


Alibaba.com Limited
阿里巴巴網絡有限公司
Incorporated in the Cayman Islands with limited liability
Stock Code: 1688



Alibaba.com

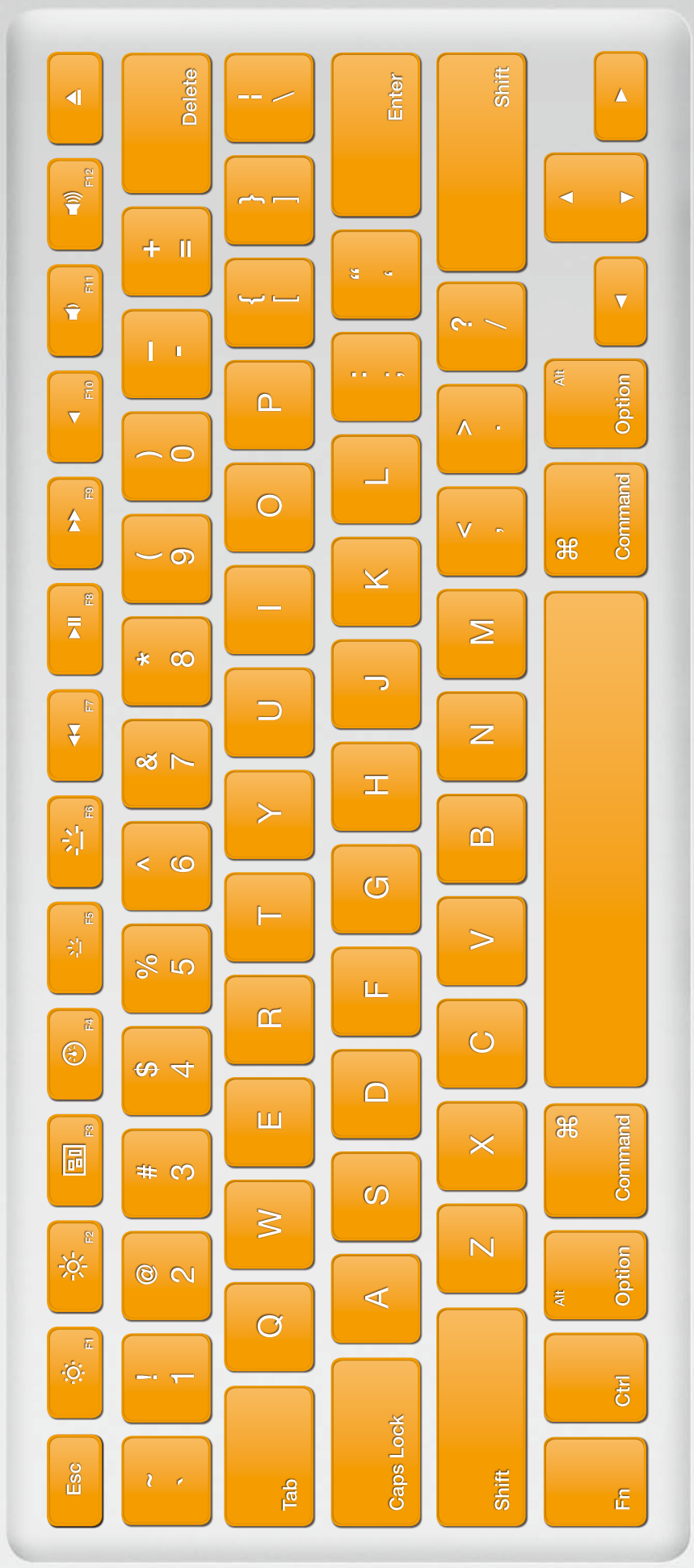
Interim Report 2010

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (UNAUDITED)	Six months ended June 30,		
	2009 RMB million (Restated)	2010 RMB million	Change
Revenue	1,736.6	2,586.8	+49.0%
Earnings before interest, taxes and amortization ("EBITA")	529.5	778.9	+47.1%
Profit attributable to equity owners	495.8	693.0	+39.8%
Share-based compensation expense	90.4	130.1	+43.9%
Deferred revenue and customer advances	2,763.6	3,721.8	+34.7%
Recurring free cash flow	769.6	921.7	+19.8%
Pre-share-based compensation expense EBITA margin (%)	35.7%	35.1%	-0.6%pts
Earnings per share, basic (HK\$)	11.15 cents	15.65 cents	+40.4%
Earnings per share, diluted (HK\$)	11.10 cents	15.55 cents	+40.1%

OPERATIONAL HIGHLIGHTS	June 30, 2009	June 30, 2010	YoY Change	March 31, 2010	QoQ Change	Q2 2010 Net adds
Registered users	42,781,218	53,437,054	+24.9%	50,249,939	+6.3%	3,187,115
International marketplace	9,462,705	13,643,361	+44.2%	12,577,930	+8.5%	1,065,431
China marketplace	33,318,513	39,793,693	+19.4%	37,672,009	+5.6%	2,121,684
Storefronts	5,509,260	7,812,354	+41.8%	7,278,770	+7.3%	533,584
International marketplace	1,126,645	1,559,881	+38.5%	1,476,784	+5.6%	83,097
China marketplace	4,382,615	6,252,473	+42.7%	5,801,986	+7.8%	450,487
Paying members ⁽¹⁾	531,471	712,867	+34.1%	658,701	+8.2%	54,166
China Gold Supplier	70,453	105,810	+50.2%	100,694	+5.1%	5,116
Global Gold Supplier ⁽²⁾	19,219	13,559	-29.5%	16,330	-17.0%	-2,771
China TrustPass	441,799	593,498	+34.3%	541,677	+9.6%	51,821

⁽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.

⁽²⁾ The number of Global Gold Supplier members has decreased since we upgraded the product with more features and higher pricing in July 2009.

⁽³⁾ Certain comparative figures have been restated pursuant to the business combination under common control upon acquisition of the business management software division of Alisoft Holding Limited and its subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2010, although China's foreign trade surged 43.1% year-on-year, the trade surplus decreased 42.5%, indicating that China has significantly lifted domestic demand to drive double-digit economic growth. These recent indicators from China reinforced our conviction that besides the growth in China's export, domestic demand is a key growth driver to China economy in the long term. Hence, starting in 2010, we embarked on several initiatives on our China marketplace to help small businesses use e-commerce to further grow their businesses. At the same time, we remain focused on executing our strategy of expanding our membership base on both our international and China marketplaces and offering more value-added services ("VAS") to our paying members.

We continuously make progress in our goals to accelerate paying member growth, increase revenue through subscription and VAS and gain economies of scale resulting in margin enhancement. With our dedication to providing solutions for our small business customers, coupled with our strong execution on product development, sales and marketing, and customer service, we are demonstrating the long-term success of our strategy.

During the first half of 2010, we saw sustained momentum in registered users and paying members growth. We added 5.7 million registered users, more than 992,000 storefronts and more than 97,600 paying members to our marketplaces. The growth momentum in both users and paying members was in line with our expected progress toward achieving our mid- to long-term objectives. As of June 30, 2010, we had a total of 53.4 million registered users, 7.8 million storefronts and 712,867 paying members on both marketplaces.

We also maintained a healthy financial position with strong performance across revenue and net profit in the first half of 2010. The total revenue in the first half 2010 was RMB2.6 billion, representing a 49.0% year-on-year growth. Our deferred revenue grew 34.7% year over year to RMB3.7 billion as of June 30, 2010.

International marketplace

As of June 30, 2010, there were 13,643,361 registered users and 1,559,881 storefronts on our international marketplace. In the second quarter of 2010, registered users increased by 1,065,431 and storefronts grew by 83,097. The sustainable growth momentum of our user base continued to drive traffic and buyer activities on our marketplace.

International marketplace operational data

	2007	As of December 31,		As of June 30,	
		2008	2009	2009	2010
Registered users	4,405,557	7,914,630	11,578,247	9,462,705	13,643,361
Storefronts	697,563	965,747	1,400,326	1,126,645	1,559,881
Paying members ⁽¹⁾	39,536	59,164	113,896	89,672	119,369
China Gold Supplier	27,384	43,028	96,110	70,453	105,810
Global Gold Supplier ⁽²⁾	12,152	16,136	17,786	19,219	13,559

⁽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.

⁽²⁾ Represents the product upgrade from International TrustPass since July 2009 with the price change to US\$2,999 per year.

International marketplace – Geographic distribution of registered users (other than China) as of June 30, 2010

Country or region	Number of registered users in country or region	Percentage of total registered users of our international marketplace
1. United States	2,136,733	15.7%
2. India	1,457,112	10.7%
3. European Union ⁽¹⁾	1,382,277	10.1%
4. United Kingdom	757,092	5.5%
5. Pakistan	356,638	2.6%

⁽¹⁾ Excludes the United Kingdom.

Gold Supplier

The growth of our Gold Supplier members started to normalize and customer net addition has settled into a more moderate level since the first quarter of 2010, as predicted. After the Chinese New Year holiday season, we regained momentum in customer acquisition for the second quarter with a net addition of 5,116 China Gold Supplier members. This growth was in line with our expectations and our mid- to long-term goal in membership base. As of June 30, 2010, we had a total number of 105,810 China Gold Supplier members.

While expanding customer base, we continued to manage customer renewals and to grow VAS adoption among renewed China Gold Supplier members. The VAS revenue contribution to China Gold Supplier revenue was faster than what we anticipated. The VAS revenue accounted for around 25% of China Gold Supplier revenue in the first half of 2010. During the period, we continued to enrich our VAS offerings to our customers and they increasingly see the value of these services, resulting in increased VAS penetration. Going forward, we will continue to serve our members better by introducing more applications and functionalities that cater to the varying needs of our members.

As of June 30, 2010, we had 13,559 Global Gold Supplier members. The total number of Global Gold Supplier members declined due to the expected impact of our new Global Gold Supplier membership launched in the second half of 2009. While the impact on membership growth may last for a few more quarters, the decline in customer numbers was more than compensated by the price increase. In terms of our overseas development, we remain focused on a few key markets including India, Japan, South Korea and Turkey, where we have already established strong cooperation with partners on the

ground, or have received good support from the local government or trade associations.

AliExpress

In April 2010, we announced the official launch of AliExpress, a transaction-based online wholesale transaction platform. Our primary objective is to develop AliExpress as the leading online transaction platform for cross-border wholesale transactions. Since the launch, we have seen a healthy increase in the user activity and the transaction volume. We also announced a US\$100 million investment in building the AliExpress business mainly in user acquisition, marketing and technology infrastructure. As a first step of this investment, in July 2010, we completed an acquisition of Vendio Services, Inc. (“Vendio”), an e-commerce platform providing a one-stop solution for small businesses that are selling online across multiple online channels. Vendio’s services are delivered via a “Software as a Service” (“SaaS”) cloud-computing model to nearly 80,000 small merchants in the United States with potential sourcing needs from suppliers on AliExpress and Alibaba.com. Through the acquisition of Vendio, we can tap into a fast-growing United States buyer base for AliExpress and Alibaba.com and in turn help small business merchants in the United States gain competitive advantage by sourcing effectively from our platforms.

To support the development of AliExpress, we have also expanded the online payment methods that include bank transfer, Visa, MasterCard and PayPal. In addition, we have established a strategic partnership with UPS to provide favorable international logistic rates for AliExpress users. In the coming few quarters, AliExpress will remain in an investment phase, laying the foundation to tap into the long-term market potential of online wholesale transactions.

China marketplace

China marketplace operational data

	2007	As of December 31,		As of June 30,	
		2008	2009	2009	2010
Registered users	23,194,402	30,160,705	36,154,669	33,318,513	39,793,693
Storefronts	2,259,283	3,648,503	5,419,658	4,382,615	6,252,473
Paying members ⁽¹⁾	266,009	372,867	501,316	441,799	593,498

⁽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.

Our China marketplace achieved a significant growth in the first half of 2010. Registered users increased by 3,639,024 to 39,793,693 as of June 30, 2010. During the same period, the number of storefronts increased by 832,815 to 6,252,473.

