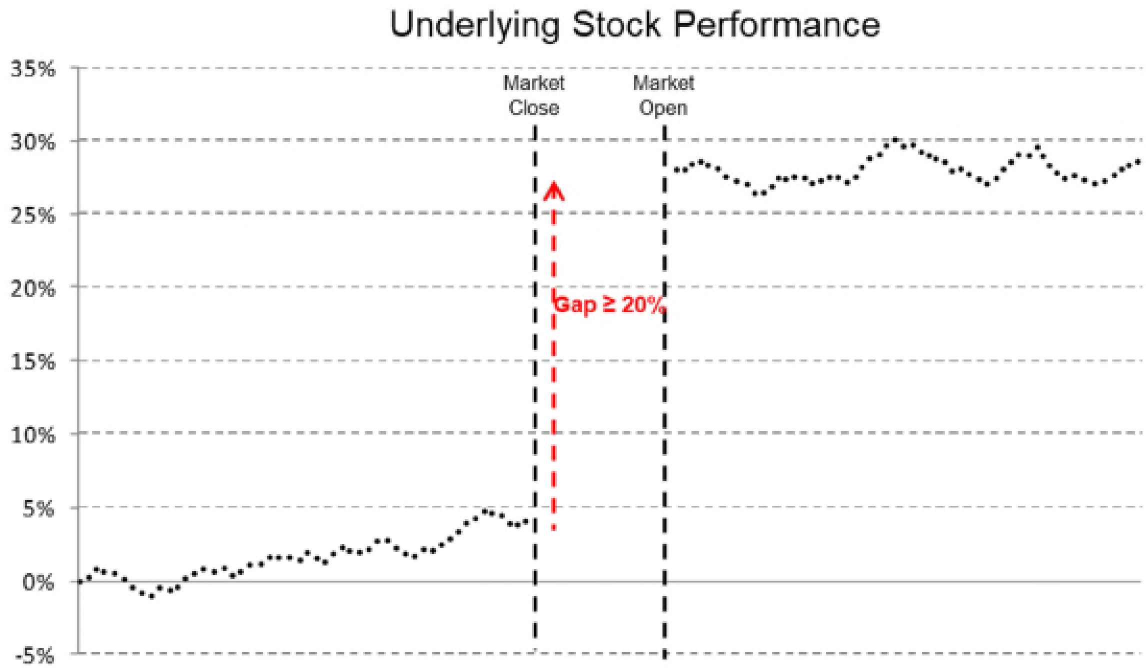
[9] The illustrative examples are not exhaustive.

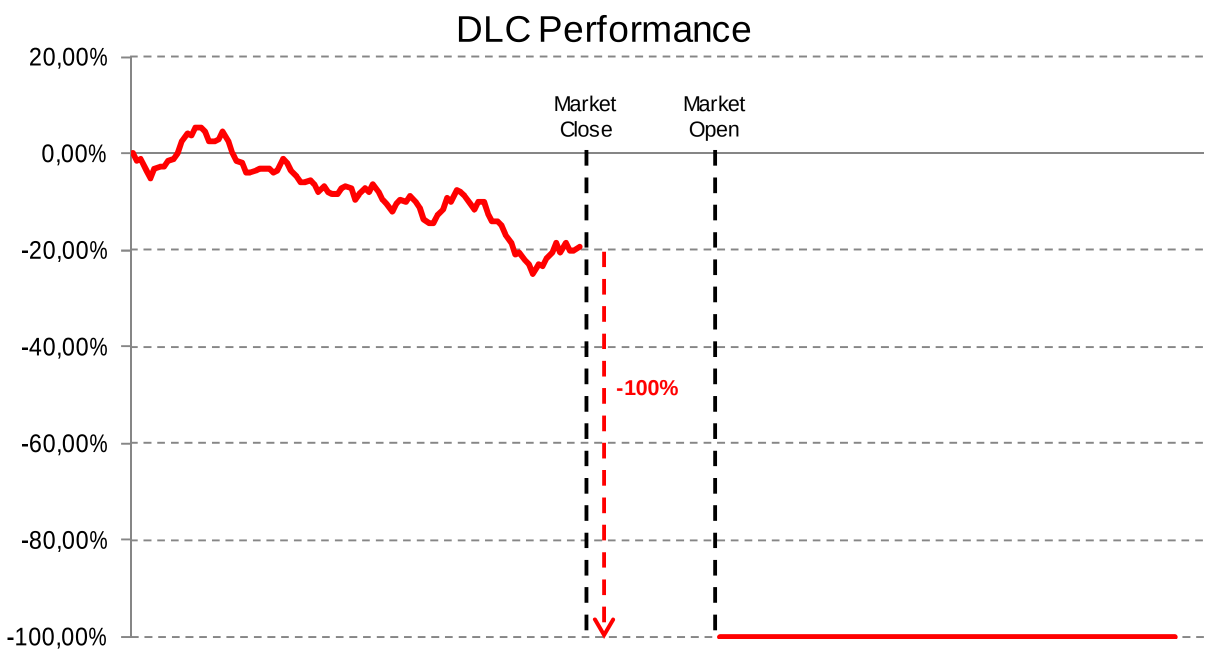
Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

Scenario 1 – Overnight rise of the Underlying Stock

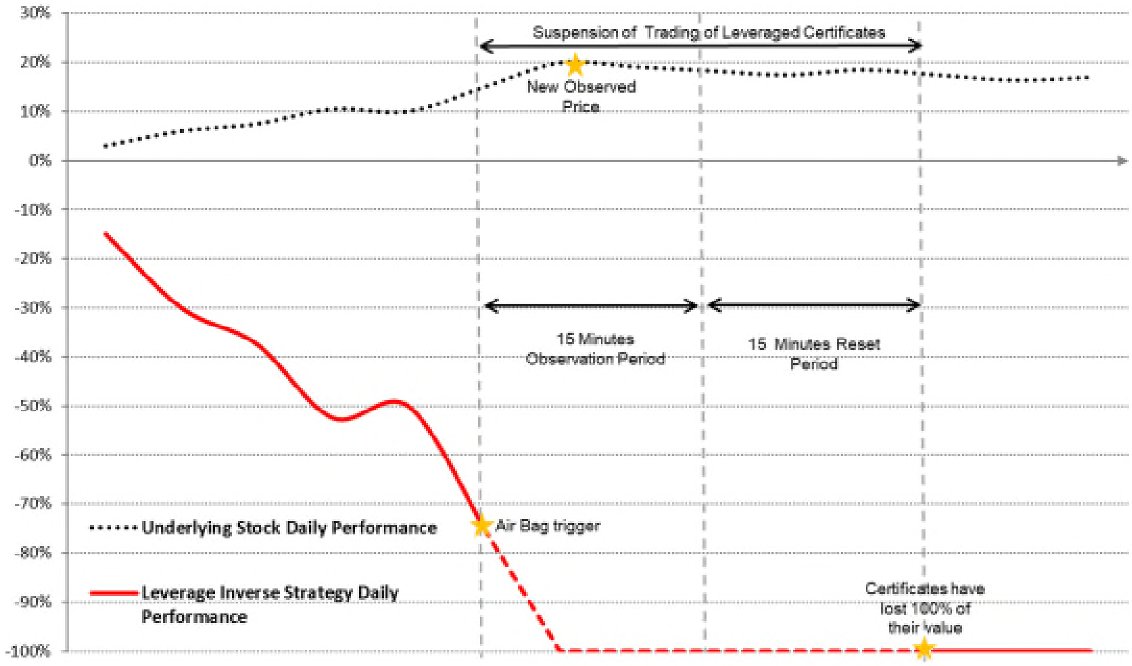
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a "gap". If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.





Scenario 2 – Sharp intraday rise of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{\mathrm{S}_{t-1}}\right] \times \frac{1}{1 + M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc_t}$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$\mathrm{S_{t-1}}$ = \$100

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\text{DivExc}_t = \$0$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0)}{100}\right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$\text{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{51}{100 \times 50\%} - 1\right) = -10\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.45	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $57.5, which is 15% above$50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

S_{t-1} = $100

S_t = $202

$\text{Div}_t = \$0$

$\text{DivExc}_t = \$0$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0)}{100}\right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$\text{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{202}{100 \times 200\%} - 1\right) = -5\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.475	-5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $230, which is 15% above $200, the Underlying Stock Reference Price.

3. <u>Rights Issues</u>

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of $40.

S_{t-1} = $100

S_t = $84

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

R = $40 (i.e. subscription price of $40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100}\right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.375	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

S_{t-1} = \$100

S_t = \$85

$Div_t = \$0$

$DivExc_t = \$0$

R = \$0

M = 0.2 (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100}\right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$LR_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{85}{100 \times 83.33\%} - 1\right) = -10\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.45	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

S_{t-1} = \$100

S_t = \$84

$Div_t = \$0$

$DivExc_t = \$20$

R = \$0

M = 0

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100}\right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{t-1,t}} = \mathrm{Leverage} \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
0.50	0.375	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the "**HKExCL**") at http://www.hkex.com.hk and/or the Company's web-site at https://www.alihealth.cn/. The Issuer has not independently verified any of such information.*

Alibaba Health Information Technology Limited (the "**Company**") is an investment holding company mainly engaged in the provision of Internet solutions for the medical and pharmaceutical industry, and is Alibaba Group's healthcare flagship platform. The Company is mainly involved in the development of pharmaceutical and healthcare product and service sales business, the operation of pharmaceutical e-commerce platform and consumer healthcare services platform, the development of tracking and digital health business and Internet healthcare business using technologies such as cloud computing and big data.

The information set out in Appendix I of this document relates to the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2020 and has been extracted and reproduced from an announcement by the Company dated 29 June 2020 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

(a)	Maximum bid and offer spread	:	10 ticks or S$0.20 whichever is greater
(b)	Minimum quantity subject to bid and offer spread	:	10,000 Certificates
(c)	Last Trading Day for Market Making	:	The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;

(iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;

(v) where the Certificates are suspended from trading for any reason;

(vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(x) if the stock market experiences exceptional price movement and volatility;

(xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and

(xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix II of this document is a reproduction of the press release dated 3 August 2020 containing the Guarantor's consolidated financial results for the second quarter ended 30 June 2020.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 105 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.

2. Settlement of trades done on a normal "ready basis" on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed "Summary of the Issue" above.

3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.

4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2019 or the Guarantor since 30 June 2020, in the context of the issuance of Certificates hereunder.

5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:

   (a) the Guarantee;

   (b) the Master Instrument; and

   (c) the Master Warrant Agent Agreement.

   None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was not prepared exclusively for incorporation into this document.

   The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.

8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

(a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;

(b) the latest financial reports (including the notes thereto) of the Issuer;

(c) the latest financial reports (including the notes thereto) of the Guarantor;

(d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;

(e) the Base Listing Document;

(f) this document; and

(g) the Guarantee.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) other than (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (CWUMPO) or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

European Economic Area and the United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the

Certificates will be required to represent and agree that, it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

In respect of the United Kingdom, each dealer has further represented and agreed, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

(a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended (the "**Commodity Exchange Act**") and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term "**United States**" includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term "**U.S. person**" means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the "**CEA**") or any rules thereunder of the CFTC (the "**CFTC Rules**"), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a "Non-United States person" defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not "Non-United States persons", shall be considered a U.S. person).

APPENDIX I

REPRODUCTION OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 OF ALIBABA HEALTH INFORMATION TECHNOLOGY LIMITED AND ITS SUBSIDIARIES

The information set out below is a reproduction of the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2020 and has been extracted and reproduced from an announcement by the Company dated 29 June 2020 in relation to the same.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report
To the shareholders of Alibaba Health Information Technology Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Alibaba Health Information Technology Limited (the "Company") and its subsidiaries (the "Group") set out on pages 135 to 257, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment of investments in associates	
As at March 31, 2020, the Group held investments in associates of approximately RMB1,945.8 million, which is significant to the consolidated financial statements. The Group identified indicators of impairment for investments in associates and accordingly, with assistance of an independent valuer, performed impairment tests for these investments by comparing the carrying amounts as at March 31, 2020 with the corresponding recoverable amounts. The recoverable amounts were determined by using the discounted cash flow method which required management to apply significant assumptions and estimates, such as expected revenue and margin development, discount rates and perpetual growth rates. Relevant disclosures are included in note 2.4 "Summary Of Significant Accounting Policies", note 3 "Significant Accounting Judgement And Estimates" and note 19 "Investments In Associates" to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Evaluating the Group's policies and procedures of identifying indicators for potential impairment of the investments in associates; — Evaluating the capabilities and objectivity of the independent valuer; — Assessing the reasonableness of expected revenue and margin development by making enquiries with management and with reference to historic information; — With the assistance of internal valuation specialists, examining the valuation methodologies and evaluating the assumptions and estimates used, including the discount rate and the perpetual growth rate; — Checking the mathematical accuracy of management's valuation schedules; and — Evaluating the adequacy of the relevant disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment of inventories	
As at March 31, 2020, the carrying amount of the Group's inventories before provision was approximately RMB1,232.4 million. The inventories were stated at the lower of cost and net realisable value. The determination of net realisable value, and obsolete and slow-moving inventory items involved management's judgement and estimation. Specific factors management considered included the ageing and expiry dates of the inventories, condition of the goods, historical and recent sale patterns, available selling prices and estimated costs to be incurred to completion and disposal. The Group recorded an impairment of inventories of approximately RMB15.1 million for the year ended March 31, 2020. Relevant disclosures are included in note 2.4 "Summary Of Significant Accounting Policies", note 3 "Significant Accounting Judgement And Estimates" and note 20 "Inventories" to the consolidated financial statements.	We performed the following procedures to address the key audit matter: — Observing the inventory counts performed by management and assessing the physical condition of the inventories, on a sample basis; — Evaluating the provision of obsolete and slow-moving inventory items made by management by checking to ageing and expiry dates of the inventories, on a sample basis; — Understanding and assessing the appropriateness of management's assessment on available selling price and estimated costs to be incurred to completion and disposal based on historical and recent sales patterns, on a sample basis; — Comparing the actual selling prices less cost to sales of the inventories subsequent to year end, on a sample basis, to their carrying amounts to check whether the inventories are stated at the lower of cost and net realisable value; and — Evaluating the adequacy of the relevant disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

May 27, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended March 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**9,596,476**	5,095,867
Cost of revenue		**(7,365,096)**	(3,764,604)
Gross profit		**2,231,380**	1,331,263
Operating expenses:			
Fulfilment	6	**(1,098,254)**	(572,123)
Sales and marketing expenses		**(722,720)**	(454,838)
Administrative expenses		**(219,973)**	(181,016)
Product development expenses		**(252,843)**	(219,018)
Other income and gains	5	**161,269**	67,014
Other expenses		**(33,768)**	(2,502)
Finance costs	7	**(21,965)**	(27,966)
Share of losses of:			
Joint ventures	18	**(12,737)**	(737)
Associates	19	**(21,295)**	(907)
PROFIT/(LOSS)BEFORE TAX	8	**9,094**	(60,830)
Income tax expense	11	**(24,790)**	(30,934)
LOSS FOR THE YEAR		**(15,696)**	(91,764)
Attributable to:			
Owners of the parent		**(6,586)**	(81,949)
Non-controlling interests		**(9,110)**	(9,815)
		(15,696)	(91,764)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**RMB(0.06) cents**	RMB(0.74) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended March 31, 2020

	Note	2020 RMB'000	2019 RMB'000
LOSS FOR THE YEAR		**(15,696)**	(91,764)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income may be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**74,824**	62,213
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		**46,161**	—
Income tax effect	30	**(4,616)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**116,369**	62,213
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**100,673**	(29,551)
Attributable to:			
Owners of the parent		**109,783**	(19,736)
Non-controlling interests		**(9,110)**	(9,815)
		100,673	(29,551)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2020

	Notes	March 31, 2020 RMB'000	March 31, 2019 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	12,999	8,886
Investment property	15(a)	10,599	—
Right-of-use assets	15(a)	59,333	—
Other intangible assets	17	4,467	—
Goodwill	16	54,576	27,006
Investments in joint ventures	18	111,247	10,985
Investments in associates	19	1,945,789	1,964,854
Long-term receivables	22	21,732	39,372
Equity investment designated at FVOCI	25	173,456	119,801
Financial assets at fair value through profit or loss ("FVPL")	24	462,778	507,587
Total non-current assets		2,856,976	2,678,491
CURRENT ASSETS			
Inventories	20	1,217,258	595,793
Trade and bills receivables	21	324,541	365,446
Prepayments, other receivables and other assets	22	413,492	323,352
Financial assets at FVPL	24	402,485	1,736,713
Restricted cash	23	60,239	1,719
Cash and cash equivalents	23	2,594,981	280,371
Total current assets		5,012,996	3,303,394
CURRENT LIABILITIES			
Interest-bearing borrowings	28	—	1,700,000
Lease liabilities	15(b)	32,030	—
Trade and bills payables	26	1,865,526	902,651
Other payables and accruals	27	513,250	463,642
Contract liabilities	29	171,280	151,991
Tax payable		27,817	15,098
Total current liabilities		2,609,903	3,233,382
NET CURRENT ASSETS		2,403,093	70,012
TOTAL ASSETS LESS CURRENT LIABILITIES		5,260,069	2,748,503

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2020

	Notes	March 31, 2020 RMB'000	March 31, 2019 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	15(b)	**37,725**	—
Deferred tax liabilities	30	**19,829**	11,677
Total non-current liabilities		**57,554**	11,677
Net assets		**5,202,515**	2,736,826
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**106,108**	102,898
Treasury shares	31	**(13,039)**	(25,052)
Reserves	33	**5,176,076**	2,716,673
		5,269,145	2,794,519
Non-controlling interests		**(66,630)**	(57,693)
Total equity		**5,202,515**	2,736,826

Wang Qiang
Director

Zhu Shunyan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2020

		Attributable to owners of the parent											
	Notes	Share capital RMB'000	Share premium account^ RMB'000	Treasury share RMB'000	Merger reserve^ RMB'000	Exchange fluctuation reserve^ RMB'000	Employee share-based compensation reserve^ RMB'000	Equity investments at fair value through other comprehensive income revaluation reserve^ RMB'000	Other reserves^ RMB'000	Accumulated losses^ RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At April 1, 2019		102,898	19,966,843	(25,052)	(16,397,767)	75,873	231,955	–	120,364	(1,280,595)	2,794,519	(57,693)	2,736,826
Loss for the year		–	–	–	–	–	–	–	–	(6,586)	(6,586)	(9,110)	(15,696)
Other comprehensive income for the year:													
Change in fair value of financial assets at FVOCI		–	–	–	–	–	–	41,545	–	–	41,545	–	41,545
Translation from functional currency to presentation currency		–	–	–	–	74,824	–	–	–	–	74,824	–	74,824
Total comprehensive income for the year		–	–	–	–	74,824	–	41,545	–	(6,586)	109,783	(9,110)	100,673
Issue of new shares for restricted share units ("RSUs")	31	315	–	(315)	–	–	–	–	–	–	–	–	–
Issue of new shares	31	2,667	1,997,913	–	–	–	–	–	–	–	2,000,580	–	2,000,580
Repurchase of shares	31	–	–	(17,814)	–	–	–	–	–	–	(17,814)	–	(17,814)
Share-based compensation expenses	32	–	–	–	–	–	277,139	–	–	–	277,139	–	277,139
Vested awarded shares transferred to employees	31	–	215,335	30,142	–	–	(245,477)	–	–	–	–	–	–
Exercise of share options	31	228	164,641	–	–	–	(52,887)	–	–	–	111,982	–	111,982
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	–	–	–	(173)	–	(173)	173	–
Appropriation of statutory reserves		–	–	–	–	–	–	–	9,885	(9,885)	–	–	–
Share of capital reserve of an associate		–	–	–	–	–	–	–	(6,871)	–	(6,871)	–	(6,871)
At March 31, 2020		106,108	22,344,732	(13,039)	(16,397,767)	150,697	210,730	41,545	123,205	(1,297,066)	5,269,145	(66,630)	5,202,515

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2019

		Attributable to owners of the parent										
	Notes	Share capital *RMB'000*	Share premium account^ *RMB'000*	Treasury shares *RMB'000*	Merger reserve^ *RMB'000*	Exchange fluctuation reserve^ *RMB'000*	Employee share-based compensation reserve^ *RMB'000*	Other reserves^ *RMB'000*	Accumulated losses^ *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At April 1, 2018		86,617	7,255,519	(5,474)	(3,828,605)	13,660	142,480	119,360	(1,203,309)	2,580,248	(57,191)	2,523,057
Loss for the year		–	–	–	–	–	–	–	(81,949)	(81,949)	(9,815)	(91,764)
Other comprehensive loss for the year:												
Translation from functional currency to presentation currency		–	–	–	–	62,213	–	–	–	62,213	–	62,213
		–	–	–	–	62,213	–	–	(81,949)	(19,736)	(9,815)	(29,551)
Issue of new shares for restricted share units	*31*	245	–	(245)	–	–	–	–	–	–	–	–
Issue of new shares for acquisition under common control	*31*	15,932	12,554,598	–	(12,569,162)	–	–	–	–	1,368	–	1,368
Purchase of shares by Share Award Scheme Trust	*31*	–	–	(37,846)	–	–	–	–	–	(37,846)	–	(37,846)
Share-based compensation expenses	*32*	–	–	–	–	–	213,493	–	–	213,493	–	213,493
Vested awarded shares transferred to employees	*31*	–	73,474	18,513	–	–	(91,987)	–	–	–	–	–
Exercise of share options	*31*	104	83,252	–	–	–	(30,377)	–	–	52,979	–	52,979
Transfer of share-based compensation reserve of options lapsed after vesting date		–	–	–	–	–	(1,654)	–	1,654	–	–	–
Acquisition and incorporation of subsidiaries		–	–	–	–	–	–	–	–	–	9,380	9,380
Deemed interest in an interest-free loan to a non-wholly owned subsidiary		–	–	–	–	–	–	67	–	67	(67)	–
Transfer to other reserves		–	–	–	–	–	–	(3,009)	3,009	–	–	–
Share of capital reserve of associates		–	–	–	–	–	–	3,946	–	3,946	–	3,946
At March 31, 2019		102,898	19,966,843	(25,052)	(16,397,767)	75,873	231,955	120,364	(1,280,595)	2,794,519	(57,693)	2,736,826

