



Alibaba.com Expands Market Leadership and Seeks to Enhance Benefits to Members Through Increased Synergies with Alibaba Group

Alibaba.com sees revenue and deferred revenue growth in Q3 driven by continued user growth

Highlights

- Revenue in Q3 2009 up 32.1 percent y-o-y and 12.3 percent q-o-q
- Net additions of 14,415 China Gold Supplier members to reach a total of 84,868, up 175.2 percent y-o-y and 20.5 percent q-o-q
- Continued, steady growth of China TrustPass members with 33,623 net additions in the quarter to reach a total of 475,422 with 34.9 percent growth y-o-y and 7.6 percent growth q-o-q
- Deferred revenue up 42.1 percent y-o-y to reach RMB3 billion (US\$434.6 million)
- International marketplace surpassed 10 million registered users with 51.6 percent growth y-o-y and 10.8 percent growth q-o-q with all marketplaces reaching a total of 45.3 million registered users and 6.1 million storefronts
- Quarterly net income declined 20.4 percent y-o-y as expected, as a result of previously announced continuing investments in customers, people and technology to position the Company for future growth

HONG KONG, November 10, 2009 – Alibaba.com Limited (HKSE:1688.HK) (HK.1688), the world's leading business-to-business e-commerce company, today announced unaudited financial results for the quarter ended September 30, 2009, that show the Company's continued investment in customers is resulting in strong growth in customer acquisition, driving market leadership and future revenue potential. Alibaba.com also submitted a request to shareholders for renewed and expanded continuing transaction agreements with Alibaba Group that will allow increased benefits for Alibaba.com in building business volume and cutting costs.

Third Quarter 2009 Unaudited Financial Highlights

FINANCIAL HIGHLIGHTS (UNAUDITED)	Q3 2009 RMB million	Q3 2008		Q2 2009	
		RMB million (Restated)	Change	RMB million (Restated)	Change
Revenue	1,032.4	781.5	+32.1%	919.3	+12.3%
Profit from operations	260.0	352.3	-26.2%	276.1	-5.8%
Profit attributable to equity owners	236.0	296.6	-20.4%	249.2	-5.3%
Share-based compensation expense	52.5	39.3	+33.6%	50.4	+4.1%
Deferred revenue and customer advances	2,968.5	2,088.3	+42.1%	2,763.6	+7.4%
Recurring free cash flow	353.6	410.1	-13.8%	426.7	-17.1%
Earnings per share, basic (HK\$)	5.31 cents	6.69 cents	-20.6%	5.62 cents	-5.5%
Earnings per share, diluted (HK\$)	5.28 cents	6.69 cents	-21.1%	5.56 cents	-5.0%

Note 1:

Certain comparative figures have been restated to reflect the acquisition of the business management software division of Alisoft Holding Limited and its subsidiaries ("Alisoft"). See "Other financial information" below for details.



OPERATIONAL HIGHLIGHTS	Q3 2009	Q3 2008	Change	Q2 2009	Change	Q3 2009
						Net additions
Registered users	45,275,511	35,645,270	+27.0%	42,781,218	+5.8%	2,494,293
<i>International marketplace</i>	10,480,421	6,912,692	+51.6%	9,462,705	+10.8%	1,017,716
<i>China marketplace</i>	34,795,090	28,732,578	+21.1%	33,318,513	+4.4%	1,476,577
Storefronts	6,066,900	4,163,756	+45.7%	5,509,260	+10.1%	557,640
<i>International marketplace</i>	1,226,496	868,379	+41.2%	1,126,645	+8.9%	99,851
<i>China marketplace</i>	4,840,404	3,295,377	+46.9%	4,382,615	+10.4%	457,789
Paying members (Note 2)	578,901	398,351	+45.3%	531,471	+8.9%	47,430
<i>China Gold Supplier</i>	84,868	30,836	+175.2%	70,453	+20.5%	14,415
<i>Global Gold Supplier</i>	18,611	15,016	+23.9%	19,219	-3.2%	(608)
<i>China TrustPass</i>	475,422	352,499	+34.9%	441,799	+7.6%	33,623

Note 2:

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.