We believe that growing domestic demand in China will be the engine for long-term and sustainable growth of the China economy. As such, we announced a number of new initiatives on our China marketplace, including a revamp of our China site and a new domain, 1688.com, to refocus the online wholesale transaction features of this marketplace. We added more product categories and stepped up our marketing efforts through TV advertising campaign, online and offline marketing activities to raise brand awareness of 1688.com.

In April 2010, we announced the launch of the new “China TrustPass Basic”, which is priced at RMB1,688 per year. Similar to the strategy of introducing Gold Supplier Starter Pack on our international marketplace, we positioned China TrustPass Basic membership as an entry-level product and have seen positive market response. In the second quarter, we posted record high quarterly net addition of 51,821 China TrustPass members, bringing the total number of China TrustPass members to 593,498 as of June 30, 2010. Not only did we see acceleration in member acquisition, we also saw increased VAS usage and penetration among China TrustPass members, particularly in Ali-ADvance and Premium Placement. In the first half of 2010, the VAS revenue contribution to China TrustPass revenue trended positively at almost 20%.

During the period, we launched a few new VAS on China marketplace, such as Smart Marketing Wizard and Inquiry Management. However, as most of the members were still enjoying the free-trial period, these new services only contributed marginally to the current VAS revenue. We expect further penetration of VAS as members experience the power of these applications.

HiChina

HiChina has registered robust growth in most of its businesses since our acquisition. As of June 30, 2010, HiChina had about 2.1 million domain names in service. Total number of paying members for other non-domain name services was around 240,000. This customer base is largely distinctive from that of Alibaba.com and presents synergies for long-term development. In addition, going forward, we see strong cooperation between HiChina and our sister company, Alibaba Cloud Computing, to further develop web-hosting service and data storage capability.

Ali-Loan

The Ali-Loan program, partnered with Alibaba Group and various banks to exclusively assist our paying members to obtain capital, continued to gain traction. As of June 30, 2010, the cumulative number of loans issued by our partner banks to our paying members was more than 5,500, amounted to RMB13 billion in total. Our Ali-Loan program continued to demonstrate its value in solving small businesses' financing needs while increasing members' stickiness to Alibaba.com.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales and customer services

As of June 30, 2010, we had more than 4,500 field sales people for Gold Supplier, around 2,100 telephone sales representatives for China TrustPass. In addition to our renewal sales teams, who mainly focus on actively servicing our paying members, we also have a customer service team of about 1,100 staff, who are dedicated to handling inbound customer inquiries.

Employees

As of June 30, 2010, we had 12,447 employees (9,538 employees as of June 30, 2009), including 734 employees from HiChina. The related staff costs, including directors' emoluments, for first half of 2010 was RMB1,077.4 million (first half of 2009: RMB731.5 million). We normally review our employees' performance on a quarterly basis and adjust compensation annually based on performance and with reference to market rates.

FINANCIAL REVIEW

In the first half of 2010, we continued healthy growth in the number of paying members for both marketplaces. As of June 30, 2010, we had 712,867 paying members, representing a 34.1% increase from June 30, 2009. As a result of the increase in the number of paying members and VAS revenue, total revenue was RMB2,586.8 million in the first half of 2010, representing a 49.0% increase from the same period in 2009.

Revenue from our international marketplace increased to RMB1,510.0 million in the first half of 2010, representing a 39.8% increase from the same period in 2009. The growth was primarily due to the increase in the number of China Gold Supplier members and revenue from VAS. Our China Gold Supplier members reached 105,810 as of June 30, 2010, representing an increase of 35,357 or 50.2% from June 30, 2009. Our Global Gold Supplier members dropped to 13,559 as of June 30, 2010, representing a 29.5% decrease from June 30, 2009. Despite the decrease in our Global Gold Supplier members, our revenue from Global Gold Supplier increased to RMB42.4 million, representing a 52.1% increase since we upgraded the package with more features and higher pricing in July 2009.

Revenue from our China marketplace increased to RMB876.9 million in the first half of 2010, representing a 38.2% increase from the same period in 2009. Our China TrustPass membership reached 593,498 as of June 30, 2010, representing an increase of 151,699 or 34.3% from June 30, 2009. The robust growth in membership number, particularly in the second quarter, was mainly due to the positive effects from various new business initiatives introduced in the beginning of this year.

Other revenue was RMB200.0 million in the first half of 2010, representing a 821.6% increase from the same period last year. The increase was mainly due to the contribution by HiChina during the period.

Gross profit increased to RMB2,165.3 million in the first half of 2010, up 45.6% from RMB1,487.0 million in the first half of 2009. Gross profit margin declined slightly to 83.7%, compared with 85.6% in the same period last year primarily due to a higher cost of revenue as a result of the combined results of HiChina which had a relatively low gross profit margin.

Total operating expenses were RMB1,459.0 million in the first half of 2010, representing a 43.7% increase from RMB1,015.2 million in the same period last year. As a percentage of revenue, total operating expenses was 56.4% for the period, compared with 58.5% from the same period in 2009. The increase in operating expense was mainly due to the increase in direct sales costs as revenue increased; the expansion of our service and technology team; the consolidation of expenses incurred by HiChina and the marketing campaign that we launched to promote brand awareness and new offerings on our China marketplace. The decrease of operating expense as a percentage of revenue was largely a result of scale benefits that we realized from sales and marketing and general and administration functions as well as the increase in revenue from VAS which contributed a higher margin.

Other operating income (net) reduced to RMB57.1 million, representing a decrease of 23.1% from RMB74.3 million in the same period last year. This was mostly attributable to a decrease in government subsidies by 19.0% from RMB56.6 million in the first half of 2009 to RMB45.9 million in the same period in 2010.

Our profit margin before interest, tax and amortization (“EBITA margin”) (non-GAAP) was 30.1% for the period, a slight decrease from 30.5% in the same period last year. EBITA margin before share-based compensation expense (non-GAAP) was 35.1% in the period, down slightly from 35.7% in the same period last year. The flat EBITA margin was mainly due to the diluting effect after the consolidation of results of HiChina, offset by a lower operating expense as a percentage of revenue due to lower sales and marketing expenses and general and administration expenses as a percentage of revenue as well as a higher margin contribution from revenue from VAS.

Net finance income was RMB76.2 million, a slight increase of 2.1% from RMB74.7 million in the first half of last year, attributable to higher exchange gain recognized in the period.

Share of losses of associated companies, net of tax, was RMB3.8 million in the period, an 81.7% decrease from the same period last year. In accordance with prescribed accounting rules, the share of losses of associated companies has been limited to original investment costs. Current period’s recorded losses represented the write-off of the remaining amount of our investment costs carried on our consolidated balance sheet.

Income tax charges were RMB142.8 million, an increase of 37.1% from RMB104.1 million in the same period in 2009. Our effective tax rate was 17.1% for the first half of 2010, compared to 17.4% in the same period in 2009. This was higher than the income tax rate of 15% applicable to Alibaba (China) Technology Co., Ltd. (“Alibaba China”), our major operating subsidiary, primarily because the share-based compensation expense that we incurred was not tax deductible. Excluding the effect of the share-based compensation, our effective tax rate would have been 14.8% for the period.

Profit attributable to equity owners was RMB693.0 million in the first half of 2010, an increase of 39.8% from the same period in 2009, largely from the increase in revenue contributed by our larger paying customer base.

Earnings per share, basic and diluted were 15.65 Hong Kong cents and 15.55 Hong Kong cents respectively, compared to 11.15 Hong Kong cents and 11.10 Hong Kong cents (basic and diluted, respectively) in the first half of 2009.

Deferred revenue and customer advances were RMB3,721.8 million as of June 30, 2010, representing a 34.7% increase from RMB2,763.6 million as of June 30, 2009. The increase was mainly due to the continued healthy growth in China Gold Supplier membership and the strong growth of our China marketplace as we launched our new initiatives.

Cash and bank balances as of June 30, 2010 were RMB7,790.6 million, representing an 8.0% increase from December 31, 2009 and a 9.7% increase from June 30, 2009. As of June 30, 2010, 95.0% (December 31, 2009: 95.5%) of our cash and bank balances was denominated in Renminbi.

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. We have adopted prudent treasury management objectives, which include maintaining sufficient liquidity to meet our various funding requirements in accordance with our strategic plans while aiming to achieve a better return on our cash and to hedge against any foreign currency exchange risk. It is our Group’s policy not to invest our liquidity in financial products with significant underlying leverage or derivative exposure.

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. Renminbi is not freely convertible into other foreign currencies. All foreign currency exchange transactions in the PRC must be effected through the State Administration of Foreign Exchange. As of June 30, 2010, 95.0% of our cash and bank balances were denominated in Renminbi.

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 risk exposure is represented by the aggregate of cash and other investments we hold at banks and at other financial institutions. All of our cash and other investments are placed with financial institutions of sound credit quality and most of which bears maximum original maturities of less than 12 months.

Capital structure

We continue to maintain a strong financial position as a result of our healthy growth in recurring free cash flow from operations. As of June 30, 2010, we had cash and bank balances of RMB7,790.6 million, which was RMB574.2 million or 8.0% higher than that as of December 31, 2009. As of June 30, 2010, our cash and bank balances comprised 95.0% (December 31, 2009: 95.5%) Renminbi; 4.9% (December 31, 2009: 4.3%) United States dollars; 0.1% (December 31, 2009: 0.1%) Hong Kong dollars; and an insignificant amount of other currencies (December 31, 2009: 0.1%). The weighted average annual return on our cash and bank balances was 2.0% in the first half of 2010 (first half of 2009: 2.2%).

As of June 30, 2010, our total assets were RMB10,443.4 million (December 31, 2009: RMB9,456.7 million), which were financed by total equity of RMB5,834.6 million (December 31, 2009: RMB5,018.1 million), current liabilities of RMB4,199.8 million (December 31, 2009: RMB4,097.1 million) and non-current liabilities of RMB409.0 million (December 31, 2009: RMB341.5 million). Of the total liabilities, RMB3,721.8 million (December 31, 2009: RMB3,437.0 million) represented deferred revenue and customer advances that we collected upfront from our customers. These upfront payments are reflected as liabilities because we have not yet provided services to earn the related revenue. Therefore, these liabilities do not entail obligations on us to pay customers, and instead they provide an assured base for our future reported revenue.

As of June 30, 2010, our deferred revenue and customer advances amounted to RMB3,721.8 million which was RMB284.8 million or 8.3% more than that as of December 31, 2009.

As of June 30, 2010, our Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB3,273.1 million (December 31, 2009: RMB3,190.5 million).

Cash flow

Net cash generated from operating activities

Net cash generated from operating activities was RMB979.3 million in the first half of 2010, representing a 17.2% increase from RMB835.4 million in the same period last year. The increase was mainly attributable to healthy growth in revenue brought by both marketplaces as a result of the successful launch of various business initiatives as well as the fruitful results of our marketing campaigns in 2009.

Net cash used in investing activities

Net cash used in investing activities was RMB1,674.3 million in the first half of 2010 compared to RMB2,220.6 million in the same period in 2009. Net cash used in investing activities during the period primarily represented an increased placement of cash in term deposits with original maturities of over three months and available-for-sale investments of RMB1,566.0 million (first half of 2009: RMB2,174.4 million).

Net cash generated from financing activities

Net cash generated from financing activities was RMB5.4 million in the first half of 2010, compared to an outflow of RMB69.8 million in the first half of 2009. The inflow in the period mainly represented proceeds from shares issued under employee equity award plans.

Recurring free cash flow

Recurring free cash flow (non-GAAP) for the six months ended June 30, 2010 was RMB921.7 million, representing a 19.8% increase from the same period in 2009. The increase year-on-year was mainly due to the strong increase of paying members, who prepay for their full-year memberships, as reflected in the increase in our deferred revenue and customer advances.

SUBSEQUENT EVENT

In July 2010, we completed an acquisition of Vendio, an e-commerce platform providing a one-stop solution for small businesses that are selling online across multiple online channels. Vendio's services are delivered via a SaaS cloud-computing model to nearly 80,000 small merchants in the United States with potential sourcing needs from suppliers on AliExpress and Alibaba.com. Through the acquisition of Vendio, we can tap into a quality United States buyer base for AliExpress and Alibaba.com and in turn help small business merchants in the United States gain competitive advantage by sourcing effectively from our platforms.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2010, we did not have any material off-balance sheet arrangements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of June 30, 2010, none of our assets were pledged and we did not have any material contingent liabilities or guarantees.

