Alibaba.com Limited
阿里巴巴網絡有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code: 1688

Annual Report 2009

CONTENTS

YOUR

COMPANY

Alibaba.com (HKSE: 1688) (1688 HK) is the global leader in e-commerce for small businesses and the flagship company of Alibaba Group. Founded in 1999, Alibaba.com makes it easy for millions of buyers and suppliers around the world to do business online through three marketplaces: a global trade marketplace (www.alibaba.com) for importers and exporters, a Chinese marketplace (www.1688.com) for domestic trade in China, and, through an associated company, a Japanese marketplace (www.alibaba.co.jp) facilitating trade to and from Japan. Together, its marketplaces form a community of more than 47 million registered users from more than 240 countries and regions. Alibaba.com also offers business management software and Internet infrastructure services targeting small businesses across China and, through Ali-Institute, incubates e-commerce talent for Chinese small businesses. Founded in Hangzhou, China, Alibaba.com has offices in more than 60 cities across Greater China, Japan, Korea, Europe and the United States.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Strong Revenue Growth to
RMB **3,875** Million

Profit Attributable to Equity Owners Reached
RMB **1,013** Million

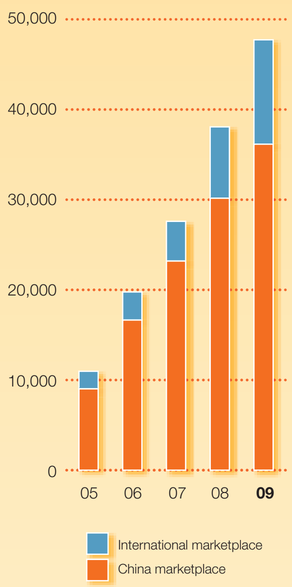
Basic Earnings Per Share Reached
HK$ **22.81** Cents

More than
47 Million
Registered Users

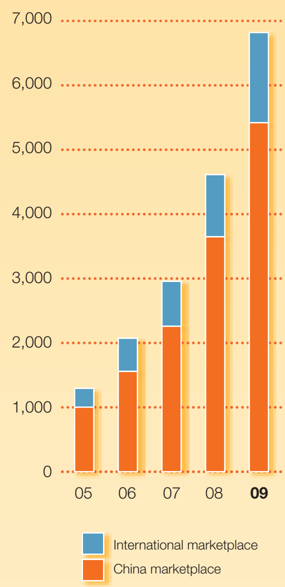
More than
6.8 Million
Storefronts

More than
615,000
Paying Members

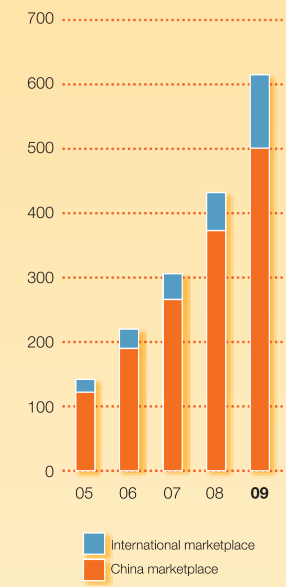
Total registered users
('000)



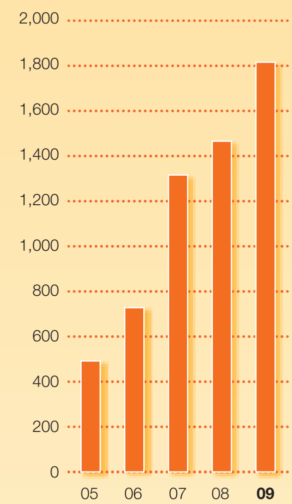
Total storefronts
('000)



Total paying members
('000)



Recurring free cash flow[1]
(RMB' million)



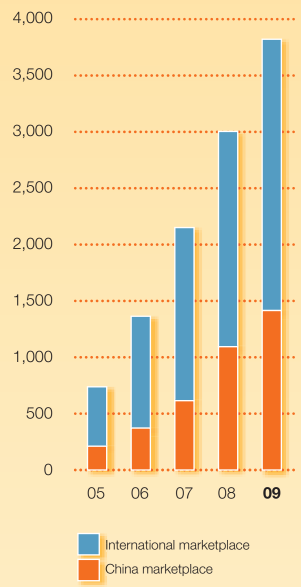
Financial Highlights

	2009 RMB million	2008 RMB million (Restated)[2]	Change
Revenue	**3,874.7**	3,004.1	+29%
Profit from operations	**1,073.0**	1,141.7	–6%
Profit attributable to equity owners	**1,013.0**	1,154.5	–12%
Share-based compensation expense	**200.4**	182.0	+10%
Deferred revenue and customer advances	**3,437.0**	2,294.4	+50%
Recurring free cash flow	**1,816.2**	1,465.9	+24%
Earnings per share, basic (HK$)	**22.81 cents**	25.61 cents	-11%
Earnings per share, diluted (HK$)	**22.63 cents**	25.58 cents	-12%

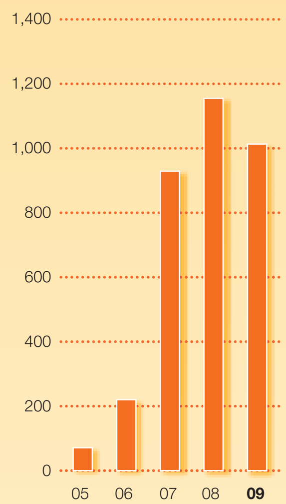
Operational Highlights

	2009	2008	Change
Registered users	**47,732,916**	38,075,335	+25%
International marketplace	**11,578,247**	7,914,630	+46%
China marketplace	**36,154,669**	30,160,705	+20%
Storefronts	**6,819,984**	4,614,250	+48%
International marketplace	**1,400,326**	965,747	+45%
China marketplace	**5,419,658**	3,648,503	+49%
Paying members	**615,212**	432,031	+42%
China Gold Supplier	**96,110**	43,028	+123%
Global Gold Supplier	**17,786**	16,136	+10%
China TrustPass	**501,316**	372,867	+34%

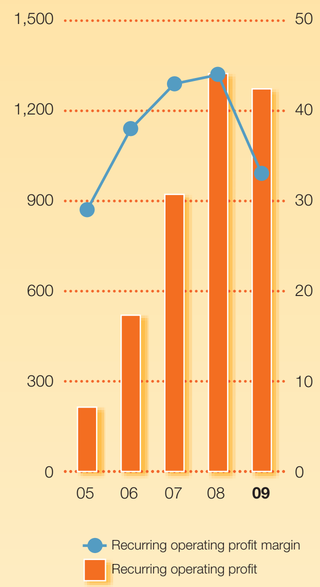
Revenue
(RMB' million)



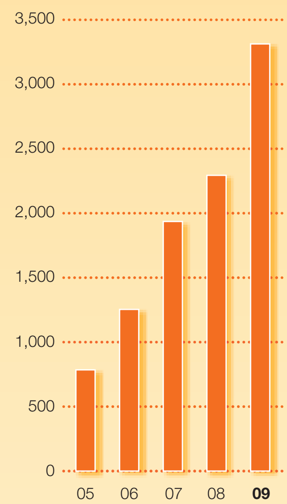
Profit attributable to equity owners
(RMB' million)



Recurring operating profit[3]
(RMB' million) (%)



Deferred revenue and customer advances[4]
(RMB' million)



Note:
1 Recurring free cash flow represents net cash flow generated from operating activities as presented in our consolidated cash flow statement less purchase of property and equipment and excludes non-recurring payments and receipts, like one-off tax refund in 2009. This financial metric is not a measure of financial performance under International Financial Reporting Standards ("IFRS"), but we consider it an important financial measure.
2 Certain comparative figures have been restated pursuant to the business combination under common control upon acquisition of the business management software division of Alisoft.
3 Recurring operating profit represents profit from operations as presented in our consolidated income statement excluding share-based compensation expense and one-off income and expenditures for all years, such as expenses relating to non-B2B business in 2005 and 2006. This financial metric is not a measure of financial performance under IFRS, but we consider it an important financial measure.
4 Deferred revenue and customer advances exclude amounts arising from the acquisition of equity interests in HiChina.