"Our forecast for a gradual export recovery has proven correct, and our business model has proven to be resilient in a downturn," said David Wei, chief executive officer of Alibaba.com. "By building a platform that helps our customers succeed in any economic situation, we have also created a business model with the strength to thrive as we cautiously enter the next phase of recovery. A key foundation for this successful model has been the continued cooperation with our holding company, Alibaba Group, and its subsidiaries. This is why we have submitted a request to shareholders to renew and expand our continuing connected transaction agreements both in content and amounts, so that we can build a stronger e-commerce ecosystem for our customers.

"As part of this ecosystem, we have made several strategic business moves during the quarter. We made two acquisitions: Alisoft's business management software division and the acquisition of a controlling interest in HiChina, both of which strengthen the portfolio of services we offer our customers. With business management software and other infrastructure services offered through an Internet platform, these new business lines will enhance our capability in delivering value to our customers through a Software-as-a-Service (SaaS) model. In addition, we have organically developed new offerings such as the wholesale transactional platform in China and the beta version of the AliExpress transactional platform, where retailers all around the world can purchase directly from Chinese suppliers. The SaaS offering and the transactional platforms are part of our efforts to develop scalable business models as well as provide an enhanced value proposition to our small business customers. All of this furthers our goal of transforming our marketplace platforms from 'Meet at Alibaba' to 'Work at Alibaba.'"

Outlook

"As we look at the indicators we saw before the downturn and as we enter recovery, we see a stronger economic environment in Q4 and we remain cautiously optimistic for next year to remain relatively flat. We look to global signs of gathering momentum in the export sector as well as domestic consumption in some countries to have a positive impact on all our small business customers globally and we believe e-commerce will provide great support for small businesses to upgrade and grow," continued Wei. "As we continue to build this ecosystem in cooperation with Alibaba Group, we will focus on additional opportunities for our customers to maximize their competitive



advantage in the marketplace. We feel the increased synergies will create value for our customers and our shareholders."

Third Quarter 2009 Financial and Operational Results

Paying Members and Revenue

Our investments since the end of 2008 are continuing to result in increased market leadership via significant customer growth compared to competitors in the marketplace. As of September 30, 2009, we had 578,901 paying members, representing a 45.3 percent increase from the third quarter of 2008 and an 8.9 percent increase from the second quarter of 2009.

Gold Supplier membership growth continues to be strong globally. As of September 30, we saw 175.2 percent growth in China Gold Supplier memberships compared to the previous year. The net addition of 14,415 members in Q3 is on par with Q2 growth. Internationally, Gold Supplier membership grew 23.9 percent over the previous year. The China TrustPass product saw healthy growth of 34.9 percent over the same period last year, and 7.6 percent growth over the previous quarter this year.

Driven by continuous growth in paying members, **deferred revenue and customer advances** grew to RMB3.0 billion (US\$434.6 million) as of September 30, 2009, representing an increase of 42.1 percent year-on-year and 7.4 percent quarter-on-quarter. Given our subscription-based revenue model, we believe deferred revenue is a good indicator of future revenue growth.

Total revenue was RMB1,032.4 million (US\$151.2 million) in the third quarter of 2009, representing a 32.1 percent increase from the same period of 2008 and a 12.3 percent increase from the second quarter of 2009.

International Marketplace

Revenue from our international marketplace increased to RMB639.3 million (US\$93.6 million) in the period, a 33.7 percent increase year-on-year and an 11.2 percent increase quarter-on-quarter. The growth was primarily due to the increase in the number of Gold Supplier members in China as well as higher revenue contributed by the previously launched Global Gold Supplier product.

During the quarter, we recorded a quarterly net addition of 14,415 China Gold Supplier members, bringing the total number of China Gold Supplier members to 84,868 as of September 30, 2009. As the Gold Supplier starter pack matures from last year's launch, we continue to plan for China Gold Supplier growth to level off. We have been proactively managing customer renewals and enhancing customer satisfaction throughout the year by deploying more resources in customer care and helping paying members raise their performance. As such, we are seeing more cases of early renewal of membership.

As of September 30, 2009, there were 10.5 million registered users and 1.2 million storefronts on our international marketplace. In the third quarter, registered users increased by 1.0 million and storefronts grew by 99,851.



Throughout the year, we saw healthy and balanced growth in both buyers and sellers on our marketplace. Our increased investment in marketing campaigns in major overseas buyers markets has continued to build greater brand awareness for Alibaba.com and draw users and traffic to our marketplace. Our primary focus in the near term remains on accelerating membership acquisition and improving customer satisfaction.

