



ALIBABA.COM LIMITED

阿里巴巴網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1688)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2008

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Six months ended June 30,		Change
	2008	2007	
Revenue (RMB million)	1,415.2	957.7	+47.8%
Profit attributable to equity owners (RMB million)	697.2	295.2	+136.2%
Earnings per share, basic (HK\$)	15.24 cents	6.18 cents	+146.6%
Earnings per share, diluted (HK\$)	15.23 cents	6.18 cents	+146.4%
Registered users	32,523,290	24,554,913	+32.5%
<i>International marketplace</i>	5,614,887	3,621,623	+55.0%
<i>China marketplace</i>	26,908,403	20,933,290	+28.5%
Storefronts	3,770,614	2,447,309	+54.1%
<i>International marketplace</i>	802,286	595,834	+34.6%
<i>China marketplace</i>	2,968,328	1,851,475	+60.3%
Paying Members ⁽¹⁾	368,006	255,553	+44.0%
<i>Gold Supplier</i>	29,766	22,018	+35.2%
<i>International TrustPass</i>	13,912	10,959	+26.9%
<i>China TrustPass</i>	324,328	222,576	+45.7%

(1) Includes paying members with active storefront listings on our international and China marketplaces as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.

UNAUDITED CONSOLIDATED INTERIM RESULTS

The directors (“our Directors”) of Alibaba.com Limited (our “Company”) are pleased to announce the unaudited consolidated results of our Company and subsidiaries (“we”, “us” or our “Group”) for the six months ended June 30, 2008, together with the comparative audited figures for the corresponding period in 2007. The financial statements for the first six months of 2008 have been reviewed by our audit committee and, by our auditors, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Accounting Standards Committee. The auditors’ review report will be included in the Interim Report.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2008

	Notes	Unaudited Six months ended June 30, 2008 RMB'000	Audited Six months ended June 30, 2007 RMB'000 (Note 14)
Revenue			
- International marketplace	4	933,522	696,751
- China marketplace	4	481,643	260,965
Total revenue		1,415,165	957,716
Cost of revenue		(170,564)	(122,717)
Gross profit		1,244,601	834,999
Sales and marketing expenses		(442,505)	(307,428)
Product development expenses		(74,049)	(58,278)
General and administrative expenses		(149,119)	(88,432)
Other operating income	5	72,074	691
Profit from operations	6	651,002	381,552
Finance income, net	7	163,621	18,198
Profit before income taxes		814,623	399,750
Income tax charges	8	(117,444)	(104,543)
Profit attributable to equity owners of our Company		697,179	295,207
		-	-
Dividends	9		
Earnings per share, basic (RMB)	10	RMB13.80 cents	RMB6.12 cents
Earnings per share, diluted (RMB)	10	RMB13.79 cents	RMB6.12 cents
Earnings per share, basic (HK\$ equivalent)	10	HK\$15.24 cents	HK\$6.18 cents
Earnings per share, diluted (HK\$ equivalent)	10	HK\$15.23 cents	HK\$6.18 cents

CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2008

	Notes	Unaudited June 30, 2008 RMB'000	Audited December 31, 2007 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		28,795	29,088
Property and equipment		232,002	158,992
Interests in associated companies		48,195	-
Deferred tax assets		263,452	260,311
Prepayments, deposits and other receivables		21,282	27,067
Deferred costs	11	12,727	10,767
Total non-current assets		606,453	486,225
Current assets			
Amounts due from related companies		20,024	26,320
Prepayments, deposits and other receivables		112,984	48,143
Deferred costs		231,392	219,229
Term deposits with original maturities of over three months	12	3,590,000	952,382
Cash and cash equivalents	12	2,182,480	4,321,170
Total current assets		6,136,880	5,567,244
Total assets		6,743,333	6,053,469
EQUITY			
Capital and reserves			
Share capital		486	486
Share premium		2,995,609	2,893,132
Capital reserve		(55,787)	(55,787)
Exchange reserve		(1,612)	20,357
Statutory reserves		177,104	119,615
Retained earnings		1,274,968	635,278
Total equity		4,390,768	3,613,081

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED) AS OF JUNE 30, 2008

	Notes	Unaudited June 30, 2008 RMB'000	Audited December 31, 2007 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred revenue	13	89,750	70,194
Current liabilities			
Deferred revenue and customer advances	13	1,898,080	1,849,655
Trade payables		11,538	12,883
Amounts due to related companies		26,315	17,039
Other payables and accruals		260,641	337,085
Current income tax liabilities		60,876	153,532
Derivative financial instruments		5,365	-
Total current liabilities		2,262,815	2,370,194
Total liabilities		2,352,565	2,440,388
Total equity and liabilities		6,743,333	6,053,469
Net current assets		3,874,065	3,197,050
Total assets less current liabilities		4,480,518	3,683,275

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2008

	Unaudited Six months ended June 30, 2008 RMB'000	Audited June 30, 2007 RMB'000
Net cash generated from operating activities	590,926	564,407
Net cash used in investing activities	(2,664,522)	(245,379)
Net cash used in financing activities	(63,021)	(195,909)
Net (decrease)/increase in cash and cash equivalents	(2,136,617)	123,119
Cash and cash equivalents at beginning of period	4,321,170	437,804
Effect of exchange rate for the period	(2,073)	(35)
Cash and cash equivalents at end of period	2,182,480	560,888
Analysis of balances of cash and cash equivalents:		
Cash at banks and on hand	1,724,456	390,400
Term deposits and short-term highly liquid investments with initial term of three months or less	458,024	170,488
	2,182,480	560,888

1 General information

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on September 20, 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and reissued) of the Cayman Islands. Our Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited.