KEY EVENTS

2009

FEBRUARY

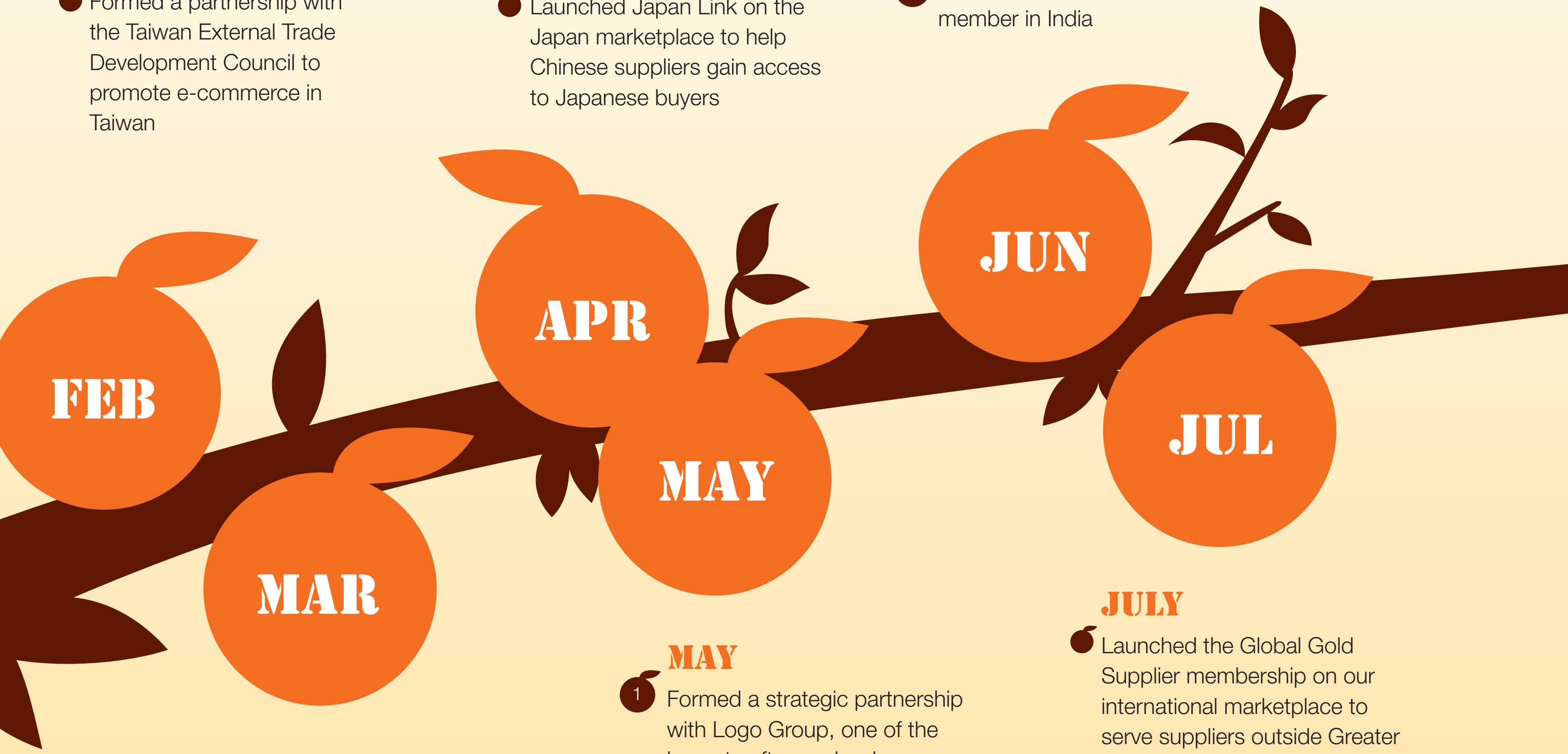
- Formed a partnership with the Taiwan External Trade Development Council to promote e-commerce in Taiwan

APRIL

- Launched a domestic wholesale platform on the China marketplace to facilitate small bulk transactions and forge cross-platform trade relationships among members of Alibaba.com and Taobao
- Launched Japan Link on the Japan marketplace to help Chinese suppliers gain access to Japanese buyers

JUNE

- Launched the Newpreneur of the Year contest in the U.S. in partnership with Inc. magazine to encourage entrepreneurship during the recession
- 3 Celebrated our 1 millionth member in India



MARCH

- Launched Ali-ADvance, a pay-for-performance keyword bidding model, on our China marketplace

MAY

- 1 Formed a strategic partnership with Logo Group, one of the largest software developers and resellers in Turkey
- 2 Hosted the first Alibaba.com-Taobao Net Products Trade Fair in Guangzhou, China

JULY

- Launched the Global Gold Supplier membership on our international marketplace to serve suppliers outside Greater China

AUGUST

- Signed multiple agreements with China Construction Bank to expand our loan-assistance program, Ali-Loan, within China's Zhejiang Province and to Shanghai
- 4 Relocated our corporate campus to Binjiang District in Hangzhou, China

SEPTEMBER

- Completed the acquisition of the business management software division of Alisoft to further the goal of transforming from "Meet at Alibaba" to "Work at Alibaba"
- Beta-launched AliExpress, a wholesale platform on our international marketplace designed to facilitate small bulk transactions online
- 5 Celebrated Alibaba Group's 10th anniversary with a gathering of employees and members from around the world for our annual e-commerce summit AliFest, the Global e-Business Champions of the Year award ceremony, the APEC SME Summit and the second Alibaba.com-Taobao Net Products Trade Fair in Hangzhou, China

OCTOBER

- Established Ali-Institute as a dedicated division to better cultivate e-commerce talent for Chinese small businesses

NOVEMBER

- 6 Hosted the Export to China, Export to the World 2009-2010 mega sourcing fair in Seoul, Korea – our first offline business matching event outside China – in partnership with the Korea International Trade Association

DECEMBER

- 7 Hosted the third Alibaba.com-Taobao Net Products Trade Fair in Chengdu, China
- Completed the acquisition of HiChina to enhance our ability to provide additional Internet infrastructure services to small businesses in China


5


5


5


6


7

AWARDS AND RECOGNITION

2009

Awardee	Month	Award
Alibaba.com Limited	March	One of the Most Innovative Companies in China/ One of the World's 50 Most Innovative Companies
		One of the Fast 50 Companies to Watch
	September	One of Asia's 200 Best Under A Billion
	October	One of the Most Admired Chinese Companies 2009
	November	Asset Asian Awards 2009: One of China's Most Promising Companies 2009
		HKICPA Best Corporate Governance Disclosure Awards: Significant Improvement Award in the Non-Hang Seng Index (Large Market Capitalisation) Category
	December	China Economy Top 100: One of the Top 20 Most Innovative Homegrown Brands in the PRC's 60-Year History
		IR Magazine Hong Kong and Taiwan Awards 2009: Certificate of Excellence
		Chinese Inward Investor of the Year Award
Jack Ma	February	One of the Chinese Entrepreneurs with Exceptional Contribution 2008
	April	One of the 2009 TIME 100: The World's Most Influential People
	November	One of China's Most Powerful People 2009
	December	2009 CCTV Economic Person of the Year: Business Leaders of the Decade Award
		One of the Top 10 Most Respected Entrepreneurs in China
		The Most Influential Business Leader Award 2009

Organization(s)

Fast Company magazine (U.S.)

Forbes Asia magazine

Fortune magazine Chinese edition

The Asset magazine (Hong Kong)

The Hong Kong Institute of Certified Public Accountants

People's Daily Online and China Economic Weekly

IR Magazine

The 48 Group Club (UK)

Fortune Times (China)

TIME magazine

BusinessWeek magazine

China Central Television

Forbes magazine Chinese edition

China Entrepreneur magazine

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 ADVISORS

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

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
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE ADDRESSES

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

Alibaba.com

YOUR

LEADERSHIP

Alibaba.com is driven by an experienced and visionary management team that is committed to delivering the benefits and efficiencies of e-commerce to small businesses worldwide. Strategic moves we made in 2009 proved to be well-timed and beneficial to our customers as well as to the company's performance.

HIGH QUALITY

We have pledged to make 2010 a "Year of Customer Service" during which we will continue to improve the speed and effectiveness of our customer support while enhancing the quality and integrity of suppliers who use our platform.

CHAIRMAN'S STATEMENT

In the next three to five years, e-commerce will truly become a mainstream channel that will play a leading role in economic restructuring. We firmly believe that in the next 10 years, we can build a new business paradigm characterized by openness, sharing, a sense of responsibility and globalization.

Dear Alibaba.com shareholders,

Happy 2010!

2009 was one of both shock and joy for many people. The shock stemmed from the sudden and overwhelming onset of the economic crisis in late 2008 and early 2009, while the joy came from the seemingly rapid recovery of the economy. We, however, were neither surprised nor overjoyed. Our own forecast for the global economy in early 2009 gave us reason not to panic as the year progressed. In last year's annual report, I wrote: "We believe the darkest hour of the current global economic crisis has passed. The real disaster is failing to realize when a disaster has already arrived. While the world has placed an unprecedented priority on addressing the global economic crisis, we believe the possibility of another unimaginable disaster of the same magnitude occurring has become very slim." We were not overjoyed either because an improvement in numbers does not necessarily equate to real economic recovery, and we are still in the aftermath of the financial crisis. These are the results of the economy not having fully realized its structural re-alignment, and small businesses across the world are still far from recovery. True recovery will only occur with economic restructuring driven by private investment and domestic demand, and the revival of small businesses.

Based on our assessment of economic trends at the end of 2008, Alibaba.com committed itself to a "Year of Investment" in 2009. We invested in our customers, our people and our technology infrastructure. We made satisfactory progress through the year and we were able to help hundreds of thousands of small businesses, especially small exporters who were affected the most and the earliest by the onset of the economic winter. These small businesses were able to successfully survive the economic crisis by adopting e-commerce. As a result of our pre-emptive actions against the economic downturn, small businesses all around the world have increased their understanding of e-commerce and of how they can use Alibaba.com's marketplaces to their advantage.

Even though we face a seemingly stable global economy and a Chinese economy that has managed to maintain an 8% annual GDP growth, we remind our customers, employees and shareholders to remain alert. Based on our analysis of the trend of structural adjustment to the economy, China's economy will increasingly rely on domestic demand in 2010. In 2009, we seized on the opportunities created by rising domestic demand and positioned Alibaba.com to support the growth of domestic demand. We established our Information Technology Business Unit ("ITBU"), integrated the business management software division of Alisoft, acquired HiChina, and worked closely with our sister company Taobao to establish the "C2B2B (Consumer-to-Business-to-Business) Net Products" channel. We believe this comprehensive e-commerce ecosystem will be at the forefront of the domestic trend and its power will be unleashed in 2010.

In 2010, our new definition of "B2B" is "Back to Basics." As the economic recovery might be accompanied by ups and downs, we have designated 2010 as a "Year of Customer Service." We will strive to boost our capability to serve tens of millions of small businesses, and more importantly, we will focus on our foundation as a service company and uphold our core value of "Customer First."

In the next three to five years, e-commerce will truly become a mainstream channel that will play a leading role in economic restructuring. We firmly believe that in the next 10 years, we can build a new business paradigm characterized by openness, sharing, a sense of responsibility and globalization. We aim to provide a platform for 10 million small businesses all over the world where they can thrive and grow; create job opportunities for 100 million people; and provide one billion consumers with a retail platform that offers quality and affordable products. Alibaba.com will not stop investing in the future of e-commerce simply because the Year of Investment of 2009 has passed. As we begin to reap the initial returns from our investments, we are even more determined to strengthen our commitment to long-term investment. We will continue to strive to provide innovative solutions to assist and support our small business customers as they transition towards a new business model.