Following the upgrade of International TrustPass to Global Gold Supplier in July 2009, we saw a slight decline of 608 members to reach 18,611 in the third quarter. The short-term pressure on the number of members was expected, because existing members need to reacclimate to the upgraded package and higher pricing compared to the old International TrustPass. The impact of the decline was more than compensated by the extent of the price increase. Members have been reacting positively to the upgrade and enhanced user experience, and we are confident Global Gold Supplier will drive paying membership and revenue growth globally in the long run.

Momentum continued for overseas businesses. Our strategy is to focus on the countries that we have already identified and where we currently have ground partners and channels to grow user and membership base before further expanding into other countries and regions globally.

In the third quarter of 2009, we beta-launched AliExpress, the wholesale platform on the international marketplace that is designed to facilitate small bulk transactions online. By integrating Alipay's escrow feature into the AliExpress platform, we will provide easy, safe and secure online transaction service to buyers and suppliers. AliExpress is currently open to our paying members in China. A nominal fee is charged to the supplier for successful online transactions. Having noticed the trend that buyers are ordering smaller quantities but buying more frequently to keep inventory low, we developed this wholesale platform to address this evolving needs of business and capture opportunities. We see this as a strategic development rather than a near-term revenue driver. We will focus on growing the number of users and their engagement on the AliExpress platform in the coming quarters.

China Marketplace

Revenue from our China marketplace increased to RMB378.3 million (US\$55.4 million) in the period, a 28.0 percent increase year-on-year and a 13.4 percent increase quarter-on-quarter. The growth, for both year-on-year and quarter-on-quarter, was attributable to the increase in paying members, revenue from value-added services like Ali-ADvance™ and premium placement as well as the growth in revenue from branded advertisements. During this period, registered users rose by 1.5 million to 34.8 million and storefronts grew by 457,789 to 4.8 million. Paying member growth was well on track with 33,623 net additions of China TrustPass paying members, bringing the total to 475,422 as of September 30, 2009.

On the VAS front, Ali-ADvance™ has been gaining traction as we saw steady growth in the number of members using this service. We continue to make improvements to Ali-ADvance™ and believe the growth potential can help to steer our revenue towards a more performance-related model. We also witnessed promising growth both in terms of the number of users and revenue relating to premium placement, another VAS on the China marketplace.

The wholesale, online transaction platform which we launched in the second quarter this year has seen healthy



growth in all metrics. With more cross-platform coordination in terms of development and promotion between Alibaba.com and Taobao, more e-tailers, noticeably the power-sellers on Taobao, realize the value and benefits of sourcing online through Alibaba.com's wholesale platform. We will continuously foster the activities and usage of the wholesale platform, expanding to more industries and categories of products one step at a time.

Gross profit increased by 31.6 percent year-on-year from RMB679.4 million (US\$99.5 million) in the same period last year to RMB894.4 million (US\$131.0 million) and by 14.3 percent quarter-on-quarter. Gross margin reduced slightly from 86.9 percent in the same period last year to 86.6 percent in the quarter and was better than 85.2 percent in the second quarter of 2009.

Profit from operations (which represents profit from operations after deducting share-based compensation expense) in the period was RMB260.0 million, representing a decrease of 26.2 percent year-on-year and 5.8 percent quarter-on-quarter. Our operating profit margin was 25.2 percent in the period, a decrease from 45.1% in the same period last year and a decrease from 30.0 percent in the second quarter of 2009. The operating profit margin decrease year-on-year was mainly due to our planned investments for the future expansion of our business while the quarter-on-quarter decrease was mainly due to the planned investments in particular in marketing spending as a percentage of revenue.

Profit from operations before share-based compensation expense (non-GAAP) was RMB312.5 million (US\$45.8 million) for the quarter ended September 30, 2009, down 20.2 percent from the same period last year and down 4.3 percent from the second quarter of 2009. **Operating margin excluding share-based compensation expense (non-GAAP)** was 30.3 percent for the period, a decrease from 50.1 percent in the same period in 2008 and 35.5 percent in the second quarter of 2009 due to the reasons stated above.

Net income (profit attributable to equity owners) for the third quarter of 2009 was RMB236.0 million (US\$34.6 million), a decrease of 20.4 percent year-on-year and a decrease of 5.3 percent quarter-on-quarter. The decrease was a result of the planned investments in our customers, people and technology innovation for our future growth and expansion.