Our Group is principally engaged in the provision of software, technology and other services on the online business-to-business (“B2B”) marketplaces with the uniform resource locators www.alibaba.com and www.alibaba.com.cn and under the trade name “Alibaba” (the “B2B services”).

This condensed consolidated interim financial information (the “Interim Financial Statements”) has been approved for issue by our board of directors on August 27, 2008.

2 Basis of preparation

The Interim Financial Statements were prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Statements” issued by the International Accounting Standards Board.

The Interim Financial Statements should be read in conjunction with our annual consolidated financial statements for the year ended December 31, 2007 (the “2007 Financial Statements”) as set out in our 2007 annual report dated March 18, 2008. The 2007 Financial Statements were prepared in accordance with International Financial Reporting Standards (“IFRS”).

Except as described below in Note 2.1, the accounting policies adopted in the preparation of the Interim Financial Statements were consistent with those set out in the 2007 Financial Statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group’s accounting policies. Those areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial statements, were detailed in the 2007 Financial Statements.

We have adopted the following new/revised IFRS standards and interpretations effective from our accounting periods commencing January 1, 2008:

		Effective for annual periods <u>beginning on or after</u>
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	Service Concession Arrangements	January 1, 2008
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	January 1, 2008

The adoption of the above new/revised IFRS standards and interpretations did not have any impact on our Interim Financial Statements and has not led to any changes in our accounting policies.

2 Basis of preparation (Continued)

The following new standards, interpretations and amendments to the existing standards have been published but are not effective for the financial year beginning January 1, 2008:

		Effective for annual periods <u>beginning on or after</u>
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IAS 1 (Revised)	Presentation of Financial Statements	January 1, 2009
IAS 23 (Revised)	Borrowing Costs	January 1, 2009
IAS 32 and IAS 1 Amendment	Puttable Financial Instruments and Obligations arising on Liquidation	January 1, 2009
IFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations	January 1, 2009
IFRS 8	Operating Segments	January 1, 2009
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements	July 1, 2009
IFRS 3 (Revised)	Business Combination	July 1, 2009

We have not early adopted any of the above new standards, interpretations and amendments to the existing standards. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on our results of operations and financial positions.

2.1 Associated companies

Associated companies are entities over which we have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associated companies are accounted for using the equity method of accounting and are initially recognized at cost.

Our share of associated companies' post-acquisition profits or losses is recognized in the income statement, and our share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When our share of losses in an associated company equals or exceeds our interest in the associated company, including any other unsecured receivables, we do not recognize further losses unless we have incurred obligations or made payments on behalf of the associated company.

2.2 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of these derivative instruments which do not qualify for hedge accounting are recognized immediately in the income statement.

3 Segment information

In the respective periods presented, we had one single business segment: the provision of the B2B services. Although the B2B services consist of the operations of our international marketplace and our China marketplace, we consider that these underlying marketplaces are subject to similar risks and returns. Therefore, we have only relied on the reported revenue associated from these underlying marketplaces in making financial decisions and allocating resources, and significant costs incurred associated with the revenue generated cannot be separately identified by marketplaces. In addition, substantially all of our revenue was generated in the People's Republic of China (the "PRC"). Accordingly, no business or geographical segment information is presented.

4 Revenue

	Unaudited Six months ended June 30, 2008 RMB'000	Audited Six months ended June 30, 2007 RMB'000 (Note 14)
International marketplace		
Gold Supplier	900,159	680,252
International TrustPass	18,276	15,146
Other revenue ⁽ⁱ⁾	15,087	1,353
	<u>933,522</u>	<u>696,751</u>
China marketplace		
China TrustPass	454,576	258,422
Other revenue ⁽ⁱⁱ⁾	27,067	2,543
	<u>481,643</u>	<u>260,965</u>
	<u><u>1,415,165</u></u>	<u><u>957,716</u></u>

(i) Other revenue earned with respect to the international marketplace mainly represents commission income from Alibaba Software (Shanghai) Co., Ltd, a subsidiary of our Company's controlling shareholder, for cross-selling of Alisoft Export Edition to our customers.

(ii) Other revenue earned with respect to the China marketplace mainly represents advertising fees paid by third party advertisers, some of which were earned through an agency arrangement with a subsidiary of our Company's controlling shareholder.