OUTLOOK

We take a cautious view on the macro economy and small and medium-sized enterprise ("SME") development in the following quarters as we see growth momentum of China's SME sector and its GDP continued to moderate. Although we expect that export from China will continue to grow, our view is that the year-on-year export growth rate in coming quarters will continue to slow down due to major uncertainties in raising costs for labor and raw materials, appreciation pressure on Renminbi, as well as the latest challenges faced by major buyer markets. Domestically, while China's GDP growth outshined almost all the other major economies in the world, SME's development mainly in terms of overall revenue growth and profit margin has been lackluster and it underperformed other sectors in the market. We believe that this was largely a result of small businesses' limited access to loan and financing, increasing costs and their lack of advanced business management tools and skills.

Against the current economic backdrop, rather than simply emphasizing on the acceleration of customer acquisition, we will be focusing more on evolving the level of services and providing more VAS to help our customers truly move to "Work-at-Alibaba". We will focus significant time on helping our members leverage our platforms and applications to strengthen their own competitive advantages. As such, in the coming quarters, we may see some slowdown in customer net additions in both marketplaces. On the other hand, VAS development and penetration may accelerate.

We are fortunate that our connection with millions of small businesses has given us foresight about the changes in the business environment confronting all of us. This foresight has helped us grow our two marketplaces in a healthy and balanced state. All these factors helped us further strengthen our position in times of looming concerns in global economic slowdown. We see the common, yet under-addressed, needs of our members in the course of running their businesses. With a vast base of small business customers under our wing, Alibaba.com hopes to aggregate and represent small businesses' interests and help them satisfy those needs, either through services developed internally or through third parties.

We remain positive and confident in the China economy and e-commerce. Our 'membership plus VAS' model is the key to the long-term success of our customers and our business. To make it easy for our customers to do business anywhere by solving their challenges in sales, management and financing through technological upgrades is our unwavering mission.

On behalf of the Board

WEI Zhe, David

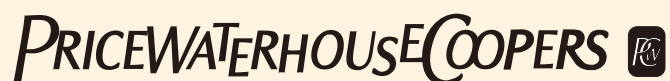
Chief Executive Officer

Hong Kong, August 10, 2010



KEY TO
GLOBAL TRADE

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

TO THE BOARD OF DIRECTORS OF ALIBABA.COM LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 39, which comprises the condensed consolidated balance sheet of Alibaba.com Limited (the “Company”) and its subsidiaries (together, the “Group”) as of June 30, 2010 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 10, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended June 30, 2010

	Notes	Six months ended June 30,	
		2009 (Restated) RMB'000	2010 RMB'000
Revenue			
International marketplace	4	1,080,363	1,509,987
China marketplace	4	634,577	876,875
Others	4	21,698	199,978
Total revenue		1,736,638	2,586,840
Cost of revenue		(249,617)	(421,565)
Gross profit		1,487,021	2,165,275
Sales and marketing expenses		(679,153)	(964,330)
Product development expenses		(155,134)	(249,646)
General and administrative expenses		(180,893)	(245,009)
Other operating income, net	5	74,286	57,110
Profit from operations	6	546,127	763,400
Finance income, net	7	74,672	76,227
Share of losses of associated companies, net of tax	14	(20,827)	(3,802)
Profit before income taxes		599,972	835,825
Income tax charges	9	(104,138)	(142,774)
Profit for the period		495,834	693,051
Other comprehensive income			
Net fair value gains on available-for-sale investments		2	340
Currency translation differences		522	(3,806)
Total comprehensive income for the period		496,358	689,585
Profit for the period attributable to			
Equity owners of the Company		495,834	692,958
Non-controlling interests		–	93
Profit for the period		495,834	693,051
Total comprehensive income for the period attributable to			
Equity owners of the Company		496,358	689,492
Non-controlling interests		–	93
Total comprehensive income for the period		496,358	689,585
Dividends	10	888,261	–
Earnings per share, basic (RMB)	11	9.83 cents	13.74 cents
Earnings per share, diluted (RMB)	11	9.78 cents	13.66 cents
Earnings per share, basic (HK\$)	11	11.15 cents	15.65 cents
Earnings per share, diluted (HK\$)	11	11.10 cents	15.55 cents

The notes on pages 18 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As of June 30, 2010

	Notes	December 31, 2009	June 30, 2010
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Lease prepayment		27,915	27,622
Property and equipment	12	783,122	784,587
Goodwill	13	202,631	202,631
Intangible assets	13	165,506	150,126
Interests in associated companies	14	3,802	–
Deferred tax assets	22	73,165	71,973
Available-for-sale investments	15	22,386	24,271
Prepayments, deposits and other receivables	16	4,234	54,547
Direct selling costs	17	31,087	37,899
Total non-current assets		1,313,848	1,353,656
Current assets			
Amounts due from related companies	24	37,925	29,216
Prepayments, deposits and other receivables	16	309,028	322,488
Customer accounts		–	44,339
Direct selling costs	17	529,496	531,235
Available-for-sale investments	15	50,000	350,000
Restricted cash and escrow receivables		–	21,871
Term deposits with original maturities of over three months	18	4,467,755	5,733,695
Cash and cash equivalents	18	2,748,690	2,056,940
Total current assets		8,142,894	9,089,784
Total assets		9,456,742	10,443,440
EQUITY			
Share capital		485	485
Reserves		4,976,605	5,792,420
Equity attributable to equity owners of the Company		4,977,090	5,792,905
Non-controlling interests		41,059	41,690
Total equity		5,018,149	5,834,595

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As of June 30, 2010

	Notes	December 31, 2009 RMB'000	June 30, 2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred revenue	19	204,285	264,396
Other payables	21	67,602	76,227
Deferred tax liabilities	22	69,641	68,432
Total non-current liabilities		341,528	409,055
Current liabilities			
Deferred revenue and customer advances	19	3,232,690	3,457,409
Trade payables	20	23,907	8,555
Amounts due to customers		–	66,210
Amounts due to related companies	24	20,215	30,781
Other payables and accruals	21	785,577	575,022
Current income tax liabilities		34,676	61,813
Total current liabilities		4,097,065	4,199,790
Total liabilities		4,438,593	4,608,845
Total equity and liabilities		9,456,742	10,443,440
Net current assets		4,045,829	4,889,994
Total assets less current liabilities		5,359,677	6,243,650

WEI Zhe, David

Director

WU Wei, Maggie

Director

Hong Kong, August 10, 2010

The notes on pages 18 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended June 30, 2010

	Attributable to equity owners of the Company								
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Exchange reserve	Statutory reserves	Investment revaluation reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of January 1, 2009, as previously reported	486	3,067,924	(55,787)	-	(4,293)	250,128	-	1,709,951	4,968,409
Reserve arising from business combination under common control (Note 25)	-	7,260	25,434	-	-	-	-	(94,042)	(61,348)
Balance as of January 1, 2009, as restated	486	3,075,184	(30,353)	-	(4,293)	250,128	-	1,615,909	4,907,061
Comprehensive income									
Profit attributable to equity owners of the Company	-	-	-	-	-	-	-	495,834	495,834
Other comprehensive income									
Net fair value gains on available-for-sale investments	-	-	-	-	-	-	2	-	2
Currency translation differences	-	-	-	-	522	-	-	-	522
Total comprehensive income	-	-	-	-	522	-	2	495,834	496,358
Transactions with equity owners									
Repurchase of issued ordinary shares	(1)	(69,803)	-	1	-	-	-	(1)	(69,804)
Issue of ordinary shares under employee equity award plans	-	12	-	-	-	-	-	-	12
Value of employee services under equity award plans	-	90,400	-	-	-	-	-	-	90,400
Total transactions with equity owners	(1)	20,609	-	1	-	-	-	(1)	20,608
Appropriation to statutory reserves	-	-	-	-	-	61,617	-	(61,617)	-
Balance as of June 30, 2009	485	3,095,793	(30,353)	1	(3,771)	311,745	2	2,050,125	5,424,027
Representing:									
Special cash dividends (Note 10)								888,261	
Others								1,161,864	
								2,050,125	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended June 30, 2010

	Attributable to equity owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Capital			Statutory reserves	Investment revaluation reserve	Retained earnings	Total		
				redemption reserve	Exchange reserve							
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance as of January 1, 2010	485	3,205,821	(216,194)	1	(4,046)	355,803	222	1,634,998	4,977,090	41,059	5,018,149	
Comprehensive income												
Profit attributable to equity owners of the Company	-	-	-	-	-	-	-	692,958	692,958	93	693,051	
Other comprehensive income												
Net fair value gains on available-for-sale investments	-	-	-	-	-	-	340	-	340	-	340	
Currency translation differences	-	-	-	-	(3,806)	-	-	-	(3,806)	-	(3,806)	
Total comprehensive income	-	-	-	-	(3,806)	-	340	692,958	689,492	93	689,585	
Transactions with equity owners												
Issue of ordinary shares under employee equity award plans	-	5,381	-	-	-	-	-	-	5,381	-	5,381	
Value of employee services under equity award plans	-	120,942	-	-	-	-	-	-	120,942	-	120,942	
Total transactions with equity owners	-	126,323	-	-	-	-	-	-	126,323	-	126,323	
Transactions with non-controlling interests												
Value of employee services under equity award plans	-	-	-	-	-	-	-	-	-	538	538	
Total transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	538	538	
Appropriation to statutory reserves	-	-	-	-	-	80,394	-	(80,394)	-	-	-	
Balance as of June 30, 2010	485	3,332,144	(216,194)	1	(7,852)	436,197	562	2,247,562	5,792,905	41,690	5,834,595	

The notes on pages 18 to 39 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended June 30, 2010

	Six months ended June 30,	
	2009	2010
	(Restated)	
	RMB'000	RMB'000
Net cash generated from operating activities	835,359	979,299
Net cash used in investing activities	(2,220,603)	(1,674,268)
Net cash (used in)/generated from financing activities	(69,792)	5,381
Net decrease in cash and cash equivalents	(1,455,036)	(689,588)
Cash and cash equivalents at beginning of period	2,688,951	2,748,690
Effect of exchange rate for the period	125	(2,162)
Cash and cash equivalents at end of period	1,234,040	2,056,940

	June 30,	June 30,
	2009	2010
	RMB'000	RMB'000
Analysis of cash and bank balances (Note 18)		
Cash and cash equivalents	1,234,040	2,056,940
Term deposits with original maturities of over three months	5,867,003	5,733,695
Total	7,101,043	7,790,635

The notes on pages 18 to 39 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Alibaba.com Limited (the “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. The Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered address of the Company is Fourth Floor, One Capital Place, P.O. Box 847GT, Grand Cayman, Cayman Islands. As of the date of this report, the ultimate holding company of the Company is Alibaba Group Holding Limited, a company incorporated in the Cayman Islands.

The Company and its subsidiaries (the “Group”) are 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, www.1688.com and www.alibaba.co.jp and under the trade name “Alibaba” (the “B2B services”).

In August 2009, the Group entered into an acquisition agreement with Alibaba Group Holding Limited to acquire the business management software division of Alisoft Holding Limited and its subsidiaries. The aforesaid transaction was regarded as a business combination under common control in a manner similar to pooling-of-interests and with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for the Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and all comparative figures have been restated as if the business combination had been completed on the earliest date of the periods being presented, i.e., January 1, 2009. As a result of this business combination under common control, profit for the six months ended June 30, 2009 has been decreased by RMB18,306,000. Details of the adjustments for the common control combination on the Group’s results for the six months ended June 30, 2009 are set out in note 25.

This condensed consolidated interim financial information (the “Interim Financial Statements”) has been approved for issue by the board of directors on August 10, 2010.

2 BASIS OF PREPARATION

The Interim Financial Statements of the Group have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board and have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments.

The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2009 (the “2009 Financial Statements”) as set out in the 2009 annual report of the Company dated March 16, 2010. The 2009 Financial Statements were prepared in accordance with International Financial Reporting Standards (“IFRS”).

Except as described below in Notes 2.1 and 2.2, the accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those set out in the 2009 Financial Statements.

2 BASIS OF PREPARATION (Continued)

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 the Group's accounting policies. Those areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's consolidated financial statements, were detailed in the 2009 Financial Statements.

