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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 MARCH 31, 2009

FINANCIAL (UNAUDITED) AND OPERATIONAL HIGHLIGHTS

	Q1 2009 RMB million	Q1 2008 RMB million	Change	Q4 2008 RMB million	Change	
Revenue	806.6	680.1	+18.6%	805.9	+0.1%	
Operating income	276.7	311.9	-11.3%	177.1	+56.2%	
Profit attributable to equity owner	253.4	300.7	-15.7%	199.4	+27.1%	
Share-based compensation expense	39.2	44.9	-12.7%	46.2	-15.2%	
Deferred revenue and customer advances	2,447.4	1,913.6	+27.9%	2,256.9	+8.4%	
Recurring free cash flow	342.9	273.4	+25.4%	506.2	-32.3%	
Cash and bank balances	6,948.0	5,432.6	+27.9%	6,612.3	+5.1%	
Earnings per share, basic (HK\$)	5.69 cents	6.47 cents	-12.1%	4.48 cents	+27.0%	
Earnings per share, diluted (HK\$)	5.68 cents	6.47 cents	-12.2%	4.48 cents	+26.8%	
	Q1 2009	Q1 2008	Change	Q4 2008	Change	Q1 2009 Net adds
Registered users	40,250,413	29,706,067	+35.5%	38,075,335	+5.7%	2,175,078
International marketplace	8,623,701	4,888,391	+76.4%	7,914,630	+9.0%	709,071
China marketplace	31,626,712	24,817,676	+27.4%	30,160,705	+4.9%	1,466,007
Storefronts	5,041,063	3,221,346	+56.5%	4,614,250	+9.2%	426,813
International marketplace	1,042,926	753,066	+38.5%	965,747	+8.0%	77,179
China marketplace	3,998,137	2,468,280	+62.0%	3,648,503	+9.6%	349,634
Paying members (Note 1)	481,575	327,118	+47.2%	432,031	+11.5%	49,544
Gold Supplier	55,810	28,548	+95.5%	43,028	+29.7%	12,782
International TrustPass	17,580	12,533	+40.3%	16,136	+8.9%	1,444
China TrustPass	408,185	286,037	+42.7%	372,867	+9.5%	35,318

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 (our "Board") of Alibaba.com Limited (our "Company" or "Alibaba.com") is pleased to announce the unaudited results of our Company and its subsidiaries ("we") for the quarter ended March 31, 2009, together with comparative figures for the corresponding period in 2008 and the quarter ended December 31, 2008, as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED MARCH 31, 2009

	Q1 2009 RMB'000	Q1 2008 RMB'000	Q1 2009 RMB'000	Q4 2008 RMB'000
Revenue				
- International marketplace	505,559	464,164	505,559	489,104
- China marketplace	301,074	215,917	301,074	316,760
Total revenue	806,633	680,081	806,633	805,864
Cost of revenue	(108,824)	(78,926)	(108,824)	(118,252)
Gross profit	697,809	601,155	697,809	687,612
Sales and marketing expenses	(288,963)	(201,743)	(288,963)	(371,286)
Product development expenses	(60,539)	(36,592)	(60,539)	(62,828)
General and administrative expenses	(83,885)	(72,210)	(83,885)	(93,113)
Other operating income, net	12,325	21,255	12,325	16,758
Profit from operations	276,747	311,865	276,747	177,143
Finance income, net	38,978	48,548	38,978	56,190
Share of losses of associated companies, net of tax	(11,027)	-	(11,027)	(7,544)
Profit before income taxes	304,698	360,413	304,698	225,789
Income tax charges	(51,296)	(59,698)	(51,296)	(26,380)
Profit attributable to equity owners of our Company	253,402	300,715	253,402	199,409
Earnings per share, basic (RMB) <i>(Note 2)</i>	RMB5.02 cents	RMB5.95 cents	RMB5.02 cents	RMB3.95 cents
Earnings per share, diluted (RMB) <i>(Note 2)</i>	RMB5.01 cents	RMB5.95 cents	RMB5.01 cents	RMB3.94 cents
Earnings per share, basic (HK\$) <i>(Note 2)</i>	HK\$5.69 cents	HK\$6.47 cents	HK\$5.69 cents	HK\$4.48 cents
Earnings per share, diluted (HK\$) <i>(Note 2)</i>	HK\$5.68 cents	HK\$6.47 cents	HK\$5.68 cents	HK\$4.48 cents