Lastly, I would like to express my gratitude to our directors and employees for their contributions during the past year and to all our shareholders for their support. It is easy for enterprises to give up in the face of difficulties, and there are also many of them that give up doing the right things even when the toughest time of the world economic crisis is behind us. To give up is the biggest failure, and we hope that our customers, employees and shareholders will never give up their faith in e-commerce regardless of circumstances. We will never give up our vision to build a company that lasts 102 years nor our mission – "To make it easy to do business anywhere."

Jack Ma

Chairman

CEO'S STATEMENT

Our results from 2009 have proved that our investments were made at the right time and in the right way to best serve our customers. 2010 is a "Year of Customer Service." We need to invest to improve the standard and capacity of our service offerings. We will invest to develop the back end of our services to further improve customer satisfaction and service efficiency. We will go back to the basics by addressing user needs and concerns.

Dear Alibaba.com shareholders,

When we first announced that 2009 would be a "Year of Investment," it was the darkest moment of the world economic crisis. There were numerous questions on why and how Alibaba.com would invest. We were confident because history has taught us that recessions frequently present the best opportunities for strategic investment, and our results from 2009 have proved that our investments were made at the right time and in the right way to best serve our customers.

INTERNATIONAL MARKETPLACE

When the global economic crisis hit, we believed that it would strike exporters first and hardest, so we prioritized our investment in small business customers of our international marketplace.

Our US$30 million global marketing campaign has accelerated global buyer acquisition and exposed more small businesses to the benefits of international sourcing. Registered users on our international marketplace exceeded 11 million in 2009. About a third of total registered users came from a more diversified base through our new operations in countries like the United Kingdom and Japan.

The significant growth in new and active buyers is important, as it has offset the reduction of volume from like-for-like buying activities due to the economic downturn. Through this growth, we have generated more trade opportunities for both longtime and new suppliers, enabling us to help our small business exporters weather the difficult economy in 2009.

Through the introduction of our Gold Supplier Starter Pack, which lowered the entry price barrier for smaller exporters, we increased the number of China Gold Supplier members by 123.4% over the previous year. That means more than 96,000 small businesses in China now have the opportunity to grow their businesses more effectively through reaching customers in markets around the world.

In another move to drive growth for export-oriented small businesses in markets other than China, we offered the new Global Gold Supplier membership, which replaced our legacy International TrustPass membership, in the second half of the year to offer those businesses the same international export exposure opportunities as our China-based customers. We unified the price and service level to raise overall user experience, and to make sure that all of our buyers have access to a variety of suppliers from all over the world.

Realizing that rapid growth in user base must be complemented with an increase in customer service, we implemented a well-planned restructuring of our customer acquisition and retention teams during the year. As a result, we have further improved the Gold Supplier retention rate even with our fast-growing paying member base.

Finally, in 2009, we heard our customers' needs for advanced platforms to buy and sell online, and we answered them with a trial launch of AliExpress, our transactional, commission fee-based wholesale platform, to meet the demand for smaller transactions among the rising number of e-tailers overseas.

CHINA MARKETPLACE

Our China marketplace reached 36.2 million registered users and 5.4 million storefronts in 2009. The 48.5% growth in storefronts over the past year is encouraging.

In 2009, we launched an upgraded version of China TrustPass and provided members with new value-added services ("VAS") including Mobile TrustPass, advanced Winport features and Traffic Analyzer. This upgrade, together with an expanded reseller network and improved efficiency of our telesales team, helped us add a total of 128,449 China TrustPass members in 2009, a 34.4% growth year-over-year.

As customers seek new ways to help differentiate themselves from competitors, we upgraded our old pay-for-listing VAS for keyword search model to Ali-ADvance, a pay-for-performance keyword bidding model, in March 2009. This VAS gives members greater transparency on their return on investment and enables us to grow our revenue with the quality traffic on our China marketplace. By the end of the year, more than 10% of China TrustPass members were taking advantage of Ali-ADvance, and their spending has increased since its launch.

NEW STRATEGIC BUSINESS HORIZON

In 2009, we started to deliver our three acquisition strategies: investment in non-overlapping user or customer base, investment in proven e-commerce applications and investment in technology.

We completed our acquisition of HiChina, the leading provider of Internet infrastructure services in China, in December 2009. With this acquisition, Alibaba.com gained more than 200,000 new customers, value-added applications, advanced "do-it-yourself" website technology, and a strong management and operating team.

As we built our Information Technology Business Unit ("ITBU"), we also acquired the business management software division of Alisoft from Alibaba Group. This Internet-based, Software-as-a-Service ("SaaS") model provides small businesses with low-cost, user-friendly enterprise and financial management tools that help them leverage technology to manage their operations. The customers that will benefit the most from this technology are small exporters, domestic online wholesalers, and e-tailers who need these products and services to help manage their businesses more effectively.

The challenges for small businesses in China are not limited to technology and trade. In partnership with Alibaba Group, we were able to help more than 3,000 members secure more than RMB6 billion in loans through the Ali-Loan program by the end of 2009. In addition, Ali-Institute has been helping thousands of small businesses by training e-commerce professionals to fill the increasing demand driven by industry growth and the growth of small businesses.

While the international and China marketplaces will continue to provide orders to help small businesses survive, ITBU and Ali-Institute together with the Ali-Loan program will start to address the other immediate issues faced by small businesses over the course of their development.

VALUE-ADDED SERVICES

Our "membership plus VAS" model is the key to the success of our business. Our strategy is to keep our membership fee competitive so as to lower the entry barrier for new customers, while offering various VAS to address different customer needs in growing and managing their businesses.

In 2009, we have significantly enriched our VAS offerings to members in comparison to the previous year. The new VAS were either developed in-house by our team of more than 1,000 engineers, reflecting our technology investment strategy, or through acquisitions of external businesses.

Available Value-Added Services

- Ali-Loan
- Buyer GPS
- Keyword Purchase
- Premium Placement
- Virtual Showroom
- Ali-ADvance NEW
- AliExpress NEW
- Ali-Institute NEW
- Business Management Software ("SaaS") NEW
- Business Network Service ("Renmaitong") NEW
- China Wholesale Platform NEW
- Japan Link NEW
- Mobile China TrustPass NEW
- Online Translation NEW
- Traffic Analyzer NEW
- Winport 2.0 NEW

NEW: *VAS launched in 2009*

We are not in a rush to monetize all our VAS. We are staying focused on our primary objective of serving our customers better while we continue to accelerate membership acquisition and improve customer satisfaction. Also, we do not want to aggressively sell the VAS to our first-year paying members because we know from experience that our members are typically willing to spend more on VAS from their second year onward. We also see increased VAS penetration the longer our members stay with us, indicating that as long as we are adding value to our members through various service offerings, the VAS penetration will increase as our members become more sophisticated in doing business online. We also see that these VAS subscriptions will become more automated through member's self-service subscription, which will result in improved margin for Alibaba.com.

2009 OPERATIONAL AND FINANCIAL HIGHLIGHTS

When we started our Year of Investment in 2009, we told our shareholders they should track returns from the following areas in the following three phases:

- accelerated paying member growth
- increased revenue driven by more paying members and more VAS usage
- expanded economies of scale and margin enhancement

First, our total paying members increased 42.4% to 615,212 as of December 31, 2009. Thanks to the successful launch and execution of the Gold Supplier Starter Pack, our China Gold Supplier membership saw a 123.4% increase, or a net addition of more than 53,000 members. The growth momentum of China TrustPass members also continued in 2009. Total China TrustPass members increased by 34.4% from about 372,000 at the end of 2008, to more than half a million at the end of 2009.

Second, we continued to maintain a strong financial position. Driven by strong growth in paying members, our deferred revenue increased substantially to RMB3.4 billion, representing a 49.8% growth year-over-year. We also saw early signs of paying members using more VAS over time, as we expanded the range and variety of VAS to address different types of needs of our members. In 2009, our total GAAP revenue grew by 29.0% year-over-year to RMB3.9 billion. Analyzing our revenue on a quarter-to-quarter basis, we saw the year-on-year revenue growth accelerate in the third and fourth quarters compared to the first two quarters, validating our prediction that revenue growth would follow successful implementation of our strategy of expanding our customer base.

Third, in 2009, we invested our margin into three main areas: our customers, our people and our technology infrastructure. The margin that we invested in sales and marketing brought us increased users and paying members and, more importantly, an expanded market share. The margin invested in product development and technology resulted in a longer list of VAS, which addressed increasingly sophisticated customer needs, and planted the seeds for further development in the years to come. We also expanded capacity and built more mirror sites to increase the reliability and security of our platforms and to facilitate increased traffic as our user and member base grew rapidly globally. On the other hand, we reduced other back office operating costs to a lower percentage of the revenue. As a result, profit from operations in 2009 was RMB1.1 billion, and profit attributable to our equity owners was RMB1.0 billion.

Amid all our planned investments discussed above, we continued to generate a significant amount of recurring free cash flow. We generated RMB1.8 billion of recurring free cash flow in 2009, which was a 23.9% increase from the previous year. In September 2009, we paid a special dividend of RMB888.3 million to shareholders to commemorate our 10^{th} anniversary.

PEOPLE DEVELOPMENT

In addition to our investment in customers and technology, investment in people was also our main focus in 2009. We added 3,516 employees, including about 650 in engineering and website operations. Although we froze salaries for senior executives, we increased salaries and commissions for most of our working-level staff as we believe resources should be tilted towards the mass group to incentivize our employees to deliver better customer service and acquire more customers.