^ These reserve accounts comprise the consolidated reserves of RMB5,176,076,000 (March 31, 2019: RMB2,716,673,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		**9,094**	(60,830)
Adjustments for:			
Share of losses of joint ventures		**12,737**	737
Share of losses of associates		**21,295**	907
Bank interest income	5	**(54,904)**	(23,573)
Other interest income	5	**(1,307)**	(1,483)
Gain on disposal of items of property and equipment	5	**(31)**	(15)
Gain on disposal of a joint venture	5	**–**	(12,417)
Gain on deemed partial disposal of associates	5	**(41,762)**	–
Gain on disposal of an associate	5	**(21,791)**	–
Finance costs		**21,965**	27,966
Dividend income from financial asset at FVPL	5	**(1,874)**	–
Fair value losses/(gains) on financial assets at FVPL	5/8	**22,003**	(26,248)
Depreciation of property and equipment	8	**5,830**	3,989
Depreciation of right-of-use assets	8	**27,295**	–
Depreciation of investment property	8	**7,087**	–
Amortisation of intangible assets	8	**1,477**	–
(Reversal of impairment)/impairment of trade receivables	8	**(888)**	1,226
Reversal of impairment of other receivables	8	**–**	(807)
Provision/(reversal of provision) and write-off of inventories	8	**18,583**	(11,526)
Foreign exchange differences, net		**6,751**	64
Share-based compensation expenses	8	**277,139**	213,493
		308,699	111,483
Decrease/(increase) in trade and bills receivables		**41,796**	(275,299)
Increase in prepayments, other receivables and other assets		**(169,541)**	(181,368)
Increase in inventories		**(638,960)**	(141,473)
Increase in trade and bills payables		**960,575**	579,324
Increase in other payables and accruals		**57,877**	230,879
Increase in contract liabilities		**19,289**	40,115
(Increase)/decrease in restricted cash		**(58,520)**	549
Decrease in long-term receivables		**17,640**	15,939
Exchange differences		**3,785**	(660)
Cash generated from operations activities		**542,640**	379,489
Interest received		**52,643**	32,486
Interest element of lease payments		**(3,133)**	–
PRC taxes paid		**(7,227)**	(15,406)
HK taxes paid		**(1,308)**	(199)
Net cash flows generated from operating activities		**583,615**	396,370

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
Net cash flows generated from operating activities		**583,615**	396,370
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment	*14*	**(7,567)**	(6,102)
Purchase of intangible assets	*17*	**(5,944)**	—
Redeem/(purchase) of financial assets at FVPL		**1,357,034**	(2,155,747)
Purchase of an equity investment designated at FVOCI		**—**	(119,801)
Proceeds from disposal of items of property and equipment		**113**	48
PRC tax paid		**—**	(3,659)
Business acquisitions	*34*	**(21,212)**	(2,876)
Repayment of a loan		**15,000**	—
Interest received		**2,266**	—
Dividend receipt from a financial asset at FVPL		**1,874**	—
Dividend receipt from investment in an associate		**1,410**	—
Capital injection in associates		**—**	(982,852)
Capital injection in a joint venture		**(113,000)**	(13,500)
Proceeds from disposal of a joint venture		**62,369**	—
Proceeds from disposal of an associate		**53,042**	—
Decrease of time deposits with original maturity of over three months		**—**	888,778
Net cash flows generated from/(used in) investing activities		**1,345,385**	(2,395,711)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of new shares		**2,000,580**	—
Repurchase of shares		**(17,814)**	(37,846)
Bank loans and other borrowings		**—**	2,304,162
Repayment of bank loans and other borrowings		**(1,700,000)**	(604,162)
Proceeds from exercise of options		**111,982**	52,979
Interest paid		**(36,161)**	(10,624)
Principal portion of lease payments		**(29,773)**	—
Capital contribution from a non-controlling shareholder of a subsidiary		**—**	3,980
Net cash flows generated from financing activities		**328,814**	1,708,489
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,257,814**	(290,852)
Effect of foreign exchange rate changes		**56,796**	62,804
Cash and cash equivalents at beginning of year		**280,371**	508,419
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,594,981**	280,371

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**2,033,262**	162,626
Non-pledged time deposits with original maturity of three months or less when acquired and cash equivalents placed at a payment platform	23	**561,719**	117,745
Cash and cash equivalents as stated in the consolidated statement of financial position and cash flows	23	**2,594,981**	280,371

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

Name	Place of incorporation/registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Alibaba Health (Hong Kong) Technology Company Limited ("Alibaba Health (Hong Kong)")	Hong Kong	HK$1,000,000	–	100	Investment holding and pharmaceutical e-commerce
阿里健康信息技術(北京)有限公司 (Alibaba Health Information Technology (Beijing) Co., Ltd.[a])[bc]	PRC/Mainland China	RMB300,000,000	–	100	Provision of e-commerce platform service
中信國檢信息技術有限公司 (CITIC Credit Information Technology Co., Ltd.[a]) ("CCIT")[bde]	PRC/Mainland China	RMB60,000,000	–	50	Provision of product tracking platform services
阿里健康科技(中國)有限公司 (Alibaba Health Technology (China) Limited[a])[bc] ("Alibaba Health (China)")	PRC/Mainland China	RMB295,000,000	–	100	Telemedicine service, comprehensive member service to users, product tracking platform service and pharmaceutical e-commerce
阿里健康大藥房醫藥連鎖有限公司 (Alibaba Health Pharmaceutical Chain Co., Ltd.[a])[bd]	PRC/Mainland China	RMB120,000,000	–	100	Pharmacy business

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of incorporation/registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
杭州禮和醫藥有限公司 (Hangzhou Lihe Pharmaceutical Co., Ltd.[a]) ("Lihe")[bd]	PRC/Mainland China	RMB20,000,000	–	100	Pharmaceutical product trading and healthcare service business
弘雲久康數據技術(北京)有限公司 (Hongyun Jiukang Data Technology (Beijing) Co., Ltd.[a]) ("Hongyun Jiukang")[bdf]	PRC/Mainland China	RMB1,000,000	–	100	Investment holding
阿里健康科技(杭州)有限公司 (Alibaba Health Technology (Hangzhou) Limited[a])[bc]	PRC/Mainland China	RMB200,000,000	–	100	Provision of e-commerce platform services
鹿康大藥房(杭州)有限公司 (Lukang pharmacy (Hangzhou) co., LTD)[abc] (Formerly known as Hangzhou Hengping Health Technology Co., Ltd.[a])	PRC/Mainland China	RMB1,000,000	–	100	Provision of e-commerce platform services
阿里健康網絡醫院有限公司 (Alibaba Health Network Hospital Co., Ltd.[a])[b]	PRC/Mainland China	RMB50,000,000	–	100	Network hospital services

a For identification purposes only

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

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

d Registered as limited liability companies under PRC law

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

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

2.1 BASIS OF PREPARATION

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

Merger accounting for Business combinations under common control

As disclosed in note 34(B) to the consolidated financial statements, a business combination under common control was effected during the current year, where the business acquired in the business combination and the Company are both ultimately controlled by Alibaba Holding. The business combination was accounted for using the principles of merger accounting.

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended March 31, 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Company has set up two trusts (the "Trusts") for the purpose of purchasing, administering and holding the Company's shares for the share award scheme adopted on November 24, 2014 (the "Share Award Scheme", note 32). The Group has the power to govern the financial and operating policies of the Trusts and derive benefits from the services of the employees who have been awarded the awarded shares through their continued employment with the Group. The assets and liabilities of the Trusts are included in the consolidated statement of financial position and the shares held by the Trusts are presented as a deduction in equity as shares held for the share award scheme.

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

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).

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

As a lessee — Leases previously classified as operating leases (continued)

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*
Assets	
Increase in right-of-use assets	73,087
Decrease in prepayments, other receivables and other assets	(4,786)
Increase in total assets	68,301
Liabilities	
Increase in lease liabilities	68,301
Increase in total liabilities	68,301

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Financial impact as at April 1, 2019 (continued)

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

	RMB'000
Operating lease commitments as at March 31, 2019	74,940
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before March 31, 2020	(764)
	74,176
Weighted average incremental borrowing rate as at April 1, 2019	4.676%
Lease liabilities as at April 1, 2019	68,301

(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.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after January 1, 2020
2 Effective for annual periods beginning on or after January 1, 2023
3 No mandatory effective date yet determined but available for adoption

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

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April, 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from April 1, 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

Fair value measurement

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment and depreciation

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in buildings (including the leasehold property held as a right-of-use asset (2019: Nil) which would otherwise meet the definition of an investment property) held to earn rental income, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property to its residual value over its estimated useful life. The estimated useful lives of buildings are determined based on the lease terms.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

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

Patents and licences

Purchased patents and patent application rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from April 1, 2019)

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

Group as a lessee

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

(a) Right-of-use assets

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

When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially and subsequently measured at cost.

(b) Lease liabilities

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from April 1, 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities (continued)

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

(c) Short-term leases

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

Group as a lessor

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

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

Leases (applicable before April 1, 2019)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

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

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

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

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

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

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

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and bills payable, other payables and accruals, lease liabilities and interest-bearing borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

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

Inventories

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

Cash and cash equivalents

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

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

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

Government grants

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

(a) Product tracking platform services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Revenues from the pharmaceutical direct business

Sale of pharmaceutical and healthcare products

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

Marketing services

The Group provides marketing services to pharmaceutical brands primarily through display of impressions or clicks of the pharmaceutical brands' advertisement on various online platforms and mobile apps. The fee from pharmaceutical brands is charged primarily on the basis of per thousand impressions or per click at fixed prices and recognised when impression are displayed or clicks generated.

(c) Revenues from pharmaceutical E-commerce platform business

Outsourced and value-added services to Tmall Entities

The Group provides outsourced and value-added services to Tmall Entities, i.e. Zhejiang Tmall Network Co., Ltd. (浙江天貓網絡有限公司) and Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司), in relation to certain categories of products or services sold or provided on Tmall. The outsourced and value-added services include business development for merchants, customer services on behalf of merchants, marketing event planning for merchants and technical support and assistance to the Tmall Entities' business team. Revenue from the outsourced and value-added services is determined as a percentage of the fees paid by merchants to the Tmall Entities in respect of the transaction amount of completed sales of products or services under certain categories on Tmall and recognised when services are rendered and the underlying transactions of merchants are completed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(c) Revenues from pharmaceutical E-commerce platform business (continued)

E-commerce platform services

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

(d) Revenues from consumer healthcare business

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

The Group also provides e-commerce platform maintenance related software service, marketing event planning service, promotion service to aesthetic medicine service providers through its self-operated online store on Tmall. The Group charges the aesthetic medicine service providers a fixed fee for services to be provided generally over a year and recognises revenue ratably over the service period.

The Group also provides marketing services to medical and healthcare service organisations primarily through display of impressions or clicks of the advertisement in particular areas of web page or mobile app. The fee from medical and healthcare service organisations is charged primarily on the basis of per thousand impressions or per click at fixed prices and recognised when impression are displayed or clicks generated.

(e) Revenues from internet healthcare business

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

Costs of services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Company operates a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after November 7, 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension scheme

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 13 to the financial statements.

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

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March 31, 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Accounting for companies governed under contractual arrangements as subsidiaries

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

Principal versus agent considerations

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

Property lease classification — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership incidental to these properties which are leased out and accounts for the contracts as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (continued)

Significant judgement in determining the lease term of contracts with termination options

The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether or not to exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to terminate.

Estimation uncertainty

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

Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of industrial products with rights of return and volume rebates.

The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at March 31, 2020 was RMB54,576,000 (March 31, 2019: RMB27,006,000). Further details are given in note 16.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

Fair value of financial instruments at FVPL or FVOCI

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 39 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 24 to the financial statements.

The wealth management products have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk volatility and discount rates and hence they are subject to uncertainty.

The derivative instruments held by the Group and financial liabilities of the Group have been valued based on valuation models with the assistance of the external valuer engaged by the Group. Management make estimates and assumptions about factors, such as risk-free interest rate, dividend yield, expected volatility and expected probability as the parameters for applying the valuation. Further details are included in note 24 to the financial statements.

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March 31, 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Deferred tax assets

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

Impairment of inventories

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

Impairment of investments in associates

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

Leases — estimating the incremental borrowing rate

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Measurement of share-based compensation expenses

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

4. 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

	2020 ***RMB'000***	2019 *RMB'000*
Mainland China	**9,275,741**	4,979,016
Hong Kong	**320,735**	116,851
	9,596,476	5,095,867

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

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

(b) Non-current assets

	2020 *RMB'000*	2019 *RMB'000*
Mainland China	**2,047,963**	1,859,409
Hong Kong	**151,047**	152,322
	2,199,010	2,011,731

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.

5. REVENUE, OTHER INCOME AND GAINS

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 related services and internet healthcare business in the PRC.

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

	2020 *RMB'000*	2019 *RMB'000*
Pharmaceutical direct business	**8,133,945**	4,226,950
Pharmaceutical e-commerce platform business	**1,170,333**	689,980
Consumer healthcare business	**214,287**	128,254
Tracking and digital health business	**39,491**	38,720
Internet healthcare business	**38,420**	11,963
	9,596,476	5,095,867

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	RMB'000	*RMB'000*
Type of goods or services:		
Sales of products	**7,656,912**	4,049,991
Provision of services	**1,939,564**	1,045,876
Total revenue from contracts with customers	**9,596,476**	5,095,867
Timing of revenue recognition:		
At a point in time	**8,992,831**	4,796,919
Over time	**603,645**	298,948
Total revenue from contracts with customers	**9,596,476**	5,095,867

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:

	2020	2019
	RMB'000	*RMB'000*
Sales of products	**1,708**	15,957
Provision of services	**123,458**	69,179
	125,166	85,136

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(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 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 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:

	2020 ***RMB'000***	2019 *RMB'00*
Within one year	**366,441**	371,270
More than one year	**26,825**	26,825
	393,266	398,095

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

	2020 **RMB'000**	2019 RMB'000
Other income		
Bank interest income	**54,904**	23,573
Government grants#	**20,258**	2,400
Rental income from investment property operating leases	**8,399**	—
Management fee income	**7,700**	—
Dividend income	**1,874**	—
Other interest income *(note 22)*	**1,307**	1,483
Others	**3,243**	878
	97,685	28,334
Gains		
Gain on deemed partial disposal of associates *(note 19)*	**41,762**	—
Gain on disposal of an associate *(note 19)*	**21,791**	—
Gain on disposal of items of property and equipment	**31**	15
Fair value gains on financial assets at FVPL	**—**	17,659
Fair value gains on financial liabilities at FVPL	**—**	8,589
Gain on disposal of a joint venture *(note 18)*	**—**	12,417
	63,584	38,680
	161,269	67,014

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

6. FULFILMENT

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

7. FINANCE COSTS

Finance costs are interest on bank loans and other borrowings and lease liabilities of the Group.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

8. PROFIT/(LOSS) BEFORE TAX

	Notes	2020 RMB'000	2019 RMB'000
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	14	**5,830**	3,989
Depreciation of right-of-use assets	15	**27,295**	–
Depreciation of investment property	15	**7,087**	–
Amortisation of intangible assets	17	**1,477**	–
Minimum lease payments under operating leases for office buildings		**–**	18,425
Lease payments not included in the measurement of lease liabilities	15	**636**	–
(Reversal of impairment)/Impairment of trade receivables***	21	**(888)**	1,226
Reversal of impairment of other receivables***	22	**–**	(807)
Provision/(reversal of provision) of inventories*		**13,282**	(12,616)
Write-off of inventories***		**5,301**	1,090
Fair value losses/(gains) on financial assets at FVPL***		**22,003**	(26,248)
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#		**24,670**	23,420
Share-based compensation expenses	32	**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).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020 *RMB'000*	2019 *RMB'000*
Fees	**1,106**	1,106
Other emoluments:		
Salaries, allowances and benefits in kind	**3,032**	1,518
Performance related bonus	**770**	375
Share-based compensation expenses	**23,359**	18,135
Pension scheme contributions	**160**	142
	27,321	20,170
	28,427	21,276

During the year ended March 31, 2020, two directors (2019: two) of the Company were granted share options and RSUs, in respect of their services to the Group, under the share award scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair values of such options and RSUs, which have been recognised in the consolidated statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the years ended March 31, 2019 and 2020 are included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2020 *RMB'000*	2019 *RMB'000*
Mr. Wong King On, Samuel	**565**	542
Mr. Yan Xuan[1]	**6**	271
Mr. Luo Tong	**306**	293
Ms. Huang Yi Fei[2]	**229**	—
	1,106	1,106

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

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March 31, 2020

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

(b) Executive directors and non-executive directors

	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonus *RMB'000*	Share-based compensation expenses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
2020						
Executive directors:						
Mr. Shen Difan[3]	–	1,500	–	10,425	70	11,995
Mr. Wang Qiang[4]	–	1,495	770	5,286	45	7,596
Mr. Zhu Shun Yan[5]	–	–	–	–	–	–
	–	2,995	770	15,711	115	19,591
Non-executive directors:						
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Wang Lei[6]	–	37	–	7,648	45	7,730
Ms. Zhang Yu[7]	–	–	–	–	–	–
Mr. Xu Hong[8]	–	–	–	–	–	–
	–	37	–	7,648	45	7,730
	–	3,032	770	23,359	160	27,321

During the year ended March 31, 2020, there was no arrangement under which a director waived or agreed to waive any remuneration and no remuneration was paid by the Group to a director as an inducement to join or upon joining the Group or as compensation for the loss of office.

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

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

	Fees	Salaries, allowances and benefits in kind	Performance related bonus	Share-based compensation expenses	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2019						
Executive directors:						
Mr. Shen Difan[3]	–	33	–	6,834	29	6,896
Mr. Wang Qiang[4]	–	1,333	375	3,241	56	5,005
	–	1,366	375	10,075	85	11,901
Non-executive directors:						
Mr. Wu Yongming	–	–	–	–	–	–
Mr. Kang Kai[9]	–	–	–	–	–	–
Mr. Wang Lei[6]	–	152	–	8,060	57	8,269
Ms. Zhang Yu[7]	–	–	–	–	–	–
	–	152	–	8,060	57	8,269
	–	1,518	375	18,135	142	20,170

1 Resigned as an independent non-executive director on April 8, 2019.

2 Appointed as an independent non-executive director on June 9, 2019.

3 Appointed as executive director and the chief executive officer on March 29, 2018. Resigned as executive director and the chief executive officer on March 15, 2020.

4 Appointed as executive director on July 20, 2018.

5 Appointed as executive director and the chief executive officer on March 15, 2020.

6 Resigned as an executive director and the chief executive officer, and appointed as a non-executive director on March 29, 2018.

7 Appointed as non-executive director on December 29, 2017. Resigned as non-executive director on June 9, 2019.

8 Appointed as non-executive director on June 9, 2019.

9 Resigned as non-executive director on July 20, 2018.

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March 31, 2020

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2019: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2019: three) non-director, highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 **RMB'000**	2019 *RMB'000*
Salaries, allowances and benefits in kind	**4,900**	3,667
Performance related bonuses	**976**	1,409
Share-based compensation expenses	**11,159**	13,459
Pension scheme contributions	**93**	165
	17,128	18,700

During the year ended March 31, 2020, no arrangement was paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office.

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

	Number of employees	
HK$4,500,001 to HK$5,500,000	**1**	—
HK$5,500,001 to HK$6,500,000	**1**	—
HK$6,500,001 to HK$7,500,000	**—**	1
HK$7,500,001 to HK$8,500,000	**—**	2
HK$8,500,001 to HK$9,000,000	**1**	—
	3	3

During the years ended March 31, 2020 and March 31, 2019, share options and RSUs were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 32 to the financial statements. The fair values of such options and RSUs, which have been recognised in the statement of profit or loss over the vesting period, were determined as at the date of grant and the amounts included in the financial statements for the current and prior years are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX

	2020 **RMB'000**	2019 RMB'000
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 *(note 30)*	**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 during the year (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 joint ventures 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)/charges 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.