Notes:

- The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8815 to HK\$1.0000 for the first quarter of 2009 (first and fourth quarter of 2008: RMB0.9193 and RMB0.8814 to HK\$1.0000, respectively). 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 rate or at all.

ADDITIONAL FINANCIAL DATA (UNAUDITED)

	Q1 2009 RMB'000	Q1 2008 RMB'000	Q1 2009 RMB'000	Q4 2008 RMB'000
Revenue				
International marketplace				
Gold Supplier	492,683	447,630	492,683	475,438
International Trustpass	12,876	8,994	12,876	12,083
Other revenue (Note 3)	-	7,540	-	1,583
	505,559	464,164	505,559	489,104
China marketplace				
China TrustPass	288,468	206,127	288,468	294,070
Other revenue (Note 4)	12,606	9,790	12,606	22,690
	301,074	215,917	301,074	316,760
Total	806,633	680,081	806,633	805,864
Recurring free cash flow (Non-GAAP)				
Net cash generated from operating activities	365,706	287,254	365,706	549,686
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(22,793)	(13,805)	(22,793)	(43,505)
Total	342,913	273,449	342,913	506,181
Share-based compensation expense	39,176	44,873	39,176	46,191
	As of March 31, 2009 RMB'000	As of March 31, 2008 RMB'000	As of March 31, 2009 RMB'000	As of December 31, 2008 RMB'000
Cash and bank balances	6,948,025	5,432,622	6,948,025	6,612,324
Deferred revenue and customer advances	2,447,401	1,913,587	2,447,401	2,256,871

Notes:

- Other revenue earned with respect to our international marketplace in 2008 mainly represented commission income from a subsidiary of our controlling shareholder, for cross-selling certain software products to our customers. In November 2008, we handed back this re-selling function and focused our sales efforts on our newly launched products.
- 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 controlling shareholder.

OVERVIEW OF OUR BUSINESS HIGHLIGHTS IN THE FIRST QUARTER OF 2009

There were growing indications that the Chinese economy has begun to respond positively to the Chinese government's stimulus package during the first quarter of 2009. The pace of decline in exports has moderated and the export sector began to show growth on a monthly sequential basis in March. Moreover, the gathering momentum of Chinese domestic demand is encouraging. While export growth and the global economic situation will remain uncertain in the months to come, Alibaba.com's value proposition to introduce greater efficiency into SMEs' businesses and provide a wider selection of suppliers and products is gaining greater appreciation among global traders and entrepreneurs.

Against the challenging macroeconomic backdrop, we continue to deliver solid financial results and healthy user and member growth on our two marketplaces. These achievements are demonstrations of the breadth of the market, resilience of the e-commerce industry and, most importantly, a strong execution by our staff who are guided by the right strategic moves.

During the first quarter, a total of 2.2 million registered users, 426,800 storefronts and over 49,500 paying members were added to our marketplaces. This growth, well ahead of the performance of our industry peers during the same period, is solid proof that we are steadily realizing our goal of expanding market leadership. It is clear that our investments in customers, people and technology innovation are bearing fruit. As of March 31, 2009, our combined marketplaces had an aggregate of 40.3 million registered users, 5.0 million storefronts and 481,575 paying members.

We continue to maintain an exceptionally strong financial position. Our deferred revenue increased substantially by RMB191 million to RMB2.4 billion, representing an 8.4% growth quarter-on-quarter from December 31, 2008 and a 27.9% growth year-on-year. The strong increase in deferred revenue contributed to a healthy growth of our recurring free cash flow which increased by 25.4% year-on-year. As of March 31, 2009, we had over RMB6.9 billion of cash and bank balances on the balance sheet, with no debt. This solid balance sheet affords us the financial strength to make voluntary investments for our future growth.