Training has been strengthened to improve new employee's skills and grow our new management teams.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is inseparable from Alibaba.com's mission – To make it easy to do business anywhere – in other words, to help small businesses around the world grow and prosper. We believe the key to success for corporate social responsibility is to incorporate social aspects into our business model in order to ensure effectiveness and sustainability. In 2009, we stepped up our efforts to bolster the competitiveness of small businesses in China and beyond and facilitate job creation in the process. This included the expansion of our Ali-Loan program, where we introduced proprietary credit scoring models developed by Alibaba Group to facilitate loans made by our partner banks to our customers in China. In 2009, we broadened the geographic reach of the Ali-Loan program to benefit more small businesses. Since the launch of Ali-Loan, we have facilitated more than RMB6 billion of loans to more than 3,000 of our customers.

Through Ali-Institute, we have continued to offer a large number of high-quality e-commerce and management training programs to companies and individuals in China. To cultivate the much-needed human capital for small businesses, we established Ali-Institute as a dedicated division of Alibaba.com in October 2009.

Besides helping small businesses, we continued to assist in the rebuilding efforts in China's earthquake-struck Sichuan Province, giving the local people both material and moral support.

We also acted as a responsible e-commerce platform operator by banning all postings related to shark fin products on our marketplaces starting January 1, 2009. For a full report of our initiatives in regard to corporate social responsibility, please refer to pages 46 to 49 of this annual report.

2010 OUTLOOK

Although the darkest period of the world economic crisis is behind us, we believe the recovery so far is not backed by a strong, sustained global economic recovery. China's export volume will likely return to similar levels as 2007 but is unlikely to be a key driver to the economy in the long term. We have identified that the engine for the next round of long-term, sustainable growth will be from growing domestic demand in China. We have started to invest to capture this opportunity.

We will continue a cautious and responsible approach to investing in 2010 but we will focus on different areas compared to 2009, including those relating to our China marketplace; our ITBU, which integrates the newly acquired HiChina and the business management software division of Alisoft; and building synergy with Alibaba Group companies. A series of new initiatives in our China marketplace started in the first quarter of 2010, marked by the revamp of our China site to highlight the wholesale nature of the marketplace, and the use of 1688.com as a new domain name for our China marketplace. The launch of a new entry-level product "China TrustPass Basic," and various kinds of VAS will follow shortly. All of these measures reinforce our "membership plus VAS" strategy for the long-term development of our business.

2010 is a "Year of Customer Service." We need to invest to improve the standard and capacity of our service offerings so that we can effectively handle millions of paying members. We will invest to develop the back end of our services to further improve customer satisfaction and service efficiency. Issues like improving the quality of suppliers, building a network of trust-worthy buyers and suppliers, and realizing a secure, user-friendly and simple flow platform for online transactions are all close to our customers' hearts. In the "Year of Customer Service," we will go back to the basics by addressing user needs and concerns. We will aim to create value to ensure "Customer First" is not only a slogan but a value embedded in everybody's heart at Alibaba.com. We strongly believe that these improvements will help drive further VAS penetration across our customer base and enhance membership retention.

THANK YOU

I would like to express my gratitude to our customers who worked hard to get through the difficult economic challenges last year. I would also like to express our appreciation to our employees who have again demonstrated their passion and commitment in a critical year. Finally, I want to offer sincere thanks to our shareholders who were trusting and supportive of our management during this vital year of investment. Your understanding and recognition of our drive to help small businesses grow and thrive around the world is testament to Alibaba.com's global mission.

David Wei

Chief Executive Officer

Alibaba.com

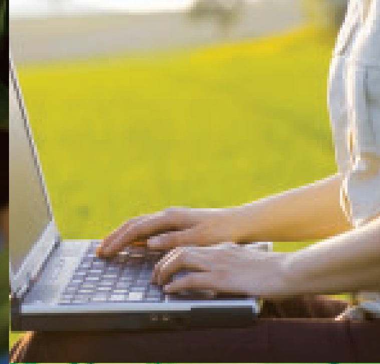
YOUR

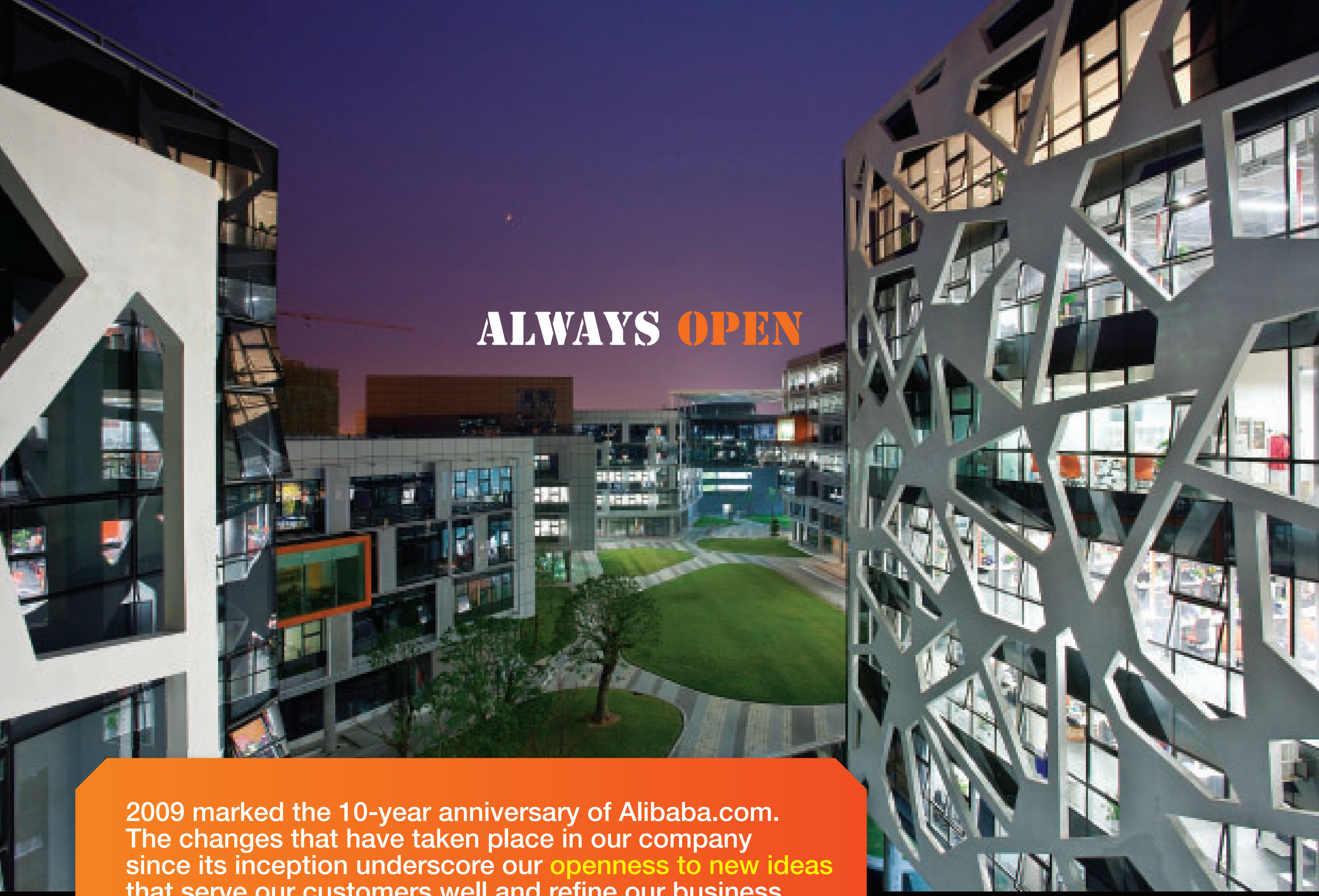
HARVEST

Despite the tough economic climate in 2009, we invested in our customers, our people and our technology infrastructure to help small businesses navigate the turbulent year. These efforts produced a 25.4% increase in total registered users in 2009 while revenue grew 29.0%. Our investment in our customers when they needed it most had a short-term impact on financial performance but promises significant upside for our long-term health as a company.

GLOBAL REACH

We added 9.7 million registered users worldwide during 2009, bringing our total to 47.7 million registered users in more than 240 countries and regions.





ALWAYS OPEN

2009 marked the 10-year anniversary of Alibaba.com. The changes that have taken place in our company since its inception underscore our openness to new ideas that serve our customers well and refine our business model. We remain committed to helping small businesses meet their challenges in procurement, sales, management and finance through Internet-based technologies.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS ENVIRONMENT

Resilience in the face of volatile macro environment

Following the financial turmoil in 2008, 2009 started under a cloud of uncertainty with dismal performance in the global economy. In the first quarter of 2009, China reported only 6% GDP growth and a decline of nearly 20% in the export sector, resulting in one of the worst performing quarters in recent years. With the Chinese government's massive stimulus package, China was among the first economies in the world to decouple from the deep recession in the developed markets in the aftermath of the financial crisis. It was encouraging to see that the strong economic rebound in China that commenced in the second quarter sustained through the fourth quarter. We also saw that there were more small businesses opening instead of closing down.

In 2009, the volatile macro-economic environment created significant challenges for export-focused small businesses. These businesses have limited resources and experiences in dealing with sudden global economic downturn. Against this backdrop, we decided to leverage this opportunity to make planned investments in our customers, our technology infrastructure and our people. These investment initiatives resulted in faster market adoption of our e-commerce platform, a wider range of value-added services ("VAS"), platform innovation, and more importantly, laid a solid foundation to fuel strong future growth opportunities for us. Our business growth has not only been due to the macro environment but even more results from our focused strategy and strong execution.

Increasing significance of e-commerce

Small businesses using e-commerce are nimbler in a highly volatile environment and continue to be the key engine of growth for most economies around the world. According to China's Ministry of Industry and Information Technology ("MIIT"), in 2009, the value created through small and medium enterprises ("SME") e-commerce activities accounted for 1.5% of China's GDP and contributed 0.13% in GDP growth. This data confirms that e-commerce is becoming increasingly important to economic development, and our effort in promoting e-commerce and helping introduce greater efficiency into SMEs' businesses has become significant to the economy. It remains our belief that our dedication to supporting small business customers through e-commerce is imperative.