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11. INCOME TAX (CONTINUED)

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

2020

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Income/(loss) before tax	67,052		(57,958)		9,094	
Tax at the statutory tax rate	11,064	16.5	(14,490)	25.0	(3,426)	(37.7)
Effect of preferential tax treatment enacted by local authority	–	–	6,266	(10.8)	6,266	68.9
Income not subject to tax	(13,068)	(19.5)	(281)	0.5	(13,349)	(146.8)
Expenses not deductible for tax	1,498	2.2	(14,010)	24.2	(12,512)	(137.6)
Research and development super deduction	–	–	(4,873)	8.4	(4,873)	(53.6)
Overprovision of tax in prior years	–	–	(12,122)	20.9	(12,122)	(133.3)
Effect on changes in tax rates	–	–	1,752	(3.0)	1,752	19.3
Tax losses utilised from previous periods	–	–	(32,691)	56.4	(32,691)	(359.5)
Tax losses and deductible temporary differences not recognised	1,468	2.2	86,682	(149.6)	88,150	969.3
Withholding tax in PRC	7,595	11.3	–	–	7,595	83.5
Tax charge at the Group's effective rate	8,557	12.8	16,233	(28.0)	24,790	272.6

11. INCOME TAX (CONTINUED)

2019

	Hong Kong		Mainland China		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Income/(loss) before tax	108,857		(169,687)		(60,830)	
Tax at the statutory tax rate	17,961	16.5	(42,422)	25.0	(24,461)	40.2
Effect of lower tax rate enacted by local authority	–	–	2,240	(1.3)	2,240	(3.7)
Income not subject to tax	(10,099)	(9.3)	(2,609)	1.5	(12,708)	20.9
Expenses not deductible for tax	589	0.5	74,219	(43.7)	74,808	(123)
Research and development super deduction	–	–	(6,908)	4.1	(6,908)	11.4
Underprovision/(overprovision) of tax in prior years	199	0.2	(6,883)	4.1	(6,684)	11.0
Tax losses utilized from previous periods	–	–	(29,343)	17.3	(29,343)	48.2
Tax losses and deductible temporary differences not recognised	3,063	2.8	19,766	(11.6)	22,829	(37.5)
(Profits)/losses attributable to joint ventures and associates	(3,852)	(3.5)	10,107	(6.0)	6,255	(10.3)
Withholding tax in PRC	4,906	4.5	–	–	4,906	(8.1)
Tax charge at the Group's effective rate	12,767	11.7	18,167	(10.7)	30,934	(50.9)

12. 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.

13. DIVIDENDS

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

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14. PROPERTY AND EQUIPMENT

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2020				
At March 31, 2019 and at April 1, 2019:				
Cost	11,559	64,970	307	76,836
Accumulated depreciation and impairment	(7,589)	(60,162)	(199)	(67,950)
Net carrying amount	3,970	4,808	108	8,886
At April 1, 2019, net of accumulated depreciation and impairment	3,970	4,808	108	8,886
Additions	1,622	5,945	–	7,567
Business acquisition *(note 34)*	1,742	716	–	2,458
Disposals	(31)	(51)	(–)	(82)
Depreciation provided during the year *(note 8)*	(1,842)	(3,927)	(61)	(5,830)
At March 31, 2020, net of accumulated depreciation and impairment	5,461	7,491	47	12,999
At March 31, 2020:				
Cost	15,056	74,810	307	90,173
Accumulated depreciation and impairment	(9,595)	(67,319)	(260)	(77,174)
Net carrying amount	5,461	7,491	47	12,999

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

14. PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements *RMB'000*	Computer equipment, furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
March 31, 2019				
At March 31, 2018 and at April 1, 2018:				
Cost	9,478	60,599	406	70,483
Accumulated depreciation and impairment	(6,042)	(57,971)	(196)	(64,209)
Net carrying amount	3,436	2,628	210	6,274
At April 1, 2018, net of accumulated depreciation and impairment	3,436	2,628	210	6,274
Additions	1,713	4,389	–	6,102
Business acquisition *(note 34)*	368	159	–	527
Disposals	–	(1)	(32)	(33)
Depreciation provided during the year *(note 8)*	(1,547)	(2,372)	(70)	(3,989)
Exchange realignment	–	5	–	5
At March 31, 2019, net of accumulated depreciation and impairment	3,970	4,808	108	8,886
At March 31, 2019:				
Cost	11,559	64,970	307	76,836
Accumulated depreciation and impairment	(7,589)	(60,162)	(199)	(67,950)
Net carrying amount	3,970	4,808	108	8,886

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15. LEASES

The Group as a lessee

The Group leases certain of its offices and retail outlets under operating lease arrangements, which are negotiated for terms ranging from six months to ten years.

(a) Right-of-use assets

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

	Buildings *RMB'000*	**Investment property** *RMB'000*
As at April 1, 2019	73,087	—
Additions	31,227	—
Transfer	(17,686)	17,686
Depreciation charge	(27,295)	(7,087)
As at March 31, 2020	59,333	10,599

(b) Lease liabilities

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

	Lease liabilities *RMB'000*
Carrying amount at April 1, 2019	68,301
New leases	31,227
Accretion of interest recognised during the year	3,133
Payments	(32,906)
Carrying amount as at March 31, 2020	69,755
Analysed into:	
Current portion	32,030
Non-current portion	37,725

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (continued)

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

	2020 **RMB'000**
Interest on lease liabilities	**3,133**
Depreciation charge of right-of-use assets	**27,295**
Depreciation charge of investment property	**7,087**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before March 31,2020	**636**
Total amount recognised in profit or loss	**38,151**

(d) The total cash outflow for leases is disclosed in note 35 to the financial statements.

(e) The Group has no termination options expected to be exercised.

The Group as a lessor

The Group leases its investment properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB8,399,000 (2019: Nil), details of which are included in note 5 to the financial statements.

At March 31, 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 **RMB'000**	2019 RMB'000
Within one year	**7,320**	–

NOTES TO FINANCIAL STATEMENTS

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16. GOODWILL

	RMB'000
Cost and net carrying amount at March 31, 2019 and Apr 1, 2019	27,006
Acquisition of retail business *(note 34(A))*	27,570
Cost and net carrying amount at March 31, 2020	54,576

Impairment testing of goodwill

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

- B2C and related business in PRC; and
- B2B business in PRC.

B2C and related business in PRC

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The discount rate applied to the cash flow projections is 15.4%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%, which approximates the long term average growth rate of the retailing industry of healthcare products in the PRC.

B2B business in PRC

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

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

	B2C and related business in PRC CGU		B2B business in PRC CGU		Total	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Carrying amount of goodwill	**49,060**	21,490	**5,516**	5,516	**54,576**	27,006

16. GOODWILL (CONTINUED)

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

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

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

17. OTHER INTANGIBLE ASSETS

	Patents and licences *RMB'000*
Cost at March 31, 2019 and April 1, 2019, net of accumulated amortisation	—
Additions	5,944
Amortisation provided during the year *(note 8)*	(1,477)
At March 31, 2020	4,467
At March 31, 2020:	
Cost	5,944
Accumulated amortisation	(1,477)
Net carrying amount	4,467

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18. INVESTMENTS IN JOINT VENTURES

	2020	2019
	RMB'000	*RMB'000*
Share of net assets	**111,247**	10,985

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

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

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

Note i: On March 30, 2018, Hongyun Jiukang, a subsidiary of the Group, established a limited liability company, Zhejiang Bian Que. As at the date of establishment, the registered capital of Zhejiang Bian Que was fully subscribed for by Hongyun Jiukang, and Zhe jiang Bian Que became a wholly-owned subsidiary of Hongyun Jiukang. As of March 31, 2020, Hongyun Jiukang contributed RMB27,000,000 to Zhejiang Bian Que.

On June 1, 2018, Hongyun Jiukang, Shanghai Yunxin Venture Capital Co., Ltd. (上海雲鑫創業投資有限公司) ("Shanghai Yunxin"), Hangzhou Yunting Data Technology Company Limited (杭州雲庭數據科技有限公司) ("Hangzhou Yunting") and Zhejiang Bian Que entered into a capital increase agreement, pursuant to which Shanghai Yunxin and Hangzhou Yunting agreed to make respective capital contributions of RMB40,000,000 and RMB15,000,000 in cash to the registered capital of Zhejiang Bian Que.

Consequently, the registered share capital of Zhejiang Bian Que was increased from RMB45,000,000 to RMB100,000,000, which was held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively.

18. INVESTMENTS IN JOINT VENTURES (CONTINUED)

Note ii: On March 29, 2019, Hangzhou Hongyun Kangsheng Equity investment Co., Ltd. (杭州弘雲康晟股權投資有限公司有限公司) ("Hangzhou Hongyun"), a subsidiary of the Company, entered into a partnership agreement with Huatai Zijin investment Co.,Ltd (華泰紫金投資有限公司) ("Huatai Zijin"), both of which acted as general partners, and other sixteen limited partners, pursuant to which, Hangzhou Hongyun shall inject RMB199,000,000 and the other partners shall inject RMB1,251,000,000 in cash to establish Jiangsu Zijin.

A cash consideration of RMB99,500,000 was paid by Hangzhou Hongyun during the year ended March 31, 2020.

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

Note iii: On August 3, 2018, Alibaba Health (Hong Kong), a subsidiary of the Company, entered into the equity transfer agreements with CITIC Guoan Information Industry Co., Ltd. (中信國安信息產業股份有限公司) ("CITIC Guo An") and Hongxin Chuangxin (Tianjin) Information Technology Partnership Enterprise (Limited Partnership) (鴻信創新(天津)信息技術合夥企業(有限合夥) ("Hong Xin"), pursuant to which 24% and 25% equity interests in Beijing Honglian 95 Information Industries Company Limited (北京鴻聯九五信息產業有限公司) ("HL95") held by Alibaba Health (Hong Kong) would be transferred to the other two counterparties, respectively, for a total cash consideration of approximately RMB65,988,000. The transaction was completed on November 12, 2018. Further details of the transaction were set out in the announcement of the Company dated August 3, 2018.

Note iv: In February, 2019, Yunnan Jiukang Yixin Information Technology Service Company Limited (雲南久康一心信息技術服務有限公司) ("Jiukang Yixin") became a subsidiary of the Group after the acquisition of additional 40% equity interests in Jiukang Yixin. Please refer to note 34(A) for details of the acquisition transaction.

The above joint ventures are indirectly held by the Company.

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

	2020	2019
	RMB'000	*RMB'000*
Share of the joint ventures' (loss)/gain and total comprehensive (loss)/gain for the year	**(12,737)**	737
Aggregate carrying amount of the Group's investments in the joint ventures	**111,247**	10,985

19. INVESTMENTS IN ASSOCIATES

	2020	2019
	RMB'000	*RMB'000*
Share of net assets	**698,515**	780,530
Goodwill on acquisition	**1,247,274**	1,184,324
Total	**1,945,789**	1,964,854

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19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's associates are as follows:

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
東方口岸科技有限公司 (Dongfang Customs Technology Company Limited@)* ("Dongfang Customs")	Registered capital of RMB1 each	PRC/Mainland China	30	Operation of platforms for electronic customs processing
萬里雲醫療信息科技 (北京) 有限公司 (Wanliyun Medical Information Technology (Beijing) Co., Ltd.@)*# ("Wanliyun") *(note i)*	Registered capital of RMB1 each	PRC/Mainland China	23.28	Construction of medical platforms and provision of related services
A Company engaging in the medical business @*^# ("Company A")	Registered capital of RMB1 each	PRC/Mainland China	10	Provision of medical self-service equipment and smart healthcare solutions
嘉和美康(北京)科技股份有限公司 (Jiahe Meikang (Beijing) Technology Co., Ltd.@)*^# ("Jiahe Meikang") *(note ii)*	Registered capital of RMB1 each	PRC/Mainland China	14.55	Provision of clinical information software products, infant medical equipment and mobile internet digitalised medical information software system
江蘇曼荼羅軟件股份有限公司 (Jiangsu Mandalat Software Company Limited@)*^# ("Mandalat")	Registered capital of RMB1 each	PRC/Mainland China	12	Provision of software development
安徽華人健康醫藥股份有限公司 (Anhui Huaren Health Pharmaceutical Co., Ltd.@)*^# ("Anhui Huaren") *(note iii)*	Registered capital of RMB1 each	PRC/Mainland China	9.245	Pharmaceutical retail chain business
貴州一樹連鎖藥業有限公司 (Guizhou Ensure Chain Pharmacy Company Limited@)*# ("Guizhou Ensure") *(note iv)*	Registered capital of RMB1 each	PRC/Mainland China	25	Pharmaceutical retail chain business
甘肅德生堂醫藥科技集團有限公司 (Gansu Deshengtang Pharmaceutical Technology Co., Ltd@)*^# ("Gansu Deshengtang") *(note v)*	Registered capital of RMB1 each	PRC/Mainland China	5	Pharmaceutical retail chain business

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

@ For identification purposes only

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

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

The associates have a financial year ending December 31 and the financial statements of these associates may not be available in timely manner for the Group to apply the equity method, the Group therefore elects to record its shares of the profits or losses of these associates on a quarter lag basis. Accordingly, the Group elects to pick up financial statements of these associates using their annual financial statements for the year ended December 31, 2019 for the current year (2018: year ended December 31, 2018).

The above investments are indirectly held by the Company.

Note i: On September 4, 2019, Wanliyun entered into a capital injection agreement with certain new investors, pursuant to which the new investors shall inject RMB100,000,000 in cash to Wanliyun.

Upon completion of the transactions on December 3, 2019, the equity interest of Wanliyun held by Alibaba Health Technology (China) Co., Ltd. was diluted to 23.28%.

Note ii: On March 29, 2019, Hongyun Jiukang entered into an equity transfer agreement with a wholly-owned subsidiary of Jiahe Meikang, which is an associate of Hongyun Jiukang, pursuant to which 45% equity interests in Beijing Jiamei Online Technology Co., Ltd. (北京嘉美在線科技有限公司) ("Jiamei Online") held by Hongyun Jiukang would be transferred to the wholly-owned subsidiary of Jiahe Meikang, for a total cash consideration of approximately RMB53,042,000. The transaction was completed on August 16, 2019.

On June 25, 2019, Jiahe Meikang entered into a capital injection agreement with certain new investors, pursuant to which the new investors shall inject RMB92,784,000 in cash to Jiahe Meikang. Upon completion of the transactions on June 28, 2019, the equity interest in Jiahe Meikang held by Hongyun Jiukang was diluted to 14.55%.

Note iii: On May 17, 2018, Alibaba Health (China), a wholly-owned subsidiary of the Group, entered into a capital injection agreement and a shareholders' agreement with Anhui Huaren, a company established in the PRC with limited liability, and original shareholders of Anhui Huaren, pursuant to which Alibaba Health (China) shall inject RMB133,333,000 in cash to Anhui Huaren, of which RMB11,111,000 would be contributed to the Anhui Huaren's registered capital, and RMB122,222,000 would be contributed to its capital reserve.

Upon completion of the acquisition on May 31, 2018, Anhui Huaren was held as to 90% by the original Shareholders and 10% by Alibaba Health (China).

The cash consideration of RMB133,333,000 was fully paid during the year ended March 31, 2019.

On October 10, 2019, Anhui Huaren entered into a capital injection agreement with a new investor, pursuant to which the new investor shall inject RMB23,762,000 in cash to Anhui Huaren. Upon completion of the transaction on December 25, 2019. The equity interest in Anhui Huaren held by Alibaba Health (China) was diluted to 9.245%.

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19. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note iv: On August 17, 2018, Alibaba Health (China) entered into a capital injection agreement with Guizhou Ensure, a company established in the PRC with limited liability, pursuant to which Alibaba Health (China) shall inject approximately RMB404,322,000 in cash to Guizhou Ensure, of which approximately RMB2,528,000 would be contributed to Guizhou Ensure's registered capital, and approximately RMB401,794,000 would be contributed to its capital reserve.

At the same day, Alibaba Health (China) entered into a share purchase agreement with certain original shareholders of Guizhou Ensure to purchase certain equity interests in Guizhou Ensure from these shareholders at a total cash consideration of approximately RMB421,758,000.

Upon completion of the transactions on September 29, 2018, Guizhou Ensure was held as to 75% by the original shareholders and 25% by Alibaba Health (China).

The cash consideration of RMB765,076,000 was paid during the year ended March 31, 2019 and the remaining consideration of RMB61,004,000 was included in other payables and accruals as at March 31, 2019 and 2020.

Note v: On December 24, 2018, Alibaba Health (China) entered into a capital injection agreement with Gansu Deshengtang, a company established in the PRC with limited liability, pursuant to which Alibaba Health (China) shall inject RMB188,888,000 in cash to Gansu Deshengtang, of which approximately RMB12,346,000 would be contributed to Gansu Deshengtang's registered capital.

A cash consideration of RMB94,444,000 was paid on January 28, 2019. As at March 31, 2019, Gansu Deshengtang was held as to 94.74% by the original shareholders and 5.26% by Alibaba Health (China).

On March 2, 2020, the remaining consideration of RMB94,444,000 was paid by Jiangsu Zijin. Upon completion of the cash injection, Gansu Deshengtang was held as to 90% by the original shareholders and 5% by Alibaba Health (China) and 5% by Jiangsu Zijin.

If the initial accounting for an investment in an associate was incomplete by the end of last reporting period, the acquirer shall during the measurement period recognise adjustments to the provisional amounts as if the accounting had been completed at the acquisition date.

19. INVESTMENTS IN ASSOCIATES (CONTINUED)

The following table illustrates the summarised financial information in respect of Guizhou Ensure adjusted for any differences in accounting policies and reconciled to the carrying amount in the latest annual consolidated financial statements for the year from January 1, 2019 to December 31, 2019 and the period from September 29, 2018 to December 31, 2018:

	2019	2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**244,715**	420,143
Other current assets	**1,372,350**	1,020,982
Current assets	**1,617,065**	1,441,125
Non-current assets	**1,112,198**	837,429
Current liabilities	**(1,504,200)**	(1,076,006)
Non-current liabilities	**(560,800)**	(183,230)
Net assets	**664,263**	1,019,318
Non-controlling interests	**(7,311)**	(23,538)
Net assets attributable to shareholders of Guizhou Ensure	**656,952**	995,780
Reconciliation to the Group's investment in the associate:		
Proportion of the Group's ownership	**25%**	25%
Group's share of net assets of the associate	**164,238**	248,945
Goodwill on acquisition	**592,053**	517,848
Carrying amount of the investment	**756,291**	766,793

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19. INVESTMENTS IN ASSOCIATES (CONTINUED)

	For the year from January 1, 2019 to December 31, 2019 *RMB'000*	For the period from September 29, 2018 to December 31, 2018 *RMB'000*
Revenue	**2,254,220**	669,014
Depreciation and amortisation	**(24,279)**	(10,682)
Interest income	**7,002**	1,628
Tax	**28,692**	(15,457)
Loss and total comprehensive loss for the year	**(42,012)**	(72,624)

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

	2020 *RMB'000*	2019 *RMB'000*
Share of the associates' (loss)/profit for the year and total comprehensive (loss)/income for the year	**(10,792)**	17,249
Share of the associates' capital reserve	**–**	3,946
	(10,792)	21,195
Aggregate carrying amount of the Group's investments in the associates	**1,189,498**	1,198,061

20. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Trading stock	**1,232,404**	597,657
Impairment	**(15,146)**	(1,864)
	1,217,258	595,793

During the year ended March 31, 2020, the write-off of the Group's inventories of approximately RMB5,301,000 (2019: RMB1,090,000) was due to scrap and imperfection. During the year ended March 31, 2019, the reversal of provision of the Group's inventories of approximately RMB12,616,000 was due to the sale of trading stock.

21. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**319,278**	213,467
Bills receivable	**32,171**	179,775
	351,449	393,242
Impairment	**(26,908)**	(27,796)
	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.

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21. TRADE AND BILLS RECEIVABLES (CONTINUED)

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:

	2020 *RMB'000*	2019 *RMB'000*
Within 3 months	**266,972**	179,668
3 to 12 months	**25,398**	5,867
Over 12 months	**–**	136
	292,370	185,671

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

	2020 *RMB'000*	2019 *RMB'000*
At April 1	**27,796**	26,570
(Reversal of impairment)/impairment losses recognised *(note 8)*	**(888)**	1,226
At March 31	**26,908**	27,796

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

21. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

As at March 31, 2020

	Ageing				
	Less than 6 months	**7 to 12 months**	**13 to 24 months**	**Over 24 months**	**Total**
Expected credit loss rate	**0.12%**	**0.00%**	**0.00%**	**100.00%**	**8.43%**
Gross carrying amount (RMB'000)	**289,423**	**3,285**	**–**	**26,570**	**319,278**
ECLs (RMB'000)	**338**	**–**	**–**	**26,570**	**26,908**

As at March 31, 2019

	Ageing				
	Less than 6 months	7 to 12 months	13 to 24 months	Over 24 months	Total
Expected credit loss rate	0.39%	17.89%	89.6%	100.00%	13.00%
Gross carrying amount (RMB'000)	183,949	2,812	1,303	25,403	213,467
ECLs (RMB'000)	723	503	1,167	25,403	27,796

Bills receivable, debt investments at fair value through other comprehensive income, are subject to impairment using the low credit risk simplification under the general approach. At each reporting date, the Group evaluates whether the bills receivable are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the credit ratings of the debt investments. The Group did not recognise any impairment loss on bills receivable as at March 31, 2020.