5 Other operating income

	Unaudited Six months ended June 30, 2008 RMB'000	Audited Six months ended June 30, 2007 RMB'000
Gain on disposal of Japan operation ⁽ⁱ⁾	41,281	-
Government grants ⁽ⁱⁱ⁾	16,570	-
Reimbursement from fellow subsidiaries ⁽ⁱⁱⁱ⁾	7,984	-
Others	6,239	691
	<u>72,074</u>	<u>691</u>

(i) Alibaba.com Japan Co., Ltd. ("Alibaba Japan"), our wholly-owned subsidiary before the transaction mentioned below, engages in the provision of Japanese language B2B services on a site with the uniform resource locator www.alibaba.co.jp. On May 30, 2008, we entered into an agreement with SOFTBANK CORP. ("SOFTBANK") under which SOFTBANK made a cash investment into Alibaba Japan for a 64.7% interest. As a result of the disposal of the Japanese business, a gain, net of related expenses, of RMB41,281,000 was recognized in other operating income. Our Group and SOFTBANK will continue to develop our Japanese B2B marketplace via Alibaba Japan.

(ii) Alibaba (China) Technology Co., Ltd. ("Alibaba China"), our wholly-owned subsidiary, received grants from government authorities in the PRC of RMB16,570,000 in relation to technology development in the PRC (2007: Nil).

(iii) Reimbursement from fellow subsidiaries represented amounts received for the provision of administrative and technology services, and sharing of office space. The reimbursement charges were calculated based on actual cost incurred or actual cost incurred plus a certain margin.

6 Profit from operations

Profit from operations is stated after crediting/charging the following:

	Unaudited Six months ended June 30, 2008 RMB'000	Audited Six months ended June 30, 2007 RMB'000
Crediting:		
Gain on disposal of the Japan operation (Note 5 (i))	41,281	-
Gain on disposals of property and equipment	662	-
	<u> </u>	<u> </u>
Charging:		
Staff costs	494,356	332,335
Operating lease rentals	25,335	18,342
Depreciation expense of property and equipment	37,468	27,309
Amortization of lease prepayment	293	-
Loss on disposals of property and equipment	-	4
Auditors' remuneration	1,179	965
	<u> </u>	<u> </u>

7 Finance income, net

	Unaudited Six months ended June 30, 2008 RMB'000	Audited Six months ended June 30, 2007 RMB'000 <small>(Note 14)</small>
Interest income	127,514	17,699
Exchange gain, net	36,107	499
	<u> </u>	<u> </u>
	<u>163,621</u>	<u>18,198</u>

8 Income tax charges

	Unaudited Six months ended June 30, 2008 RMB'000	Audited Six months ended June 30, 2007 RMB'000
PRC current tax charge	120,585	101,785
Deferred tax (credit)/charge	(3,141)	2,758
	<u> </u>	<u> </u>
	<u>117,444</u>	<u>104,543</u>

Income tax expense is recognized based on management's best estimate of the projected full year annual effective income tax rate.

8 Income tax charges (Continued)

PRC Enterprise Income Tax ("EIT")

Current income tax charge primarily represents the provision for EIT for subsidiaries operating in the PRC. These subsidiaries are subject to EIT on their taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant tax laws and regulations in the PRC.

Pursuant to the tax laws and regulations for taxable years prior to January 1, 2008, entities incorporated in the PRC were subject to EIT at a statutory rate of 33% (30% national EIT plus 3% local income tax), or reduced national EIT rates for certain high and new technology enterprises or software development companies, on PRC taxable income. In 2007, Alibaba China, our major operating entity, was qualified for the 15% reduced statutory rate on national EIT as a high and new technology enterprise. In 2007, pursuant to PRC Income Tax Law on Foreign Invested Enterprises and Foreign Enterprises, the relevant PRC tax authorities exempted Alibaba China from the 3% local income tax for the year ended December 31, 2007, reducing the applicable tax rate of Alibaba China in 2007 to 15%.

On March 16, 2007, the National People's Congress approved the PRC Enterprise Income Tax Law (the "New EIT Law"). The New EIT Law, which became effective from January 1, 2008, unifies the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25%. In addition, among others, the New EIT Law provides for a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). In December 2007, Alibaba China obtained a certificate issued by the Science and Technology Department of Zhejiang Province confirming Alibaba China's status as a high and new technology enterprise. This certificate is valid for a period of two years from the date of issuance. In addition, our management has conducted research and consulted relevant third parties as well as performed certain due diligence procedures to confirm the view of our board of directors that Alibaba China will obtain its formal HNTE designation in 2008 under the New EIT Law upon the completion of certain administrative approval procedures. Consequently, Alibaba China used 15% in the computation of deferred taxes as of June 30, 2008 and the current income tax charge for the six months then ended.