The most direct and immediate benefit of e-commerce for small businesses comes in their sales, marketing and procurement. In short, it helps small businesses secure the orders they used to survive. According to MIIT, small businesses have increasingly adopted e-commerce in procurement, sales and marketing. The MIIT data shows the growth of aggregate revenue of small businesses that adopted e-commerce to be 1.35 times more than those still relying solely on traditional offline means in 2009. Another market analysis conducted by an independent research firm indicates that the survival rate of small businesses engaged in e-commerce is 5 times more than those that did not use e-commerce during the recent economic crisis. These studies and findings support our view that e-commerce is becoming an indispensable tool for small businesses to further grow in scale and to help them build their resilience in the face of adverse economic conditions. We believe this is just the beginning of the growth in the global e-commerce arena. We will continue to invest and position ourselves to lead e-commerce adoption by small businesses worldwide and drive growth opportunities for both Alibaba.com and our customers.

BUSINESS REVIEW

Our strategic investments in 2009, powered by our strong execution, delivered noticeable and positive results in user and membership growth, as well as raised brand awareness in major buyer and seller markets. As we discussed in last year's annual report, if our investment pays off, paying member growth will be the first indicator of success, followed by revenue and margin growth over the next few years. In 2009, we witnessed robust growth in both our registered users and paying member numbers. Against the tide, Alibaba.com grew to an e-commerce platform with more than 47.7 million users and 615,212 paying members worldwide. During the year, we further expanded our market leadership by adding 9.7 million registered users, 2.2 million storefronts and more than 183,000 paying members to our marketplaces. While people were pessimistic that the decline in world trade and consumption might negatively impact our growth, we managed to produce another year of record increases in net addition of paying members. Not only did we observe this, the first indicator of success, we also saw a healthy increase in revenue. Our total GAAP revenue grew by 29.0% year-over-year to RMB3.9 billion. Analyzing our revenue on a quarter-to-quarter basis, we are pleased to see that the year-on-year revenue growth accelerated in the third and fourth quarters compared to first two quarters, dovetailing with our prediction that revenue growth will follow successful implementation of our strategy of expanding our customer base.

We continued to maintain a robust financial position. Driven by strong growth in paying members, our deferred revenue, including RMB123.8 million of deferred revenue from China Civilink (Cayman) ("HiChina"), increased substantially to RMB3.4 billion, representing a 49.8% growth year-over-year. We also saw early signs of VAS usage take-up, as we expanded the range and variety of VAS to address the needs of different types of customers. As a result of these two factors, we generated RMB1.8 billion of recurring free cash flow in 2009, representing a 23.9% increase from the previous year. Even after the completion of two acquisitions in the second half of 2009 and a special dividend paid out to commemorate our 10th anniversary, we continued to maintain a strong balance sheet with RMB7.2 billion cash and bank balances.

International marketplace

In 2009, the number of registered users on our international marketplace increased by 3,663,617, or 46.3%, to reach 11,578,247 as of December 31, 2009. The number of storefronts grew by 45.0% to 1,400,326. Our US$30 million global marketing campaign accelerated global buyer acquisition with about a third of our total registered user base acquired through the campaign over the course of the year. The increased user base contributed to increasing user traffic and buyer activities on our marketplace. More importantly, the increase is a reflection that buyers and sellers around the globe are leveraging e-commerce more as an effective way to weather the economic crisis.

International marketplace operating data

	As of December 31,				
	2005	2006	2007	2008	**2009**
Registered users	1,949,741	3,115,153	4,405,557	7,914,630	**11,578,247**
Storefronts	292,414	514,891	697,563	965,747	**1,400,326**
Paying members[(1)]	19,983	29,525	39,536	59,164	**113,896**
China Gold Supplier	12,192	18,682	27,384	43,028	**96,110**
Global Gold Supplier[(2)]	7,791	10,843	12,152	16,136	**17,786**

(1) Include 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) Product upgraded from International TrustPass to Global Gold Supplier in July 2009.

Geographic distribution of registered users (other than China) on our international marketplace as of December 31, 2009

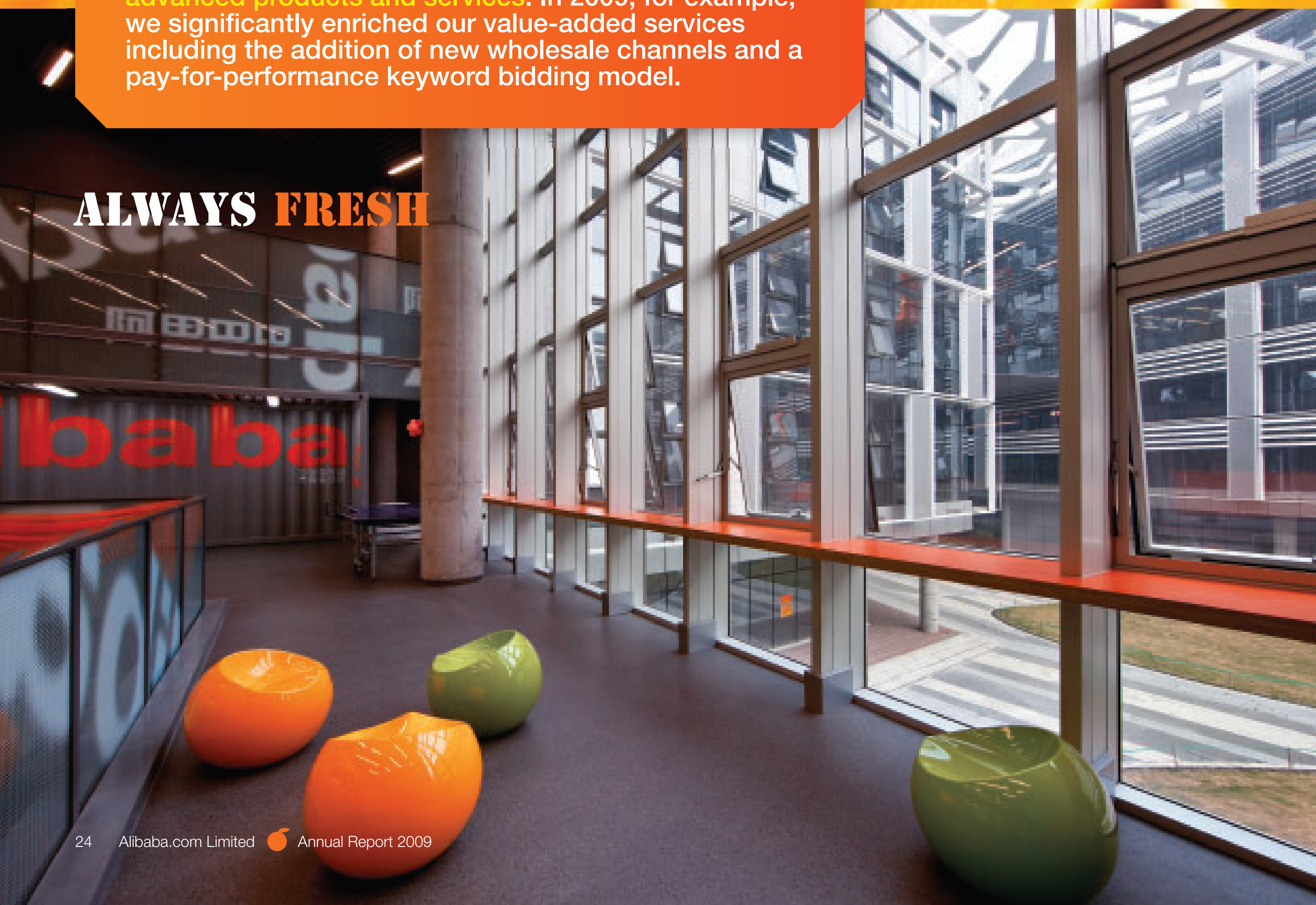
Country or region	Number of registered users in county or region	**Percentage of total registered users on our international marketplace**
1 United States	1,826,507	15.8%
2 India	1,274,305	11.0%
3 European Union[(1)]	1,039,585	9.0%
4 United Kingdom	661,293	5.7%
5 Pakistan	302,671	2.6%

(1) Excludes the United Kingdom.

ALWAYS ACCESSIBLE

The Alibaba.com platform is available 24/7. Dedicated service teams are also available to answer users' inquiries. In key markets, our on-the-ground sales teams make regular visits to customer premises to offer guidance on using e-commerce and participating in global trade.

To make it easier for small companies to grow and manage their businesses, we continually introduce advanced products and services. In 2009, for example, we significantly enriched our value-added services including the addition of new wholesale channels and a pay-for-performance keyword bidding model.



ALWAYS FRESH

China Gold Supplier

Gold Supplier Starter Pack ("Starter Pack"), which we launched at the end of 2008, proved to be a tremendous success in delivering value at a widely accepted price point, helping our small business exporters at just the right time. As of December 31, 2009, we had a total of 96,110 China Gold Supplier members, representing a historical record of annual net addition of 53,082, or a 123.4% growth year-over-year. The strong growth momentum in customer acquisition sustained throughout 2009. In the fourth quarter, we recorded a quarterly net addition of 11,242 China Gold Supplier members, or a 13.2% growth quarter-on-quarter. The overall performance of this entry-level product was far better than what we had originally anticipated, allowing us to reach our three-year target in only three quarters. In general, the intrinsic value of providing more services and tools to address the various needs of businessperson on Alibaba.com's platform has become increasingly apparent.

We also proactively managed customer renewals and enhanced customer satisfaction throughout the year by deploying more resources in customer care and helping paying members improve their performance. As such, we have seen improvement in customer renewals of China Gold Supplier memberships over the year, especially for our first-year paying members. In the fourth quarter of 2009, the first batch of Starter Pack members, which provided a notably large renewal base, was up for renewal. We observed encouraging signs that the renewal of this first batch of Starter Pack members is stronger relative to the like-for-like comparison of our first-year paying members in the past, though the net addition in the fourth quarter was lower compared to the past three quarters due to a larger customer renewal base.