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21. TRADE AND BILLS RECEIVABLES (CONTINUED)

Transferred financial assets that are not derecognised in their entirety

At March 31, 2019, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of approximately RMB48,845,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group had retained the substantial risks and rewards, which included default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB48,845,000 as at March 31, 2020.

The Group had no such endorsement at March 31, 2020.

Transferred financial assets that are derecognised in their entirety

At March 31, 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of approximately RMB4,055,000 (2019: RMB86,135,000). The Derecognised Bills had a maturity of one to eight months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended March 31, 2020, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement was made evenly throughout the year.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 *RMB'000*	2019 *RMB'000*
Current:		
Prepayments	**148,867**	150,000
Other receivables and other assets	**266,481**	175,208
	415,348	325,208
Impairment	**(1,856)**	(1,856)
	413,492	323,352
Non-current:		
Long-term receivables *(note i)*	**21,732**	39,372
	435,224	362,724

Note i: Long-term receivables as at March 31, 2020 and March 31, 2019 mainly consist of non-current portion of a loan to a shareholder of HL95. The loan is secured by a pledge of 25% of HL95's equity and bore interest at a rate of 3% per annum. The loan was due in August, 2020 and 2021. For this loan, an interest income of RMB1,307,000 was earned by the Group during the year ended March 31, 2020 (2019: RMB873,000).

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

	2020 *RMB'000*	2019 *RMB'000*
At April 1, 2019	**1,856**	2,663
Impairment losses reversed *(note 8)*	**–**	(807)
At March 31, 2020	**1,856**	1,856

The individually impaired other receivables of RMB1,856,000 (2019: RMB1,856,000) relate to debtors that were in default and the outstanding receivables are not expected to be recovered.

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March 31, 2020

23. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020	2019
	RMB'000	*RMB'000*
Cash and bank balances	**2,033,262**	162,626
Restricted cash	**60,239**	1,719
Time deposits with original maturity of three months or less when acquired and cash equivalents placed at payment platform	**561,719**	117,745
Total	**2,655,220**	282,090
Less:		
Restricted cash	**(60,239)**	(1,719)
Cash and cash equivalents	**2,594,981**	280,371

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB placed in the PRC amounted to approximately RMB1,854,746,000 (2019: RMB177,782,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month and two years depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The cash equivalents placed in payment platform, including those in restricted cash, amounting to RMB123,071,000 (2019: RMB72,403,000) represents cash and restricted cash placed in Alipay.com Co., Ltd. (支付寶(中國)網絡技術有限公司) ("Alipay"), a subsidiary of Ant Small and Micro Financial Services Group Co., Ltd. (浙江螞蟻小微金融服務集團股份有限公司) ("Ant Financial"), which earns interest at floating rates.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 *RMB'000*	2019 *RMB'000*
Financial asset at FVPL		
Non-current:		
Put option *(note i)*	**–**	1,280
Call option *(note ii)*	**–**	40,587
Put option *(note iii)*	**6,888**	7,961
Unlisted equity investment *(note iv)*	**455,890**	457,759
	462,778	507,587
Current:		
Other unlisted investments *(note v)*	**402,485**	1,736,713
	402,485	1,736,713

Note i: In connection with the capital injection in a company engaging in the medical business, an associate of the Group mentioned in note 19, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to withdraw a portion of its investment cost of RMB133,333,300 (representing a 10% ownership interest) in the associate at a minimum return of 10% interest per annum if the associate failed to achieve certain pre-determined operating targets in each of the three years ending December 31, 2019.

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

As at March 31, 2020, the fair value of this option was nil as the exercise probability was assessed as remote.

The fair value of put option was estimated as at the date of grant and each financial reporting period end, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used as at March 31, 2019:

	March 31, 2019
Expected volatility (%)	45
Expected dividend yield (%)	0.00
Exercise probability (%)	1
Risk-free interest rate (%)	2.438

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

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note ii: In connection with the capital injection in Guizhou Ensure, an associate of the Group mentioned in note 19, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to acquire additional 26% equity interest in Guizhou Ensure at a consideration no more than the post-money valuation of current-round financing if the business targets which are stated in the share purchase agreement are not completed.

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

As at March 31, 2020, the fair value of this option was nil as the exercise probability was assessed as remote.

The fair value of call option was estimated as at the date of grant and each financial reporting period end, using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used as at March 31, 2019:

	March 31, 2019
Expected volatility (%)	46
Expected dividend (%)	0.00
Exercise probability (%)	25
Risk-free interest rate (%)	2.438

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note iii: In connection with the capital injection in a company in respective of medical business, an associate of the Group, as further explained in note 19 to the financial statements, Alibaba Health (China), a subsidiary of the Company and a shareholder of the associate, is entitled to withdraw a portion of its investment cost of RMB94,444,000 (representing a 5% ownership interest) in the associate at a minimum return of 10% interest per annum if the associate failed to achieve certain pre-determined operating targets in each of the three years ending December 31, 2020.

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

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

	March 31, 2020	March 31, 2019
Expected volatility (%)	**40**	50
Expected dividend (%)	**0.00**	0.00
Exercise probability (%)	**30**	30
Risk-free interest rate (%)	**2.01**	2.792

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

Note iv: Unlisted equity interest represents the 9.34% equity interest in ShuYu Civilian Pharmacy Corp. Ltd.* (漱玉平民大藥房連鎖股份有限公司) ("ShuYu Civilian"), a joint stock company established in the PRC with limited liability in pharmaceutical retail chain business. On June 25, 2018, Alibaba Health (China) entered into the capital increase agreement with the ShuYu Civilian at a total consideration of RMB454,400,000, upon completion of which the Group shall held as to 9.34% equity interest of ShuYu Civilian. The Group does not have board position or veto rights in the board meeting or shareholders' meeting, the Group does not have significant influence in the investee. The above equity investment was classified as financial asset at FVPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The fair value of unlisted equity investment was estimated as at the date of acquisition and each financial reporting period end, using a guideline company method and the key assumptions applied in the calculation are the comparable companies, relevant multiplies and discount for lack of marketability ("DLOM"). Comparable companies are actively traded in stock market and the multiples are publicly available. Also, to adjust the fair value difference between a publicly traded company and a private company, the independent valuer has applied option price model to estimate the DLOM.

Note v: Other unlisted investments at March 31, 2019 and 2020 were wealth management products issued by banks in the PRC. They were mandatory classified as financial assets at FVPL as their contractual cash flows are not SPPI.

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25. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 *RMB'000*	2019 *RMB'000*
Equity investment designated at FVOCI		
Unlisted equity investment, at fair value:		
IK Healthcare Holdings Limited ("IK Healthcare")	**173,456**	119,801

The above equity investment was irrevocably designated at FVOCI as the Group considers this investment to be strategic in nature.

On March 18, 2019, Ali JK Medical Products Limited, a wholly owned subsidiary of the Company, entered into a subscription agreement with IK Healthcare (the "Target Company"), pursuant to which the Ali JK Medical Products Limited shall subscribe for 433,082 new shares, representing no less than 1% equity interest in the Target Company at a total subscription price of US$17,842,978.40 (approximately to RMB119,801,000). The Target Company is a parent of iKang Healthcare Group, Inc., which is a provider of healthcare preventive service through self-owned medical centres and third-party facilities. The transaction was completed on March 29, 2019 and the total consideration of US$17,842,978.40 was fully paid thereof. This transaction also constitutes a connected transaction. For details of the transaction, please refer to announcement of the Company dated March 18, 2019.

The fair value of unlisted equity investment was estimated as at the date of acquisition and each financial reporting period end, using a guideline company method and the key assumptions applied in the calculation are the comparable companies, relevant multiples and DLOM. Comparable companies are actively traded in stock market and the multiples are publicly available. Also, to adjust the fair value difference between a publicly traded company and a private company, an independent valuer has applied option price model to estimate the DLOM.

26. 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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**973,060**	715,779
3 to 12 months	**683,915**	186,182
Over 12 months	**208,551**	690
	1,865,526	902,651

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.

27. OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	*RMB'000*
Other payables	**453,605**	407,124
Accruals	**59,645**	56,518
	513,250	463,642

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

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March 31, 2020

28. INTEREST-BEARING BORROWINGS

	March 31, 2020			March 31, 2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Other loans — unsecured	–	–	–	2.84–4.39	on demand	1,700,000

Note: Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) provided loans of RMB2,000,000,000 to the Group during the year ended March 31, 2019, of which RMB1,700,000,000 was not repaid as at March 31, 2019. Interest expense of approximately RMB27,196,000 was accrued and an amount of RMB17,342,000 was unpaid and recorded in other payables and accruals as at March 31, 2019.

The loan principal of RMB1,700,000,000 and interest expense of approximately RMB39,208,000 were repaid by the Group during the year ended March 31, 2020.

29. CONTRACT LIABILITIES

Details of contract liabilities as at March 31, 2020 and March 31, 2019 are as follows:

	March 31, 2020 RMB'000	March 31, 2019 RMB'000
Pharmaceutical direct business	43,291	37,444
Tracking and digital health business	66,696	55,938
Consumer healthcare business	57,819	57,683
Internet healthcare business	3,474	926
	171,280	151,991

Contract liabilities include short-term advances received for delivery of tracking and advertising related services. The increase in contract liabilities as at March 31, 2019 and 2020 was mainly due to the incentive policy of early collection and increasing scale of services.

30. DEFERRED TAX

	Deferred tax liabilities			
	Fair value adjustment of equity investments at FVOCI	**Fair value adjustment of equity investments at FVPL**	**Distributable profits of the Group's PRC associates**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At April 1, 2018	–	–	7,682	7,682
Deferred tax charged to the statement of profit or loss *(note 11)*	–	840	3,155	3,995
Gross deferred tax liabilities at March 31, 2019 and April 1, 2019	–	840	10,837	11,677
Deferred tax charged to the statement of profit or loss *(note 11)*	–	(475)	4,011	3,536
Deferred tax charged to other comprehensive income	4,616	–	–	4,616
Gross deferred tax liabilities at March 31, 2020	4,616	365	14,848	19,829

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

	2020	2019
	RMB'000	*RMB'000*
Tax losses	**641,862**	250,446
Deductible temporary differences	**133,520**	31,125
	775,382	281,571

The Group has tax losses arising in Hong Kong of approximately RMB8,826,000 (2019: RMB0) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of RMB633,036,000 (2019: RMB250,446,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and other deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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30. DEFERRED TAX (CONTINUED)

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

At March 31, 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB112,197,000 at March 31, 2020 (2019: RMB44,942,000). At March 31, 2020, there were unremitted earnings shared by the Group of approximately RMB89,954,000 (2019: RMB111,127,000) from the Group's associates established in Mainland China in respect of earnings generated from January 1, 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	2020	2019
	RMB'000	*RMB'000*
12,074,135,224 (2019: 11,710,892,714) ordinary shares of HK$0.01 each	**106,108**	102,898

31. SHARE CAPITAL (CONTINUED)

Shares (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Share premium	Treasury shares	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At March 31 and April 1, 2018	9,842,737,787	86,617	7,255,519	(5,474)	7,336,662
Issue of shares for acquisition under common control *(note a)*	1,827,586,207	15,932	12,554,598	–	12,570,530
Issue of shares for RSUs to be vested in subsequent periods *(note b)*	28,299,220	245	–	(245)	–
Repurchase of shares *(note c)*	–	–	–	(37,846)	(37,846)
Vested awarded shares transferred to employees *(note d)*	–	–	73,474	18,513	91,987
Share options exercised *(note e)*	12,269,500	104	83,252	–	83,356
At March 31, 2019	11,710,892,714	102,898	19,966,843	(25,052)	20,044,689
At March 31 and April 1, 2019	**11,710,892,714**	**102,898**	**19,966,843**	**(25,052)**	**20,044,689**
Issue of shares for RSUs to be vested in subsequent periods *(note b)*	**34,933,810**	**315**	**–**	**(315)**	**–**
Repurchase of shares *(note c)*	**–**	**–**	**–**	**(17,814)**	**(17,814)**
Vested awarded shares transferred to employees *(note d)*	**–**	**–**	**215,335**	**30,142**	**245,477**
Share options exercised *(note e)*	**25,332,700**	**228**	**164,641**	**–**	**164,869**
Issue of shares *(note f)*	**302,976,000**	**2,667**	**1,997,913**	**–**	**2,000,580**
At March 31, 2020	**12,074,135,224**	**106,108**	**22,344,732**	**(13,039)**	**22,437,801**

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March 31, 2020

31. SHARE CAPITAL (CONTINUED)

Shares (continued)

Notes:

a. On August 2, 2018, 1,827,586,207 shares of HK$0.01 each were issued to a related company. Please refer to note 34(B) for further information.

b. In September 2019, December 2019 and February 2020, 34,933,810 shares of HK$0.01 each were issued for restricted share units to be vested for non-connected persons. (In September 2018, January 2019 and March 2019, 28,299,220 shares of HK$0.01 each were issued for restricted share units to be vested for non-connected persons.)

c. In May 2019, June 2019, July 2019 and March 2020, 2,413,200 shares of HK$0.01 each were repurchased for restricted share units to be vested for connected persons at a total cash consideration of RMB17,814,000. (In July 2018, August 2018, September 2018, October 2018 and December 2018, 6,366,900 shares of HK$0.01 each were repurchased for restricted share units to be vested for connected persons at a total cash consideration of RMB37,846,000.)

d. Upon vesting of restricted share units for the year ended March 31, 2020, 53,613,000 issued shares were transferred to non-connected persons and 3,981,000 repurchased shares were transferred to connected persons, respectively. (Upon vesting of restricted share units for the year ended March 31, 2019, 19,705,000 issued shares were transferred to non-connected persons and 3,473,000 repurchased shares were transferred to connected persons, respectively.)

e. Certain employees exercised share options from April 2019 to March 2020. The total number of options exercised was 25,332,700. Certain employees exercised share options from May 2018 to March 2019. The total number of options exercised was 12,269,500.

f. On July 12, 2019, 302,976,000 shares were issued to Ali JK Nutritional Products Holding Limited ("Ali JK") and Antfin (Hong Kong) Holding Limited ("Antfin") at a subscription price of HK$7.5 per share for a total cash consideration of HK$2,272,320,000. Ali JK and Antfin are connected persons of the Company. The transaction constituted a connected transaction of the Company in accordance with the Listing Rules. For details of the transaction, please refer to announcement of the Company dated May 23, 2019.

32. SHARE-BASED COMPENSATION EXPENSES

Share award scheme

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

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

In addition, any share options and RSUs granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

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

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

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32. SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Share award scheme (continued)

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

	Weighted average exercise price of share options *HK$ per share*	Number of options *'000*	Number of RSUs *'000*
Outstanding at April 1, 2018	4.69	77,844	70,655
Granted during the year	7.24	8,190	75,811
Forfeited during the year	4.36	(10,692)	(12,639)
Exercised or vested during the year	5.10	(12,270)	(23,179)
Outstanding at March 31 and April 1, 2019	5.00	63,072	110,648
Granted during the year	**–**	**–**	**47,708**
Forfeited or lapsed during the year	**5.70**	**(9,060)**	**(15,001)**
Exercised or vested during the year	**4.93**	**(25,333)**	**(57,594)**
Outstanding at March 31, 2020	**4.84**	**28,679**	**85,761**

The weighted average grant date fair value per unit for options at March 31, 2020 was RMB2.23 (2019: RMB2.18) and the weighted average grant date fair value per unit for RSUs at March 31, 2020 was RMB6.50 (2019: RMB5.23).

For share options outstanding at the end of the reporting period, the exercise prices ranged from HK$3.61 to HK$7.24. The exercise period of the options is from the vesting date to 10 years from the grant date. 28,679,000 share options of the Group were outstanding as at March 31, 2020 with the weighted average remaining contractual life of 7.16 years (2019: 7.75 years).

As at March 31, 2020, the remaining vesting periods for the options and RSUs granted ranged from 3 month to 48 months (2019: 1 month to 46 months).

There were no options granted during the year ended March 31, 2020 (2019: The fair value of the share options granted during the year was RMB27,874,000, RMB3.40 each).

32. SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Share award scheme (continued)

The fair value of share options granted during the year ended March 31, 2019 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Options granted in 2019
Fair value of the Company's shares as at the grant date	HK$7.24
Expected volatility (%)	75
Expected dividend (%)	0.00
Exercise multiple	2.8
Exercise price	HK$7.24
Risk-free interest rate (%)	2.28
Forfeiture rate (%)	20.00

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

The fair values of the RSUs granted during the years ended March 31, 2020 were determined based on the market value of the Company's shares at the respective grant dates.

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

	2020 ***RMB'000***	2019 *RMB'000*
Cost of revenue	**8,893**	8,934
Sales and marketing expenses	**102,039**	68,361
Administrative expenses	**74,339**	67,467
Product development expenses	**72,729**	57,067
Fulfilment	**19,139**	11,664
Total	**277,139**	213,493

32. SHARE-BASED COMPENSATION EXPENSES (CONTINUED)

Share award scheme (continued)

At the end of the reporting year, the Company had approximately 28,679,000 options and 85,761,000 RSUs outstanding under the Share Award Scheme, which represented approximately 0.95% of the Company's shares in issue as at that date. The exercise in full of the outstanding options and RSUs, under the present capital structure of the Company, would result in the issue of approximately 102,392,000 additional ordinary shares of the Company and additional share capital of HK$1,023,920 (equivalent to approximately RMB912,299) (before issue expenses), the purchase of 3,039,000 existing shares from the market and release of 9,009,000 shares from treasury shares.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 139 and page 140 of the annual report.

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

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

34. BUSINESS COMBINATIONS

(A) Business combinations not under common control

Acquisition of Hangzhou Yixintang

In May 2019, Ali JK Medical Products (HK) Limited, a subsidiary of the Group, entered into an equity transfer agreement with Yixintang Pharmaceutical Chain Co., Ltd. (易心堂大藥房連鎖股份有限公司) ("Yixintang"), pursuant to which, Ali JK Medical Products (HK) Limited acquired 100% equity interest of Hangzhou Yinxintang Pharmaceutical Chain Co., Ltd. (杭州易心堂大藥房連鎖有限公司) ("Hangzhou Yixintang"), which was a subsidiary of Yixintang, at a cash consideration of RMB15,785,000. The cash consideration was fully paid as at March 31, 2020.

34. BUSINESS COMBINATIONS (CONTINUED)

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

Acquisition of Hangzhou Yixintang (continued)

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

	Fair value recognised on acquisition *RMB'000*
Property and equipment	2,458
Prepayments, other receivables and other assets	460
Right of use assets	8,666
Lease liabilities	(7,673)
Inventory	1,088
Trade receivables	3
Cash and cash at banks	5
Other payables	(492)
Trade payables	(2,300)
Total identifiable net assets at fair value	2,215
Goodwill on acquisition	13,570
	15,785
Satisfied by:	
Cash	12,585
Other payables	3,200
Total purchase consideration	15,785

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34. BUSINESS COMBINATIONS (CONTINUED)

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

Acquisition of Hangzhou Yixintang (continued)

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

	RMB'000
Cash consideration paid	(15,785)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents included in cash flows from investing activities	(15,780)

Since the acquisition, Hangzhou Yixintang contributed RMB61,720,000 to the Group's revenue and loss of RMB5,478,000 to the Group's loss for the year ended March 31, 2020.

Had the combination taken place at the beginning of current period, the revenue from continuing operations of the Group and the loss of the Group for the year ended March 31, 2020 would have been RMB9,597,000,000 and RMB18,855,000, respectively.

Acquisition of seven pharmacies

On April 16, 2019, the Group acquired seven pharmacies from a third party. The purchase consideration was approximately RMB14,000,000. There was no identifiable assets and liabilities of these seven pharmacies as at the date of acquisition, and the goodwill on acquisition was RMB14,000,000. Part of the consideration of RMB5,432,000 was paid and the remaining consideration of RMB8,568,000 was recorded in other payables and accruals as of March 31, 2020.

Since the acquisition, seven pharmacies contributed RMB10,456,000 to the Group's revenue and loss of RMB4,625,000 to the Group's loss for the year ended March 31, 2020.

Acquisition of Jiukang Yixin

In February 2019, Hongyun Jiukang, a subsidiary of the Group, entered into an equity transfer agreement with Yixintang, pursuant to which, Hongyun Jiukang acquired a 40% equity interest in Jiukang Yixin from Yixintang at a cash consideration of RMB10,800,000. The consideration was fully paid by Hongyun Jiukang. Accordingly, the Group's ownership interests in Jiukang Yixin increased to 80%, and hence had control over Jiukang Yixin.