9 Dividends

	Unaudited Six months ended June 30, 2008 RMB'000	Audited 2007 RMB'000
Dividends	-	-

10 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity owners of our Company by the weighted average numbers of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue for the period ended June 30, 2007, a total of 4,825,000,000 ordinary shares were deemed to be in issue since January 1, 2007.

	Unaudited Six months ended June 30, 2008	2007
Profit for the period attributable to equity owners of our Company (RMB'000)	697,179	295,207
Weighted average number of ordinary shares in issue (thousand shares)	5,052,357	4,825,000
Earnings per share, basic (RMB)	RMB13.80 cents	RMB6.12 cents
Earnings per share, basic (HK\$ equivalent) ⁽ⁱ⁾	HK\$15.24 cents	HK\$6.18 cents

10 Earnings per share (Continued)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period on the assumption that potentially dilutive share options granted by our Company (collectively forming the denominator for computing the diluted earnings per share) are converted into ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of our Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares so calculated is compared against the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings (the numerator).

	Unaudited	
	Six months ended June 30,	
	2008	2007
Profit for the period attributable to equity owners of our Company (RMB'000)	697,179	295,207
Weighted average number of ordinary shares in issue (thousand shares)	5,052,357	4,825,000
Adjustments for share options (thousand shares)	3,793	-
	<hr/>	<hr/>
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	5,056,150	4,825,000
Earnings per share, diluted (RMB)	<u>RMB13.79 cents</u>	<u>RMB6.12 cents</u>
Earnings per share, diluted (HK\$ equivalent) (i)	<u>HK\$15.23 cents</u>	<u>HK\$6.18 cents</u>

(i) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.9056 to HK\$1.0000 for the first half of 2008 (first half of 2007: RMB0.9896 to HK\$1.0000). No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars or vice versa, at that rate, or at any rates or at all.

11 Deferred costs

Upon the receipt of service fees from paying members, we are obligated to pay certain costs related to the receipt of such service fees which primarily comprise sales commissions and certain employee benefits to salesmen. The service fees are initially deferred and recognized in the income statement in the period in which the services are rendered (Note 13). As such, the related costs are also initially deferred and recognized in the income statement in the same period as the related service fees are recognized.

12 Cash and bank balance

	Unaudited	Audited
	June 30,	December 31,
	2008	2007
	RMB'000	RMB'000
Cash at banks and on hand	1,724,456	1,566,907
Term deposits and short-term highly liquid investments with initial term of three months or less	458,024	2,754,263
Term deposits with original maturities of over three months	3,590,000	952,382
	<hr/>	<hr/>
	<u>5,772,480</u>	<u>5,273,552</u>

13 Deferred revenue and customer advances

Deferred revenue and customer advances represent service fees prepaid by paying members for which the relevant services have not been rendered. The respective balances were as follows:

	Unaudited June 30, 2008 RMB'000	Audited December 31, 2007 RMB'000
Customer advances	344,375	475,391
Deferred revenue	1,643,455	1,444,458
	1,987,830	1,919,849
Less: current portion	(1,898,080)	(1,849,655)
Non-current portion	89,750	70,194

All service fees received in advance are initially recorded as customer advances. These amounts are transferred to deferred revenue upon commencement of the rendering of our services. In general, service fees received in advance are non-refundable after such amounts are transferred to deferred revenue.

14 Comparatives

Comparatives figures have been reclassified to conform to the presentation of current period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economy is facing a more difficult set of circumstances than it has in some years. The financial problems that began last year in the US sub-prime mortgage market are spreading economic maladies to other major economies. Changes brought about by macro factors in this region, such as the global economic slowdown, rising energy and raw material prices, appreciation of the Renminbi and inflation, have made it more difficult for some of our customers to conduct business. Despite the multiple challenges that we are facing, we made significant progress in our business development and achieved good growth in revenue and profitability in both of our marketplaces in the first six months of 2008.

Our network effect continued to strengthen and we continue to see steady growth in registered users, storefronts and paying members, reinforcing our leading position in the industry.

While growth in Gold Supplier members has slowed down, sentiment for domestic trade in Mainland China remains strong as demonstrated by the continued growth in the number of our China TrustPass members.

As of June 30, 2008, we had 32.5 million registered users, 3.8 million storefronts and a total of 368,006 paying members in our two marketplaces.

International marketplace

The number of registered users in our international marketplace increased substantially by 1,993,264 from 3,621,623 as of June 30, 2007 to 5,614,887 as of June 30, 2008, and the number of storefronts grew from 595,834 to 802,286.

International marketplace operating data

	As of December 31			As of June 30	
	2005	2006	2007	2007	2008
Registered users	1,949,741	3,115,153	4,405,557	3,621,623	5,614,887
Storefronts	292,414	514,891	697,563	595,834	802,286
Paying members ⁽¹⁾	19,983	29,525	39,536	32,977	43,678
Gold Supplier members	12,192	18,682	27,384	22,018	29,766
International TrustPass members	7,791	10,843	12,152	10,959	13,912

(1) Includes paying members with active storefront listings, as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.