The Group has adopted the following new/revised IFRS standards and interpretations for accounting periods commencing January 1, 2010:

		Effective for annual periods beginning on or after
IFRSs (Amendments)	Improvements to IFRSs	January 1, 2010
Amendment to IAS 1	Presentation of Financial Statements	January 1, 2010
Amendment to IAS 7	Statement of Cash Flows	January 1, 2010
Amendment to IAS 17	Leases	January 1, 2010
Amendment to IAS 36	Impairment of Assets	January 1, 2010
Amendment to IAS 39	Financial Instruments: Recognition and Measurement	January 1, 2010
Amendment to IFRS 2	Group Cash-settled Share-based Payment Transactions	January 1, 2010
Amendment to IFRS 8	Operating Segments	January 1, 2010

The adoption of the above new/revised IFRS standards and interpretations did not have any material impact on the Group's consolidated Interim Financial Statements except for disclosure and has not led to any changes in the Group's accounting policies except disclosed elsewhere.

The following new standards, interpretations and amendments to the existing standards have been published but have not come into effect for the financial year beginning January 1, 2010:

		Effective for annual periods beginning on or after
Amendment to IAS 32	Financial Instruments: Presentation on Classification of Rights Issues	February 1, 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
Amendment to IAS 24	Related Party Disclosures	January 1, 2011
IFRSs (Amendments)	Improvements to IFRSs 2010	January 1, 2011
Amendment to IFRIC 14	Pre-payments of a Minimum Funding Requirement	January 1, 2011
IFRS 9	Financial Instruments	January 1, 2013

The Group has not early adopted any of the above new standards, interpretations and amendments to the existing standards in the period. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (Continued)

2.1 Customer accounts and amounts due to customers

The Group has established a business integrity insurance fund for members on the China marketplace. Under this fund, buyers can claim compensation for losses, up to certain maximum protection amount, arising from fraudulent acts by the China Trustpass members of the Group who joined the plan. In addition, some of the China TrustPass members voluntarily joined the business integrity insurance fund and increase the protection amount by providing additional funds to the Group. The funds received from these members are held in the consolidated balance sheet as customer accounts with a corresponding current liability in amounts due to customers.

2.2 Restricted cash and escrow receivables

Restricted cash and escrow receivables primarily represents money received or receivable on escrow in connection with the Group's online wholesale transaction platform. Cash received or receivable from customers in the wholesale transaction platform are held in the consolidated balance sheet as restricted cash and escrow receivables with a corresponding current liability in amounts due to customers.

3 SEGMENT INFORMATION

The Group determines its operating segments based on the management reports reviewed by the executive management committee (the "chief operating decision-maker") that are used to make strategic decisions, assess performance and allocate resources. In the respective periods presented, the Group had one single operating segment, namely the provision of the B2B services. Although the B2B services consist of the operations of the international marketplace and the China marketplace, the chief operating decision-maker considers that these underlying marketplaces are subject to similar risks and returns. Therefore, it has only relied on the reported revenue associated from these underlying marketplaces in making financial decisions and allocating resources. Significant costs incurred associated with the revenue generated are not separately identified by marketplaces for the review of the chief operating decision-maker.

4 REVENUE

	Six months ended June 30,	
	2009	2010
	(Restated)	
	RMB'000	RMB'000
International marketplace		
China Gold Supplier	1,052,492	1,467,584
Global Gold Supplier	27,871	42,403
	1,080,363	1,509,987
China marketplace		
China TrustPass	605,779	834,847
Other revenue ⁽ⁱ⁾	28,798	42,028
	634,577	876,875
Others ⁽ⁱⁱ⁾	21,698	199,978
Total	1,736,638	2,586,840

(i) Other revenue earned with respect to the China marketplace mainly represents advertising fees paid by third party advertisers.

(ii) Other revenue mainly represents revenue earned from the sale of Internet infrastructure and application services and certain software products.

5 OTHER OPERATING INCOME, NET

	Six months ended June 30,	
	2009	2010
	(Restated)	
	RMB'000	RMB'000
Government grants ⁽ⁱ⁾	56,638	45,850
Reimbursement from fellow subsidiaries, net ⁽ⁱⁱ⁾	12,382	6,051
Others	5,266	5,209
Total	74,286	57,110

- (i) Government grants mainly represent amounts received from government authorities by Alibaba (China) Technology Co., Ltd. ("Alibaba China"), a wholly-owned subsidiary of the Company, in relation to technology developments in the People's Republic of China ("PRC").
- (ii) This represents net amount received from or paid to fellow subsidiaries for the provision of administrative and technology services. The reimbursement charges are calculated based on actual cost incurred or actual cost incurred plus a certain margin.

6 PROFIT FROM OPERATIONS

Profit from operations was stated after charging the following:

	Six months ended June 30,	
	2009	2010
	(Restated)	
	RMB'000	RMB'000
Staff costs (Note 8)	731,484	1,077,443
Depreciation expense of property and equipment (Note 12)	52,532	91,089
Operating lease rentals	38,115	32,461
Amortization of intangible assets (Note 13)	3,608	16,453
Auditors' remuneration	2,787	3,363
Amortization of lease prepayment	293	293
Losses on disposals of property and equipment, net	43	131

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7 FINANCE INCOME, NET

	Six months ended June 30,	
	2009	2010
	RMB'000	RMB'000
Interest income	74,348	73,716
Exchange gains, net	324	2,511
Total	74,672	76,227

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended June 30,	
	2009	2010
	(Restated) RMB'000	RMB'000
Salaries, bonuses and sales commission	530,857	771,506
Contributions to defined contribution plans	84,699	133,838
Discretionary employee benefits	25,528	41,994
Share-based compensation expense	90,400	130,105
Total	731,484	1,077,443

Share-based compensation expense by function was analyzed as follows:

	Six months ended June 30,	
	2009	2010
	(Restated) RMB'000	RMB'000
Cost of revenue	5,307	12,393
Sales and marketing expenses	28,125	38,809
Product development expenses	10,194	27,251
General and administrative expenses	46,774	51,652
Total	90,400	130,105

	As of June 30,	
	2009	2010
	(Restated)	
Number of employees	9,538	12,447

9 INCOME TAX CHARGES

	Six months ended June 30,	
	2009	2010
	RMB'000	RMB'000
Current tax charge	137,159	142,791
Deferred tax credit (Note 22)	(33,021)	(17)
Total	104,138	142,774

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

Current income tax charge primarily represents the provision for PRC Enterprise Income Tax for subsidiaries operating in the PRC. These subsidiaries are subject to Enterprise Income Tax 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.

The PRC Enterprise Income Tax Law, which became effective on January 1, 2008, unifies the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25%. Pursuant to Caishui [2008] No.1 under the PRC Enterprise Income Tax Law, a duly recognized Key Software Enterprise within China's National Plan can enjoy a preferential PRC Enterprise Income Tax rate of 10%. Alibaba China was recognized as a Key Software Enterprise by four ministries including National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Commerce and the State Administration for Taxation and as a result, Alibaba China was subject to PRC Enterprise Income Tax at 10% for the full year of 2009. As of June 30, 2009, the Key Software Enterprise status of Alibaba China had not yet been approved, therefore the PRC Enterprise Income Tax of Alibaba China was calculated at 15% for the six months ended June 30, 2009. This Key Software Enterprise status is subject to review by relevant authorities on an annual basis.

In addition, the PRC Enterprise Income Tax Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises. Alibaba China, the principal operating entity of the Group, was formally designated as a High and New Technology Enterprise in 2008 to 2010 and as a result, was subject to PRC Enterprise Income Tax at 15% in 2010.

Alibaba China Software Co., Ltd. ("Alibaba Software"), another major PRC operating subsidiary of the Group, was recognized as a Software Enterprise pursuant to Caishui [2008] No.1 under the PRC Enterprise Income Tax Law in 2008. Under this tax circular, a Software Enterprise can enjoy full exemption from PRC Enterprise Income Tax for the first two years and fifty percent reduction in PRC Enterprise Income Tax thereafter for three years, starting from the company's first profit-making year. Since 2008 was the first profit-making year of Alibaba Software, it was subject to PRC Enterprise Income Tax at 12.5% in 2010 (2009: 0%).

Most of the remaining PRC entities of the Group are subject to PRC Enterprise Income Tax at 25% in 2010 (2009: 25%) in accordance with the PRC Enterprise Income Tax Law.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10 DIVIDENDS

	Six months ended June 30,	
	2009	2010
	RMB'000	RMB'000
Special cash dividends	888,261	—

On August 13, 2009, the Company declared a special cash dividend of 20 Hong Kong cents per ordinary share, or approximately HK\$1,010,000,000 (RMB888,261,000 equivalent) in aggregate, which was paid in September 2009.

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company for the period by the weighted average number of ordinary shares in issue during the period.

	Six months ended June 30,	
	2009	2010
	(Restated)	
Profit attributable to equity owners of the Company (RMB'000)	495,834	692,958
Weighted average number of ordinary shares in issue (thousand shares)	5,041,865	5,042,767
Earnings per share, basic (RMB)	9.83 cents	13.74 cents
Earnings per share, basic (HK\$) ⁽ⁱ⁾	11.15 cents	15.65 cents

11 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 and restricted share units ("RSUs") granted by the 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 the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. 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 and RSUs. The difference is added to the denominator as an issue of ordinary shares for no consideration. The earnings are adjusted by taking into account the impact of potentially dilutive share options and restricted share units of the subsidiaries (the numerator).

	Six months ended June 30,	
	2009	2010
	(Restated)	
Profit attributable to equity owners of the Company (RMB'000)	495,834	692,958
Weighted average number of ordinary shares in issue (thousand shares)	5,041,865	5,042,767
Adjustments for share options and RSUs (thousand shares)	29,605	31,757
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	5,071,470	5,074,524
Earnings per share, diluted (RMB)	9.78 cents	13.66 cents
Earnings per share, diluted (HK\$) ⁽ⁱ⁾	11.10 cents	15.55 cents

- (i) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8782 to HK\$1.0000 for the six months ended June 30, 2010 (six months ended June 30, 2009: RMB0.8813 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12 PROPERTY AND EQUIPMENT

	Buildings	Leasehold and building improvements	Furniture and office equipment	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2009						
As of January 1, 2009, as previously reported	–	13,108	26,850	126,804	209,213	375,975
Adjustment for business combination under common control (Note 25)	–	–	5	10,565	–	10,570
As of January 1, 2009, as restated	–	13,108	26,855	137,369	209,213	386,545
Additions	–	9,398	4,307	72,838	209,171	295,714
Disposals	–	(322)	(3)	(392)	–	(717)
Depreciation	–	(8,457)	(6,114)	(37,961)	–	(52,532)
Exchange differences	–	32	17	7	–	56
Closing net book amount	–	13,759	25,062	171,861	418,384	629,066
As of June 30, 2009						
Cost	–	52,360	60,388	358,368	418,384	889,500
Accumulated depreciation	–	(38,601)	(35,326)	(186,507)	–	(260,434)
Closing net book amount	–	13,759	25,062	171,861	418,384	629,066
Six months ended June 30, 2010						
As of January 1, 2010	320,592	150,213	60,655	247,104	4,558	783,122
Additions	–	8,415	6,428	73,121	5,466	93,430
Disposals	–	(55)	(80)	(498)	–	(633)
Depreciation	(3,369)	(10,551)	(13,139)	(64,030)	–	(91,089)
Exchange differences	–	(59)	(64)	(120)	–	(243)
Closing net book amount	317,223	147,963	53,800	255,577	10,024	784,587
As of June 30, 2010						
Cost	322,838	176,834	101,294	539,760	10,024	1,150,750
Accumulated depreciation	(5,615)	(28,871)	(47,494)	(284,183)	–	(366,163)
Closing net book amount	317,223	147,963	53,800	255,577	10,024	784,587

13 GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Computer software and technology	Trademarks/ Domain names	Customer relationships	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2009					
As of January 1, 2009, as previously reported	-	-	-	-	-
Adjustment for business combination under common control (Note 25)	-	6,615	-	-	6,615
As of January 1, 2009, as restated	-	6,615	-	-	6,615
Amortization charge	-	(3,608)	-	-	(3,608)
Closing net book amount	-	3,007	-	-	3,007
As of June 30, 2009					
Cost	-	21,648	-	-	21,648
Accumulated amortization	-	(18,641)	-	-	(18,641)
Closing net book amount	-	3,007	-	-	3,007
Six months ended June 30, 2010					
As of January 1, 2010	202,631	56,255	40,969	68,282	368,137
Additions	-	1,073	-	-	1,073
Amortization charge	-	(7,918)	(1,707)	(6,828)	(16,453)
Closing net book amount	202,631	49,410	39,262	61,454	352,757
As of June 30, 2010					
Cost	202,631	78,976	40,969	68,282	390,858
Accumulated amortization	-	(29,566)	(1,707)	(6,828)	(38,101)
Closing net book amount	202,631	49,410	39,262	61,454	352,757

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

14 INTERESTS IN ASSOCIATED COMPANIES

	2009	2010
	RMB'000	RMB'000
As of January 1	31,719	3,802
Share of losses, net of tax	(20,827)	(3,802)
Exchange difference	1,774	-
As of June 30	12,666	-

As of June 30, 2010, there were no capital commitments or contingent liabilities relating to the Group's interests in the associated companies (December 31, 2009: Nil).