In 2009, we made steady progress in both the development of new VAS and the level of member adoption of VAS. VAS revenue contribution from our China Gold Supplier members has seen a slight, gradual increase throughout the year to reach high-teens percentage at the end of the year. Although we remain focused primarily on accelerating membership acquisition and improving customer satisfaction in the near term, we saw early signs of growing VAS adoption among renewed Starter Pack members. This trend generally reflects our past observation that the longer a member stays with Alibaba.com, the more likely they will consume VAS. We are convinced that VAS penetration and usage will continue to grow as we lay a solid membership base. Our strategy of maintaining competitive membership fees in order to lower the entry barrier for new customers and subsequently offering targeted VAS to address different customer needs is seen as more flexible by our members. We believe separating VAS from the basic membership will provide better value and measurement for customers, which at the end will enhance the customer satisfaction.

During the year, we significantly enriched our VAS offerings to Gold Supplier members. In the second quarter of 2009, we introduced a VAS called "Japan Link" to China Gold Supplier members. This VAS provides them with access to Japanese buyers through the Alibaba Japan website.

Another important VAS initiative is "AliExpress," a wholesale platform we launched on our international marketplace in the third quarter of 2009. We designed AliExpress to facilitate small bulk transactions online. By integrating Alipay's escrow feature into the AliExpress platform, we provided an easy, safe and secure online cross-border transaction service to buyers and suppliers. We charge a nominal fee to the supplier for successful online transactions. We believe e-commerce is an irreversible trend and there will be more consumer-orientated, Taobao-like platforms globally with a desire for direct access to manufacturers. We have positioned AliExpress as a window to consolidate the sourcing need of millions of e-tailers or power-sellers on various consumer-orientated e-commerce platforms worldwide. Since its launch, we have witnessed steady growth, though we consider AliExpress a strategic development rather than a near-term revenue driver. We will focus on growing the number of product offerings, users and their engagement on the AliExpress platform in the coming quarters.

These are the examples of VAS we introduced in 2009. We believe growth in VAS will follow after we have laid a solid membership base and increased members' reliance on and the stickiness of our platform.

Global Gold Supplier and overseas development

In July 2009, we upgraded International TrustPass to Global Gold Supplier. Priced at US$2,999 per year, Global Gold Supplier offers similar product features and the same level of exposure as China Gold Supplier. As of December 31, 2009, we had 17,786 Global Gold Supplier members, representing a net increase of 1,650 members during the year. The total number of Global Gold Supplier members saw a slight decline in the last two quarters of 2009. We expected this short-term impact on membership, and we expect it may continue for a few more quarters until the old membership base all adapt to the new product and price level upon renewal. The impact of the mild decline in customer numbers was more than compensated for by the extent of the price increase. We believe Global Gold Supplier will drive paying membership and revenue growth globally in the long run.

In 2009, we extended our global footprint through various modes of cooperation with strategic and channel partners in close to 10 countries. Rather than further stretching our resources, our strategy is to stay focused on a few countries, including India, Japan, South Korea and Turkey, where we have already established strong cooperation with partners on the ground, or have good support from government or trade associations. We have been making steady progress in India and Japan. And in India, we also continue to lead the B2B e-commerce market. As of the end of 2009, our total registered users in India reached almost 1.3 million. In Japan, our associated company Alibaba.com Japan Co., Ltd. ("Alibaba Japan") also started to monetize and sell Global Gold Supplier in the third quarter of 2009. Our Global Gold Supplier, which gives our overseas members the same level of priority in search results as China Gold Supplier, helped to raise the competitiveness of our product overseas and should help our long-term growth beyond China.

China marketplace

In 2009, our China marketplace continued to grow at a steady pace. China's domestic consumption experienced relatively less impact from the decline in global consumption, which boded well for start-ups and those interested in venturing into the domestic market to capture business opportunities. Also, the continuous strong growth and the wider accessibility of the Internet in China fuelled the underlying growth of small businesses using e-commerce. Our registered users rose by almost 6 million to 36,154,669 as of December 31, 2009. The number of storefronts increased 48.5% year-over-year to 5,419,658 in the same period.

China marketplace operating data

	As of December 31,				
	2005	2006	2007	2008	**2009**
Registered users	9,019,214	16,649,073	23,194,402	30,160,705	**36,154,669**
Storefronts	1,002,768	1,557,874	2,259,283	3,648,503	**5,419,658**
Paying members(1)	121,631	189,573	266,009	372,867	**501,316**

(1) Include 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.

China TrustPass

Our China TrustPass members exceeded half a million at 501,316 as of December 31, 2009. This represents a net addition of 128,449 paying members, a 34.4% increase from the end of 2008. In the fourth quarter, we acquired 25,894 net additions of China TrustPass paying members. The net addition for the fourth quarter was slightly slower than in the previous quarters mainly due to a bigger renewal customer base in the quarter and also fewer working days due to the extended public holiday. During the year, the customer renewal rate was relatively stable. In the second quarter, we unified the search results ranking priority of China TrustPass corporate membership and individual membership and aligned the pricing of both products to RMB2,800 per year.

In 2009, not only did we see growth momentum in member acquisition, we also witnessed early signs of increased VAS usage among China TrustPass members, more obviously in Ali-ADvance and Premium Placement. Since its launch in the first quarter of 2009, Ali-ADvance, the pay-for-performance keyword bidding model, has been gaining traction following the challenges during the transition period from the old pay-for-listing keyword bidding model. As of the end of 2009, more than 10% of China TrustPass members used Ali-ADvance and customer spending has demonstrated a gradual growth over time. With further fine-tuning of the search result relevancy of Ali-ADvance accompanied by our highlighting to members the benefits of Ali-ADvance to their return on investment, we believe that Ali-ADvance will help improve the efficiency of supplier's marketing efforts while allowing us to better monetize the ever-increasing user traffic on our China marketplace. In addition, Premium Placement also witnessed promising growth both in terms of the number of users and revenue in the period. VAS revenue contribution was about mid-teens percentage of China TrustPass revenue.

In addition to Ali-ADvance, in the first quarter of 2009, we launched "Mobile TrustPass," "Winport 2.0," and "Traffic Analyzer." Although not all the new VAS have started monetization, it is clear that members find the new VAS can address their needs to raise the exposure of their products and to have more powerful tools and applications to help them manage their online business more easily.

Synergies with Alibaba Group companies

As e-commerce becomes more widely adopted, we have seen increasingly more synergies between Alibaba.com and Taobao, our sister company. In April 2009, we launched the online wholesale transaction platform on our China marketplace, allowing small businesses such as Taobao retailers to source products at low prices in small quantities. Since April, we saw robust growth in user interest and activities on the platform. The wholesale platform started from fashion and apparel and has expanded to cover small consumer items as well. The wholesale platform serves as a bridge to connect users on Alibaba.com and Taobao. With more cross-platform coordination in terms of development and promotion, more e-tailers, in particular, the Taobao power-sellers, will realize the benefit of sourcing online through Alibaba.com's wholesale platform. The wholesale transaction platform's power was complemented by our Net Products Trade Fairs in Guangzhou, Hangzhou and Chengdu in 2009. These campaigns helped to reinforce the message of the cross-platform relationships between the two largest e-commerce marketplaces in business and consumer areas in China. Monetization will follow after we have grown the activities and usage of the wholesale platform into a reasonably large size.

There is strong cooperation between Alibaba.com and Alipay, another sister company. During the year, to facilitate online transactions on both international marketplace and China marketplace, we brought Alipay on board to become the key online payment method on our China wholesale platform and provide escrow services for transactions on AliExpress. Alipay, the dominant online payment platform in China, bolstered trust and safety for transactions on our marketplaces. Going forward, together with Alipay, we will continue to enhance the payment mechanism to make it more suitable for business customers.

In addition, the Ali-Loan program, where we have partnered with Alibaba Group and various banks, continues to develop and assist our small business customers obtain much-needed capital. We believe Alibaba.com plays a unique role in connecting small businesses and banks to facilitate their loan transactions. As of December 31, 2009, more than 3,000 of our paying members have already benefited from this program with our partner banks collectively issuing more than RMB6 billion in loans to them. In October 2009, we extended the Ali-Loan program to Beijing, Guangdong Province and Jiangsu Province. We plan for more expansion in 2010 to cover small businesses' financing needs. Even though this is a non-trade-related VAS, we believe this well-demanded service undoubtedly increases member's stickiness on our platform. While we are very confident about the long-term benefit that this program can bring to our customers and our partner banks, we do not see this as a short-term revenue driver for our business.

Alibaba.com's 10th anniversary and our new business structure

In September 2009, we celebrated the 10th anniversary of Alibaba.com and at this event unveiled more about our view on the development of e-commerce in the coming decade. Our past 10 years have proved the power of e-commerce to generate business opportunities for small businesses and entrepreneurs. In the coming 10 years, we believe e-commerce can achieve much more beyond serving the sales and marketing function of suppliers. Our vision is to solve the challenges of small businesses in procurement, sales and marketing, operation management and financing through technology. To ensure the realization of this vision in the coming decade, we have reorganized our business initiatives into the following business units: the International Core Business Unit ("ICBU"), the China Core Business Unit ("CCBU"), the Information Technology Business Unit ("ITBU") and Ali-Institute. ICBU and CCBU are continuations of our existing international marketplace and China marketplace, respectively. ITBU and Ali-Institute are new divisions that will help small businesses get better access to technology to upgrade their operations, as well as train personnel in these small businesses on how to better use the technology.