International marketplace

In the first quarter, registered users on our international marketplace rose by 709,071 to reach 8,623,701 as of March 31, 2009. During the same period, the number of storefronts grew by 77,179 to reach 1,042,926. These gains indicate that more worldwide buyers and sellers are becoming increasingly aware of the benefits conferred by our e-commerce platform and are leveraging more of their resources through our marketplace.

Our investment in customers has started to deliver results as the momentum in Gold Supplier membership acquisition continued from the fourth quarter of 2008 into the first quarter of 2009. During the first quarter, we had a net addition of 12,782 Gold Supplier members, bringing the total number of Gold Supplier members to 55,810 as of March 31, 2009. Despite the fact that China's export declined 19.7% during the quarter, we achieved a historical quarterly high net addition of Gold Supplier members. We believe that Gold Supplier Starter Pack is the right product for our export customers at the right time, and our strong execution on product development, sales, marketing and service made the strategy successful.

New members normally require time to acclimate to basic functions and e-commerce operations before investing in additional services, thus we expect value-added services ("VAS") revenue to grow over time.

In line with performance in previous quarters, our International TrustPass members increased in the first quarter by 1,444 to 17,580. Our strategic partnership with Infomedia 18 continued to excel as we became one of the top B2B e-commerce marketplaces in India in terms of the number of users. Steady progress has been made in building awareness and interest in Alibaba.com through our overseas expansion initiatives in key regions where we see promising potential for growth.

China marketplace

Our China marketplace continued to enjoy robust growth during the first quarter. Registered users increased by 1,466,007 to 31,626,712 as of March 31, 2009. During the same period, storefronts grew by 349,634 to 3,998,137.

During the period, China TrustPass paying members recorded a net increase of 35,318 for a total of 408,185 members as of March 31, 2009. Although the first quarter is traditionally the slowest season, we achieved the highest net addition of China TrustPass paying members on record for the same quarter of the year. As of the end of the first quarter, "China TrustPass for Individual" members made up approximately 10% of the China TrustPass paying membership base.

In response to more sophisticated customer demand, we announced a series of new VAS for China TrustPass members with free one-year trial periods. One major enhancement was the "Mobile China TrustPass", our first step towards providing a mobile e-commerce solution that allows suppliers to enjoy seamless linkage between their mobile phone and Alibaba.com membership account. Other feature upgrades, such as a more vibrant storefront and more advanced traffic analyzer, will be launched in the coming months and will be available as VAS options for paying members.

As mentioned in our 2008 annual results announcement, the "Ali-ADvance™" program was officially launched in March. Now paying members can bid for keyword placement on a cost-per-click basis while product listings in search results will be determined by factors such as relevance of the customer's product to the search and the keyword bid price. This will help improve the efficiency of suppliers' marketing efforts while allowing for better monetization of the ever-increasing user traffic on our China Marketplace. Market response to "Ali-ADvance™" has been positive and in line with expectation.

Employees

As of March 31, 2009, we had a total of 8,680 employees (December 31, 2008: 7,992). Total staff costs for the first quarter of 2009 were RMB329.6 million (first quarter of 2008: RMB227.9 million). We will continue with our recruitment plan in 2009 and will monitor productivity of the existing resources prior to making further investments.

REVIEW OF OUR FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2009

We continued to report a significant increase in the number of paying members of our combined marketplaces. As of March 31, 2009, we had 481,575 **paying members**, representing a 47.2% increase from the first quarter of 2008 and an 11.5% increase from the fourth quarter of 2008. As a result of the increase in the number of paying members, **total revenue** was RMB806.6 million in the first quarter of 2009, representing an 18.6% increase from the same period of 2008 and was flat from the fourth quarter of 2008.