International marketplace – Geographic distribution of registered users (other than Mainland China) as of June 30, 2008

Country or region	Number of registered users in country or region	Percentage of total registered users of our international marketplace
1. United States	967,991	17.2%
2. India	539,910	9.6%
3. European Union ⁽¹⁾	511,021	9.1%
4. United Kingdom	323,495	5.8%
5. Canada	149,965	2.7%

(1) Excludes the United Kingdom.

Gold Supplier

The number of our Gold Supplier members increased by 7,748, from 22,018 as of June 30, 2007 to 29,766 as of June 30, 2008.

Growth in Gold Supplier membership during the reporting period was relatively slow. This was due to a mix of both macroeconomic factors and the operational changes we introduced in the first quarter of 2008.

In the past few months, we began to feel the delayed effect from the slowdown of the macro economy in broader categories. As overall market response became more cautious, some small and medium-sized enterprises (SMEs) delayed their initial subscription or renewal decisions. This resulted in a slower membership acquisition and a prolonged retention process during the period under review.

To achieve a higher level of customer satisfaction and sales efficiency in the international marketplace over the long-term, we began to restructure our Gold Supplier sales force in the first quarter of 2008. The sales force is now re-arranged into two teams focusing on customer acquisition and customer retention, respectively. The sales team transition was completed in the second quarter, and we expect the benefits of the move to be realized as the overall operating environment improves.

We continued to see steady usage of our value-added services. As discussed in our 2007 annual report, since paying customers in the newly developed sales areas may start with the basic membership package before purchasing value-added services, and the fact that new sales areas have contributed more to the membership growth, the average spending per paying customer has slightly decreased during the period under review.

International TrustPass

International TrustPass (ITP) growth was in line with our expectations for the first half of 2008. The number of International TrustPass members increased by 2,953 from 10,959 as of June 30, 2007 to 13,912 as of June 30, 2008.

Overseas expansion

In a continuing drive to expand our global operations and further diversify our revenue sources beyond Mainland China, we pursued new initiatives for development in India, Japan and Taiwan in the first half of 2008.

We entered into a strategic partnership in April 2008 with Infomedia India Limited, one of the largest B2B media companies in India. This partnership will combine our own expertise in e-commerce and Infomedia's reach and relationships with Indian SMEs. In May 2008, we formed a joint venture with SOFTBANK CORP. to take over the operation of Alibaba.com's existing Japanese-language website (www.alibaba.co.jp) focusing on Japan's cross-border trade. As a result, we have seen a significant increase in the number of users from Japan. We also opened a new sales office in Taiwan and in July 2008 started operations to meet the more sophisticated demand of Taiwanese suppliers. We plan to introduce Gold Supplier membership in this region.

The above globalization initiatives have just started, and they are all strategic projects that we expect will bring financial return over the long-term.

China marketplace

Our China marketplace continued to enjoy robust growth in the first half of 2008 in line with the increased penetration of the Internet in China. As of June 30, 2008, we had a total of 26,908,403 registered users, 2,968,328 storefronts and 324,328 China TrustPass members. This represents a net increase of 5,975,113 registered users and 101,752 paying members since June 30, 2007.

China TrustPass

In the first half of 2008, China marketplace constituted 34.0% of total revenue and surpassed 36.1 % in the second quarter, a significant increase when compared to a 27.2% contribution to total revenue in the first half of 2007. This increase suggests that our revenue emphasis is shifting to the China marketplace and that it is gaining in importance in the overall context. The net increase in China TrustPass members was 38,291 in the second quarter of 2008. This net increase is higher than any preceding quarter.

We attribute the strong growth in China TrustPass members to the enhanced network effect which is due to both external and internal factors. Externally, the increased Internet penetration in China and a continued strong sentiment in domestic trade and strong domestic consumption have driven the growth in our China TrustPass business. Internally, we saw improvements in our own sales team's performance, and customer acquisition through resellers has also grown satisfactorily. The sales of value-added services such as keyword bidding and premium placements also recorded healthy growth. In addition, the introduction of our new product "China TrustPass for Individuals" contributed in part to the strong performance of our overall China TrustPass membership growth in the second quarter.

With the requirement for buyers to become registered users being relaxed, we saw the number of our registered users grow at a slower pace. This factor notwithstanding, user traffic continued to increase significantly.

China marketplace operating data

	As of December 31			As of June 30	
	2005	2006	2007	2007	2008
Registered users	9,019,214	16,649,073	23,194,402	20,933,290	26,908,403
Storefronts	1,002,768	1,557,874	2,259,283	1,851,475	2,968,328
China TrustPass members ⁽¹⁾	121,631	189,573	266,009	222,576	324,328

(1) Includes paying members with active storefront listings, as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.