ITBU

Since our announcement of the new business structure, we have made significant developments in business initiatives relating to these new business units. In August 2009, Alibaba.com acquired the business management software division of Alisoft from Alibaba Group. This Internet-based, SaaS, model provides small businesses with low-cost, user-friendly enterprise and financial management tools and drives usage of technology to manage their operations. Also in the fourth quarter of 2009, we completed our acquisition of HiChina Web Solutions, the leading provider of Internet infrastructure services in China. With the acquisition of HiChina, Alibaba.com gained four key assets: a large new customer base, new value-added applications, advanced and automated "do-it-yourself" website technology, and a strong management and operating team. We saw the strong strategic fit in both acquisitions and are confident that these businesses will create significant operating synergies. With these two acquisitions, we believe ITBU solutions will offer our members added competitiveness and flexibility in e-commerce while also providing them with a growing platform where they can truly "Work at Alibaba."

Ali-Institute

We established Ali-Institute as a stand-alone business unit in the fourth quarter of 2009. Through its curriculum, Ali-Institute will serve as an important incubator for e-commerce talent in China, creating a pool of qualified people for small businesses to recruit from to run their growing e-commerce operations. As an additional benefit, we have seen strong evidence that Ali-Institute will help enhance the employment rate of new university graduates, with the first group of approximately 300 students from Ali-Institute securing job opportunities immediately upon graduation. Through a combination of offline classroom and online training, Ali-Institute aims to train people to fill the widening gap in the demand for e-commerce talent.

New corporate campus in Hangzhou

In September 2009, we moved from our old offices located in several buildings near the center of Hangzhou, China to our new corporate campus in the Binjiang district of Hangzhou. Construction of the campus was completed in two years, on time and below our original budget due to our effective cost control. Now all our business units can work together at this new campus, and we believe this will further enhance our operational efficiency.

Sales and customer service

In 2009, Alibaba.com continued to expand our number of sales offices to cover a wider geographic area. Our sales and customer services offices are now in more than 50 cities across mainland China, and also in Hong Kong and Taiwan. As of December 31, 2009, we had more than 4,300 field sales people for Gold Supplier, about 1,900 telephone sales representatives for China TrustPass and about 1,000 customer service staff. We have strengthened our sales team both in terms of productivity and quality of services provided to our customers.

Employees

As of December 31, 2009, we had 11,716 employees (December 31, 2008: 8,200), including 602 employees from HiChina as we completed the acquisition in December 2009. The related staff costs, including directors' emoluments, for 2009 were RMB1,698.1 million (2008: RMB1,075.2 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 2009, we enjoyed robust growth in the number of paying members of our combined marketplaces. As of December 31, 2009, we had 615,212 paying members, representing a 42.4% increase from the beginning of the year.

Total revenue grew by 29.0% to RMB3,874.7 million, as compared to RMB3,004.1 million in 2008, as a result of the higher number of paying m)embers. Profit attributable to equity owners decreased by 12.3% to RMB1,013.0 million, as compared to RMB1,154.5 million in 2008, as a result of our planned investments in customers, people and technology for future growth. Basic earnings per share decreased 10.9% from 25.61 Hong Kong cents in 2008 to 22.81 Hong Kong cents in 2009.

Revenue

The following table presents a breakdown of the components of revenue, alone and as a percentage of revenue for the years indicated:

	2009 RMB'000	2008 RMB'000 (Restated)	Change RMB'000	% of total revenue 2009	% of total revenue 2008
International marketplace					
China Gold Supplier	2,344,475	1,842,884	501,591	60.5%	61.3%
Global Gold Supplier	62,329	41,082	21,247	1.6%	1.4%
Sub-total	2,406,804	1,883,966	522,838	62.1%	62.7%
China marketplace					
China TrustPass	1,344,029	1,026,883	317,146	34.7%	34.2%
Other revenue	70,868	67,176	3,692	1.8%	2.2%
Sub-total	1,414,897	1,094,059	320,838	36.5%	36.4%
Others	53,027	26,102	26,925	1.4%	0.9%
Total	3,874,728	3,004,127	870,601		

2009
2008

We generate revenue primarily from selling membership packages and VAS to suppliers on our international and China marketplaces.

Our total revenue was RMB3,874.7 million in 2009, representing a 29.0% increase from RMB3,004.1 million in 2008 mainly due to the increase in the number of paying members on both of our marketplaces.

International marketplace

Revenue from our international marketplace primarily consists of:

- Revenue from the sale of China Gold Supplier membership packages and VAS, such as keywords and Premium Placement, to our suppliers in China; and
- Revenue from the sale of Global Gold Supplier membership packages, which is an upgraded version of International TrustPass membership, to our suppliers outside China.

Revenue from our international marketplace was RMB2,406.8 million in 2009, representing a 27.8% increase from RMB1,884.0 million in 2008, primarily due to the increase in the number of China Gold Supplier members as well as higher revenue contributed by sales of the Global Gold Supplier membership, which has replaced the International Trustpass membership in the third quarter of 2009. The Starter Pack was well received after its launch in the fourth quarter of 2008 and the sale momentum has continued throughout 2009. Our China Gold Supplier members increased by 53,082 during the year, reaching 96,110 as of December 31, 2009, representing a 123.4% growth compared to 43,028 as of December 31, 2008. This record high annual addition of paying members also contributed to the increase in revenue from the sale of VAS. Global Gold Supplier members increased by 1,650 to 17,786 as of December 31, 2009, a 10.2% increase compared to 16,136 as of December 31, 2008. In July 2009, the Global Gold Supplier membership, which is priced at US$2,999 per year and offers similar product features and the same level of exposure in search results as the Gold Supplier members in Greater China, replaced the then existing International TrustPass. The launch of Global Gold Supplier membership has also contributed to the increase in revenue during the year.

China marketplace

Revenue from our China marketplace primarily consists of:

- Revenue from the sale of China TrustPass membership packages and VAS, mainly comprising Ali-ADvance and Premium Placement to China TrustPass members; and
- Other revenue, principally comprising online placement services that allow companies to display online branded advertisements on our China marketplace.

Revenue from our China marketplace was RMB1,414.9 million in 2009, representing a 29.3% increase from RMB1,094.1 million in 2008. The growth was largely due to an increase in the number of China TrustPass members as a result of the strong execution of our telephone sales and re-sellers' efforts. During the year, we added 128,449 paying members on our China marketplace, yielding 501,316 paying members as of year end, a 34.4% increase compared to 372,867 as of December 31, 2008. On the VAS front, revenue from Premium Placement reported healthy growth during the year. Our pay-for-performance keyword bidding service Ali-ADvance, which we launched in March 2009 and replaced the old pay-for-listing keyword bidding service, continued to gain traction during the year.

Cost of revenue and gross profit

The following table presents a breakdown of the components of cost of revenue, alone and as a percentage of revenue for the years indicated:

	2009 RMB'000	2008 RMB'000 (Restated)	Change RMB'000	% of total revenue 2009	% of total revenue 2008
Staff costs and other expenses	**222,758**	158,325	64,433	**5.8%**	5.3%
Business taxes and related surcharges	**190,052**	153,860	36,192	**4.9%**	5.1%
Bandwidth and depreciation expenses	**93,337**	66,268	27,069	**2.4%**	2.2%
Authentication and verification expenses	**28,291**	22,198	6,093	**0.7%**	0.7%
Total	**534,438**	400,651	133,787	**13.8%**	13.3%

Our cost of revenue increased to RMB534.4 million in 2009, representing a 33.4% increase from RMB400.7 million in 2008. Included in the cost of revenue was share-based compensation expense of RMB15.9 million and RMB10.0 million in 2009 and 2008, respectively. Our cost of revenue increased mainly in line with our revenue growth. In particular:

- Staff costs were higher mainly because we expanded our website operations and our customer support services during the year to serve our expanding customer base as well as to prepare for our future business expansion;
- Business taxes and related surcharges, as well as authentication and verification expenses, were higher as a result of the increase in revenue and customer numbers; and
- Bandwidth and depreciation expenses were higher mainly because of increased user traffic on our websites (which required us to pay higher bandwidth and co-location fees) and for acquisition of additional servers and related computer equipment.

As a percentage of revenue, cost of revenue was in line with that in 2008, rendering a flat gross profit margin year-on-year at 86.2%, as compared to 86.7% in 2008.

Profit from operations

Our profit from operations (which represents profit from operations after deducting share-based compensation expense) was RMB1,073.0 million in 2009, representing a slight decrease of 6.0% from RMB1,141.7 million in 2008. Our operating profit margin decreased to 27.7% in 2009, compared to 38.0% in 2008. The drop in margin, which was expected, was mainly attributable to our planned investments in sales and marketing activities as well as our product development.

Profit from operations before share-based compensation expense (non-GAAP) was RMB1,273.4 million in 2009, representing a 3.8% decrease from RMB1,323.7 million in 2008. Operating margin excluding share-based compensation expense (non-GAAP) was 32.9% for the year, a decrease from 44.1% in 2008 due to the reasons stated above.

The following table presents a breakdown of the components of operating expenses, alone and as a percentage of revenue for the years indicated:

	2009 RMB'000	2008 RMB'000 (Restated)	Change RMB'000	% of total revenue 2009	% of total revenue 2008
Sales and marketing expenses	**1,623,845**	1,108,129	515,716	**41.9%**	36.9%
Product development expenses	**384,333**	214,038	170,295	**9.9%**	7.1%
General and administrative expenses	**409,708**	322,246	87,462	**10.6%**	10.7%
Total	**2,417,886**	1,644,413	773,473	**62.4%**	54.7%

2009
2008

Sales and marketing expenses

Our sales and marketing expenses were RMB1,623.8 million in 2009, representing a 46.5% increase from RMB1,108.1 million in 2008. Included in the sales and marketing expenses was share-based compensation expense of RMB55.7 million and RMB58.3 million in 2009 and 2008, respectively. Our sales and marketing expenses increased mainly as a result of increased sales commission expense, staff costs and advertising and promotional expenses. The increase in sales commission expense was mainly due to the increase in our reported revenue and our strategy to expand our market leadership by growing paying member base. As a result, we increased performance-based incentive compensation to drive this initiative. Staff costs increased mainly as a result of the expansion of our sales force to better serve our increasing number of customers. Advertising and promotional expenses increased, particularly in the latter half of 2009, mainly due to our planned investments in enhancing our brand awareness. As a result of the foregoing, sales and marketing expenses as a percentage of revenue increased to 41.9% in 2009, as compared to 36.9% in 2008.

