



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 UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2008

FINANCIAL (UNAUDITED) AND OPERATIONAL HIGHLIGHTS

	3Q2008	3Q2007	Change	2Q2008	Change
Revenue (RMB million)	780.2	570.5	+36.8%	735.1	+6.1%
Operating income (RMB million)	364.2	236.2	+54.2%	339.1	+7.4%
Profit attributable to equity owners (RMB million)	308.6	207.3	+48.9%	396.5	-22.2%
Earnings per share, basic (HK\$)	6.97 cents	4.43 cents	+57.3%	8.80 cents	-20.8%
Earnings per share, diluted (HK\$)	6.96 cents	4.43 cents	+57.1%	8.79 cents	-20.8%
Registered users	35,645,270	25,519,254	+39.7%	32,523,290	+9.6%
International marketplace	6,912,692	3,979,612	+73.7%	5,614,887	+23.1%
China marketplace	28,732,578	21,539,642	+33.4%	26,908,403	+6.8%
Storefronts	4,163,756	2,705,244	+53.9%	3,770,614	+10.4%
International marketplace	868,379	648,302	+33.9%	802,286	+8.2%
China marketplace	3,295,377	2,056,942	+60.2%	2,968,328	+11.0%
Paying Members (Note 1)	398,351	272,729	+46.1%	368,006	+8.2%
Gold Supplier	30,836	24,123	+27.8%	29,766	+3.6%
International TrustPass	15,016	11,363	+32.1%	13,912	+7.9%
China TrustPass	352,499	237,243	+48.6%	324,328	+8.7%

Notes:

1. Include 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.

The board of directors of Alibaba.com Limited (our “Company” or “Alibaba.com”) is pleased to announce the unaudited results for the quarter ended September 30, 2008, together with comparative figures for the corresponding period in 2007 and the quarter ended June 30, 2008, as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2008

	3Q 2008 RMB'000	3Q 2007 RMB'000	3Q 2008 RMB'000	2Q 2008 RMB'000
Revenue				
- International marketplace	484,509	405,762	484,509	469,358
- China marketplace	295,656	164,724	295,656	265,726
Total revenue	780,165	570,486	780,165	735,084
Cost of revenue	(98,552)	(76,566)	(98,552)	(91,638)
Gross profit	681,613	493,920	681,613	643,446
Sales and marketing expenses	(278,295)	(178,853)	(278,295)	(240,762)
Product development expenses	(49,636)	(36,289)	(49,636)	(37,457)
General and administrative expenses	(77,912)	(58,889)	(77,912)	(76,909)
Other operating income, net	88,468	16,271	88,468	50,819
Profit from operations	364,238	236,160	364,238	339,137
Finance income, net	19,396	11,884	19,396	115,073
Share of loss of associated companies, net of tax	(8,543)	-	(8,543)	-
Profit before income taxes	375,091	248,044	375,091	454,210
Income tax charges	(66,493)	(40,775)	(66,493)	(57,746)
Profit attributable to equity owners of the Company	308,598	207,269	308,598	396,464
Earnings per share, basic (RMB) (Note 2)	RMB6.11 cents	RMB4.30 cents	RMB6.11 cents	RMB7.85 cents
Earnings per share, diluted (RMB) (Note 2)	RMB6.10 cents	RMB4.30 cents	RMB6.10 cents	RMB7.84 cents
Earnings per share, basic (HK\$) (Note 2)	HK\$6.97 cents	HK\$4.43 cents	HK\$6.97 cents	HK\$8.80 cents
Earnings per share, diluted (HK\$) (Note 2)	HK\$6.96 cents	HK\$4.43 cents	HK\$6.96 cents	HK\$8.79 cents

Notes:

2. The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB 0.8769 to HK\$1.0000 for the third quarter of 2008 (third quarter of 2007 and second quarter of 2008: RMB 0.9695 and RMB 0.8920 to HK\$1.0000 respectively). No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars or vice versa, at that rate, or at any rate or at all.