New products

China TrustPass for Individuals

In June 2008, we announced the launch of "China TrustPass for Individuals", a new product tailored for individual business people. This market segment was almost untapped in the past but we believe there is good potential for growth. China TrustPass individual version requires members to pass the authentication and verification process. Currently priced at RMB2,300 per year, China TrustPass individual customers are ranked higher than free members but below China TrustPass corporate customers on our marketplace. The launch of this new product is in line with our strategy to further lower the SME's entry barrier to e-commerce, expand and monetize our fast-growing China marketplace.

As of June 30, 2008, we had over 10,000 registered paying members for this new China TrustPass product.

Winport

Consistent with our strategic plan to build and improve the Internet infrastructure for SMEs in China and the Alibaba ecosystem, in April 2008 we launched a new product “Winport” on our China marketplace. Winport helps SMEs build their own Internet presence through our marketplace. This service provides our members with domain names, massive capacity corporate email accounts, unlimited product listings and customized storefronts, as well as certain CRM tools for collecting and analyzing user behavior. Winport is currently under free trial by our free users and paying members. We believe this service will further increase the stickiness of our marketplace while potentially providing us with additional revenue in the future. Since its launch in April 2008, we have seen an encouraging response in sign-up for the service. Looking ahead, we will continue to help lower the entry barriers for SMEs to do business online.

Value-added services and other revenue

We saw positive signs in the growth of revenue from the value-added services we offer in our China marketplace. In addition, we saw encouraging growth in customer usage of keyword bidding and premium placements. In the first quarter of 2008, seeing the increased demand from customers, we raised the base price for keyword bidding from RMB300 to RMB500 per standard keyword. This increase facilitated the further monetization of our service offering. Looking ahead, we believe that the penetration and usage of value-added services will continue to grow. That notwithstanding, due to the lower price of “China TrustPass for Individuals” mentioned above, the overall average spending of China TrustPass members may be slightly diluted in the short-term.

In the first half of 2008, we also saw significant growth in the sales of branded advertisements on our China marketplace. This growth was reflected in an increased demand for online advertising space.

Sales and customer service

As of June 30, 2008, we had over 2,200 field sales people for Gold Supplier membership, 900 telephone sales people for China TrustPass membership, and over 600 customer service staff. Our sales force is an important asset to further expand our reach to potential customers.

FINANCIAL REVIEW

We had **total revenue** of RMB1,415.2 million in the first half of 2008, representing a 47.8% increase from the same period of 2007. The increase was driven mainly by an increase in the number of paying members of our combined marketplaces as well as an increased spending by our paying members of the China marketplace.

We had 368,006 **paying members** as of June 30, 2008, representing a 44.0% increase from June 30, 2007.

Revenue from our international marketplace increased to RMB933.5 million in the period, a 34.0% increase compared to the same period in 2007. The growth was primarily due to an increase in the number of Gold Supplier members and sales of value-added services. In addition, we recognized other revenue of RMB15.1 million from the cross-selling of Alisoft Export Edition during the period (2007: RMB1.4 million).

Revenue from our China marketplace increased to RMB481.6 million in the period, an 84.6% increase compared to the same period in 2007. The growth reflected the increased number of paying members as well as increased average spending per member.

Gross profit increased to RMB1,244.6 million, up 49.1% from RMB835.0 million in the first half of 2007. Our **gross margin** improved to 87.9% in the period, compared to 87.2% in the same period last year.

Total operating expenses were RMB665.7 million in the period, representing a 46.6% increase from RMB454.1 million in the same period last year. The increase was due to the expansion of our operations to support the continued growth of our business.

Profit from operations (which represents profit from operations after deducting share-based compensation expense) in the period was RMB651.0 million, representing a 70.6% increase. Our **operating profit margin** increased to 46.0% in the period from 39.8% in the same period last year. The increase was mainly attributable to the growth of other operating income and the benefits of economy of scale during the period.

Profit from operations before share-based compensation expense (non-GAAP) was RMB745.1 million for the period, up 70.9%. **Operating margin excluding share-based compensation expense** (non-GAAP) increased to 52.7% in the period from 45.5% in the same period of 2007 due to the reasons stated above.

During the period, we generated **net finance income** of RMB163.6 million, an increase of RMB145.4 million, due to higher interest income and exchange gain through our effective treasury management.

Income tax charges increased to RMB117.4 million in the first half of 2008, up 12.3% from RMB104.5 million in the first six months of 2007. This increase was primarily due to the increase in taxable profit from our operations in China. In the first six months of 2007 and 2008, our effective tax rates were 26.2% and 14.4%, respectively. Our effective tax rate was lower in the period mainly because we derived a significant portion of our interest income from deposits outside China and it was not subject to income tax.