Earnings per share, basic and diluted were 5.31 and 5.28 Hong Kong cents respectively (0.68 US cents, both basic and diluted), compared with 6.69 Hong Kong cents (0.86 US cents) (basic and diluted) in the third quarter of 2008 and 5.62 and 5.56 Hong Kong cents (0.72 and 0.71 US cents) (basic and diluted, respectively) in the second quarter of 2009.

Recurring free cash flow (non-GAAP) in the period was RMB353.6 million (US\$51.8 million), representing a 13.8 percent decrease year-on-year and a 17.1 percent decrease quarter-on-quarter. The decrease year-on-year and quarter-on-quarter were mainly attributable to the decrease in operating profit as we continued to invest in our business particularly in marketing spending with the bulk of the marketing investment in Q3.

Cash and bank balances as of September 30, 2009 were RMB6,389.6 million (US\$935.5 million), representing a 4.0 percent increase year-on-year and a 10.0 percent decrease quarter-on-quarter. The quarter-on-quarter decline



was mainly due to the payment of special dividend in September 2009 to commemorate the 10th anniversary of Alibaba.com, as well as the settlement of considerations for the acquisition of Alisoft in August 2009. As of September 30, 2009, 90.4 percent (June 30, 2009: 78.6 percent) of our cash and bank balances was denominated in Renminbi.

Recent acquisitions

In August 2009, Alibaba.com entered into an acquisition agreement with Alibaba Group to acquire the business management software division of Alisoft, comprising software application product lines for small businesses and related assets, together with all customer contracts and employees, for a total consideration of RMB208.0 million. We believe the business and assets acquired from Alisoft will be a key building block in our plan to evolve the business model of our Company from an online meeting place into an e-commerce marketplace and service platform that supports key aspects of our customers' business operations.

Also in the third quarter of 2009, we announced that Alibaba.com would buy controlling stake in China Civilink (Cayman), which operates in China as HiChina Web Solutions, for a total consideration of RMB540.0 million (US\$79.1 million) in cash upon completion of two phases. HiChina, www.net.cn, is a leading provider of Internet infrastructure services in China, including domain name services, Web and server hosting services, email hosting services and Web site design and development services. With the acquisition of HiChina, Alibaba.com gains four key assets: a new, large customer base; new, value-added applications; advanced and automated "do it yourself" Web site technology; and a strong management and operating team.

Both acquisitions fulfilled our objectives of investing in businesses complementary to ours in providing non-overlapping customer base and good applications or technology. We saw the strong strategic fit and are confident that these businesses will create significant operating synergies. The new businesses will be integral parts of our Information Technology Business Unit (ITBU).

Other financial information

In August 2009, we entered into an acquisition agreement with our ultimate holding company, Alibaba Group Holding Limited, to acquire the business management software division of Alisoft Holding Limited and its subsidiaries ("Alisoft"), comprising application software product lines for small businesses and related assets, certain business liabilities (which represented deferred revenue and customer advances associated with unexpired customer contracts carried over from Alisoft, net of the corresponding direct selling costs deferred), together with all customer contracts and employees (the "acquired business"), for a cash consideration of approximately RMB193.4 million (US\$28.3 million) and an incentive and retention grant of restricted share units with approximate value of RMB14.6 million (US\$2.1 million), which will be awarded to the employees retained in the Company for their future service compensation. All assets and liabilities of the acquired business have been stated at their predecessor carrying amounts and are included in our consolidated financial statements from the beginning of the earliest period presented as if the acquired business had always been part of our Group. Since the acquired business is accounted for as a business combination under common control, we have restated all the comparative amounts as if the business combination had been completed on the earliest date of the periods being presented. As a result, profit for the second quarter of 2009 and third quarter of 2008 has been decreased by RMB11.6 million (US\$1.7



million) and RMB12.0 million (US\$1.8 million), respectively.

Note: All US dollar conversions are based on an exchange rate of USD1.00=HKD7.80 and USD1.00=RMB6.83.