34. BUSINESS COMBINATIONS (CONTINUED)

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

Acquisition of Jiukang Yixin (continued)

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

	Fair value recognised on acquisition *RMB'000*
Property and equipment	527
Prepayments, deposits and other receivables	1,477
Financial assets measured at fair value through profit or loss	15,190
Cash and cash at banks	9,844
Other payables	(21)
Trade payables	(17)
Total identifiable net assets at fair value	27,000
Non-controlling Interest	(5,400)
	21,600
Satisfied by:	
Cash	10,800
Fair value of equity interest previously held as an investment in a joint venture	10,800
Total purchase consideration	21,600

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34. BUSINESS COMBINATIONS (CONTINUED)

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

Acquisition of Jiukang Yixin (continued)

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

	RMB'000
Cash consideration paid	(10,800)
Cash and cash at banks acquired	9,844
Net outflow of cash and cash equivalents included in cash flows from investing activities	(956)

Since the acquisition, Jiukang Yixin contributed nil to the Group's revenue and RMB132,000 to the consolidated loss for the year ended March 31, 2019.

Had the combination taken place at the beginning of current year, the revenue from the Group and the loss of the Group for the year ended March 31, 2019 would have been RMB5,095,867,000 and RMB93,000,000, respectively.

Acquisition of four pharmacies

On December 15, 2018, the Group acquired four pharmacies from a third party. The purchase consideration was approximately RMB8,686,000. The total fair value of the identifiable net assets of four pharmacies as at the date of acquisition was RMB803,000 and the goodwill in acquisition was RMB7,883,000. The consideration of RMB1,920,000 was paid and the remaining RMB6,766,000 was recorded in other payables as of March 31, 2019.

Since the acquisition, four pharmacies contributed RMB2,493,000 to the Group's revenue and loss of RMB340,000 to the consolidated loss for the year ended March 31, 2019.

34. BUSINESS COMBINATIONS (CONTINUED)

(B) Business combination under common control

The Group adopts merger accounting for common control combinations in respect of the following transaction:

On August 2, 2018, the Group acquired 100% equity interest in Ali JK Medical Products Limited and its subsidiaries, namely Ali JK Medical Products (HK) Limited and Hangzhou Hengping Health Technology Co., Ltd (杭州衡憑健康科技有限公司) (collectively referred to as the “Ali JK Medical Products Group”) from Ali JK, or the “Vendor”, a direct wholly-owned subsidiary of Alibaba Holding. As the Company and Ali JK Medical Products Group are under the common control of Alibaba Holding before and after the acquisition, the business combination has been accounted as a business combination under common control using merger accounting.

The consideration amounting to HK$10,600 million was satisfied by the Company issuing 1,827.6 million shares on August 2, 2018 to the Vendor. The fair value of these consideration shares was HK$14,419.7 million (approximately to RMB12,570.5 million) based on the market price of HK$7.89 per ordinary shares as at August 2, 2018. The difference of RMB12,569.1 million between the fair value of consideration shares issued of approximately RMB12,570.5 million and the carrying amount of approximately RMB1.4 million of the net asset of Ali JK Medical Products Group at acquisition date is recognised in merger reserve. Ali JK Medical Products Group was established by the Vendor to hold the business (the “Target Business II”) which comprises: (i) all merchant relationships with the the merchants who have obtained, or propose to obtain for the promotion and distribution of products on Tmall and (ii) certain relevant marketing and operations personnel managing the relationships with the Target Merchants. The Target Business II earns commissions from merchants when sales of products on Tmall were completed.

Since the acquisition, Ali JK Medical Products Group contributed RMB470,861,000 to the Group’s revenue and profit of RMB32,903,000 to the consolidated loss for the year ended March 31, 2019.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB31,227,000 and RMB31,227,000, respectively, in respect of lease arrangements for plant and equipment (2019: Nil).

(b) Changes in liabilities arising from financing activities

	Interest bearing bank borrowings *RMB'000*	Lease liabilities *RMB'000*
At March 31, 2019	1,700,000	–
Effect of adoption of HKFRS 16	–	68,301
At April 1, 2019 (restated)	1,700,000	68,301
Changes from financing cash flows	(1,700,000)	(29,773)
New leases	–	31,227
Interest expense	–	3,133
Interest paid classified as operating cash flows	–	(3,133)
At March 31, 2020	–	69,755

	Interest bearing other borrowings *RMB'000*
At April 1, 2018	–
Changes from financing cash flows	(1,700,000)
At March 31, 2019	(1,700,000)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 **RMB'000**
Within operating activities	**3,133**
Within financing activities	**29,773**
	32,906

36. COMMITMENT

(a) Capital commitments

Except the acquisition as disclosed in note 41, the Group had the following capital commitments at the end of the reporting period:

	March 31, 2020 **RMB'000**	March 31, 2019 RMB'000
Contracted, but not provided for:		
Capital contribution payable to joint ventures	**167,500**	281,500
Capital contribution payable to an associate	**–**	94,444

(b) Operating lease commitments as at March 31, 2019

As at March 31, 2019, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	RMB'000
Within one year	25,112
In the second to fifth years, inclusive	48,231
Over five years	1,597
	74,940

(c) The Group had no lease contracts that have not yet commenced as at March 31, 2020.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

37. RELATED PARTY TRANSACTIONS

(I) Transactions with related parties

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

	Notes	2020 RMB'000	2019 RMB'000
Services received from related parties:			
Share based compensation paid to connected persons for the services provided	*(i)*	**(27,923)**	(27,644)
Cloud computing services received from a subsidiary of Alibaba Holding	*(ii)*	**(5,798)**	(5,078)
Services received from a joint venture	*(iii)*	**–**	(7,070)
Internet information and other related services received from relevant entities of Alibaba Group	*(iv)*	**(262,471)**	(136,330)
Shared services received from Alibaba Group	*(v)*	**(103,352)**	(31,422)
Marketing services received from Alibaba Group	*(vi)*	**(188,872)**	(52,478)
Logistics and warehouse services received from a subsidiary of Alibaba Holding	*(vii)*	**(103,550)**	(52,582)
Payment services received from Alipay	*(viii)*	**(40,385)**	(18,873)
Technical services received from Tmall Entities@ regarding Blue Cap Health Food	*(ix)*	**(59,745)**	(48,368)
Technical services received from Tmall Entities regarding medical devices, healthcare products, adult products, and medical and healthcare services	*(ix)*	**(500,520)**	(242,302)
Products received from Alibaba Group	*(x)*	**(30,058)**	–
Services and products provided to related parties:			
Incentive fee received from a subsidiary of Alibaba Holding	*(vi)*	**2,911**	3,126
Outsourced and value-added services provided to Tmall Entities or Taobao Holding	*(xi)*	**93,816**	123,239
Tracking related services provided to a subsidiary of Alibaba Holding	*(xii)*	**1,955**	7,535
Products provided to Alibaba Group	*(x)*	**1,588**	341
Products provided to associates of the Group	*(xiii)*	**47,060**	54,426
Rent received from a subsidiary of Alibaba Holding	*(xiv)*	**8,057**	–
Others:			
Interest expense to Alibaba Holding	*(xv)*	**(20,775)**	(25,656)
Interest income from a joint venture	*(xvi)*	**–**	610
Deemed disposal of a 55% equity interest in a subsidiary through a capital increase	*(xvii)*	**–**	55,000
Subscription Agreement with Antfin and Ali JK	*(note 31(f))*	**2,000,580**	–
Subscription Agreement with IK Healthcare	*(xviii)*	**–**	119,801
Disposal of an equity investment to an associate	*(xix)*	**53,042**	–

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

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes:

(i) On June 8, 2018, the Company granted 8,190,000 options and 1,170,000 RSUs to Mr. Shen Difan, the Chief Executive Officer of the Company and an executive director (resigned on March 16, 2020), and hence a connected person of the Company, under the Share Award Scheme. On the same day, the Company granted 300,000 RSUs to Mr. Wang Qiang, an executive director of the Company, and hence a connected person of the Company, and 1,200,000 RSUs to other connected persons (other than directors of the Company), under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 8, 2018.

On June 14, 2019, the Company granted 500,000 RSUs to Mr. Shen Difan, the Chief Executive Officer of the Company and an executive director (resigned on March 16, 2020), and hence a connected person of the Company under the Share Award Scheme. On the same day, the Company granted 449,000 RSUs to Mr. Wang Qiang, an executive director of the Company, and hence a connected person of the Company, and 487,000 RSUs to other connected persons (other than directors of the Company), under the Share Award Scheme. Further details of the transaction were set out in the announcement of the Company dated June 14, 2019.

(ii) On February 14, 2018, Alibaba Health Technology (China) Co., Ltd. (阿里健康科技（中國）有限公司), an indirectly wholly-owned subsidiary of the Company, and Alibaba Cloud Computing Ltd. (阿里雲計算有限公司) ("Alibaba Cloud") entered into the Fourth Renewed Cloud Computing Service Agreement for a term of one year from April 1, 2018 to March 31, 2019, pursuant to which Alibaba Cloud provided certain cloud computing services to the Group. On March 28, 2019, the same parties entered into the 2020 Cloud Computing Services Agreement for a term of one year from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Cloud Computing Services Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

(iii) On August 3, 2018, Alibaba China Co., Ltd. (阿里巴巴中國有限公司), on behalf of its related parties including the Group, entered into a call centre service outsourcing agreement with HL95. The term of the agreement is approximately one year commencing on the agreement date.

(iv) On February 14, 2018, the Company, Alibaba.com China Limited (阿里巴巴網絡中國有限公司), and Taobao China Holding Limited entered into a Renewed Services Framework Agreement, commencing from April 1, 2018 to March 31, 2019, pursuant to which relevant entities# of Alibaba Group provided to the Group internet information related software technical services and other related services. On January 30, 2019, Alibaba Holding and the Company entered into the 2020 Platform Services Agreement for a renewed term of one year commencing on April 1, 2019 to March 31, 2020. For the period ended March 31, 2020, a service fee of RMB294,578,000 (for the period ended March 31, 2019: RMB151,510,000) was charged to the Group. A net service fee of RMB203,067,000 (for the period ended March 31, 2019: RMB136,330,000) was recorded in the consolidated statement of profit or loss. Further details of the transaction were set out in the announcement of the Company dated January 30, 2019. The transaction was approved by the Company's independent shareholders at a special general meeting.

On February 7, 2020, the same parties entered into the 2021 Platform Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated February 7, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting.

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

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March 31, 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(v) On February 14, 2018, the Company entered into a Renewed Shared Service Agreement with Alibaba Holding, pursuant to which Alibaba Holding shall procure the Alibaba Service Providers# to provide to the Group the shared services for a term of one year from April 1, 2018 to March 31, 2019. On March 28, 2019, the same parties entered into the 2020 Shared Services Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Shared Services Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

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

(vi) On February 14, 2018, Hangzhou Alimama Software Services Co., Ltd. (杭州阿里媽媽軟件服務有限公司) ("Alimama") and the Company entered into the Advertising Services Framework Agreement for a term of one year from April 1, 2018 to March 31, 2019, pursuant to which Alimama provided marketing services to the Group. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated February 14, 2018.

On January 30, 2019, Alibaba Holding and the Company entered into the 2020 Advertising Services Framework Agreement for a term of one year from April 1, 2019 to March 31, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated January 30, 2019.

On February 7, 2020, the same parties entered into the 2021 Advertising Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated February 7, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting.

On April 20, 2018, Alimama, Shanghai Quan Tudou Cultural Communications Company Limited (上海全土豆文化傳播有限公司) ("Youku"), a subsidiary of Alibaba Holding, and Alibaba Health (HK) Technology Company Limited entered into a Second Renewed Agency Agreement for a term of one year retrospectively from April 1, 2018 to March 31, 2020. As the marketing agent, the Group would be entitled to receive certain incentive fees. Further details of the transaction were set out in the announcement of the Company dated April 20, 2018.

On March 28, 2019, Alimama, Youku and Alibaba Health (Hong Kong), entered into the 2020 Agency Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Agency Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(vii) On February 14, 2018, Hangzhou Cainiao Supply Chain Management Co., Ltd. (杭州菜鳥供應鏈管理有限公司) ("Cainiao"), an indirect non-wholly owned subsidiary of Alibaba Holding and the Company, entered into the Renewed Logistics Services Framework Agreement, pursuant to which Cainiao provided bonded warehouse services, customs clearance services and distribution services. The term of the Service Agreement commenced on April 1, 2018 to March 31, 2019. On March 28, 2019, Cainiao and Alibaba Health (Hong Kong), a wholly-owned subsidiary of the Company entered into the 2020 Logistics Services Agreement on similar terms for a term of one year, from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On February 7, 2020, the same parties entered into the 2021 Logistics Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated February 7, 2020. The transaction was approved by the Company's independent shareholders at a special general meeting.

(viii) On February 14, 2018, the Company (for itself and on behalf of its subsidiaries) entered into the Renewed Payment Service Framework Agreement with Alipay, pursuant to which Alipay will provide payment services and the Group paid service fees. On March 28, 2019, the same parties entered into the 2020 Payment Service Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Payment Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

(ix) On May 18, 2017, Alibaba Health Technology(Hangzhou) Co., Ltd. (阿里健康科技(杭州)有限公司) (formerly known as Hangzhou Hengping Information Technology Co., Ltd. (杭州衡平信息科技有限公司)) entered into the Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities will continue to provide technical support, internet information services and secondary domain names and other services for the operation of the business which comprises: (i) all merchant relationships with the merchants who have obtained, or propose to obtain, permission from Tmall or Tmall Global for the sale of products and services on the those platforms; and (ii) the employment relationships with relevant marketing and operations personnel managing the relationships with the target merchants. The Tmall Entities charged service fees of 50% of total software service fees received by the Target Business I from the relevant merchants on Tmall. The Framework Technical Services Agreement was approved by the independent shareholders at the special general meeting, and the term of the Framework Technical Services Agreement commenced on the day following the completion of business acquisition under common control and ended on March 31, 2020. Further details of the transaction were set out in the announcement of the Company dated May 19, 2017.

On March 27, 2020, the same parties entered into the 2021–2023 Framework Technical Services Agreement for a term of three years from April 1, 2020 to March 31, 2023. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

On May 28, 2018, Lu Kang pharmacy (Hangzhou) Co., Ltd. (鹿康大藥房(杭州)有限公司) (formerly known as Hangzhou Hengping Health Technology Co., Ltd. (杭州衡憑健康科技有限公司)) entered into the Framework Technical Services Agreement with the Tmall Entities, pursuant to which the Tmall Entities continued to provide software technical services, internet information services and secondary domain names and other services for the operation of the Target Business II as described in note 34(B) on Tmall. The Tmall Entities charged service fees of 50% of total software service fees received by the Target Business II from the relevant merchants on Tmall. The Framework Technical Services Agreement was approved by the independent shareholders at the special general meeting, and the term of the Framework Technical Services Agreement commenced on the day following the completion of business acquisition under common control as described in note 34(B) and will end on March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated May 29, 2018.

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March 31, 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(x) On February 14, 2018, the Company entered into the Renewed Supply Framework Agreement with Alibaba.com Singapore E-commerce Private Limited, a company incorporated in Singapore and an indirectly wholly-owned subsidiary of Alibaba Holding, pursuant to which the Company shall procure the Group to supply to Alibaba Group various products including but not limited to health products, nutritional supplements and family planning products for a term of one year from April 1, 2018 to March 31, 2019.

On March 28, 2019, the same parties entered into the 2020 Supply and Purchase Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020, pursuant to which the Company shall procure the Group to supply and/or purchase various products to or from Alibaba Group on the platforms or stores operated by Alibaba Group. The Group will also provide other related services including daily maintenance, inventory control, pricing, promotional activities and packaging in accordance with the standard agreements and terms as agreed by the parties from time to time. Further details of the transaction were set out in the announcement of the Company dated March 28, 2019.

On March 27, 2020, the same parties entered into the 2021 Supply and Purchase Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

(xi) On February 14, 2018, Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司, an indirectly wholly-owned subsidiary of the Company, and the Tmall Entities, members of Alibaba Group, entered into the Renewed Services Agreement, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement. For the period ended March 31, 2020, a service income of RMB125,923,000 (for the period ended March 31, 2019: RMB138,419,000) was charged by the Group to the Tmall Entities. The Tmall Entities shall pay the Group a service fee amounting to 21.5% of the fees paid by the merchants to the relevant Tmall Entities in respect of the value of the completed sales of products or services under certain categories on Tmall. A net service income of RMB93,816,000 (for the period ended March 31, 2019: RMB123,239,000) was recorded in the consolidated statement of profit or loss. The transaction was approved by the Company's independent shareholders at a special general meeting. The term of the services agreement was from April 1, 2018 to March 31, 2019.

On January 30, 2019, Taobao Holding Limited, a subsidiary of Alibaba Holding, and Alibaba Health Information Technology (Beijing) Co., Ltd. (阿里健康信息技術(北京)有限公司), an indirectly wholly-owned subsidiary of the Company, entered into the 2020 Outsourced Service Framework Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020, pursuant to which the Group agreed to provide certain outsourced and value-added services in accordance with the terms and conditions of the services agreement to Alibaba Group. The transaction was approved by the Company's independent shareholders at a special general meeting. Further details of the transaction were set out in the announcement of the Company dated January 30, 2019.

On March 27, 2020, the same parties entered into the 2021 Outsourced Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xii) On September 7, 2018, Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司), an indirect wholly-owned subsidiary of the Company, entered into the Renewed Tracking Service Agreement with Taobao China Holding Limited, an indirect wholly-owned subsidiary of Alibaba Holding, pursuant to which Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司) shall provide development, maintenance and operation service of tracking information system to Taobao China Holding Limited for a term from September 7, 2018 to March 31, 2019 and the details of which were set out in the announcement dated September 7, 2018. On March 18, 2019, the same parties entered into the Second Renewed Tracking Services Agreement for a term of one year, which runs from April 1, 2019 to March 31, 2020.

On March 27, 2020, the same parties entered into the 2021 Tracking Services Framework Agreement for a term of one year from April 1, 2020 to March 31, 2021. Further details of the transaction were set out in the announcement of the Company dated March 27, 2020.

(xiii) The products provided to associates were provided as prices and on conditions offered to major customers.

(xiv) On April 15, 2019, Alibaba Health Technology (China) Co., Ltd. (阿里健康科技(中國)有限公司), an indirect wholly-owned subsidiary of the Company and Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司), an indirect wholly-owned subsidiary of Alibaba Holding entered into the Lease Agreement, pursuant to which Alibaba Health Technology (China) Co., Ltd. agreed to sublet the premises to Taobao (China) Software Co., Ltd. for a term commencing from April 15, 2019 to March 31, 2021 at a monthly rent of approximately RMB776,000 (inclusive of tax). Further details of the transaction were set out in the announcement of the Company dated April 15, 2019.

(xv) Zhejiang Tmall Technology Co., Ltd. (浙江天猫技術有限公司) provided loans amounting to RMB2,000,000,000 to the Group during the year ended March 31, 2019, of which RMB1,700,000,000 was unpaid as at March 31, 2019. Interest was charged at 2.84% to 4.39% per annum. These loans were repaid during the year.

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March 31, 2020

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Transactions with related parties (continued)

Notes: (continued)

(xvi) On January 1, 2017, HL95 entered into a loan agreement with Alibaba Health (Hong Kong), a wholly-owned subsidiary of the Company, pursuant to which Alibaba Health (Hong Kong) agreed to provide a loan of RMB53,900,000 to HL95 for the three years ended December 31, 2019, which was unsecured and bore interest at a rate of 3% per annum. The principal was repaid by HL95 the year ended March 31, 2019.

(xvii) On June 1, 2018, Shanghai Yunxin, a company wholly-owned by Ant Financial, Hangzhou Yunting, an independent third party, Hongyun Jiukang, a subsidiary of the Group, and the joint venture[#], entered into a Capital Increase Agreement, pursuant to which Shanghai Yunxin and Hangzhou Yunting agreed to make respective capital contributions of RMB40 million and RMB15 million in cash to the registered capital of the joint venture. As at the date of the transaction, the joint venture was wholly owned by Hongyun Jiukang, with a registered capital of RMB45 million and fully subscribed for by Hongyun Jiukang. Upon completion of the transaction on June 1, 2018, the registered share capital of the joint venture was increased from RMB45 million to RMB100 million, which was held as to 45% by Hongyun Jiukang, 40% by Shanghai Yunxin and 15% by Hangzhou Yunting, respectively. Further details of the transaction were set out in the announcement of the Company dated June 1, 2018.

[#] Zhejiang Bian Que, a limited liability company established in the PRC and a wholly-owned subsidiary of Hongyun Jiukang prior to the transaction.

(xviii) On March 18, 2019, Ali JK Medical Products Limited, a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with IK Healthcare, pursuant to which the Subscriber shall subscribe for 433,082 new shares in the IK Healthcare at a total subscription price of US$17,842,978.40. Upon completion of the Subscription Agreement, the IK Healthcare shall be held as to not less than 1% by the Subscriber. Further details of the transaction were set out in the announcement of the Company dated March 18, 2019.

(xix) On March 29, 2019, Hongyun Jiukang, a subsidiary of the Company, entered into a Equity Transfer Agreement with a wholly-owned subsidiary of Jiahe Meikang, which is an associate of Hongyun Jiukang, pursuant to which 45% equity interests of Jiamei Online held by Hongyun Jiukang would be transferred to the wholly-owned subsidiary of Jiahe Meikang, for a total cash consideration of approximately RMB53,042,000. The transaction was completed on August 16, 2019.