Substantially all of our income tax charges in the first half of 2007 and 2008 were related to PRC income tax incurred by our major operating subsidiary, Alibaba China. Each of Alibaba China and our other subsidiaries incorporated in China is subject to EIT on its taxable income as reported in its statutory financial statements prepared under accounting principles generally accepted in China and adjusted in accordance with the relevant tax laws and regulations in China. Pursuant to the tax laws and regulations for taxable years prior to January 1, 2008, entities incorporated in the PRC were subject to EIT at a statutory rate of 33% (30% national EIT plus 3% local income tax), or reduced national EIT rates for certain high and new technology enterprises or software development companies, on PRC taxable income. In 2007, Alibaba China, our major operating entity, was qualified for the 15% reduced statutory rate on national EIT as a high and new technology enterprise. In 2007, pursuant to PRC Income Tax Law on Foreign Invested Enterprises and Foreign Enterprises, the relevant PRC tax authorities exempted Alibaba China from the 3% local income tax for the year ended December 31, 2007, reducing the applicable tax rate of Alibaba China in 2007 to 15%.

On March 16, 2007, the National People's Congress approved the PRC Enterprise Income Tax Law (the "New EIT Law"). The New EIT Law, which became effective from January 1, 2008, unifies the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25%. In addition, among others, the New EIT Law provides for a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). In December 2007, Alibaba China obtained a certificate issued by the Science and Technology Department of Zhejiang Province confirming Alibaba China's status as a high and new technology enterprise. This certificate is valid for a period of two years from the date of issuance. In addition, our management has conducted research and consulted relevant third parties as well as performed certain due diligence procedures to confirm the view of our board of directors that Alibaba China will obtain its formal HNTE designation in 2008 under the New EIT Law upon the completion of certain administrative approval procedures. Consequently, Alibaba China used 15% in the computation of deferred taxes as of June 30, 2008 and the current income tax charge for the six months then ended.

Profit attributable to equity owners was RMB697.2 million in the period, an improvement of 136.2%.

Earnings per share, basic and diluted was 15.24 Hong Kong cents and 15.23 Hong Kong cents respectively, compared to 6.18 Hong Kong cents in the first half of 2007.

Deferred revenue and customer advances was RMB1,987.8 million as of June 30, 2008, compared to RMB1,919.8 million and RMB1,524.3 million as of December 31, 2007 and June 30, 2007, an increase of 3.5% and 30.4% respectively. The increase was mainly due to the growth of our paying members and their spending on our marketing places.

Recurring free cash flow (non-GAAP) in the period was RMB549.6 million, representing a 6.3% increase compared to the same period last year.

OUTLOOK

We believe that the impact of a slowing global economy, higher commodity prices, and policies by the Chinese government towards the export manufacturing sector will continue to have impacts on our customers and our business in the near future. While these may change the dynamics of China versus other countries in the long-run, we believe that the China's economy will continue to be vigorous in the long-term and our China marketplace will continue to gain in strategic importance.

Leveraging on the strong purchasing power in China and the strengths of Renminbi appreciation, we have recently test-launched a new product called "Export-to-China". We believe that "Export-to-China" will help SMEs worldwide to access the enormous domestic China market.

While concerns about weaker SME growth have heightened, the activities of the buyers in our network have shown continuing growth. This has encouraged us to advance our globalization plan by diversifying our business base, developing new revenue sources and expanding in countries and regions with promising growth potential. We believe that, over the long-term, our marketplaces should be the best platform to provide SMEs with trading and growth opportunities.

As experienced previously, we expect our operating profit margin for the second half of 2008 to be lower than in the first half because we plan to further invest in user acquisition and enhance the services to our customers.

We have to face that economic conditions are cyclical. Despite all of these challenges, we believe that we are well-positioned to capture the opportunities that may come along. We remain optimistic about the long-term growth of our e-commerce business and will continue to embrace challenges with an open mind. We will also live up to our mission of lowering the entry barrier for e-commerce of our SME members and creating value for all of our customers, employees and investors.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management

Our treasury department, which reports to our Chief Financial Officer, monitors our current and expected liquidity requirements in accordance with policies and procedures approved by our board of directors. We have adopted prudent treasury management objectives aimed at principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with our strategic plans. In addition, we also aim to achieve a better return on our cash and to hedge against any foreign currency exchange risk.

Foreign Currency Exchange Exposure

Foreign currency exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Although we operate our businesses in different countries, substantially all of our revenue-generating and expense-related transactions are denominated in Renminbi which is our functional currency and that of most of our subsidiaries. The Renminbi is not freely convertible into other foreign currencies. All foreign currency exchange transactions in China must be effected through either the People's Bank of China ("PBOC") or other institutions authorized by the PBOC to buy and sell foreign currencies. Following the completion of the initial public offering of the shares of our Company in November 2007, we hold a significant portion of our cash and cash equivalents in currencies other than Renminbi. Our foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of Renminbi against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the Renminbi against these foreign currencies may result in significant exchange loss which would be recorded in our income statement. During the period, we actively managed our foreign currency exchange risk and realized an exchange gain of RMB36.1 million (2007: RMB0.5 million).

Interest Rate Exposure

We have no interest-bearing borrowings. Our exposure to changes in interest rates is mainly attributable to our interest-bearing assets, including term deposits with original maturities of over three months and cash and cash equivalents.