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About Alibaba.com Limited

Alibaba.com (HKSE:1688) (HK.1688) is the global leader in business-to-business (B2B) e-commerce and the flagship company of Alibaba Group. Founded in 1999, Alibaba.com makes it easy for millions of buyers and suppliers around the world to do business online through three marketplaces: a global trade marketplace (www.alibaba.com) for importers and exporters, a Chinese marketplace (www.alibaba.com.cn) for domestic trade in China, and, through an associated company, a Japanese marketplace (www.alibaba.co.jp) facilitating trade to and from Japan. Together, its marketplaces form a community of more than 45 million registered users from more than 240 countries and regions. Alibaba.com also offers business management software solutions targeting small businesses across China under the "Alisoft" brand and incubates e-commerce talent for SMEs in China through Ali-Institute. Founded in Hangzhou, China, Alibaba.com has offices in more than 50 cities across Greater China, Japan, Korea, Europe and the United States.

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SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

	Q3 2009 RMB'000	Q3 2008 RMB'000 (Restated)		Q3 2009 RMB'000	Q2 2009 RMB'000 (Restated)
Revenue					
International marketplace	639,339	478,011		639,339	574,766
China marketplace	378,319	295,656		378,319	333,502
Others	14,713	7,797		14,713	10,998
Total revenue	1,032,371	781,464		1,032,371	919,266
Cost of revenue	(138,000)	(102,108)		(138,000)	(136,485)
Gross profit	894,371	679,356		894,371	782,781
Sales and marketing expenses	(463,052)	(281,363)		(463,052)	(385,681)
Product development expenses	(107,803)	(56,872)		(107,803)	(85,741)
General and administrative expenses	(97,962)	(78,457)		(97,962)	(96,262)
Other operating income, net	34,475	89,592		34,475	61,008
Profit from operations	260,029	352,256		260,029	276,105
Finance income, net	33,415	19,396		33,415	35,694
Share of losses of associated companies, net of tax	(8,749)	(8,543)		(8,749)	(9,800)
Profit before income taxes	284,695	363,109		284,695	301,999
Income tax charges	(48,656)	(66,493)		(48,656)	(52,842)
Profit attributable to equity owners of our Company	236,039	296,616		236,039	249,157
Special cash dividends paid	888,261	-		888,261	-
Earnings per share, basic (RMB)	RMB4.68 cents	RMB5.87 cents		RMB4.68 cents	RMB4.95 cents
Earnings per share, diluted (RMB)	RMB4.65 cents	RMB5.87 cents		RMB4.65 cents	RMB4.90 cents
Earnings per share, basic (HK\$) (Note 3)	HK\$5.31 cents	HK\$6.69 cents		HK\$5.31 cents	HK\$5.62 cents
Earnings per share, diluted (HK\$) (Note 3)	HK\$5.28 cents	HK\$6.69 cents		HK\$5.28 cents	HK\$5.56 cents

Note 3:

The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8812 and RMB0.8814 to HK\$1.0000 for the second and third quarters of 2009 (third quarter of 2008: RMB0.8769 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 rate or at all.



ADDITIONAL QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Q3 2009 RMB'000	Q3 2008 RMB'000 (Restated)	Q3 2009 RMB'000	Q2 2009 RMB'000 (Restated)
International marketplace				
China Gold Supplier	622,824	467,288	622,824	559,771
Global Gold Supplier	16,515	10,723	16,515	14,995
	639,339	478,011	639,339	574,766
China marketplace				
China TrustPass	358,877	278,237	358,877	317,310
Other revenue (Note 4)	19,442	17,419	19,442	16,192
	378,319	295,656	378,319	333,502
Others (Note 5)				
	14,713	7,797	14,713	10,998
Total	1,032,371	781,464	1,032,371	919,266
Recurring free cash flow (Non-GAAP)				
Net cash generated from operating activities	418,497	440,426	418,497	467,552
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(64,902)	(30,336)	(64,902)	(40,895)
Total	353,595	410,090	353,595	426,657
Share-based compensation expense	52,473	39,271	52,473	50,405
	As of September 30, 2009 RMB'000	As of September 30, 2008 RMB'000 (Restated)	As of September 30, 2009 RMB'000	As of June 30, 2009 RMB'000 (Restated)
Cash and bank balances	6,389,641	6,143,613	6,389,641	7,101,043
Deferred revenue and customer advances	2,968,517	2,088,322	2,968,517	2,763,634

Note 4:

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.

Note 5:

Other revenue mainly represents revenue earned from the sale of certain software products.