The related party transactions in respect of items (i), (ii), from (iv) to (xii), (xiv),(xv), (xvii) and (xviii) above for the current year also constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules.

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Outstanding balances with related parties:

In addition to the outstanding balances detailed elsewhere in these financial statements, the balances with related parties as at March 31, 2020 and March 31, 2019 are listed below:

	March 31, 2020 *RMB'000*	March 31, 2019 *RMB'000*
(1) Amounts due from related parties:		
Subsidiaries of Alibaba Holding	**132,215**	24,256
(2) Amounts due to related parties:		
Subsidiaries of Alibaba Holding	**2,462**	1,881
Associates	**61,004**	61,092
	63,466	62,973

(III) Compensation of key management personnel of the Group

	2020 *RMB'000*	2019 *RMB'000*
Short-term employee benefits	**9,012**	10,557
Performance related bonuses	**3,662**	2,989
Share-based compensation expenses	**17,776**	32,667
Pension scheme contributions	**373**	423
Total compensation paid to key management personnel	**30,823**	46,636

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

2020

Financial assets

	Financial assets at FVPL		Financial assets at FVOCI			
	Designated as such upon initial recognition *RMB'000*	Held for trading *RMB'000*	Debt investments *RMB'000*	Equity investments *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Equity investment at FVOCI	–	–	–	173,456	–	173,456
Trade receivables	–	–	–	–	292,370	292,370
Bills receivable	–	–	32,171	–	–	32,171
Financial assets included in other receivables and other assets	–	–	–	–	264,625	264,625
Financial investments at FVPL	455,890	409,373	–	–	–	865,263
Cash and cash equivalents	–	–	–	–	2,594,981	2,594,981
Long-term receivables	–	–	–	–	21,732	21,732
	455,890	409,373	32,171	173,456	3,173,708	4,244,598

Financial liabilities at amortised cost

	RMB'000
Trade and bills payables	1,865,526
Interest-bearing other borrowings	–
Financial liabilities included in other payables and accruals	453,605
Lease liabilities	69,755
	2,388,886

38. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019

Financial assets

	Financial assets at FVPL		Financial assets at FVOCI			
	Designated as such upon initial recognition	Held for trading	Debt investments	Equity investments	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment at FVOCI	–	–	–	119,801	–	119,801
Trade receivables	–	–	–	–	185,671	185,671
Bills receivable	–	–	179,775	–	–	179,775
Financial assets included in other receivables and other assets	–	–	–	–	173,352	173,352
Financial investments at FVPL	457,759	1,786,541	–	–	–	2,244,300
Cash and cash equivalents	–	–	–	–	280,371	280,371
Long-term receivables	–	–	–	–	39,372	39,372
	457,759	1,786,541	179,775	119,801	678,766	3,222,642

Financial liabilities at amortised cost

	RMB'000
Trade and bills payables	902,651
Interest-bearing other borrowings	1,700,000
Financial liabilities included in other payables and accruals	407,124
	3,009,775

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Financial asset at FVPL	**865,263**	2,244,300	**865,263**	2,244,300
Equity investment designated at FVOCI	**173,456**	119,801	**173,456**	119,801
Long-term receivables	**21,732**	39,372	**21,732**	39,372
Bills receivable	**32,171**	179,775	**32,171**	179,775
	1,092,622	2,583,248	**1,092,622**	2,583,248
Financial liabilities				
Interest-bearing other borrowings	**–**	1,700,000	**–**	1,700,000

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

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

The fair values of the non-current portion of long-term receivables, bills receivable and interest-bearing other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at March 31, 2020 was assessed to be insignificant.

The fair values of an unlisted equity investment designated at FVOCI is based on external transactions in the investee's equity.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at March 31, 2020:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBIT multiple of peers	11.86 to 33.38	1% increase/decrease in multiple would result in increase/ decrease in fair value by RMB1,775,000/ RMB1,558,000
		Average P/S multiple of peers	1.0 to 3.1	1% increase/decrease in multiple would result in increase/ decrease in fair value by RMB2,896,000/ RMB2,803,000
		DLOM	2019: 17.9%	1% increase/decrease in discount would result in decrease/ increase in fair value by RMB934,000/ RMB1,028,000

The DLOM represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at March 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Equity investment designated at FVOCI	**—**	**—**	**173,456**	**173,456**
Financial assets at FVPL	**—**	**—**	**865,263**	**865,263**
Bills receivable	**—**	**32,171**	**—**	**32,171**
	—	**32,171**	**1,038,719**	**1,070,890**

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investment designated at FVOCI	—	—	119,801	119,801
Financial assets at FVPL	—	—	2,244,300	2,244,300
Bills receivable	—	179,775	—	179,775
	—	179,775	2,364,101	2,543,876

The Group did not have any financial liabilities measured at fair value as at March 31, 2020 and 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

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

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at March 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Long-term receivables	**—**	**—**	**21,732**	**21,732**

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long-term receivables	—	—	39,372	39,372

Liabilities for which fair values are disclosed:

As at March 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing other borrowings	—	1,700,000	—	1,700,000

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Credit risk

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

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

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at March 31. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at March 31, 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	292,370	292,370
Bills receivable	32,171	–	–	–	32,171
Financial assets included in prepayments, other receivables and other assets					
— Normal**	264,625	–	–	–	264,625
Cash and cash equivalents					
— Not yet past due	2,594,981	–	–	–	2,594,981
	2,891,777	–	–	292,370	3,184,147

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure and year-end staging (continued)

As at March 31, 2019

	12-month ECLs		Lifetime ECLs		
				Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	185,671	185,671
Bills receivable	179,775	—	—	—	179,775
Financial assets included in prepayments, other receivables and other assets					
— Normal**	212,724	—	—	—	212,724
Cash and cash equivalents					
— Not yet past due	280,371	—	—	—	280,371
	672,870	—	—	185,671	858,541

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

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

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

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in loss before tax
	%	*RMB'000*
2020		
If the Hong Kong dollar weakens against RMB	**1**	**176**
If the Hong Kong dollar strengthens against RMB	**(1)**	**(176)**
2019		
If the Hong Kong dollar weakens against RMB	1	226
If the Hong Kong dollar strengthens against RMB	(1)	(226)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at March 31, 2020

	Less than 1 year or on demand *RMB'000*	Over 1 year *RMB'000*	Total *RMB'000*
Trade payables	1,865,526	–	1,865,526
Financial liabilities included in other payables and accruals	453,605	–	453,605
Lease liability	32,030	37,725	69,755
	2,351,161	37,725	2,388,886

As at March 31, 2019

	Less than 1 year or on demand *RMB'000*
Interest-bearing other borrowings	1,714,300
Trade payables	902,651
Financial liabilities included in other payables and accruals	418,338
	3,035,289

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

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

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

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

41. SUBSEQUENT EVENTS

Share purchase agreement

On February 6, 2020, the Company entered into the share purchase agreement with Ali JK, a direct wholly-owned Subsidiary of Alibaba Holding, pursuant to which the Company will acquire 100% of the equity interest in Ali JK ZNS Limited ("the Vendor"), an offshore holding vehicle incorporated under the laws of the British Virgin Islands which is indirectly wholly-owned by Alibaba Holding to hold the target business. The aggregate consideration is HK$8.075 billion and will be satisfied by the Company issuing 860,874,200 shares to the Vendor at completion.

The target business comprises (i) all merchant relationships with the merchants who have obtained, or propose to obtain, permission from Tmall or Tmall Global for the sale of products and services on the those platforms; and (ii) the employment relationships with relevant marketing and operations personnel managing the relationships with the target merchants. As of the date of this report, the transaction has been completed.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	March 31, 2020 ***RMB'000***	March 31, 2019 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**21,713,718**	16,805,899
Due from subsidiaries	**4,969**	2,582,183
Total non-current assets	**21,718,687**	19,388,082
CURRENT ASSETS		
Prepayments and other receivables	**2,210**	1,340
Other intangible assets	**191**	—
Cash and cash equivalents	**198,763**	47,819
Total current assets	**201,164**	49,159
CURRENT LIABILITIES		
Accounts payable	**—**	2,875
Other payables and accruals	**28,141**	13,605
Due to subsidiaries	**215**	23,550
Accrued salaries	**—**	462
Total current liabilities	**28,356**	40,492
NET CURRENT ASSETS	**172,808**	8,667
TOTAL ASSETS LESS CURRENT LIABILITIES	**21,891,495**	19,396,749
Net assets	**21,891,495**	19,396,749
EQUITY		
Share capital	**106,108**	102,898
Treasury shares	**(13,039)**	(25,052)
Reserves	**21,798,426**	19,318,903
Total equity	**21,891,495**	19,396,749

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

	Notes	Share premium account RMB'000	Capital reserve RMB'000	Contributed surplus RMB'000	Exchange fluctuation reserve# RMB'000	Employee share-based compensation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At March 31, 2018		7,255,519	10,752	57,741	(116,635)	142,480	(945,059)	6,404,798
Profit for the year		–	–	–	–	–	(80,897)	(80,897)
Translation from functional currency to presentation currency		–	–	–	194,203	–	–	194,203
Total comprehensive income/(loss) for the year		–	–	–	194,203	–	(80,897)	113,306
Issue of new shares for acquisition under common control	31	12,554,598	–	–	–	–	–	12,554,598
Exercise of share options	31	83,252	–	–	–	(30,377)	–	52,875
Share-based compensation expenses	32	–	–	–	–	213,493	–	213,493
Vested awarded shares transferred to employees	31	73,474	–	–	–	(91,987)	–	(18,513)
Transfer of share-based compensation reserve of options lapsed after vesting date		–	–	–	–	(1,654)	–	(1,654)
At March 31, 2019		19,966,843	10,752	57,741	77,568	231,955	(1,025,956)	19,318,903
Profit for the year		**–**	**–**	**–**	**–**	**–**	**(10,492)**	**(10,492)**
Translation from functional currency to presentation currency		**–**	**–**	**–**	**133,351**	**–**	**–**	**133,351**
Total comprehensive income for the year		**–**	**–**	**–**	**133,351**	**–**	**(10,492)**	**122,859**
Issue of new shares		**1,997,913**	**–**	**–**	**–**	**–**	**–**	**1,997,913**
Exercise of share options		**164,641**	**–**	**–**	**–**	**(52,887)**	**–**	**111,754**
Share-based compensation expenses	32	**–**	**–**	**–**	**–**	**277,139**	**–**	**277,139**
Vested awarded shares transferred to employees	31	**215,335**	**–**	**–**	**–**	**(245,477)**	**–**	**(30,142)**
At March 31, 2020		**22,344,732**	**10,752**	**57,741**	**210,919**	**210,730**	**(1,036,448)**	**21,798,426**

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

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on May 27, 2020.

* *For identification purpose only*

FINANCIAL SUMMARY

	Year ended March 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**9,596,476**	5,095,867	2,442,618	475,078	56,595
Loss before tax	**9,094**	(60,830)	(95,145)	(207,099)	(197,117)
Income tax expense	**(24,790)**	(30,934)	(13,889)	(1,554)	(1,851)
Loss for the year	**(15,696)**	(91,764)	(109,034)	(208,653)	(198,968)
Attributable to:					
Owners of the parent	**(6,586)**	(81,949)	(106,974)	(207,626)	(191,608)
Non-controlling interests	**(9,110)**	(9,815)	(2,060)	(1,027)	(7,360)
	(15,696)	(91,764)	(109,034)	(208,653)	(198,968)

	As at March 31,				
	2020	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Total assets	**7,869,972**	5,981,885	3,110,977	1,679,700	1,348,150
Total liabilities	**(2,667,457)**	(3,245,059)	(587,920)	(560,038)	(192,879)
	5,202,515	2,736,826	2,523,057	1,119,662	1,155,271
Equity attributable to owners of the parent	**5,269,145**	2,794,519	2,580,248	1,177,836	1,221,360
Non-controlling interests	**(66,630)**	(57,693)	(57,191)	(58,174)	(66,089)
	5,202,515	2,736,826	2,523,057	1,119,662	1,155,271

APPENDIX II

REPRODUCTION OF THE PRESS RELEASE DATED 3 AUGUST 2020 CONTAINING THE GUARANTOR'S CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

The information set out below is a reproduction of the press release dated 3 August 2020 containing the Guarantor's consolidated financial results for the second quarter ended 30 June 2020.

RESULTS AT JUNE 30TH 2020

Press release
Paris, August 3rd 2020

Q2 20 AND H1 20 PERFORMANCE MARKED BY THE COVID CRISIS; REBOUND FROM MID-MAY

French Retail Banking and International Retail Banking activities impacted in the first half of Q2 20; rebound from mid-May
Resilient activities in Insurance, Private Banking and Transaction Banking
Good performance in Financing & Advisory and Fixed Income & Currencies; ongoing unfavourable market conditions for structured products in April and May and gradual recovery from mid-May
Non-cash exceptional items related to the review of the trajectory of Global Markets & Investor Services: impairment of goodwill for EUR -684m and deferred tax assets for EUR -650m
Group net income of EUR -1,264m in Q2 20 (EUR -1,590m in H1 20) and Group net income restated for non-cash exceptional items of EUR +70m in Q2 20

SHARP DECLINE IN COSTS

Decline in operating expenses of -9.6% in Q2 20 and -5.8% in H1 20, reinforcing the objective **of underlying operating expenses of EUR 16.5bn in 2020**
Objective to decrease costs in the medium term

HALF OF THE COST OF RISK IMPACTED BY IFRS9 EFFECTS AND COUNTERPARTY RATING DOWNGRADES

Net cost of risk of EUR 1,279m in Q2 20 (x4 vs. Q2 19), including EUR 653m related to provisions for expected credit losses in Stage 1 and Stage 2; Cost of risk at 81 basis points in H1 20
2020 cost of risk expected to be at the low end of the 70 to 100 basis points range

SOLID CAPITAL AND LIQUIDITY POSITION

CET1 ratio of 12.5%(1) (12.6% pro-forma(2)) at June 30th 2020, i.e. nearly 350 basis points above the regulatory requirement
81% of the financing programme achieved; LCR of 167%(3)
CET1 ratio expected to be at the high-end of the 11.5% to 12% range at end-2020

FINALISATION OF THE STRATEGIC REVIEW OF STRUCTURED PRODUCTS

Maintain a global leadership position in Equity structured products, recognised by our clients, and reduce the associated risk profile; improving the profitability of Global Markets through a reduction in costs of around EUR 450 million by 2022-2023

Frédéric Oudéa, the Group's Chief Executive Officer, commented:
"During the first half of 2020, Societe Generale successfully adapted to the consequences of the health crisis and was therefore able to effectively support its customers and employees, thereby strengthening its position as a trusted partner. While April and May were heavily impacted by the reduction in activity of numerous economies around the world, the rebound in activities from mid-May is very encouraging. Drawing on a very solid capital base and a loan portfolio confirming its intrinsic quality, the Group will continue to adapt its activities to the new post-COVID crisis environment, extending in particular the efforts to reduce costs. The Group is already working on new initiatives to build its next strategic stage (2021-2023) focused around three priority objectives, customer centricity, corporate social responsibility and operational efficiency based on digital technologies."

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*The footnote * in this document corresponds to data adjusted for changes in Group structure and at constant exchange rates*
(1) *including 20 basis points for IFRS9 phasing*
(2) *pro-forma for the announced disposal of SG Finans (+10 basis points)*
(3) *quarterly average*

1. GROUP CONSOLIDATED RESULTS

In EURm	Q2 20	Q2 19	Change		H1 20	H1 19	Change	
Net banking income	**5,296**	**6,284**	**-15.7%**	**-13.5%***	**10,466**	**12,475**	**-16.1%**	**-14.2%***
Operating expenses	**(3,860)**	**(4,270)**	**-9.6%**	**-7.7%***	**(8,538)**	**(9,059)**	**-5.8%**	**-4.0%***
Underlying operating expenses(2)	*(3,984)*	*(4,152)*	*-4.0%*	*-2.0%*	*(8,185)*	*(8,500)*	*-3.7%*	*-1.8%*
Gross operating income	**1,436**	**2,014**	**-28.7%**	**-25.9%***	**1,928**	**3,416**	**-43.6%**	**-41.6%***
Underlying gross operating income(1)	*1,312*	*2,132*	*-38.5%*	*-36.2%*	*2,281*	*3,975*	*-42.6%*	*-40.9%*
Net cost of risk	**(1,279)**	**(314)**	**x 4.1**	**x 4.1***	**(2,099)**	**(578)**	**x 3.6**	**x 3.7***
Operating income	**157**	**1,700**	**-90.8%**	**-90.4%***	**(171)**	**2,838**	**n/s**	**n/s**
Underlying operating income(1)	*33*	*1,836*	*-98.2%*	*-98.2%*	*182*	*3,415*	*-94.7%*	*-94.6%*
Net profits or losses from other assets	**4**	**(80)**	**n/s**	**n/s**	**84**	**(131)**	**n/s**	**n/s**
Underlying net profits or losses from other assets(1)	*4*	*4*	*+0.0%*	*-0.8%*	*161*	*6*	*x 26*	*x 80.3*
Impairment losses on goodwill	**(684)**	**0**	**n/s**	**n/s**	**(684)**	**0**	**n/s**	**n/s**
Income tax	(658)	(390)	**+68.7%**	**-69.4%***	(612)	(645)	**-5.1%**	**+3.0%***
Reported Group net income	**(1,264)**	**1,054**	**n/s**	**n/s**	**(1,590)**	**1,740**	**n/s**	**n/s**
Underlying Group net income(1)	***8***	***1,247***	***-99.3%***	***-99.4%***	***0***	***2,332***	***-100.0%***	***n/s***
ROE	-10.9%	6.9%			-7.2%	5.5%		
ROTE	-6.5%	8.3%			-5.3%	6.9%		
Underlying ROTE (1)	*-1.3%*	*9.7%*			*-1.3%*	*9.1%*		

(1) *Adjusted for exceptional items and linearisation of IFRIC 21*

Societe Generale's Board of Directors, which met on July 31st, 2020 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q2 and H1 2020.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

Net banking income

Q2 2020 was heavily impacted by the Covid-19 global health crisis and its economic consequences. As a result, the Group's net banking income was down -15.7% vs. Q2 19. It was down -16.1% in H1 20 vs. H1 19.

Marked by the lockdown in April and May and the recovery in activity from mid-May, French Retail Banking's net banking income (excluding PEL/CEL provision) was down -13.5% vs. Q2 19 (-10.8% excluding adjustment for tax related to commissions of EUR +61 million in Q2 19) and -7.5% vs. H1 19.

International Retail Banking & Financial Services saw revenues fall by -10.8%* vs. Q2 19 and -4.7%* vs. H1 19. International Retail Banking revenues were 8.9%* lower in Q2 20, reflecting a significant decline in activity in April and May and a rebound in June. Insurance revenues were down -7.9% (-7.1%*) vs. Q2 19 given the unfavourable conditions in the financial markets, while Financial Services to Corporates' revenues were down -20.9% (-17.7%*) vs. Q2 19.

Global Banking & Investor Solutions' net banking income fell by -17.0% in Q2 and by -22.2% in H1 in an exceptional market environment that impacted Global Markets' revenues.

Operating expenses

Operating expenses declined -9.6% in Q2 20 vs. Q2 19, to EUR 3,860 million, and -5.8%, to EUR 8,538 million in H1 20. Underlying costs came to EUR 3,984 million in Q2 20 and EUR 8,185 million in H1 20.

All the businesses saw substantially lower costs in Q2 20: -8.5% in French Retail Banking, -7%* in International Retail Banking & Financial Services and -18.0% in Global Banking & Investor Solutions (-9.2% when restated for the restructuring provision recorded in Q2 19 for EUR 227 million and the increase in the resolution fund of EUR +38 million in Q2 20).

The trend was also downward in H1 20: -5.3% in French Retail Banking, -2.0%* in International Retail Banking & Financial Services and -10.0% in Global Banking & Investor Solutions.

Underlying operating expenses are expected of around EUR 16.5 billion in 2020.

Cost of risk

The Group's commercial cost of risk (expressed as a fraction of outstanding loans) amounted to 97 basis points in Q2 20, higher than in Q1 20 (65 basis points) and Q2 19 (25 basis points), or EUR 1,279 million. The net cost of risk in respect of loans classified in Stage 1 (performing) and Stage 2 (underperforming) amounted to EUR 653 million including EUR 490 million for the impact related to the review of macro-economic scenarios on the estimate of credit losses.

French Retail Banking's cost of risk amounted to 85 basis points. The cost of risk of International Retail Banking & Financial Services and Global Banking & Investor Solutions came to 125 basis points and 95 basis points respectively.

The commercial cost of risk stood at 81 basis points in H1 20 and is expected to be at the bottom of the range of between 70 to 100 basis points for 2020.

The gross doubtful outstandings ratio amounted to 3.2%(1) at June 30th 2020, and 3.1% at March 31st 2020. The Group's gross coverage ratio for doubtful outstandings stood at 54%(2) at June 30th 2020 (55% at March 31st 2020).

Net profits or losses from other assets

Net profits or losses from other assets totalled EUR +4 million in Q2 20 and EUR +84 million in H1 20, including EUR -77 million related to the application of IFRS 5 as part of the implementation of the Group's refocusing plan in Q1 20.