ADDITIONAL FINANCIAL DATA (UNAUDITED)

	3Q 2008 RMB'000	3Q 2007 RMB'000	3Q 2008 RMB'000	2Q 2008 RMB'000
Revenue				
International marketplace				
Gold Supplier	467,287	394,418	467,287	452,529
International TrustPass	10,723	8,383	10,723	9,282
Other revenue (Note 3)	6,499	2,961	6,499	7,547
	484,509	405,762	484,509	469,358
China marketplace				
China TrustPass	278,237	156,622	278,237	248,449
Other revenue (Note 4)	17,419	8,102	17,419	17,277
	295,656	164,724	295,656	265,726
Total	780,165	570,486	780,165	735,084
Recurring Free Cash Flow (Non-GAAP)				
Net cash generated from operating activities	440,312	314,739	440,312	303,672
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(30,222)	(13,357)	(30,222)	(27,475)
Other non-recurring operating expense	-	499	-	-
Total	410,090	301,881	410,090	276,197
Share based compensation	38,526	33,772	38,526	49,225
	As of September 30, 2008 RMB'000	As of September 30, 2007 RMB'000	As of September 30, 2008 RMB'000	As of June 30, 2008 RMB'000
Cash and bank deposits	6,143,613	1,643,431	6,143,613	5,772,480
Deferred revenue and customer advances	2,046,998	1,659,547	2,046,998	1,987,830

Notes:

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

OVERVIEW OF OUR BUSINESS HIGHLIGHTS IN THE THIRD QUARTER OF 2008

In the third quarter of 2008, world financial markets witness unprecedented turmoil, and the major economies in the world suffered contraction as third quarter US GDP shrank by 0.3% and consumer spending declined by 3.1%. Against this backdrop, our business continued to grow as we delivered solid operating and financial results. While our customer base of small and medium companies face challenges, we believe that we continue to offer them a compelling value proposition in the form of cost-effective online marketing and e-commerce infrastructure services.

During the third quarter, we expanded our market leadership by adding 3.1 million registered users, 393,000 storefronts and over 30,000 paying members. This is evidence that our network effect continued to strengthen. We are pleased that our efforts to invest in the growth of China domestic trade are paying off, as China marketplace revenue grew 79.5% year-on-year, making up 37.9% of total revenue in the third quarter, compared to 28.9% in the same period last year.

As of September 30, 2008, our two marketplaces had in aggregate 35.6 million registered users, 4.2 million storefronts and 398,351 paying members.

We finished the third quarter in an exceptionally strong financial position: third quarter recurring free cash flow was RMB410.1 million, a 35.8% increase year-on-year and a 48.5% increase from the second quarter of 2008. In addition, as of September 30, 2008 we had over RMB6.1 billion of cash and bank deposits on the balance sheet and had no debt.

International marketplace

Registered users in our international marketplace increased in the third quarter by 1,297,805 to 6,912,692 as of September 30, 2008. The number of storefronts increased by 66,093 during this quarter, to 868,379 as of September 30, 2008. The international marketplace experienced the highest net additions to both registered users and storefronts during the third quarter, demonstrating the strength of the marketplace as buyers and sellers see increasing benefits to conduct their business on the Internet, especially in the current environment.

Gold Supplier members increased by 1,070 during the third quarter to 30,836 as of September 30, 2008. This net increase in Gold Supplier members is generally in line with that in the previous quarters of this year. The challenging macro-economic conditions faced by our small and medium customers resulted in a lack of visibility in their future business prospects. This uncertainty led to delayed decisions by our customers in making significant marketing commitments as well as reduced budgets.

Average spending per paying customer in the third quarter was slightly lower than previous quarters although customers continued to purchase our value-added services ("VAS").

Our International TrustPass members increased in the third quarter by 1,104 to 15,016 as of September 30, 2008. Steady progress has been made in our customer acquisition initiative in India through cooperation with Infomedia India.

During the third quarter, our associated company Alibaba.com Japan launched various buyer-marketing events to raise brand awareness and continued to lay the foundation for user and customer acquisition in Japan.

On November 3, 2008, we announced two major initiatives to bring more benefits to buyers and suppliers in our international marketplace: (1) Quality Supplier Program, which is aimed at improving the buyer experience and (2) Gold Supplier Starter Pack, which is a new entry-level product for export suppliers in Mainland China, Hong Kong and Taiwan. These initiatives are aimed at expanding our market leadership and accelerating user growth and customer acquisition.

Quality Supplier Program

When suppliers apply for a paid membership service on Alibaba.com, they must pass an authentication and verification process conducted by an independent third-party agency. We have now teamed up with VeriSign as an additional authentication and verification partner. VeriSign, a trusted provider of Internet infrastructure services for the networked world, will provide authentication and verification services to verify the identity of suppliers displayed on our website. The presence of the partner's seal on our supplier's listings will indicate to Alibaba.com site visitors that this information has been verified.

We are also enforcing stricter policies towards the protection of intellectual property and ensuring a safer online trading environment by banning members that have a history of violating the rules and policies of our marketplace. Our current policy is to respond expeditiously to written requests by intellectual property owners to take down items that the owners believe have infringed their rights. Under the Quality Supplier Program, we have established clear internal standards and procedures for de-listing products and terminating the accounts of non-complying members based on substantiated complaints. The Quality Supplier Program will allow buyers to trade on our marketplace with greater confidence.