Details of the associated companies as of June 30, 2010 were set out below:

Name	Place and date of incorporation/establishment and kind of legal entity	Principal activities	Particulars of issued share/ registered capital	Effective interest held
Directly held:				
Alibaba.com Japan Co., Ltd.	Japan November 30, 2007 Limited liability company	Provision of Internet content and advertising services	Japanese Yen 1,221,840,434	31.77%
Indirectly held:				
Ahead Concord Limited	Hong Kong November 15, 2007 Limited liability company	International trade	HK\$1	31.77%
Zhejiang Ayeda Network Technology Company Limited [#] 浙江阿暉達網絡技術有限公司	PRC May 23, 2008 Limited liability company	Provision of software and technology services	RMB 25,000,000	31.77%

[#] The English name of this associated company represents management's translation of its Chinese name only, as no official English name has been registered by this PRC company.

The investments in associated companies are being accounted for using the equity method. The total investment, including net tangible assets and identifiable intangible assets, is classified as part of the interests in associated companies on the Group's consolidated balance sheet. The Group records its share of the results of associated companies, one quarter in arrears, in the share of profits/losses from associated companies, net of tax on the consolidated statement of comprehensive income. The Group discontinues recognizing its share of further losses as the accumulated share of losses equals the original investment costs in the current period.

15 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments included the following:

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
Unlisted securities:		
Debt securities in the PRC, at fair value	70,222	370,563
Equity securities in Japan, at cost	2,164	2,152
Equity securities in Hong Kong, at cost	–	1,556
Total	72,386	374,271

The available-for-sale investments were denominated in the following currencies:

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
Renminbi	70,222	370,563
Japanese Yen	2,164	2,152
Hong Kong Dollars	–	1,556
Total	72,386	374,271

None of the available-for-sale investments were impaired as of June 30, 2010 (December 31, 2009: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
Non-current portion		
Rental and other deposits	4,234	54,547
Current portion		
Loans to employees ⁽ⁱ⁾	944	547
Interest income receivables	87,138	50,060
Prepaid tax	76,766	77,585
Prepaid rentals, rental and other deposits	26,987	16,142
Prepaid expenses	17,350	26,768
Other receivables ⁽ⁱⁱ⁾	99,843	151,386
	309,028	322,488
Total	313,262	377,035

- (i) The fair value of loans to employees was determined using discounted cash flows at a market rate of 5.67% (2009: 5.67%), which was equivalent to the effective interest rate on the loans.
- (ii) Other receivables mainly represent receivables from certain PRC government authorities amounted to RMB89,800,000 (December 31, 2009: RMB72,557,000). Such receivables arose from an incentive scheme granted to certain qualified PRC-based small and medium enterprises for the use of the Group's e-commerce services. The amount of incentive granted would be paid to the Group by the relevant government authorities directly.

17 DIRECT SELLING COSTS

Upon the receipt of service fees from paying members, the Group is obligated to pay certain costs related to the receipt of such service fees which primarily comprise sales commissions. The service fees are initially deferred and recognized in the consolidated statement of comprehensive income in the period in which the services are rendered (Note 19). As such, the related costs are also initially deferred and recognized in the consolidated statement of comprehensive income in the same period as the related service fees are recognized.

18 CASH AND BANK BALANCES

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
Cash at banks and on hand	359,366	1,203,518
Term deposits and short-term highly liquid investments with original maturities of three months or less	2,389,324	853,422
Cash and cash equivalents	2,748,690	2,056,940
Term deposits with original maturities of over three months	4,467,755	5,733,695
Total	7,216,445	7,790,635

19 DEFERRED REVENUE AND CUSTOMER ADVANCES

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

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
Customer advances	878,077	734,286
Deferred revenue	2,558,898	2,987,519
	3,436,975	3,721,805
Less: Current portion	(3,232,690)	(3,457,409)
Non-current portion	204,285	264,396

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 services by the Group and are recognized in the consolidated statement of comprehensive income in the period in which the services are rendered. In general, service fees received in advance are non-refundable after such amounts are transferred to deferred revenue.

20 TRADE PAYABLES

The aging analysis of trade payables is as follows:

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
0 – 30 days	23,794	7,295
31 days – 60 days	–	866
61 days – 90 days	–	3
Over 90 days	113	391
Total	23,907	8,555

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

21 OTHER PAYABLES AND ACCRUALS

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
Non-current portion		
Put liability and compensatory liability in relation to the acquisition of a 14.67% equity interest in HiChina ⁽ⁱ⁾	67,602	76,227
Current portion		
Accrued salaries, bonuses, sales commissions and staff benefits	314,961	248,507
Accrued advertising and promotion expenses, professional fees and others	200,547	191,972
Accrued purchases of property and equipment	134,278	77,590
Deferred consideration in relation to the initial acquisition of an 85% equity interest in HiChina ⁽ⁱ⁾	43,530	–
Other taxes payable	92,261	56,953
	785,577	575,022
Total	853,179	651,249

- (i) In September 2009, the Company entered into a series of agreements with Rich Premier Holdings Limited, Amplecity Holdings Limited, Keen Bond Holdings Limited, King Long Management Limited (the “founder companies”), SYNEX Investment Holdings Corporation and Platane Capital Limited, pursuant to which the Group conditionally agreed to acquire up to 99.67% equity interest in China Civilink (Cayman) (“HiChina”), a company incorporated in the Cayman Islands with limited liability. The total consideration for the acquisition was approximately RMB539.8 million (US\$79.1 million) in cash upon completion in two phases. The first phase of the acquisition, completed in December 2009, was to acquire an initial 85% equity interest in HiChina for a cash consideration of RMB435.3 million (US\$63.8 million). The Company has further granted the founder companies of HiChina put options exercisable on certain specified dates over a three-year period from 2011 to 2013, whereby the founder companies may, conditional on meeting certain post-completion performance milestones by HiChina, require the Company to further acquire up to a 14.67% equity interest in HiChina from them for a maximum consideration of RMB104.5 million (US\$15.3 million). The non-compensatory portion of the consideration has been recorded as put liability under other payables, and the compensatory portion of share-based compensation expenses over the vesting period of the put options has been recorded as compensation liability under other payables.

22 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts shown in the condensed consolidated balance sheet were determined after appropriate offset.

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	13,534	18,112
Deferred tax assets to be recovered within 12 months	59,631	53,861
	73,165	71,973
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	(67,224)	(63,195)
Deferred tax liabilities to be settled within 12 months	(2,417)	(5,237)
	(69,641)	(68,432)
Deferred tax assets, net	3,524	3,541

The movement of deferred tax assets, net is as follows:

	RMB'000
As of January 1, 2010	3,524
Credited to the statement of comprehensive income (Note 9)	17
As of June 30, 2010	3,541

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

22 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred tax assets

	Deferred revenue and customer advances	Depreciation	Others ⁽ⁱ⁾	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2010	10,786	9,579	52,800	73,165
Credited/(Charged) to the statement of comprehensive income	4,929	3,498	(9,619)	(1,192)
As of June 30, 2010	15,715	13,077	43,181	71,973

(i) Others primarily represents accrued expenses which are not deductible until paid under PRC tax laws.

Deferred tax liabilities

	Withholding tax on unremitted earnings ⁽ⁱ⁾	Others	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2010	(34,141)	(35,500)	(69,641)
Credited to the statement of comprehensive income	–	1,209	1,209
As of June 30, 2010	(34,141)	(34,291)	(68,432)

(i) In 2009, the Group recognized related deferred tax liabilities of RMB34,000,000 on the retained earnings of Alibaba China of approximately RMB680,000,000, which was anticipated to be distributed as dividends by Alibaba China to finance the business development outside the PRC.

23 CAPITAL COMMITMENTS

(a) Capital expenditures contracted for were analyzed as follows:

	December 31, 2009	June 30, 2010
	RMB'000	RMB'000
Contracted but not provided for:		
Purchase of property and equipment	32,257	11,363
Construction of a corporate campus	20,586	10,078
Total	52,843	21,441

(b) Pursuant to the agreements signed between Alibaba China and The Bureau of State Land and Resources of Hangzhou Municipality, Binjiang Branch on March 9, 2010, the Group paid RMB35,600,000 as deposits for the land use rights in the PRC for a period of 50 years for the second phase of the corporate campus to be constructed. The Group has committed that the total investment for the construction would not be less than RMB667 million by March 9, 2012.

24 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Except elsewhere disclosed, the following significant related party transactions were carried out during the period:

(a) Recurring transactions

	Six months ended June 30,	
	2009	2010
	(Restated)	
	RMB'000	RMB'000
Expenses paid or payable to the ultimate holding company for certain technology, intellectual property and related know-how (Note i)	(32,880)	(24,644)
House brand head license fee paid or payable to the ultimate holding company (Note ii)	(1,000)	(1,000)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions (Continued)

	Six months ended June 30,	
	2009 (Restated)	2010
	RMB'000	RMB'000
Purchase of advertising, promotion and technology services from (Note iii):		
– fellow subsidiaries	(3,000)	(4,980)
– subsidiaries of a substantial shareholder of the ultimate holding company	(2,655)	(1,310)
Total	(5,655)	(6,290)
Cross-selling of promotion and related products with an associated company (Note iv)	3,221	2,198
Reimbursement from fellow subsidiaries for the provision of administrative services (Note v)	5,827	2,969
Reimbursement from fellow subsidiaries for the provision of technology services (Note vi)	6,416	3,082
Purchase of administrative services from fellow subsidiaries (Note vii)	–	(4,289)
Purchase of technology services from a fellow subsidiary (Note viii)	–	(1,087)
Purchase of customer support services from an associated company (Note ix)	–	(7,364)

(b) Non-recurring transactions

	Six months ended June 30,	
	2009 (Restated)	2010
	RMB'000	RMB'000
Purchase of other technology and related services from a fellow subsidiary (Note x)	(2,550)	–
Purchase of property and equipment from fellow subsidiaries (Note xi)	(2,005)	(2,928)
Sale of property and equipment to fellow subsidiaries (Note xii)	353	183

24 RELATED PARTY TRANSACTIONS (Continued)

- (i) These represent expenses paid or payable by the Group for the use of certain technology, intellectual property and related know-how provided by the ultimate holding company. The expenses are calculated based on a mutually agreed basis.
- (ii) This represents license fee paid or payable by the Group to the ultimate holding company at a fixed fee of RMB2 million per annum.
- (iii) These represent charges paid or payable by the Group to various fellow subsidiaries and related companies in relation to the purchase of keywords and display advertisements on websites operated by various fellow subsidiaries and related companies as well as certain technology and related services from a fellow subsidiary. These charges are calculated based on market rates of the related services.
- (iv) This represents charge received or receivable by the Group from an associated company for the cross-selling of products of the associated company. The charge is calculated based on a pre-determined percentage of the underlying transaction amount.
- (v) These represent charges received or receivable by the Group for the provision of administrative services to fellow subsidiaries. The charges are determined on a cost basis.
- (vi) These represent charges received or receivable by the Group for the provision of technology services to fellow subsidiaries. The charges are calculated based on actual cost incurred in providing such services plus a margin of 15%.
- (vii) These represent charges paid or payable by the Group to fellow subsidiaries for the administrative services provided by those fellow subsidiaries. The charges are determined on a cost basis.
- (viii) This represents charge paid or payable by the Group to a fellow subsidiary for the technology services provided by that fellow subsidiary. The charge is calculated based on actual cost incurred in providing such services plus a margin of 15%.
- (ix) These represent charges paid or payable by the Group to an associated company for the provision of customer support services. The charges are determined on a cost basis.
- (x) These represent amounts paid or payable by the Group for the purchase of other technology and related services from a fellow subsidiary. These charges are determined on a cost basis.
- (xi) These represent amounts paid or payable by the Group for the purchase of certain property and equipment from fellow subsidiaries. These charges are based on the net book value of the property and equipment transferred.
- (xii) These represent amounts received or receivable by the Group for the sale of certain property and equipment to fellow subsidiaries. These charges are based on the net book value of the property and equipment transferred.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

24 RELATED PARTY TRANSACTIONS (Continued)

The Group also exchanged certain advertising, promotion and related services, such as hyperlinks on respective websites, with fellow subsidiaries. As such reciprocal services provided by the Group and such fellow subsidiaries to each other are considered to be of a similar nature and have a similar value, such transactions are not regarded as revenue-generating transactions and thus no revenue or expense were recognized.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

The amounts due from/(to) related companies are unsecured, interest-free and expected to be recovered within one year. The carrying amounts of the balances approximate to their fair values due to short-term maturity.