Impairment loss on goodwill/Income tax

The Group recorded two non-cash exceptional items due to the review of the financial trajectory of Global Markets & Investor Services: a EUR -684 million expense in respect of the goodwill impairment of the Global Markets & Investor Services CGU and a EUR -650 million expense in respect of the impairment of deferred tax assets.

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(1) *NPL ratio calculated according to the new EBA methodology*

(2) *Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings*

Group net income

In EURm	Q2 20	Q2 19	H1 20	H1 19
Reported Group net income	(1,264)	1 054	(1,590)	1,740
Underlying Group net income(1)	8	1,247	0	2,332

In %	Q2 20	Q2 19	S1-20	S1-19
ROTE (reported)	-6.5%	8.3%	-5.3%	6.9%
Underlying ROTE(1)	-1.3%	9.7%	-1.3%	9.1%

Earnings per share is negative and amounts to EUR -2.25 in H1 20 (EUR 1.69 in H1 19). Underlying earnings per share comes to EUR -0.38 over the same period.

(1) *Adjusted for exceptional items and the linearisation of IFRIC 21*

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 60.7 billion at June 30th, 2020 (EUR 63.5 billion at December 31st, 2019). Net asset value per share was EUR 61.8 and tangible net asset value per share was EUR 54.3.

The consolidated balance sheet totalled EUR 1,453 billion at June 30th, 2020 (EUR 1,356 billion at December 31st, 2019). The net amount of customer loan outstandings at June 30th, 2020, including lease financing, was EUR 447 billion (EUR 430 billion at December 31st, 2019) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 440 billion, vs. EUR 410 billion at December 31st, 2019 (excluding assets and securities sold under repurchase agreements).
At end-June 2020, the parent company had issued EUR 21.5 billion of medium/long-term debt, having an average maturity of 5.7 years and an average spread of 61 basis points (vs. the 6-month mid-swap, excluding subordinated debt). The subsidiaries had issued EUR 551 million. At June 30th, 2020, the Group had issued a total of EUR 22 billion of medium/long-term debt. The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 180% at end-Juin 2020, vs. 119% at end-December 2019. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-June 2020.

The Group's **risk-weighted assets** (RWA) amounted to EUR 360.7 billion at June 30th, 2020 (vs. EUR 345.0 billion at end-December 2019) according to CRR/CRD4 rules. Risk-weighted assets in respect of credit risk represent 80.9% of the total, at EUR 291.9 billion, up 3.3% vs. December 31st, 2019.

At June 30th, 2020, the Group's **Common Equity Tier 1** ratio stood at 12.5% (12.6% pro forma for the announced disposal amounting to 10 basis points), i.e. 350 basis points above the regulatory requirement of 9.05% as at June 30th, 2020. This ratio includes an effect of +20 basis points for phasing of the IFRS 9 impact. Excluding this effect, the ratio amounts to 12.3%. The Tier 1 ratio stood at 14.6% at end-June 2020 (15.1% at end-December 2019) and the total capital ratio amounted to 17.7% (18.3% at end-December 2019). All of the effects in Q2 20 are presented in Appendix 10.

The CET1 ratio is expected to be at the top of the range of between 11.5% and 12% at end-2020.

With a level of 28.5%[1] of RWA and 8.2%[1] of leveraged exposure at end-June 2020, the Group's TLAC ratio is above the FSB's requirements for 2022. At June 30th, 2020, the Group was also above its MREL requirements of 8.51% of the TLOF[2] (which, in December 2017, represented a level of 24.4% of RWA), which were used as a reference for the SRB calibration.

The **leverage ratio** stood at 4.2%[3] at June 30th, 2020 (4.3% at end-December 2019).

The Group is rated by four rating agencies: (i) FitchRatings - long-term rating "A-", rating watch stable, senior preferred debt rating "A", short-term rating "F1"; (ii) Moody's – long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1"; (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", negative outlook, short-term rating "A-1".

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(1) *Including 2.5% of senior preferred debt*
(2) *Total Liabilities and Own Funds*
(3) *4.4% including the "quick fix" in respect of the exclusion of deposits with central banks announced by the ECB at end-June, not yet applicable (estimation based on deposits with the ECB only)*

3. FRENCH RETAIL BANKING

In EURm	Q2 20	Q2 19	Change	H1 20	H1 19	Change
Net banking income	1,754	1,994	-12.0%	3,634	3,910	-7.1%
Net banking income excl. PEL/CEL	*1,749*	*2,021*	*-13.5%*	*3,654*	*3,949*	*-7.5%*
Operating expenses	(1,233)	(1,348)	-8.5%	(2,683)	(2,834)	-5.3%
Gross operating income	**521**	**646**	**-19.3%**	**951**	**1,076**	**-11.6%**
Gross operating income excl. PEL/CEL	*516*	*673*	*-23.3%*	*971*	*1,115*	*-12.9%*
Net cost of risk	(442)	(129)	+242.6%	(691)	(223)	+209.9%
Operating income	**79**	**517**	**-84.7%**	**260**	**853**	**-69.5%**
Net profits or losses from other assets	5	1	+400,0%	136	2	x 68
Reported Group net income	**60**	**356**	**-83.1%**	**279**	**590**	**-52.7%**
RONE	**2.1%**	**12.6%**		**4.9%**	**10.5%**	
Underlying RONE (1)	**1.4%**	**1.4%**		**6.0%**	**11.5%**	

(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision

After the substantial impact of the lockdown on activity in April and May, French Retail Banking's commercial performance improved from mid-May.

Customers substantially reduced their activity during April and May: accordingly, the level of bank card transactions and corporate credit transfers during this period was well below the average level observed in Q2 2019. Loan production was focused in particular on State Guaranteed Loans (PGE), with a slowdown in production on other categories. Customer activity gradually picked up from mid-May, which resulted in the level of bank card transactions and corporate credit transfers in June close to the monthly average levels in Q2 19.

The networks continued to develop their digital offer in Q2. Societe Generale expanded its offering for Professional and VSE customers, with the acquisition of Shine, the neobank for entrepreneurs. It also launched the third generation of its digital application.

Boursorama consolidated its position as the leading online bank in France, with around 2.37 million clients at end-June 2020 and provided further evidence of the agility of its online banking model with a comprehensive offering. In a crisis environment, the commercial momentum remained robust. Boursorama's contribution to Group net income was positive in Q2, driven by a decline in acquisition costs and a record activity in stock market activity.

Net inflow for wealthy clients remained robust at EUR 1.1 billion in Q2 (EUR 1.6 billion in H1), taking assets under management to EUR 67.3 billion (including Crédit du Nord) at end-June 2020.
Life insurance outstandings totalled EUR 93 billion, with the unit-linked share accounting for 26% of outstandings.
The networks continued to develop their insurance business, with a penetration rate of 21.6% on Personal Protection and 9.8% on Property/Casualty insurance.

Average investment loan outstandings (including leases), largely bolstered by State Guaranteed Loans, rose 16.7% vs. Q2 19 to EUR 81.2 billion (+8.5% excluding State Guaranteed Loans).
Average outstanding loans to individuals were up 7.4% at EUR 122.3 billion: after a sharp decline in consumer and housing loan production in April and May, production was strong from mid-May.
As a result, average loan outstandings climbed 11.2% (+8.3% excluding PGE) vs. Q2 19 to EUR 216.0 billion.

Average outstanding balance sheet deposits[1] were 11.3% higher than in Q2 19 at EUR 228.7 billion, still driven by sight deposits (+18.3% vs. Q2 19)[2].
As a result, the average loan/deposit ratio stood at 94% in Q2 20 (stable vs. Q2 19).

In this exceptional period, French Retail Banking is fully supporting the economy, accompanying individual, corporate and professional customers. The Group was extremely reactive in setting up the State Guaranteed Loan (PGE). As of July 24th, around 86,100 applications had been received for a total amount of EUR 19 billion at Group level.

Net banking income excluding PEL/CEL

Q2 20: revenues (excluding PEL/CEL) totalled EUR 1,749 million, heavily impacted by the effects of the lockdown on customer activity (-13.5% vs. Q2 19; -10.8% excluding adjustment for tax related to commissions of EUR +61 million in Q2 19).
Net interest income (excluding PEL/CEL) was 6.0% lower than in Q2 19 with, in particular, a significant increase in deposits adversely affecting the margin in a low interest rate environment.
Commissions were 14% lower than in Q2 19 (-7.6% excluding adjustment tax related to commissions in Q2 19), driven by the sharp fall in service commissions (-11.6% excluding adjustment for tax related to commissions in Q2 19) against the backdrop of the lockdown, despite the increase in financial commissions (+8.1% vs. Q2 19).
"Other revenues" were lower in Q2 (-71% vs. Q2 19) with, in particular, the impact of the non-payment of Crédit Logement dividends.

H1 20: after a dynamic first few months, revenues were impacted by the effects of Covid-19 and the lockdown measures: revenues (excluding PEL/CEL) totalled EUR 3,654 million, down -7.5% vs. H1 19 and -6.0% excluding adjustment for tax related to commissions of EUR +61 million in H1 19.
Net interest income (excluding PEL/CEL) was 2.4% lower than in H1 19. Commissions were down -8.4% vs. H1 19 (-5.0% excluding adjustment for tax related to commissions in H1 19), with the sharp fall in service commissions against the backdrop of the lockdown more than offsetting the strong increase in financial commissions.

Operating expenses

Q2 20: operating expenses were substantially lower at EUR 1,233 million (-8.5% vs. Q2 19), illustrating the Group's work to reduce costs despite the increase in regulatory costs. The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.9%.

H1 20: operating expenses were lower at EUR 2,683 million (-5.3% vs. H1 19). The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.6%.

Cost of risk

Q2 20: the commercial cost of risk amounted to EUR 442 million or 85 basis points, substantially higher than in Q2 19 (27bp) and Q1 20 (49bp). It includes EUR 266 million of S1/S2 (performing/underperforming loans) provisioning and EUR 176 million of S3 (non-performing loans) provisioning. The inclusion of new macro-economic scenarios in accordance with the application of IFRS 9 contributed EUR 179 million to S1/S2 provisioning.

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(1) *Including BMTN (negotiable medium-term notes)*
(2) *Including currency deposits*

H1 20: the commercial cost of risk amounted to EUR 691 million or 68 basis points, substantially higher than in H1 19 (23bp).

Net profits or losses from other assets

Q2 20: “Net profits or losses from other assets” amounted to EUR 5 million.

H1 20: “Net profits or losses from other assets” amounted to EUR 136 million including a capital gain of EUR 130 million relating to the Group's property disposal programme carried out in Q1 2020.

Contribution to Group net income

Q2 20: the contribution to Group net income totalled EUR 60 million (-83.1% vs. Q2 19). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 1.4% in Q2 20 (vs. 12.6% in Q2 19).

H1 20: the contribution to Group net income totalled EUR 279 million (-52.7% vs. H1 19). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 6.0% in H1 20 (vs. 11.5% in H1 19).

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q2 20	Q2 19	Change		H1 20	H1 19	Change	
Net banking income	1,750	2,124	*-17.6%*	*-10.8%**	3,714	4,200	*-11.6%*	*-4.7%**
Operating expenses	(979)	(1,145)	*-14.5%*	*-7.0%**	(2,125)	(2,349)	*-9.5%*	*-2.0%**
Gross operating income	**771**	**979**	***-21.2%***	***-15.1%****	**1,589**	**1,851**	***-14.2%***	***-8.0%****
Net cost of risk	(418)	(133)	*x 3.1*	*x 3.3**	(647)	(261)	*x 2.5*	*x 2.5**
Operating income	**353**	**846**	***-58.3%***	***-54.8%****	**942**	**1,590**	***-40.8%***	***-36.1%****
Net profits or losses from other assets	(1)	0	*n/s*	*n/s*	11	1	*x 11.0*	*n/s*
Reported Group net income	**226**	**515**	***-56.1%***	***-51.6%****	**591**	**979**	***-39.6%***	***-33.7%****
RONE	8.4%	18.6%			11.0%	17.3%		
Underlying RONE (1)	***7.9%***	***18.9%***			***11.6%***	***18.2%***		

(1) *Adjusted for the linearisation of IFRIC 21 and the restructuring provision of EUR 29 million Q2 19.*

In International Retail Banking, outstanding loans totalled EUR 85.8 billion. They rose +3.2%* vs. end-June 2019 when adjusted for changes in Group structure and at constant exchange rates. They were down -6.4% at current structure and exchange rates, given the disposals finalised since June 2019 (SKB in Slovenia, Societe Generale Montenegro, Societe Generale Serbia, Mobiasbanca in Moldova, OBSG in Macedonia and Societe Generale de Banque aux Antilles). April and May were heavily impacted by the lockdown due to Covid-19, but there was a rebound in activity from June. Outstanding deposits climbed +7.1%* (-4.0% at current structure and exchange rates) vs. June 2019 to EUR 80.3 billion, with a healthy momentum in all regions.

For the Europe scope, outstanding loans were up +3.2%* vs. Q2 19, at EUR 53.6 billion (-9.2% at current structure and exchange rates), driven by Western Europe (+3.7%) and the Czech Republic (+3.4%*, -1.6%). Outstanding deposits were up +5.4%* (-10.0% at current structure and exchange rates), with a healthy momentum in the Czech Republic (+6.7%*, +1.5%) and Romania (+4.9%*, +2.6%).

In Russia, outstanding loans rose +1.6%* at constant exchange rates (-7.1% at current exchange rates) while outstanding deposits climbed +11.3%* (+3.5% at current exchange rates).

In Africa, Mediterranean Basin and French Overseas Territories, activity remained generally buoyant, especially in Sub-Saharan Africa. Outstanding loans rose +4.0%* (or +1.5%) vs. Q2 19. Outstanding deposits enjoyed a strong momentum, up +8.2%* (+6.1%).

In the Insurance business, the life insurance savings business saw outstandings increase +1.8%* vs. Q2 19. The share of unit-linked products in outstandings was 30% at end-June 2020, up 1.9 points vs. Q2 19. Protection insurance fell -3.2%* vs. Q2 19. The 6.1%* increase in Property/Casualty premiums was offset by a decline in personal Protection insurance (-8.5%* vs. Q2 19), where a rebound was observable from June.

Financial Services to Corporates delivered a resilient commercial performance. Operational Vehicle Leasing and Fleet Management saw an increase in its vehicle fleet (+3.8% vs. the end-June 2019) to 1.76 million vehicles at end-June 2020. Equipment Finance's outstanding loans were stable* vs. end-June 2019, at EUR 17.7 billion (excluding factoring).

Net banking income

Net banking income amounted to EUR 1,750 million in Q2 20, down -10.8%* (-17.6%) vs. Q2 19. Revenues totalled EUR 3,714 million in H1 20, down -4.7%* (-11.6%) vs. H1 19.

In International Retail Banking, net banking income totalled EUR 1,157 million in Q2 20, down -8.9%* (-18.1%) vs. Q2 19, marked by a fall in commissions due to the reduced activity in the lockdown environment and the impact of the decline in rates on net interest margin in the Czech Republic, Romania and Russia. In Africa, Mediterranean Basin and French Overseas Territories, revenues include an impact of EUR -31 million related to repayment moratoriums in Tunisia.
Net banking income amounted to EUR 2,450 million in H1 20, down -3.1%* excluding the structure and exchange rate effects (-12.5%) vs. H1 19.

The Insurance business saw net banking income decrease by -7.1%* to EUR 211 million in Q2 20 (-7.9%), marked by a decline in financial margins in an unfavourable environment in the financial markets. When adjusted for the contribution to the Solidarity Fund in France, it was 4.7%* lower than in Q2 19. Net banking income fell -3.9%* (-4.3%) in H1 20, to EUR 440 million.

Financial Services to Corporates' net banking income was down -17.7%* (-20.9%) vs. Q2 19 at EUR 382 million. ALD revenues included EUR 30 million of additional impairments on residual values and EUR 9.6 million of impairments on used vehicles in Q2 20. When restated for these items, Financial Services to Corporates' revenues were down -8.2%*. Financial Services to Corporates' net banking income totalled EUR 824 million in H1 20, down -9.5%* (-12.4%) vs. H1 19.

Operating expenses

Operating expenses were down -7.0%* (-14.5%), at EUR -979 million, vs. Q2 19, which included a restructuring provision related to the simplification of the head office structure amounting to EUR 29 million. When restated for this provision, operating expenses were down -4.3%* vs. Q2 19, reflecting rigorous cost control. They fell -2.0%* (-9.5%) in the first six months, to EUR 2,125 million. The cost to income ratio stood at 55.9% in Q2 20 and 57.2% in H1 20.

In International Retail Banking, operating expenses were down -2.9%* (-12.8%) vs. Q2 19 and were stable* (-9.7%) vs. H1 19.

In the **Insurance** business, operating expenses rose +4.2%* (+3.7%) vs. Q2 19 to EUR 84 million and +4.0%* (+3.8%) vs. H1 19.

In **Financial Services to Corporates**, operating expenses were down -8.6%* (-12.6%) vs. Q2 19 and -3.0%* (-7.1%) vs. H1 19.

Cost of risk

Q2 20: the commercial cost of risk amounted to 125 basis points (or EUR 418 million), vs. 38 basis points in Q2 19, which included net provision write-backs in the Czech Republic and Romania, and 67 basis points in Q1 20. The Q2 cost of risk includes EUR 144 million for the estimate of expected credit losses in Stage 1 and Stage 2, including EUR 135 million for the impact related to the review of macro-economic scenarios.
H1 20: the cost of risk stood at 96 basis points (EUR 647 million). It was 39 basis points in H1 19.

Contribution to Group net income

The contribution to Group net income totalled EUR 226 million in Q2 20 (-56.1%* vs. Q2 19) and EUR 591 million in H1 20 (-39.6%* vs. H1 19). Underlying RONE stood at 7.9% in Q2 20, vs. 18.9% in Q2 19, and 11.6% in H1 20, vs. 18.2% in H1 19.

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q2 20	Q2 19	Change		H1 20	H1 19	Change	
Net banking income	1,880	2,266	-17.0%	-17.3%*	3,507	4,505	-22.2%	-22.7%*
Operating expenses	(1,570)	(1,915)	-18.0%	-18.2%*	(3,547)	(3,941)	-10.0%	-10.3%*
Gross operating income	**310**	**351**	**-11.7%**	**-12.4%***	**(40)**	**564**	**n/s**	**n/s**
Net cost of risk	**(419)**	(33)	x 12.7	x 13.0*	**(761)**	(75)	x 10.1	x 10.1*
Operating income	**(109)**	**318**	**n/s**	**n/s**	**(801)**	**489**	**n/s**	**n/s**
Reported Group net income	**(67)**	**274**	**n/s**	**n/s**	**(604)**	**414**	**n/s**	**n/s**
RONE	-1.9%	7.1%			-8.6%	5.2%		
Underlying RONE (1)	***-3.3%***	***10.0%***			***-6.2%***	***8.9%***		

(1) Adjusted for the linearisation of IFRIC 21

Finalisation of the strategic review of structured products in Global Markets

The Group has finalised the strategic review carried out in Global Markets on structured products and has set three priorities:

- Maintaining its global leadership role in equity structured products and remaining a major player in investment solutions
- Reducing the risk profile on equity and credit structured products in order to decrease the sensitivity of Global Markets' revenues to market dislocations. This refocusing will have an impact on revenues of between EUR -200 million and EUR -250 million
- Improving the profitability of Global Markets by reducing the breakeven point through a net cost reduction of around EUR -450 million by 2022-2023.

Net banking income

Q2 20: Global Banking & Investor Solutions' revenues were down -17.0% at EUR 1,880 million.
H1 20: when adjusted for the impact of restructuring (activities in the process of being closed or scaled back) completed last year, the revaluation of SIX securities (EUR +66 million in H1) and the disposal of Private Banking in Belgium, net banking income was down -18.7% vs. H1 19 (and -22.2% on a reported basis).

In Global Markets & Investor Services, net income banking totalled EUR 991 million, down -28.1% vs Q2 19 adjusted for restructuring.
In H1 20, when adjusted for restructuring and the revaluation of SIX securities (EUR +34 million in Q1 19), revenues were down -30.8% vs. H1 19.

Fixed Income & Currencies enjoyed an very good Q2, in all regions. When restated for the impact of restructuring, revenues amounted to EUR 700 million and were substantially higher (+38.1%) than in Q2 19. They were driven by the healthy commercial momentum, particularly in financing, and by the exceptional number of primary issues. Flow activities (rates and credit) and emerging market activities continued to benefit from favourable market conditions. The Americas region performed particularly well in Q2 20.
In H1 20, revenues restated for restructuring were up +43.6% at EUR 1,309 million.

Equity net banking income declined by -79.5% vs. Q2 19. In April and May, structured product activities continued to be impacted by the cancellation of dividend payments (loss of EUR 200 million), a still strong correlation and strict production constraints. These activities saw a gradual recovery from mid-May.
Listed product revenues were significantly higher than in Q2 19, driven by flow investment solutions (notably due to EMC activities integration). This increase, combined with the strong performance of

equity flow activities, was not enough to offset the losses recorded on structured products at the beginning of the quarter.