Revenue from our international marketplace increased to RMB505.6 million in the period, an 8.9% increase year-on-year and a 3.4% increase quarter-on-quarter. The growth was primarily due to increase in the number of Gold Supplier Starter Pack members. Revenue for the first quarter of 2008 included other revenue of RMB7.5 million from cross-selling Alisoft Export Edition which was handed back to Alisoft since November last year as we focused on the acquisition of Gold Supplier members. Excluding Alisoft's contribution, our year-on-year growth would have been 10.7%.

Revenue from our China marketplace increased to RMB301.1 million in the period, a 39.4% increase year-on-year and a 5.0% decrease quarter-on-quarter. The growth year-on-year was mainly attributable to the increase in paying members as a result of strong execution of our telephone sales and re-sellers' efforts. The sequential decline was mainly attributable to reduced revenue from the sale of keywords based on the old fixed-placement keyword bidding service. During the quarter, we transitioned our customers to Ali-ADvance™, a new pay-for-performance keyword bidding service, which replaced the old fixed-placement service. We also recognized less display advertising revenue in the first quarter compared to the prior quarter due to seasonality.

Gross profit increased by 16.1% year-on-year from RMB601.2 million in the same period last year to RMB697.8 million and by 1.5% quarter-on-quarter from RMB687.6 million in the fourth quarter of 2008. **Gross margin** reduced slightly from 88.4% in the same period last year to 86.5% but was better than the 85.3% in the fourth quarter of 2008. The year-on-year margin reduction was a result of the launch of the Gold Supplier Starter Pack, a new entry-level product, and the upgrade of our Gold Supplier service, which led to higher staff costs and bandwidth and depreciation expenses as a percentage of revenue. Our gross margin improved quarter-on-quarter mainly because we incurred less training expenses in the first quarter of 2009.

Total operating expenses were RMB433.4 million in the period, representing a 39.6% increase year-on-year from RMB310.5 million and a 17.8% decrease quarter-on-quarter from RMB527.2 million. The increase year-on-year was due to the expansion of our operations to support the continued growth of our businesses, in particular, our investment in hiring new employees and further developing our services to better serve our customers. In addition, we increased our performance-based incentive compensation to drive these initiatives and to support our future growth. The decrease quarter-on-quarter primarily reflected the seasonality of marketing activities which are mainly scheduled for the rest of the year.

Profit from operations (which represents profit from operations after deducting share-based compensation expense) in the period was RMB276.7 million, representing an 11.3% decrease year-on-year and a 56.2% increase quarter-on-quarter. Our **operating profit margin** was 34.3% in the period, a decrease from 45.9% in the same period last year and an increase from 22.0% in the fourth quarter of 2008. The operating profit margin decrease year-on-year was mainly due to increased direct acquisition costs to acquire Gold Supplier Starter Pack members, higher product development expenses and lower other operating income as a percentage of revenue. This trend reflected the previously announced strategy of expanding our market leadership by growing paying member base and enhancing our technology. The margin increase quarter-on-quarter represented lower operating expenses incurred as a percentage of revenue, mainly due to the seasonality of marketing expenses.

Profit from operations before share-based compensation expense (non-GAAP) was RMB315.9 million in the period, down 11.4% year-on-year and up 41.5% quarter-on-quarter. **Operating margin excluding share-based compensation expense (non-GAAP)** was 39.2% in the period, a decrease from 52.5% in the same period of 2008 and an increase from 27.7% in the fourth quarter of 2008 due to the reasons stated above.

Net finance income was RMB39.0 million, a decrease of 19.7% year-on-year and a decrease of 30.6% quarter-on-quarter due to lower interest income as a result of the lower interest rate.

Share of losses of associated companies, net of tax was RMB11.0 million for the period. The loss represented our share of the pre-operating expenses which were incurred by Alibaba.com Japan Co., Ltd. ("Alibaba Japan"). No such loss was recorded in the same period last year as Alibaba Japan only became our associated company in the second quarter of 2008. A loss of RMB7.5 million was incurred in the fourth quarter of 2008.