No transactions have been entered into with the key management personnel (being the directors) of the Company during the period other than the emoluments paid to them (being the directors' emoluments).

25 BUSINESS COMBINATIONS UNDER COMMON CONTROL

In August 2009, the Group entered into an acquisition agreement with Alibaba Group Holding Limited to acquire the business management software division of Alisoft Holding Limited and its subsidiaries ("Alisoft"), comprising the application software product lines for small businesses and related assets, certain business liabilities (which mainly 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 and an incentive and retention grant of restricted share units with approximate value of RMB14.6 million, which were awarded to the employees retained in the Group for their future service compensation. The aforesaid transaction was regarded as a business combination under common control in a manner similar to pooling-of-interests and with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by the HKICPA. All assets and liabilities of the Acquired Business have been stated at their historical carrying amounts and were included in the consolidated financial statements from the beginning of the earliest period presented as if the Acquired Business had always been part of the Group. Since the Acquired Business is accounted for as a business combination under common control, the Group has restated all comparative figures as if the business combination had been completed on the earliest date of the periods being presented, i.e., January 1, 2009. As a result of this business combination under common control, profit for the six months ended June 30, 2009 has been decreased by RMB18,306,000.

25 BUSINESS COMBINATIONS UNDER COMMON CONTROL (Continued)

Details of the adjustments for the common control combinations of the Acquired Business on the Group's results for the six months ended June 30, 2009 were as follows:

	As previously reported	Acquired Business	Consolidation adjustments	Note	As restated
	RMB'000	RMB'000	RMB'000		RMB'000
Six months ended June 30, 2009					
Revenue	1,714,902	21,698	38	(i)	1,736,638
Profit/(loss) before income taxes	618,278	(27,035)	8,729	(i)	599,972
Income tax charges	(104,138)	–	–		(104,138)
Profit/(loss) attributable to equity owners of the Company	514,140	(27,035)	8,729		495,834

(i) Adjustments to eliminate the intra-group transactions for the six months ended June 30, 2009.

26 SUBSEQUENT EVENT

In July 2010, the Group completed an acquisition of Vendio Services, Inc. ("Vendio"), an e-commerce platform providing a one-stop solution for small businesses that are selling online across multiple online channels. Vendio's services are delivered via a "Software as a Service" ("SaaS") cloud-computing model to nearly 80,000 small merchants in the United States with potential sourcing needs from suppliers on AliExpress and Alibaba.com.

27 COMPARATIVES

As stated in Notes 1 and 25, comparative figures have been restated to reflect the effect of a business combination under common control, which was accounted for in a manner similar to pooling-of-interests and with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by the HKICPA.

In addition, certain comparative figures have been reclassified to conform to the presentation of current period.

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Q2 2009 (Restated) RMB'000	Q2 2010 RMB'000	Q1 2010 RMB'000	Q2 2010 RMB'000
Revenue				
International marketplace	574,766	791,038	718,949	791,038
China marketplace	333,502	470,738	406,137	470,738
Others	10,998	104,454	95,524	104,454
Total revenue	919,266	1,366,230	1,220,610	1,366,230
Cost of revenue	(136,485)	(227,208)	(194,357)	(227,208)
Gross profit	782,781	1,139,022	1,026,253	1,139,022
Sales and marketing expenses	(385,681)	(498,084)	(466,246)	(498,084)
Product development expenses	(85,741)	(132,279)	(117,367)	(132,279)
General and administrative expenses	(96,262)	(122,542)	(122,467)	(122,542)
Other operating income, net	61,008	7,789	49,321	7,789
Profit from operations	276,105	393,906	369,494	393,906
Finance income, net	35,694	43,102	33,125	43,102
Share of losses of associated companies, net of tax	(9,800)	–	(3,802)	–
Profit before income taxes	301,999	437,008	398,817	437,008
Income tax charges	(52,842)	(74,055)	(68,719)	(74,055)
Profit for the period	249,157	362,953	330,098	362,953
Other comprehensive income				
Net fair value gains on available-for-sale investments	2	100	240	100
Currency translation differences	(4,820)	(3,162)	(644)	(3,162)
Total comprehensive income for the period	244,339	359,891	329,694	359,891
Profit/(loss) for the period attributable to				
Equity owners of our Company	249,157	362,959	329,999	362,959
Non-controlling interests	–	(6)	99	(6)
Profit for the period	249,157	362,953	330,098	362,953
Total comprehensive income/(expense) for the period attributable to				
Equity owners of our Company	244,339	359,897	329,595	359,897
Non-controlling interests	–	(6)	99	(6)
Total comprehensive income for the period	244,339	359,891	329,694	359,891
Dividends	888,261	–	–	–
Earnings per share, basic (RMB)	4.94 cents	7.19 cents	6.55 cents	7.19 cents
Earnings per share, diluted (RMB)	4.91 cents	7.18 cents	6.48 cents	7.18 cents
Earnings per share, basic (HK\$) ⁽¹⁾	5.60 cents	8.20 cents	7.45 cents	8.20 cents
Earnings per share, diluted (HK\$) ⁽¹⁾	5.58 cents	8.18 cents	7.37 cents	8.18 cents

⁽¹⁾ The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8793 and RMB0.8771 to HK\$1.0000 for the first and second quarter of 2010 (second quarter of 2009: RMB0.8812 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.

	Q2 2009 (Restated)	Q2 2010	Q1 2010	Q2 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue				
International marketplace				
China Gold Supplier	559,771	768,248	699,336	768,248
Global Gold Supplier	14,995	22,790	19,613	22,790
	574,766	791,038	718,949	791,038
China marketplace				
China TrustPass	317,310	444,420	390,427	444,420
Other revenue ⁽²⁾	16,192	26,318	15,710	26,318
	333,502	470,738	406,137	470,738
Others ⁽³⁾	10,998	104,454	95,524	104,454
Total	919,266	1,366,230	1,220,610	1,366,230
Recurring free cash flow (Non-GAAP)				
Net cash generated from operating activities	467,553	547,765	431,534	547,765
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(40,895)	(64,476)	(44,360)	(64,476)
Others	–	–	51,259	–
Total	426,658	483,289	438,433	483,289
Share-based compensation expense	50,405	79,015	51,090	79,015
Amortization of intangible assets and lease prepayment	1,950	8,401	8,345	8,401

	June 30, 2009 (Restated)	June 30, 2010	March 31, 2010	June 30, 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	7,101,043	7,790,635	7,531,557	7,790,635
Deferred revenue and customer advances	2,763,634	3,721,805	3,567,882	3,721,805

⁽²⁾ Other revenue earned with respect to the China marketplace mainly represents advertising fees paid by third party advertisers.

⁽³⁾ Other revenue mainly represents revenue earned from the sale of Internet infrastructure and application services and certain software products.

OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of Alibaba.com Limited (“Company”, together with its subsidiaries, “Group”) has resolved not to declare an interim dividend for the six months ended June 30, 2010 (six months ended June 30, 2009: Nil).

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2010, the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code for Securities Transactions”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) were as follows:

(1) Long positions in ordinary shares of HK\$0.0001 each of our Company (“Shares”):

Name of Director	Capacity/ nature of interest	Number of Shares/ underlying Shares held	Total	Note	Approximate percentage of our Company’s issued share capital (8)
MA Yun, Jack	Beneficial owner	15,369,053	15,369,053		0.30%
WEI Zhe, David	Beneficial owner	1,712,000			
	Interest of controlled corporation	42,167,303	43,879,303	(1)	0.87%
WU Wei, Maggie	Beneficial owner	848,000			
	Interest of controlled corporation	9,650,000	10,498,000	(2)	0.21%
LEE Shi-Huei, Elvis	Beneficial owner	10,187,900	10,187,900	(3)	0.20%
DENG Kangming	Beneficial owner	4,547,633			
	Interest of controlled corporation	3,135,500	7,683,133	(4)	0.15%
PENG Yi Jie, Sabrina	Beneficial owner	4,275,000			
	Interest of controlled corporation	1,000,000	5,275,000	(5)	0.10%
TSAI Chung, Joseph	Interest of spouse	120,000			
	Interest of controlled corporation	3,000,000	3,120,000	(6)	0.06%
TSOU Kai-Lien, Rose	Beneficial owner	94,000	94,000		0.00%
OKADA, Satoshi	Beneficial owner	30,000	30,000		0.00%
NIU Gen Sheng	Beneficial owner	100,000	100,000		0.00%
KWAUK Teh Ming, Walter	Beneficial owner	100,000	100,000		0.00%
KWAN Ming Sang, Savio	Interest of controlled corporation	9,600,000	9,600,000	(7)	0.19%

Note:

- (1) These securities represent (a) share options in respect of 1,712,000 underlying Shares granted by our Company to Mr. Wei; (b) three Shares held by Maimex Company Limited; and (c) relevant interests in respect of 42,167,300 underlying Shares held by Direct Solutions Management Limited, which were owned by Maimex Company Limited for the benefit of Mr. Wei pursuant to the pre-IPO share incentive scheme of Alibaba Group Holding Limited ("Alibaba Group"), our ultimate holding company.
- (2) These securities represent (a) share options in respect of 848,000 underlying Shares granted by our Company to Ms. Wu; and (b) relevant interests in respect of 9,650,000 underlying Shares held by Direct Solutions Management Limited, which were owned by Sheenson Development Limited for the benefit of Ms. Wu pursuant to the pre-IPO share incentive scheme of Alibaba Group.
- (3) These securities represent (a) 487,900 Shares held by Mr. Lee; and (b) share options in respect of 9,700,000 underlying Shares granted by our Company to Mr. Lee.
- (4) These securities represent (a) 12,633 Shares held by Mr. Deng; (b) share options and restricted share units in respect of 4,460,000 and 75,000 underlying Shares respectively granted by our Company to Mr. Deng pursuant to our Company's share option scheme and restricted share unit scheme; (c) 2,285,500 Shares held through Infogrand Technology Limited (a company owned by a trust established by Mr. Deng for the benefit of his family); and (d) relevant interests in respect of 850,000 underlying Shares held by Direct Solutions Management Limited, which were owned by Infogrand Technology Limited for the benefit of Mr. Deng pursuant to the pre-IPO share incentive scheme of Alibaba Group.
- (5) These securities represent (a) 875,000 Shares held by Ms. Peng; (b) share options in respect of 3,400,000 underlying Shares granted by our Company to Ms. Peng; and (c) relevant interests in respect of 1,000,000 underlying Shares held by Direct Solutions Management Limited, which were owned by Netyan Enterprises Ltd. for the benefit of Ms. Peng pursuant to the pre-IPO share incentive scheme of Alibaba Group.
- (6) These securities represent (a) 120,000 Shares held by Clara Wu Ming-Hua (Mr. Tsai's spouse); and (b) 3,000,000 Shares held by Parufam Limited (a company ultimately owned by a trust established by a family member of Mr. Tsai in which Mr. Tsai is a beneficiary).
- (7) These securities represent 9,600,000 Shares held by CSS Development Limited (a company controlled by Mr. Kwan and ultimately owned by a trust established by Mr. Kwan for the benefit of his family).
- (8) As of June 30, 2010, the Company had a total of 5,044,513,640 Shares in issue.