Gold Supplier Starter Pack

Our new entry-level product, the Gold Supplier Starter Pack, is designed for exporters that plan to shift their business online to achieve efficiencies in the current economic environment. The product, priced at RMB19,800 per year, offers basic storefront display and unlimited product listings. With a range of VAS now available, customers of this entry-level product can realize further benefits by purchasing additional services such as "Virtual ShowroomsTM" and priority ranking based on keywords as they expand their presence on the Internet. The Gold Supplier Starter Pack will appeal to a wide range of potential new customers.

Our existing Gold Supplier membership, which remains priced at RMB50,000 per year, will be upgraded to incorporate value-added services such as "Virtual ShowroomsTM" that will enable suppliers to substantially increase the visibility of their key products. In addition, the improved service offering will include corporate email accounts, a virtual factory tour as well as storefront management tools such as "Traffic AnalyzerTM" and "Buyer GPSTM" to help suppliers maximize the effectiveness of their online marketing programs.

China marketplace

Our China marketplace continued to experience robust growth and has become a more important revenue contributor to us as China's domestic trade outpaced exports. During the third quarter, China TrustPass paying members increased by 48.6% year-on-year while revenue from the China marketplace increased by 79.5% year-on-year. China marketplace revenues as a percentage of our total revenue in the third quarter reached 37.9% in the third quarter, compared to 28.9% in the same period last year and 36.1% in the second quarter of 2008.

Registered users in our China marketplace increased by 1,824,175 in the third quarter to 28,732,578 as of September 30, 2008. The number of storefronts increased by 327,049 in the third quarter to 3,295,377 as of September 30, 2008. Our China TrustPass paying members reached 352,499 as of September 30, 2008, a net increase of 28,171 from the second quarter of 2008. The growth of China TrustPass paying members has been driven by the network effect of our China marketplace, our extensive sales and re-seller programs and the launch of our “China TrustPass for Individuals”, which helped us tap into a new market segment of sole proprietors and smaller businesses. As of the end of third quarter, we had around 20,000 “China TrustPass for Individuals” members.

Average spending per paying member of China TrustPass members was flat for the third quarter as increased penetration of VAS was offset by the addition of the lower-priced “China TrustPass for Individuals” members.

In the third quarter of 2008, more users continued to adopt our “Winport” platform. In addition to increasing the adoption rate of “Winport” users, we focused on raising the activeness of user accounts.

Employees

As of September 30, 2008, the total number of employees of our group was 6,648 (June 30, 2008: 5,925). Our staff recruitment plan has been proceeding as planned while we maintained a staff turnover rate consistent with historical levels. We will continue invest in the development of our employees who are our most important asset.

REVIEW OF OUR FINANCIAL RESULTS FOR THE THIRD QUARTER OF 2008

We continued to achieve a satisfactory increase in the number of paying members of our combined marketplaces during the third quarter of 2008. As of September 30, 2008, we had 398,351 **paying members**, representing a 46.1% increase from the third quarter of 2007 and an 8.2% increase from the second quarter of 2008. As a result of higher number of paying members, we reported **total revenue** of RMB780.2 million in the third quarter of 2008, representing a 36.8% increase from the same period of 2007 and a 6.1% increase from the second quarter of 2008. As mentioned above, the robust domestic economy in China has increased the significance of our China marketplace which contributed 37.9% of the total revenue for the third quarter, compared to 36.1% and 28.9% in the second quarter of 2008 and the third quarter of 2007 respectively.

Revenue from our international marketplace increased to RMB484.5 million in the third quarter, a 19.4% increase year-on-year and a 3.2% increase quarter-on-quarter. The growth was primarily due to the increase in the number of Gold Supplier members and sale of VAS. In addition, we recognized other revenue of RMB6.5 million from the cross-selling of Alisoft Export Edition, compared to RMB3.0 million in the third quarter of 2007 and RMB7.5 million in the second quarter of 2008.

Revenue from our China marketplace increased to RMB295.7 million in the third quarter, a 79.5% increase year-on-year and an 11.3% increase quarter-on-quarter. The growth reflected the increased number of paying members as a result of the network effect of our China marketplace, growth of the domestic economy and our in-house sales and re-sellers' efforts.

Gross profit increased by 38.0% year-on-year from RMB493.9 million in the same period last year to RMB681.6 million and by 5.9% quarter-on-quarter from RMB643.4 million in the second quarter of 2008. Our **gross margin** maintained at 87.4% in the third quarter, compared to 87.5% in the second quarter of 2008 and 86.6% in the same period of 2007.