Credit Risk Exposure

We consider our credit risk to be minimal as a substantial part of our income is prepaid by a diversified group of customers. The extent of our credit exposure is represented by the aggregate cash we hold at banks and at other financial institutions. All of our cash at banks is placed with financial institutions of sound credit quality.

Capital Structure

We continue to maintain a strong financial position from healthy growth in recurring free cash flow from operations. Until now, we have not made any significant use of the proceeds raised from our initial public offering. In addition, as mentioned previously, we have been cautiously managing our cash to maintain a favorable return and to minimize any foreign exchange risk. As of June 30, 2008, we had cash and cash equivalents and term deposits with original maturities of over three months of RMB5,772.5 million, which was RMB498.9 million or 9.5% higher than that as of December 31, 2007. As of June 30, 2008, our cash and cash equivalents and term deposits with original maturities of over three months was comprised of 69.4% (December 31, 2007: 66.3%) Renminbi, 22.0% (December 31, 2007: 12.1%) Australian dollars, 7.5% (December 31, 2007: 0.3%) United States dollars, 1.0% (December 31, 2007: 21.2%) Hong Kong dollars, and 0.1% (December 31, 2007: 0.1%) other currencies. The weighted average annual return on our cash and cash equivalents and term deposits with original maturities of over three months was 4.7% in the first half of 2008 (2007: 2.2%).

As of June 30, 2008, our total assets amounted to RMB6,743.3 million (December 31, 2007: RMB6,053.5 million), which were financed by shareholders' funds of RMB4,390.8 million (December 31, 2007: RMB3,613.1 million), current liabilities of RMB 2,262.8 million (December 31, 2007: RMB2,370.2 million) and non-current liabilities of RMB89.7 million (December 31, 2007: RMB70.2 million).

Cash Flow

Net Cash Generated from Operating Activities. Net cash generated from operating activities was RMB590.9 million in the first half of 2008 which represented a 4.7% increase from RMB564.4 million in the same period in 2007.

Net Cash Used in Investing Activities. Net cash used in investing activities was RMB2,664.5 million in the first half of 2008, compared to RMB245.4 million in the same period in 2007. Net cash used in investing activities during this period primarily represented an increased placement of cash in time deposits with maturities of over three months of RMB2,637.6 million (2007: RMB151.0 million).

Net Cash Used in Financing Activities. Net cash used in financing activities was RMB63.0 million in the first half of 2008, compared to RMB195.9 million in the same period last year.

PLEDGES OF ASSETS AND CONTINGENT LIABILITIES

As of June 30, 2008, none of our assets were pledged and we did not have any material contingent liabilities or guarantees.

EMPLOYEES

As of June 30, 2008, the total number of employees of our Group was 5,925 (June 30, 2007: 4,437) and the related staff costs, including directors' emoluments, for the first half of 2008 was RMB494.4 million (2007: RMB332.3 million). We normally review performance of our employees on an annual basis and adjust their compensation with reference to the market.

INTERIM DIVIDEND

Our board of directors has resolved not to declare an interim dividend for the six months ended June 30, 2008 (2007: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

We are committed to maintaining and upholding good corporate governance in order to protect the interests of our customers, staff and shareholders. Our board of directors sets high standards for our employees, senior management and directors. We abide strictly by the laws and regulations of PRC and the other jurisdictions where we operate, and we observe the guidelines and rules issued by regulatory authorities relevant to our business and our Company, such as those issued by the PRC Ministry of Information Industry, the Hong Kong Securities and Futures Commission and The Stock Exchange of Hong Kong Limited.

We have applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended June 30, 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2008, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of the listed securities of our Company.

REVIEW OF FINANCIAL STATEMENTS

We have established an audit committee with written terms of reference. The principal duties of our audit committee include the review of our audit plan and process with the auditors, the independence of auditors, our financial statements and our system of internal control. Our audit committee comprises three non-executive directors (two out of three are independent non-executive directors), namely KWAIK Teh Ming, Walter (committee chairman), LONG Yong Tu and TSAI Chung, Joseph.

Our interim results for the six months ended June 30, 2008 were reviewed by our audit committee, which was of the opinion that the preparation of the interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made. Our interim financial statements have not been audited but have been reviewed by our external auditors.

On behalf of the Board
MA Yun, Jack
Chairman

Hong Kong, August 27, 2008

As at the date of this announcement, the composition of our board is as follows:

Chairman and Non-executive Director

MA Yun, Jack

Executive Directors

WEI Zhe, David
WU Wei, Maggie
DAI Shan, Trudy
PENG Yi Jie, Sabrina
XIE Shi Huang, Simon

Non-executive Directors

TSAI Chung, Joseph
TSUEI, Andrew Tien Yuan
TSOU Kai-Lien, Rose
OKADA, Satoshi

Independent Non-executive Directors

LONG Yong Tu
NIU Gen Sheng
KWAIK Teh Ming, Walter

A copy of this announcement can be obtained from our website at <http://ir.alibaba.com>