OTHER INFORMATION

(2) Long positions in shares and underlying shares of associated corporations:

(a) Alibaba Group

Name of Director	Interests in shares/ underlying shares	Capacity/ nature of interest	Number of shares/ underlying shares held	Total	Note	Approximate percentage of Alibaba Group's issued share capital (10)
MA Yun, Jack	Ordinary shares	Beneficial owner	127,035,813	180,870,673	(1)	7.43%
		Interest of spouse	52,847,360			
	Share options	Beneficial owner	987,500			
WEI Zhe, David	Ordinary shares	Beneficial owner	3,455,000	3,620,000	(2)	0.15%
	Restricted share units	Beneficial owner	165,000			
WU Wei, Maggie	Ordinary shares	Beneficial owner	611,250	645,000	(3)	0.03%
	Restricted share units	Beneficial owner	33,750			
LEE Shi-Huei, Elvis	Ordinary shares	Beneficial owner	1,301,800	1,301,800	(4)	0.05%
DENG Kangming	Ordinary shares	Beneficial owner	1,032,000	1,032,000	(5)	0.04%
PENG Yi Jie, Sabrina	Ordinary shares	Beneficial owner	422,751	475,000	(6)	0.02%
		Interest of controlled corporation	52,249			
TSAI Chung, Joseph	Ordinary shares	Beneficial owner	2,442,964	75,329,896	(7)	3.09%
		Interest of spouse	160,000			
		Interest of controlled corporation	71,926,932			
	Share options	Beneficial owner	800,000			
TSUEI, Andrew Tien Yuan	Ordinary shares	Beneficial owner	320,000	1,120,000	(8)	0.05%
	Share options	Beneficial owner	800,000			
KWAN Ming Sang, Savio	Ordinary shares	Interest of controlled corporation	5,600,000	12,800,000	(9)	0.53%
	Share options	Interest of controlled corporation	7,200,000			

Note:

- (1) These securities represent (a) 35,785,677 issued shares of Alibaba Group directly held by Mr. Ma; (b) 91,250,136 issued shares of Alibaba Group held by JC Properties Limited (a company controlled by Zhang Ying, Mr. Ma's spouse and ultimately owned by a trust established for the benefit of certain family members of Mr. Ma); (c) 52,847,360 issued shares of Alibaba Group held by JSP Investment Limited (a company ultimately owned by a trust established for the benefit of certain family members of Zhang Ying); and (d) 987,500 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Ma.
- (2) These securities represent (a) 3,455,000 issued shares of Alibaba Group directly held by Mr. Wei; and (b) restricted share units in respect of 165,000 underlying shares of Alibaba Group granted by Alibaba Group to Mr. Wei.
- (3) These securities represent (a) 611,250 issued shares of Alibaba Group directly held by Ms. Wu; and (b) restricted share units in respect of 33,750 underlying shares of Alibaba Group granted by Alibaba Group to Ms. Wu. These securities have all been pledged by Ms. Wu to Alibaba Group to secure repayment of the loan granted to her by Alibaba Group in connection with her exercise of share options of Alibaba Group during 2009.
- (4) These securities represent 1,301,800 issued shares of Alibaba Group directly held by Mr. Lee.
- (5) These securities represent 1,032,000 issued shares of Alibaba Group directly held by Mr. Deng, which have all been pledged by Mr. Deng to Alibaba Group to secure repayment of the loan granted to him by Alibaba Group in connection with his exercise of share options of Alibaba Group during 2009.
- (6) These securities represent (a) 422,751 issued shares of Alibaba Group directly held by Ms. Peng; and (b) 52,249 issued shares of Alibaba Group held by Netyan Enterprises Ltd. (a company ultimately owned by Ms. Peng), which have all been pledged by Ms. Peng to Alibaba Group to secure repayment of the loan granted to her by Alibaba Group in connection with her exercise of share options of Alibaba Group during 2009.

- (7) These securities represent (a) 2,442,964 issued shares of Alibaba Group directly held by Mr. Tsai; (b) 160,000 issued shares of Alibaba Group directly held by Clara Wu Ming-Hua (Mr. Tsai's spouse); (c) 17,560,780 issued shares of Alibaba Group held by MFG Limited (a company ultimately owned by a trust established by Mr. Tsai for the benefit of his family); (d) 25,405,952 issued shares of Alibaba Group held by Parufam Limited (a company ultimately owned by a trust established by a family member of Mr. Tsai in which Mr. Tsai is a beneficiary); (e) 28,960,200 issued shares of Alibaba Group held by PMH Holding Limited (a company ultimately owned by a trust established by Mr. Tsai for the benefit of his family); and (f) 800,000 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Tsai.
- (8) These securities represent (a) 320,000 issued shares of Alibaba Group directly held by Mr. Tsuei; and (b) 800,000 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Tsuei.
- (9) These securities represent (a) 5,600,000 issued shares of Alibaba Group; and (b) 7,200,000 outstanding options to purchase shares of Alibaba Group, all of which were held by CSS Development Limited (a company controlled by Mr. Kwan and ultimately owned by a trust established by Mr. Kwan for the benefit of his family).
- (10) As of June 30, 2010, Alibaba Group had a total of 2,434,436,706 shares in issue.

(b) Other associated corporations

Name of Company	Name of Director	Capacity/nature of interest	Number of underlying shares held/ amount of registered capital in RMB held	Total number of issued shares/ registered capital in RMB	Approximate percentage of associated corporation's issued shares/ total registered capital
(1) 杭州阿里巴巴廣告有限公司	MA Yun, Jack	Beneficial owner	8,000,000	10,000,000	80%
(2) 北京阿里巴巴信息技術有限公司	MA Yun, Jack	Beneficial owner	8,000,000	10,000,000	80%
(3) 杭州口口相傳網絡技術有限公司	MA Yun, Jack	Beneficial owner	800,000	1,000,000	80%
(4) 杭州阿里信息服務有限公司	MA Yun, Jack	Beneficial owner	8,000,000	10,000,000	80%
(5) 杭州阿里科技有限公司	MA Yun, Jack	Beneficial owner	1,480,000	1,850,000	80%
(6) 杭州阿里創業投資有限公司	MA Yun, Jack	Beneficial owner	104,000,000	130,000,000	80%
(7) 浙江阿里巴巴電子商務有限公司	MA Yun, Jack	Beneficial owner	168,800,000	211,000,000	80%
(8) Alibaba.com Japan Co., Ltd.	OKADA, Satoshi	Beneficial owner	1,634 (Note)	1,111,111	0.15%

Note: These securities represent share options in respect of 1,634 underlying shares of Alibaba.com Japan Co., Ltd. granted by Alibaba.com Japan Co., Ltd. to Mr. Okada.

Save as disclosed above, as of June 30, 2010, none of our directors or chief executives had registered any interest or short position in the shares, underlying shares or debentures of our Company or any of our associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions.

SHARE-BASED INCENTIVE SCHEMES

1. Restricted share unit scheme

We adopted a restricted share unit scheme ("RSU Scheme") by a resolution of our then sole shareholder and a resolution of our board, both on October 12, 2007. The RSU Scheme was amended by a resolution of our shareholders at our annual general meeting held on May 5, 2008. The purpose of the RSU Scheme is to attract and retain the best available personnel by providing additional incentives to employees, consultants or advisors to our Group, third party suppliers or providers of goods and/or services to any member of our Group, customers of the Group, any third party that promotes the sales and marketing of the goods or services of, or provides any promotional support to, our Group, or any other third party group or class of persons or entities from time to time determined by our directors as having contributed or may contribute by way of joint venture or co-operation to the development and growth of our Group. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

OTHER INFORMATION

Pursuant to the listing approval issued by the Stock Exchange on November 5, 2007, the total number of Shares subject to both the Share Option Scheme (as defined below) and the RSU Scheme must not, in aggregate, exceed 135,100,000 Shares, representing approximately 2.67% of the then issued share capital of our Company upon listing. Pursuant to resolutions passed by shareholders at our annual general meeting on May 14, 2010, the total number of Shares still available under the RSU Scheme must not, in aggregate, exceed 37,915,551 Shares, representing approximately 0.75% of the issued share capital of our Company as of the date of the said 2010 annual general meeting and June 30, 2010.

Particulars and movements of the restricted share units (“RSUs”) under the RSU Scheme during the six months ended June 30, 2010 were as follows:

Name or category of participant	Number of RSUs					Outstanding as of 30/06/2010	Date of grant (DD/MM/YYYY)
	Outstanding as of 01/01/2010	Granted during the period	Vested during the period	Cancelled during the period	Outstanding as of 30/06/2010		
Director							
DENG Kangming (Note 1)	100,000	–	(25,000)	–	75,000	23/01/2009	
Sub-total	100,000	–	(25,000)	–	75,000		
Others							
Employees	2,422,914	–	(804,897)	(101,783)	1,516,234	01/02/2008	
	147,546	–	(48,008)	(17,119)	82,419	20/06/2008	
	230,000	–	–	–	230,000	17/12/2008	
	4,976,750	–	(1,242,760)	(269,325)	3,464,665	23/01/2009	
	5,067,484	–	(1,257,246)	(200,656)	3,609,582	06/02/2009	
	2,513,196	–	(449,424)	(132,895)	1,930,877	01/04/2009	
	2,329,130	–	(101,515)	(298,509)	1,929,106	04/09/2009	
	2,105,000	–	–	(270,000)	1,835,000	28/12/2009	
	–	9,700	(9,500)	(200)	–	11/01/2010	
	–	15,190,576	–	(533,128)	14,657,448	31/03/2010	
Sub-total	19,792,020	15,200,276	(3,913,350)	(1,823,615)	29,255,331		
Total	19,892,020	15,200,276	(3,938,350)	(1,823,615)	29,330,331		

Note:

- (1) These RSUs were granted to DENG Kangming on January 23, 2009 prior to his becoming a director of our Company on May 7, 2009.
- (2) The vesting period of the RSUs commences on a date determined by our board (or its delegated committee) at the time of grant, and generally spreads evenly over a four-year period.

2. Share option scheme

We also adopted a share option scheme (“Share Option Scheme”) by a resolution of our then sole shareholder and a resolution of our board (both on October 12, 2007) effective on the date of our listing. The purpose of the Share Option Scheme is to, through providing an opportunity to acquire equity interests in our Company, attract skilled and experienced personnel, to incentivize them to remain with our Company and live to our customer-focused corporate culture, and to motivate them to strive for our future development and expansion.