Income tax charges decreased by 14.1% from RMB59.7 million in the same period in 2008 to RMB51.3 million in the period, and increased by 94.5% quarter-on-quarter. Our effective tax rate was 16.8% in the period which was higher than the income tax rate of 15% applicable to Alibaba China primarily because the share-based compensation expenses that we incurred were not tax deductible. Excluding the effect of the share-based compensation, our effective tax rate would have been 14.9% for the period, which remained flat as compared to the 14.7% in the same period last year, and increased from 9.7% in the fourth quarter of 2008.

Net income (profit attributable to equity owners) for the first quarter of 2009 was RMB253.4 million, a decrease of 15.7% year-on-year and an increase of 27.1% quarter-on-quarter. The decrease year-on-year was a result of the ongoing investments we are making in our customers, people and technology innovation to expand our market leadership position and to position our Company for future growth. The sequential increase primarily reflected the seasonality of these investments, which will mainly be incurred in the latter three quarters of the year.

Earnings per share, basic and diluted were 5.69 Hong Kong cents and 5.68 Hong Kong cents respectively, compared with 6.47 Hong Kong cents (both basic and diluted) in the first quarter of 2008 and 4.48 Hong Kong cents (both basic and diluted) in the fourth quarter of 2008.

OTHER FINANCIAL INFORMATION

Deferred revenue and customer advances were RMB2,447.4 million as of March 31, 2009, representing a 27.9% increase from RMB1,913.6 million as of March 31, 2008 and an 8.4% increase from RMB2,256.9 million as of December 31, 2008. The increase was mainly due to the strong growth in the total number of paying members as a result of the successful launch of Gold Supplier Starter Pack and the upgrade of our existing Gold Supplier service in November 2008 as well as the continued healthy growth of our China marketplace.

Recurring free cash flow (non-GAAP) in the period was RMB342.9 million, representing a 25.4% increase year-on-year and a 32.3% decrease quarter-on-quarter. The improvement year-on-year was mainly due to the strong increase of paying members, who pre-pay for their full-year memberships, as reflected in the increase in our deferred revenue and customer advances. The sequential decrease was mainly due to a refund of prepaid enterprise income tax received in the fourth quarter of 2008 as well as the payment of year-end bonuses to employees in the first quarter of 2009.

Cash and bank balances as of March 31, 2009 was RMB6,948.0 million, representing a 27.9% increase year-on-year and a 5.1% increase quarter-on-quarter. As of March 31, 2009, 77.6% (December 31, 2008: 75.2%) of our cash and bank balances was denominated in Renminbi.

OUTLOOK

A high degree of uncertainty still remains around global demand in the current economic climate. However, we are encouraged by the increasingly greater number of buyers and suppliers around the world who are realizing that e-commerce is an effective means to strengthen competitiveness and resilience in an economic downturn.

“Customer First” remains our number one value. We remain cautiously optimistic and committed to making investments in the interest of long-term growth for our customers and our Company. Due to our voluntary investments in customers, people and technology innovation, we expect that our full-year margin will be significantly lower than that of 2008. However, we have conviction that investment today will reward our shareholders in the long run. As always, we will cautiously evaluate the progress and output of our investments at every step, and adjust our strategy accordingly. We will continue to focus on sustaining growth in Gold Supplier and China TrustPass membership as we move forward in 2009, while ensuring customer satisfaction at every level of engagement.

REVIEW OF INTERIM FINANCIAL INFORMATION

Our results for the first quarter ended March 31, 2009 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.

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

Hong Kong, May 6, 2009

As of 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

Non-executive Directors

TSAI Chung, Joseph
TSOU Kai-Lien, Rose
OKADA, Satoshi

Independent Non-executive Directors

LONG Yong Tu
NIU Gen Sheng
KWAUK Teh Ming, Walter
TSUEI, Andrew Tien Yuan
KWAN Ming Sang, Savio

A copy of this announcement is available on our website at <http://ir.alibaba.com>