Total operating expenses were RMB405.8 million in the third quarter, representing a 48.1% increase year-on-year from RMB274.0 million and a 14.3% increase quarter-on-quarter from RMB 355.1 million. The increase was due to the expansion of our operations to support the continued growth of our businesses.

Profit from operations (which represents profit from operations after deducting share-based compensation expense) in the third quarter was RMB364.2 million, representing a 54.2% increase year-on-year and a 7.4% increase quarter-on-quarter. Our **operating profit margin** increased to 46.7% in the third quarter from 41.4% in the same period last year and from 46.1% in the second quarter of 2008. The growth was mainly attributable to the growth of other operating income during the third quarter.

Profit from operations before share-based compensation expense (non-GAAP) was RMB402.8 million in the third quarter, up 49.2% year-on-year and 3.7% quarter-on-quarter. **Operating margin excluding share-based compensation expense (non-GAAP)** increased to 51.6% in the third quarter from 47.3% in the same period of 2007, and compared to 52.8% in the second quarter of 2008.

Net finance income, mainly consisted of interest income and foreign currency exchange losses, was RMB19.4 million, 63.2% higher year-on-year and 83.1% lower quarter-on-quarter. Interest income was RMB60.7 million, 460.5% higher year-on-year and 16.6% lower quarter-on-quarter. We recognized a foreign exchange loss of RMB41.3 million in the third quarter, mainly representing realized loss on conversion of our Australian dollar term deposits to US dollars. This loss largely offset the net foreign exchange gain of RMB42.4 million that we recognized in the second quarter of 2008.

During the third quarter, the Group recorded a share of start-up loss of our associated company, Alibaba.com Japan, of RMB8.5 million.

Income tax charges increased to RMB66.5 million in the third quarter, up 63.1% year-on-year and 15.1% quarter-on-quarter primarily due to the increase in taxable profit from our operations in China. During the third quarter, our major operating subsidiary, Alibaba (China) Technology Co., Ltd. (“Alibaba China”) obtained its formal designation as “High and New Technology Enterprises” under the PRC Enterprise Income Tax Law. As a result, Alibaba China enjoys a preferential corporate income tax rate of 15%.

Profit attributable to equity owners was RMB308.6 million in the third quarter, 48.9% higher year-on-year and 22.2% lower quarter-on-quarter. The second quarter profit attributable to equity owners included a lower net finance income as compared to the second quarter of 2008 and a RMB8.5 million loss of Alibaba.com Japan.

Earnings per share, basic and diluted was 6.97 Hong Kong cents and 6.96 Hong Kong cents respectively, compared to 4.43 Hong Kong cents (both basic and diluted) in the third quarter of 2007 and 8.80 Hong Kong cents and 8.79 Hong Kong cents in the second quarter of 2008 respectively.

OTHER FINANCIAL INFORMATION

Deferred revenue and customer advances was RMB2,047.0 million as of September 30, 2008, compared to RMB1,659.5 million as of September 30, 2007 and RMB1,987.8 million as of June 30, 2008.

Recurring free cash flow (non-GAAP) in the third quarter was RMB410.1 million, representing a 35.8% increase year-on-year and a 48.5% increase quarter-on-quarter. The increase year-on-year was mainly due to a lower outflow of working capital during the third quarter. The increase quarter-on-quarter was mainly due to lower payments of corporate income tax and the growth of the overall number of paying members.

Cash and bank deposits were RMB6,143.6 million as of September 30, 2008 (RMB5,772.5 million as of June 30, 2008). Our cash balances are placed with financial institutions of sound credit quality as time deposits, and most with maximum original maturities of less than 12 months. As of September 30, 2008, 74.1% of our cash and bank balance was in Renminbi, 25.2% in United States dollars and 0.7% in Hong Kong dollars. As of September 30, 2008, we did not have any outstanding derivative financial instruments.

OUTLOOK

We believe that the current difficulties in the macro-economic environment present us with unprecedented opportunities to strengthen our business and build long-term shareholder value. With a very strong foundation, we are in an excellent position to capture these opportunities. The new initiatives recently launched by us in the enhancement of user experience and new products, as well as our investments in brand and employee development, reflect our optimism towards China's e-commerce development and commitment to be a major driver of this development.

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REVIEW OF INTERIM FINANCIAL INFORMATION

Our results for the quarter ended September 30, 2008 were reviewed by our audit committee. Our audit committee meets regularly with the management, the external auditors and the internal audit personnel to discuss the accounting principles and practices adopted by Alibaba.com and the internal control and financial reporting matters.

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

KWAUK Teh Ming, Walter

On behalf of the Board
WEI Zhe, David
*Chief Executive Officer
and Executive Director*

Hong Kong, November 11, 2008

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