Securities Services' assets under custody amounted to EUR 4,238 billion at end-June 2020, up +3.1% vs. end-March 2020. Over the same period, assets under administration were up +3.5% at EUR 599 billion. Securities Services' revenues totalled EUR 149 million in Q2 20, in line with Q1 20. They were down -16.8% vs. a strong Q2 19.

Financing & Advisory revenues totalled EUR 657 million in Q2 20, up +2.0% vs. Q2 19. They amounted to EUR 1,286 million in H1 20, slightly lower (-1.1%) than in H1 19.
Investment banking enjoyed an excellent quarter, driven by a record number of issues in the debt capital markets and buoyant acquisition financing activity. The Group therefore strengthens its leadership position in the European market.
Financing activities proved resilient in this environment impacted by the crisis. New business remained stable.
After a challenging Q1, the Asset Backed Products platform delivered a good performance in Q2, against the backdrop of a stabilisation in the market environment.
Global Transaction and Payment Services proved resilient in light of the crisis and a significant decline in volumes.

Asset and Wealth Management's net banking income totalled EUR 232 million in Q2 20, slightly higher (+0.4%) than in Q2 19.
In H1 20, when adjusted in Q1 19 for the revaluation of SIX securities (EUR +32 million) and for the disposal of Private Banking in Belgium, net banking income was 2.9% higher.

Private Banking posted a robust performance in Q2 20, driven by good transactional revenues in France and positive net inflow. Net banking income amounted to EUR 187 million in Q2 20, up +6.9% vs. Q2 19 (and +6.3% vs. Q1 20). Assets under management increased by +2.4% vs. March 2020, to EUR 114 billion. Private Banking posted net inflow of EUR 1.5 billion in H1 20, driven by France. Net banking income amounted to EUR 363 million in H1 20, up +5.5% vs. H1 19, when adjusted for the disposal of Private Banking in Belgium and the revaluation of SIX securities.

Lyxor posted a performance down -21.6% in Q2 20, impacted by the challenging market conditions. Lyxor's assets under management totalled EUR 132 billion at end-June 2020, an increase of +5.1% vs. March 2020. Lyxor is the first provider to launch an ETF ecosystem to tackle climate change, which further strengthens its leadership status in the Green Bonds segment.
Revenues were 5.3% lower in H1 20 than in H1 19, impacted by market effects on equity indices.

Operating expenses

Q2 20: when restated for the increase in the resolution fund (EUR +38 million) and the restructuring provision, recorded in Q2 19 for EUR 227 million, operating expenses were down -9.2% vs. Q2 19.
H1 20: restated operating expenses were down -6.8%.

Net cost of risk

Q2 20: the commercial cost of risk amounted to 95 basis points (or EUR 419 million), vs. 87 basis points in Q1 20 and 8 basis points in Q2 19. The Q2 cost of risk includes EUR 240 million related to Stages 1 and 2 (with EUR 176 million related to the review of macro-economic scenarios on the estimate of credit losses) and EUR 178 million related to Stage 3.
H1 20: the cost of risk amounted to 91 basis points (EUR 761 million).

Contribution to Group net income

The contribution to Group net income amounted to EUR -67 million in Q2 20 and to EUR -604 million in H1 20. Underlying RONE is negative on H1 20.

6. CORPORATE CENTRE

In EURm	Q2 20	Q2 19	H1 20	H1 19
Net banking income	(88)	(100)	(389)	(140)
Operating expenses	(78)	138	(183)	65
Gross operating income	**(166)**	**38**	**(572)**	**(75)**
Net cost of risk	-	(19)	-	(19)
Net profits or losses from other assets	-	(81)	(77)	(134)
Impairment losses on goodwill	(684)	-	(684)	-
Income tax	(598)	7	(450)	63
Reported Group net income	**(1,483)**	**(91)**	**(1,856)**	**(243)**

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR -88 million in Q2 20 vs. EUR -100 million in Q2 19 and EUR -389 million in H1 20 vs. EUR -140 million in H1 19.

Operating expenses totalled EUR -78 million in Q2 20 vs. EUR +138 million in Q2 19, which included an operating tax adjustment for EUR +241 million. They amounted to EUR -183 million in H1 20 vs. EUR +65 million in H1 19.

Gross operating income totalled EUR -166 million in Q2 20 vs. EUR +38 million in Q2 19 and EUR -572 million in H1 20 vs. EUR -75 million in H1 19.

Net profits or losses from other assets was nil in Q2 20 and amounted to EUR -77 million in H1 20, related to the application of IFRS 5 as part of the implementation of the Group's refocusing plan in Q1 20.

The review of the financial trajectory of Global Markets & Investor Services resulted in the impairment of the associated goodwill for EUR -684 million and deferred tax assets for EUR -650 million.

The Corporate Centre's contribution to Group net income was EUR -1,483 million in Q2 20 vs. EUR -91 million in Q2 19 and EUR -1,856 million in H1 20 vs. EUR -243 million in H1 19.

7. CONCLUSION

During H1 20, Societe Generale demonstrated its ability to absorb the impacts of the crisis due to the quality of its asset portfolio and the robustness of its balance sheet with, in particular, a capital level of 12.5%, or 350 basis points above the regulatory requirement.

Drawing on this solid base, the Group will continue to adapt its activities to the new post-COVID crisis environment, particularly in structured products, as well as its efforts to reduce costs in 2020 and in the medium term, through structural initiatives.

Accordingly, in 2020 the Group anticipates:

- underlying costs of around EUR 16.5 billion, substantially lower than in 2019 (EUR 17.4 billion)
- a cost of risk at the bottom of the range of between 70 to 100 basis points
- a CET1 ratio at the top of the range of between 11.5% and 12.0% at end-2020

Finally, Societe Generale is already preparing its 2021-2023 strategic plan based around its three priority objectives:

- further improving its capacity to place the customer at the centre of its activities
- ramping up our commitment in responsible finance to strengthen its leadership position
- increasing operational efficiency with the support of digital technologies

8. 2020 FINANCIAL CALENDAR

2020 Financial communication calendar

November 5th, 2020	Third quarter and nine-month 2020 results
February 10th, 2021	Fourth quarter and FY 2020 results
May 6th, 2021	First quarter 2021 results
August 3rd, 2021	Second quarter and first half 2021 results
November 4th, 2021	Third quarter and nine-month 2021 results

The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.

This document contains forward-looking statements relating to the targets and strategies of the Societe Generale Group.
These forward-looking statements are based on a series of assumptions, both general and specific, in particular the application of accounting principles and methods in accordance with IFRS (International Financial Reporting Standards) as adopted in the European Union, as well as the application of existing prudential regulations.
These forward-looking statements have also been developed from scenarios based on a number of economic assumptions in the context of a given competitive and regulatory environment. The Group may be unable to:
- anticipate all the risks, uncertainties or other factors likely to affect its business and to appraise their potential consequences;
- evaluate the extent to which the occurrence of a risk or a combination of risks could cause actual results to differ materially from those provided in this document and the related presentation.

Therefore, although Societe Generale believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to it or its management or not currently considered material, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in general economic activity and in Societe Generale's markets in particular, regulatory and prudential changes, and the success of Societe Generale's strategic, operating and financial initiatives.
More detailed information on the potential risks that could affect Societe Generale's financial results can be found in the Universal Registration Document filed with the French Autorité des Marchés Financiers.
Investors are advised to take into account factors of uncertainty and risk likely to impact the operations of the Group when considering the information contained in such forward-looking statements. Other than as required by applicable law, Societe Generale does not undertake any obligation to update or revise any forward-looking information or statements. Unless otherwise specified, the sources for the business rankings and market positions are internal.

9. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME AFTER TAX BY CORE BUSINESS

In EURm	Q2 20	Q2 19	Change	H1 20	H1 19	Change
French Retail Banking	60	356	-83.1%	279	590	-52.7%
International Retail Banking & Financial Services	226	515	-56.1%	591	979	-39.6%
Global Banking & Investor Solutions	(67)	274	n/s	(604)	414	n/s
Core Businesses	219	1,145	-80.9%	266	1,983	-86.6%
Corporate Centre	(1,483)	(91)	n/s	(1,856)	(243)	n/s
Group	(1,264)	1,054	n/s	(1,590)	1,740	n/s

CONSOLIDATED BALANCE SHEET

	30.06.2020	31.12.2019
Central banks	144,417	102,311
Financial assets at fair value through profit or loss	419,147	385,739
Hedging derivatives	21,845	16,837
Financial assets measured at fair value through other comprehensive income	55,606	53,256
Securities at amortised cost	14,877	12,489
Due from banks at amortised cost	55,292	56,366
Customer loans at amortised cost	458,500	450,244
Revaluation differences on portfolios hedged against interest rate risk	470	401
Investment of insurance activities	163,219	164,938
Tax assets	5,052	5,779
Other assets	77,196	68,045
Non-current assets held for sale	3,788	4,507
Investments accounted for using the equity method	106	112
Tangible and intangible assets	29,812	30,652
Goodwill	4,045	4,627
Total	**1,453,372**	**1,356,303**

	30.06.2020	31.12.2019
Central banks	2,980	4,097
Financial liabilities at fair value through profit or loss	405,113	364,129
Hedging derivatives	12,705	10,212
Debt securities issued	136,261	125,168
Due to banks	121,542	107,929
Customer deposits	444,470	418,612
Revaluation differences on portfolios hedged against interest rate risk	8,629	6,671
Tax liabilities	1,239	1,409
Other liabilities	94,115	85,062
Non-current liabilities held for sale	928	1,333
Liabilities related to insurance activities contracts	140,701	144,259
Provisions	4,348	4,387
Subordinated debts	14,662	14,465
Total liabilities	**1,387,693**	**1,287,733**
SHAREHOLDERS' EQUITY		
Shareholders' equity, Group share		
Issued common stocks, equity instruments and capital reserves	30,115	31,102
Retained earnings	32,457	29,558
Net income	(1,590)	3,248
Sub-total	**60,982**	**63,908**
Unrealised or deferred capital gains and losses	(323)	(381)
Sub-total equity, Group share	**60,659**	**63,527**
Non-controlling interests	5,020	5,043
Total equity	**65,679**	**68,570**
Total	**1,453,372**	**1,356,303**

10. APPENDIX 2: METHODOLOGY

1 – The financial information presented in respect of Q2 and H1 2020 was examined by the Board of Directors on July 31st, 2020 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. The limited review procedures carried out by the Statutory Auditors are in progress on the condensed interim consolidated financial statements as at June 30th, 2020.

2 – Net banking income

The pillars' net banking income is defined on page 43 of Societe Generale's 2020 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

3 – Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in note 8.1 to the Group's consolidated financial statements as at December 31st, 2019 (pages 423 et seq. of Societe Generale's 2020 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses.

The Cost/Income Ratio is defined on page 43 of Societe Generale's 2020 Universal Registration Document.

4 - IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

5 – Exceptional items – Transition from accounting data to underlying data

It may be necessary for the Group to present underlying indicators in order to facilitate the understanding of its actual performance. The transition from published data to underlying data is obtained by restating published data for exceptional items and the IFRIC 21 adjustment.

Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar for PEL/CEL provision allocations or write-backs. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

The reconciliation enabling the transition from published accounting data to underlying data is set out in the table below:

Q2 20 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Impairment losses on goodwill	Income Tax	Group net income	Business
Reported	**(3,860)**	**(1,279)**	**4**	**(684)**	**(658)**	**(1,264)**	
(+) IFRIC 21 linearisation	*(124)*				*58*	*(62)*	
*(-) Goodwill impairment**				*(684)*		*(684)*	*Corporate Centre*
*(-) DTA impairment**					*(650)*	*(650)*	*Corporate Centre*
Underlying	**(3,984)**	**(1,279)**	**4**	**0**	**50**	**8**	

H1 20 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Impairment losses on goodwill	Income Tax	Group net income	Business
Reported	**(8,538)**	**(2,099)**	**84**	**(684)**	**(612)**	**(1,590)**	
(+) IFRIC 21 linearisation	*353*				*(166)*	*179*	
*(-) Group refocusing plan**			*(77)*		*0*	*(77)*	*Corporate Centre*
*(-) Goodwill impairment**				*(684)*		*(684)*	*Corporate Centre*
*(-) DTA impairment**					*(650)*	*(650)*	*Corporate Centre*
Underlying	**(8,185)**	**(2,099)**	**161**	**0**	**(128)**	**0**	

Q2 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Group net income	Business
Reported	**(4,270)**	**(314)**	**(80)**	**1,054**	
(+) IFRIC 21 linearisation	*(138)*			*(101)*	
*(-) Restructuring provision**	*(256)*			*(192)*	*GBIS (EUR -227m) / IBFS (EUR -29m)*
*(-) Group refocusing plan**		*(18)*	*(84)*	*(102)*	*Corporate Centre*
Underlying	**(4,152)**	**(296)**	**4**	**1,247**	

H1 19 (in EURm)	Operating Expenses	Net cost of risk	Net profit or losses from other assets	Group net income	Business
Reported	**(9,059)**	**(578)**	**(131)**	**1,740**	
(+) IFRIC 21 linearisation	*303*			*222*	
*(-) Restructuring provision**	*(256)*			*(192)*	*GBIS (EUR -227m) / IBFS (EUR -29m)*
*(-) Group refocusing plan**		*(18)*	*(137)*	*(177)*	*Corporate Centre*
Underlying	**(8,500)**	**(560)**	**6**	**2,332**	

(*) exceptional item

6 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 45 and 574 of Societe Generale's 2020 Universal Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

	(In EUR m)	Q2 20	Q2 19	H1 20	H1 19
French Retail Banking	Net Cost Of Risk	442	129	691	223
	Gross loan Outstandings	207,517	192,896	204,328	192,159
	Cost of Risk in bp	**85**	**27**	**68**	**23**
International Retail Banking and Financial Services	Net Cost Of Risk	418	133	647	261
	Gross loan Outstandings	133,475	139,634	134,941	134,747
	Cost of Risk in bp	**125**	**38**	**96**	**39**
Global Banking and Investor Solutions	Net Cost Of Risk	419	33	761	75
	Gross loan Outstandings	175,673	164,162	166,868	164,512
	Cost of Risk in bp	**95**	**8**	**91**	**9**
Corporate Centre	Net Cost Of Risk	0	19	0	19
	Gross loan Outstandings	10,292	8,705	10,001	8,977
	Cost of Risk in bp	**3**	**86**	**3**	**42**
Societe Generale Group	Net Cost Of Risk	1,279	314	2,099	578
	Gross loan Outstandings	526,958	505,397	516,138	500,395
	Cost of Risk in bp	**97**	**25**	**81**	**23**

The **gross coverage ratio for doubtful outstandings** is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

7 - ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 45 and 46 of Societe Generale's 2020 Universal Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 46 of Societe Generale's 2020 Universal Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "interest net of tax payable on deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

ROTE calculation: calculation methodology

End of period	Q2 20	Q2 19	H1 20	H1 19
Shareholders' equity Group share	**60,659**	**62,492**	**60,659**	**62,492**
Deeply subordinated notes	(8,159)	(9,861)	(8,159)	(9,861)
Undated subordinated notes	(283)	(280)	(283)	(280)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	20	(39)	20	(39)
OCI excluding conversion reserves	(834)	(636)	(834)	(636)
Dividend provision		(717)		(717)
ROE equity end-of-period	**51,403**	**50,959**	**51,403**	**50,959**
Average ROE equity	**52,388**	**50,250**	**52,830**	**49,842**
Average Goodwill	(4,270)	(4,541)	(4,416)	(4,619)
Average Intangible Assets	(2,417)	(2,194)	(2,393)	(2,194)
Average ROTE equity	**45,701**	**43,515**	**46,021**	**43,029**
Group net Income (a)	**(1,264)**	**1,054**	**(1,590)**	**1,740**
Underlying Group net income (b)	**8**	**1,247**	**0**	**2,332**
Interest on deeply subordinated notes and undated subordinated notes (c)	(161)	(192)	(320)	(357)
Cancellation of goodwill impairment (d)	684	41	684	108
Ajusted Group net Income (e) = (a)+ (c)+(d)	**(741)**	**903**	**(1,227)**	**1,491**
Ajusted Underlying Group net Income (f)=(b)+(c)	**(153)**	**1,056**	**(321)**	**1,975**
Average ROTE equity (g)	**45,701**	**43,515**	**46,021**	**43,029**
ROTE [quarter: (4*e/g), 6M: (2*e/g)]	-6.5%	8.3%	-5.3%	6.9%
Average ROTE equity (underlying) (h)	**46,973**	**43,612**	**47,611**	**43,325**
Underlying ROTE [quarter: (4*f/h), 6M: (2*f/h)]	-1.3%	9.7%	-1.3%	9.1%

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EURm	T2-20	T2-19	Variation	S1-20	S1-19	Variation
French Retail Banking	11,460	11,306	+1.4%	11,321	11,281	+0.4%
International Retail Banking & Financial Services	10,820	11,051	-2.1%	10,708	11,336	-5.5%
Global Banking & Investor Solutions	14,453	15,543	-7.0%	14,024	16,064	-12.7%
Core Businesses	36,733	37,900	-3.1%	36,053	38,681	-6.8%
Corporate Centre	15,655	12,350	+26.8%	16,777	11,162	+50.3%
Group	52,388	50,250	+4.3%	52,830	49,842	+6.0%

8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 48 of the Group's 2020 Universal Registration Document. The items used to calculate them are presented below:

End of period	H1 20	Q1 20	2019	H1 19
Shareholders' equity Group share	**60,659**	**62,580**	**63,527**	**62,492**
Deeply subordinated notes	(8,159)	(8,258)	(9,501)	(9,861)
Undated subordinated notes	(283)	(288)	(283)	(280)
Interest, net of tax, payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	20	1	4	(39)
Bookvalue of own shares in trading portfolio	335	381	375	431
Net Asset Value	**52,572**	**54,416**	**54,122**	**52,743**
Goodwill	(3,928)	(4,611)	(4,510)	(4,548)
Intangible Assets	(2,458)	(2,376)	(2,362)	(2,226)
Net Tangible Asset Value	**46,186**	**47,429**	**47,250**	**45,969**
Number of shares used to calculate NAPS**	**851,133**	**851,133**	**849,665**	**844,026**
Net Asset Value per Share	**61.8**	**63.9**	**63.7**	**62.5**
Net Tangible Asset Value per Share	**54.3**	**55.7**	**55.6**	**54.5**

*** The number of shares considered is the number of ordinary shares outstanding as at June 30th, 2020, excluding treasury shares and buybacks, but including the trading shares held by the Group.*
In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 - Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 47 of Societe Generale's 2020 Universal Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE. As specified on page 47 of Societe Generale's 2020 Universal Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).
The calculation of Earnings Per Share is described in the following table:

Average number of shares (thousands)	H1 20	Q1 20	2019	H1 19
Existing shares	**853,371**	**853,371**	**834,062**	**821,189**
Deductions				
Shares allocated to cover stock option plans and free shares awarded to staff	2,728	2,972	4,011	4,214
Other own shares and treasury shares			149	249
Number of shares used to calculate EPS**	**850,643**	**850,399**	**829,902**	**816,726**
Group net Income	**(1,590)**	**(326)**	**3,248**	**1,740**
Interest on deeply subordinated notes and undated subordinated notes	(320)	(159)	(715)	(357)
Capital gain net of tax on partial buybacks				
Adjusted Group net income	**(1,910)**	**(485)**	**2,533**	**1,383**
EPS (in EUR)	**-2.25**	**-0.57**	**3.05**	**1.69**
Underlying EPS* (in EUR)	**-0.38**	**-0.07**	**4.03**	

* Excluding exceptional items and including linearisation of the IFRIC 21 effect.
** The number of shares considered is the number of ordinary shares outstanding as at June 30th, 2020, excluding treasury shares and buybacks, but including the trading shares held by the Group.

10 - The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules. The fully-loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is calculated according to applicable CRR/CRD4 rules including the provisions of the delegated act of October 2014.

Table of the change in the CET1 ratio in the quarter

In bp	
CET1 as at 31/3/2020	**12.6%**
Own funds evolution	**-7bp**
Organic RWAs change* of which	**-15bp**
RWAs of businesses	+2bp
Non-guaranteed part of State-Guaranteed loans	-4bp
Rating migration	-8bp
Corporates credit line drawdowns	-5bp
SME supporting factor	**+14bp**
Effect of waiting period on State-guaranteed loans (based on an assumption of a final loan guarantee rate of approximately 90%)	**-27bp**
Quick fix BCE Of which	**+12bp**
VaR/sVaR multiplicator	+7bp
PVA transitional provision	+5bp
CET1 as at 30/06/2020	**12.3%**
Phasing IFRS 9	+20bp
CET1 as at 30/06/2020 including IFRS9 phasing	**12,5%**

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth. Committed to the positive transformations of the world's societies and economies, Societe Generale and its teams seek to build, day after day, together with its clients, a better and sustainable future through responsible and innovative financial solutions.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 138,000 members of staff in 62 countries and supports on a daily basis 29 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking which encompasses the Societe Generale**, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates,** with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Euronext Vigeo (World, Europe and Eurozone), four of the STOXX ESG Leaders indices, and the MSCI Low Carbon Leaders Index.

For more information, you can follow us on Twitter @societegenerale or visit our website www.societegenerale.com

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REGISTERED OFFICE OF THE ISSUER

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