Particulars and movements of share options under the Share Option Scheme during the six months ended June 30, 2010 were as follows:

Name or category of participant	Number of share options						Outstanding as of 30/06/2010	Date of grant (DD/MM/YYYY)	Exercise period (Note 1) (DD/MM/YYYY)	Exercise price per Share (HK\$)	Price immediately preceding the grant date of share options (Note 2) (HK\$)	Price immediately preceding the exercise date of share options (Note 3) (HK\$)
	Outstanding as of 01/01/2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as of 30/06/2010						
Directors												
WEI Zhe, David	512,000	-	-	-	-	512,000	01/02/2008	01/02/2009 – 01/02/2014	19.86	18.46	N/A	
	-	1,200,000	-	-	-	1,200,000	31/03/2010	31/01/2011 – 31/03/2016	16.12	16.20	N/A	
WU Wei, Maggie	74,000	-	-	-	-	74,000	01/02/2008	01/02/2009 – 01/02/2014	19.86	18.46	N/A	
	74,000	-	-	-	-	74,000	23/01/2009	23/01/2010 – 23/01/2015	5.71	5.61	N/A	
	-	700,000	-	-	-	700,000	31/03/2010	31/01/2011 – 31/03/2016	16.12	16.20	N/A	
LEE Shi-Huei, Elvis	9,000,000	-	-	-	-	9,000,000	01/04/2009	01/04/2010 – 01/04/2015	7.25	7.12	N/A	
	-	700,000	-	-	-	700,000	31/03/2010	31/01/2011 – 31/03/2016	16.12	16.20	N/A	
DENG Kangming	360,000	-	-	-	-	360,000	01/02/2008	01/02/2009 – 01/02/2014	19.86	18.46	N/A	
	200,000	-	-	-	-	200,000	23/01/2009	23/01/2010 – 23/01/2015	5.71	5.61	N/A	
	3,000,000	-	-	-	-	3,000,000	01/04/2009	01/04/2010 – 01/04/2015	7.25	7.12	N/A	
	-	900,000	-	-	-	900,000	31/03/2010	31/01/2011 – 31/03/2016	16.12	16.20	N/A	
PENG Yi Jie, Sabrina	225,000	-	-	-	-	225,000	01/02/2008	01/02/2009 – 01/02/2014	19.86	18.46	N/A	
	225,000	-	-	-	-	225,000	23/01/2009	23/01/2010 – 23/01/2015	5.71	5.61	N/A	
	2,500,000	-	-	-	-	2,500,000	01/04/2009	01/04/2010 – 01/04/2015	7.25	7.12	N/A	
	-	450,000	-	-	-	450,000	31/03/2010	31/01/2011 – 31/03/2016	16.12	16.20	N/A	
Sub – total	16,170,000	3,950,000	-	-	-	20,120,000						
Others												
Employees	3,653,500	-	-	(367,000)	-	3,286,500	01/02/2008	12/11/2009 – 01/02/2014	19.86	18.46	N/A	
								01/02/2009 – 01/02/2014				
	1,990,000	-	(117,500)	(72,500)	-	1,800,000	20/06/2008	28/01/2010 – 20/06/2014	12.74	12.00	15.66	
	6,206,750	-	(441,875)	(514,875)	-	5,250,000	17/12/2008	02/10/2008 – 17/12/2014	5.54	5.50	16.51	
								12/11/2009 – 17/12/2014				
	2,997,900	-	(64,375)	(133,125)	-	2,800,400	23/01/2009	23/01/2010 – 23/01/2015	5.71	5.61	15.73	
	7,541,000	-	(250,000)	(827,500)	-	6,463,500	01/04/2009	19/12/2010 – 01/04/2015	7.25	7.12	14.61	
								06/02/2010 – 01/04/2015				
								01/04/2010 – 01/04/2015				
	2,102,000	-	-	(225,000)	-	1,877,000	04/09/2009	16/05/2010 – 04/09/2015	20.60	19.76	N/A	
	2,290,000	-	-	(370,000)	-	1,920,000	28/12/2009	21/08/2010 – 28/12/2015	17.62	16.88	N/A	
	-	8,296,000	-	(420,000)	-	7,876,000	31/03/2010	29/12/2010 – 31/03/2016	16.12	16.20	N/A	
								31/01/2011 – 31/03/2016				
Sub-total	26,781,150	8,296,000	(873,750)	(2,930,000)	-	31,273,400						
Total	42,951,150	12,246,000	(873,750)	(2,930,000)	-	51,393,400						

OTHER INFORMATION

Note:

- (1) The vesting period of the share options granted commences on a date determined by our board (or its delegated committee) at the time of grant, and generally spreads over a four-year period. Any share options not exercised at the end of each exercise period shall lapse automatically.
- (2) Being the closing price of the Shares quoted on the Stock Exchange on the trading day immediately prior to the date of grant of the share options.
- (3) Being the weighted average closing price of the Shares immediately before the date on which the options were exercised.
- (4) The weighted average fair value of share options granted under the Share Options Scheme on March 31, 2010, measured as at the date of grant, was approximately HK\$6.83. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Type of grant	Expected volatility (%)		Expected life (in years)		Risk-free interest rate (%)	Expected dividend yield (%)	
	On-hire	Performance	On-hire	Performance	All	On-hire	Performance
Date of grant (DD/MM/YYYY)							
31/03/2010	54.03	54.52	4.38	4.25	1.68-1.73	-	-

In total, share-based compensation expense of RMB130.1 million was included in the consolidated statement of comprehensive income for the six months ended June 30, 2010 (six months ended June 30, 2009: RMB90.4 million). These expenses included the amortization of the fair value of (i) certain share-based awards in the form of share options and RSUs granted to our employees under our share incentive schemes as well as pre-IPO share incentive scheme of Alibaba Group; and (ii) certain put options and rights to earn shares of HiChina granted to HiChina's management and key employees pursuant to the shareholders' agreement entered into by our Company for the acquisition of HiChina.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2010, the following are the persons, other than the directors or chief executives of our Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity	Long position/ short position	No. and description of Shares or debentures	Note	Total	Approximate percentage of the Company's issued share capital (5)
Alibaba Group	Beneficial owner	Long position	3,692,839,356 Shares	(1)	3,692,839,356 Shares	73.21%
	Beneficial owner	Short position	107,427,607 Shares	(2)	107,427,607 Shares	2.13%
Yahoo! Inc.	Interest of controlled corporation	Long position	3,692,839,356 Shares	(3)	3,692,839,356 Shares	73.21%
	Interest of controlled corporation	Short position	107,427,607 Shares	(4)	107,427,607 Shares	2.13%

Note:

- (1) Included 107,427,607 Shares held by Alibaba Group which will be transferred to employees pursuant to an employee equity exchange program, the pre-IPO share incentive scheme and other share award schemes of Alibaba Group.

- (2) These represent Shares subject to an employee equity exchange program, the pre-IPO share incentive scheme and other share award schemes of Alibaba Group.
- (3) These 3,692,839,356 Shares were beneficially owned by Alibaba Group. As Yahoo! Inc., directly or indirectly through its wholly-owned subsidiaries, owns more than one-third of the shares in Alibaba Group, it was deemed to be interested in all Shares held by Alibaba Group under the SFO.
- (4) These represent the same 107,427,607 Shares subject to the employee equity exchange program and the pre-IPO share incentive scheme and other share award schemes of Alibaba Group as set out in Note (2) above.
- (5) As of June 30, 2010, the Company had a total of 5,044,513,640 Shares in issue.

Save as disclosed above, as of June 30, 2010, no person, other than our directors whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or short positions in the Shares or underlying Shares that were required to be recorded pursuant to Section 336 of Part XV of the SFO.

CODE ON CORPORATE GOVERNANCE PRACTICES

We are committed to maintaining and upholding good corporate governance in order to protect the interests of our customers, employees 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 the 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 Ministry of Industry and Information Technology of the PRC, the Hong Kong Securities and Futures Commission and the Stock Exchange.

Throughout the six months ended June 30, 2010, 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 of the Listing Rules, and where appropriate, adopted the recommended best practices. During this review period, the composition and functions of our board and board committees, as well as our corporate governance practices, remain the same as those detailed in the Corporate Governance Report of our 2009 annual report.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

We have adopted our own Guidelines on Dealings in Securities on terms no less exacting than the required standard set out in the Model Code for Securities Transactions as set out in Appendix 10 of the Listing Rules in respect of dealings in the securities of our Company by our directors and relevant employees (which group includes key management staff and employees from functional departments/divisions who may handle or come into price-sensitive information of our Company from time to time during their work, such as those from the finance department).

According to our specific enquiry, all directors have complied with the required standard set out in the Model Code for Securities Transactions and our Guidelines on Dealings in Securities regarding transactions involving our securities throughout the six months ended June 30, 2010.

To ensure that all directors have a thorough and up-to-date understanding of the Model Code for Securities Transactions and our Guidelines on Dealings in Securities, we have conducted a review session in May 2010 as part of our Company’s continuous professional development program for our directors.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2010, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of the listed securities of our Company.

OTHER INFORMATION

REVIEW OF FINANCIAL STATEMENTS

Our interim results for the six months ended June 30, 2010 were reviewed by our audit committee, comprising KWAUK Teh Ming, Walter (chairman), TSAI Chung, Joseph and KWAN Ming Sang, Savio. Our audit committee 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.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to rule 13.51B of the Listing Rules, changes in our directors' information since the date of our 2009 annual report are set out below:

Directors' personal details

Name of director	Change
(1) MA Yun, Jack <i>(chairman and non-executive director)</i>	<ul style="list-style-type: none">Resigned as a member of APEC Business Advisory Council on May 6, 2010
(2) WEI Zhe, David <i>(executive director and chief executive officer)</i>	<ul style="list-style-type: none">Appointed as a director of an associated company of Alibaba Group on March 25, 2010
(3) DENG Kangming <i>(executive director)</i>	<ul style="list-style-type: none">Appointed as the chief people officer of Alibaba Group on July 6, 2010

Directors' emoluments

At the meetings held on May 13, 2010, our remuneration committee and our board proposed, subject to approval by our shareholders at the 2010 annual general meeting, a director's fee of HK\$300,000 per annum for each of our independent non-executive directors as well as two non-executive directors, namely, OKADA, Satoshi and TSOU Kai-Lien, Rose. At the 2010 annual general meeting held on May 14, 2010, our shareholders have authorized our board to fix the remuneration of our directors for the year of 2010, subject to a cap of RMB9,000,000 for director's fees in aggregate (including any fee given in the form of share-based awards).

Based on the aforesaid shareholder approval and proposal of our remuneration committee and our board, all our independent non-executive directors and each of OKADA, Satoshi and TSOU Kai-Lien, Rose, our non-executive directors, will be entitled to a director's fee of HK\$300,000 for the year of 2010. In the past, OKADA, Satoshi and TSOU Kai-Lien, Rose did not receive any director's fee from our Company.

Save as disclosed above, during the six months period ended June 30, 2010, there has been no change to the basis of determining our directors' emoluments (including basic salary, allowances, discretionary bonus and share-based compensation) and to the level of directors' fees for our independent non-executive directors.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B of the Listing Rules.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman and Non-executive Director

MA Yun, Jack

Executive Directors

WEI Zhe, David (*chief executive officer*)

WU Wei, Maggie (*chief financial officer*)

LEE Shi-Huei, Elvis (*chief operating officer*)

DENG Kangming

PENG Yi Jie, Sabrina

Non-executive Directors

TSAI Chung, Joseph

TSOU Kai-Lien, Rose

OKADA, Satoshi

Independent Non-executive Directors

NIU Gen Sheng

KWAUK Teh Ming, Walter

TSUEI, Andrew Tien Yuan

KWAN Ming Sang, Savio

BOARD COMMITTEES

Audit Committee

KWAUK Teh Ming, Walter (*chairman*)

TSAI Chung, Joseph

KWAN Ming Sang, Savio

Remuneration Committee

NIU Gen Sheng (*chairman*)

KWAUK Teh Ming, Walter

TSAI Chung, Joseph

Nomination Committee

MA Yun, Jack (*chairman*)

NIU Gen Sheng

KWAN Ming Sang, Savio

Investment Management Committee

TSAI Chung, Joseph (*chairman*)

MA Yun, Jack

WEI Zhe, David

WU Wei, Maggie

TSUEI, Andrew Tien Yuan

AUTHORIZED REPRESENTATIVES

WU Wei, Maggie

CHOW LOK Mei Ki, Cindy

COMPANY SECRETARY

WONG Lai Kin, Elsa

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

LEGAL ADVISERS

Freshfields Bruckhaus Deringer (*as to Hong Kong law*)

Fangda Partners (*as to PRC law*)

Maples and Calder (*as to Cayman Islands law*)

PRINCIPAL BANKERS IN CHINA (IN ALPHABETICAL ORDER)

Bank of China Limited

China Merchants Bank

Industrial and Commercial Bank of China Ltd.

PRINCIPAL BANKER IN HONG KONG

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Trident Trust Company (Cayman) Limited

Fourth Floor, One Capital Place

P.O. Box 847GT Grand Cayman

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

25th Floor, Jubilee Centre

18 Fenwick Street

Wanchai

Hong Kong

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS FOR MAJOR SUBSIDIARIES IN CHINA

No. 699, Wangshang Road
Binjiang District
Hangzhou 310052
China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
PO Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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WEBSITE ADDRESS

www.alibaba.com (*international marketplace*)
www.1688.com (*China marketplace*)
www.alibaba.co.jp (*Japan marketplace*)

STOCK CODE

Hong Kong Stock Exchange	1688
Bloomberg	1688 HK
Reuters	1688.HK