Product development expenses

Our product development expenses were RMB384.3 million in 2009, representing a 79.6% increase from RMB214.0 million in 2008. Included in product development expenses was share-based compensation expense of RMB32.8 million and RMB20.0 million in 2009 and 2008, respectively. Our product development expenses increased mainly because of the increase in staff costs as we hired more engineers and enhanced our IT infrastructures to develop new initiatives and products, such as Ali-ADvance, and to upgrade our Gold Supplier services. Consequently, product development expenses, as a percentage of revenue, increased to 9.9% in 2009, as compared to 7.1% in 2008.

General and administrative expenses

Our general and administrative expenses were RMB409.7 million in 2009, representing a 27.1% increase from RMB322.2 million in 2008. Included in general and administrative expenses was share-based compensation expense of RMB96.0 million and RMB93.7 million in 2009 and 2008, respectively. General and administrative expenses, as a percentage of revenue, remained in line with last year at 10.6%, as compared to 10.7% in 2008.

Other operating income, net

Other operating income, net was RMB150.6 million in 2009, representing a 17.6% decrease from RMB182.6 million in 2008, mainly due to a higher deemed disposal gain recorded in 2008. Excluding the effect of the gain in both years, other operating income increased 1.6% mainly due to the increase in government grants received. During 2009, we received grants of RMB113.5 million from government authorities in the PRC, a 10.4% increase compared to 2008. In May 2009, Hikari Tsushin, Inc., a leading selling agent of office automation equipment and mobile phones, made a cash investment into Alibaba Japan in exchange for a 10.0% interest in Alibaba Japan. As a result of this transaction, a deemed disposal gain of RMB7.0 million was recognized for the year ended December 31, 2009, as compared to RMB41.3 million in 2008.

Finance income, net

Finance income mainly consisted of interest income and foreign currency exchange differences. Interest income was RMB140.5 million in 2009, representing a 42.7% decrease from RMB245.1 million in 2008, principally due to lower interest rates during the year.

Share of losses of associated companies, net of tax

Share of losses of associated companies, net of tax was RMB37.5 million for 2009, a 133.1% increase from RMB16.1 million in 2008. The increase was mainly due to the full-year effect of such expense because no such loss was recorded in the first half of 2008 as Alibaba Japan only became our associated company in May 2008.

Income tax charges

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

The PRC Enterprise Income Tax Law ("New EIT Law"), which became effective on January 1, 2008, unifies the income tax rate for domestic enterprises and foreign invested enterprises to 25%. In addition, the New EIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). In 2008, Alibaba (China) Technology Co., Ltd. ("Alibaba China"), our principal operating entity, was formally designated as a HNTE and as a result, was subject to EIT at 15% in 2008.

Pursuant to Caishui [2008] No. 1 under the New EIT Law, a duly recognized Key Software Enterprise ("KSE") within China's National Plan can enjoy a preferential EIT rate of 10%. Alibaba China was recognized as a KSE by four ministries including National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Commerce and the State Administration for Taxation in 2009 and as a result, Alibaba China was subject to EIT at 10% in 2009. This KSE status is subject to review by relevant authorities on an annual basis.

Pursuant to the New EIT Law and the Detailed Implementation Regulations for implementation of the New EIT Law, unless otherwise specified, a 10% withholding tax will be levied on dividends declared by the companies established in the PRC to their foreign investors starting from January 1, 2008. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC companies are incorporated in Hong Kong with regard to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". In 2009, we recognized relevant deferred tax liabilities of RMB34 million (2008: Nil) on the retained earnings of Alibaba China of approximately RMB680 million, which is anticipated to be distributed as dividends by Alibaba China to finance our business development outside the PRC.

In addition, Alibaba China Software Co., Ltd. ("Alibaba Software"), another major PRC operating subsidiary, was recognized as a "Software Enterprise" pursuant to Caishui [2008] No.1 under the New EIT Law in 2008. Under this tax circular, a "Software Enterprise" can enjoy full exemption from EIT for the first two years and fifty percent reduction in EIT 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 enjoyed full exemption from EIT in 2008 and 2009.

Most of our remaining PRC entities were subject to EIT at 25% in 2009 (2008: 25%) in accordance with the New EIT Law.

As a result of the change in stipulated tax rate of Alibaba China, income tax charges were RMB163.4 million in 2009, representing a 22.3% decrease from RMB210.3 million in 2008. Our effective tax rate was 13.9% in 2009, as compared to 15.4% in 2008.

Share-based compensation expense

The following table presents the allocation of share-based compensation expense, alone and as a percentage of revenue for the years indicated:

	2009 RMB'000	2008 RMB'000 (Restated)	Change RMB'000	% of total revenue 2009	% of total revenue 2008
Cost of revenue	15,874	10,015	5,859	0.4%	0.3%
Sales and marketing expenses	55,667	58,253	(2,586)	1.4%	2.0%
Product development expenses	32,805	19,987	12,818	0.9%	0.7%
General and administrative expenses	96,039	93,704	2,335	2.5%	3.1%
Total	200,385	181,959	18,426	5.2%	6.1%

We seek to structure our employee compensation packages to allow our employees to share in the success of our business. Therefore, a large number of our employees have been granted equity awards. Alibaba Group Holding Limited, our ultimate holding company, also operates equity award plans under which our employees and the employees of Alibaba Group Holding Limited and its subsidiaries have been granted options to purchase shares of Alibaba Group Holding Limited or our shares held by Alibaba Group Holding Limited. In our consolidated financial statements, share-based compensation expense arising from the grant of equity-based awards by us and Alibaba Group Holding Limited to our employees is allocated to and included as part of our expenses. In 2009, total share-based compensation expense was RMB200.4 million, a 10.1% increase compared to RMB182.0 million in 2008. As a percentage of revenue, share-based compensation expense in 2009 decreased to 5.2%, as compared to 6.1% in 2008.

Profit attributable to equity owners

We recorded a profit attributable to equity owners of RMB1,013.0 million in 2009, representing a 12.3% decrease from RMB1,154.5 million in 2008. The decrease was a result of the planned investments in our customers, people and technology infrastructure for our future growth and expansion. Our results also included combined loss of the business management software division of Alisoft for the full-year of 2009 and 2008 of RMB22.8 million and RMB50.7 million, respectively. Since the acquisition of HiChina was completed in December 2009, there was no significant impact on our current year's results except for the transaction costs incurred in the acquisition of RMB14.2 million, which were expensed in 2009.

Earnings per share

Earnings per share, basic and diluted were 22.81 Hong Kong cents and 22.63 Hong Kong cents respectively, compared to 25.61 Hong Kong cents and 25.58 Hong Kong cents, for basic and diluted, respectively in 2008.

Deferred revenue and customer advances

As of December 31, 2009, deferred revenue and customer advances, including an amount of RMB123.8 million acquired from the business combination of HiChina, were RMB3,437.0 million, representing a 49.8% increase from RMB2,294.4 million as of December 31, 2008. The increase was mainly due to the strong growth in the total number of paying members as a result of the successful launch of Starter Pack and the upgrade of our existing Gold Supplier service in November 2008 as well as the continued healthy growth of our China marketplace.

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 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 December 31, 2009, 95.5% 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. In addition, as mentioned previously, we have been cautiously managing our cash to maintain a favorable return and to minimize any foreign exchange risk. As of December 31, 2009, we had cash and bank balances of RMB7,216.4 million, which was RMB604.1 million or 9.1% higher than that as of December 31, 2008. As of December 31, 2009, our cash and bank balances comprised 95.5% (2008: 75.2%) Renminbi; 4.3% (2008: 24.3%) United States dollars; 0.1% (2008: 0.4%) Hong Kong dollars; and 0.1% (2008: 0.1%) other currencies. The weighted average annual return on our cash and bank balances was 2.1% in 2009 (2008: 4.2%).

As of December 31, 2009, our total assets were RMB9,456.7 million (2008: RMB7,910.8 million), which were financed by total equity of RMB5,018.1 million (2008: RMB4,907.0 million), current liabilities of RMB4,097.1 million (2008: RMB2,885.5 million) and non-current liabilities of RMB341.5 million (2008: RMB118.3 million). Of the total liabilities, RMB3,437.0 million (2008: RMB2,294.4 million) represented deferred revenue and customer advances that we collect 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 December 31, 2009, our deferred revenue and customer advances amounted to RMB3,437.0 million which was RMB1,142.6 million or 49.8% more than that as of December 31, 2008.

As of December 31, 2009, our Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB3,190.5 million (2008: RMB3,165.5 million).

Cash flow

Net cash generated from operating activities

Net cash generated from operating activities was RMB2,240.2 million in 2009, representing a 40.9% increase from RMB1,590.1 million in 2008. The increase in net cash generated from operating activities was principally because of the strong growth in deferred revenue and customer advances as compared to 2008 as a result of the strong acquisition of paying members and a decrease in tax paid.

Net cash used in investing activities

Net cash used in investing activities was RMB1,222.2 million in 2009 compared to RMB3,110.9 million in 2008. Net cash used in investing activities during the year primarily represented placement of cash in time deposits with original maturities of over three months of RMB503.5 million, payments for the acquisitions of the business management software division of Alisoft and HiChina of RMB414.8 million and capital expenditures of RMB410.7 million.

In 2009, our capital expenditures increased by 49.0% to RMB410.7 million (2008: RMB275.7 million). The increase in capital expenditures was primarily due to the addition of computer equipment to meet our business growth, and payment of construction costs of RMB210.9 million (2008: RMB151.5 million) for our new corporate campus in Binjiang, Hangzhou, which was completed in September 2009.

Net cash used in financing activities

Net cash used in financing activities was RMB958.0 million in 2009, compared to RMB78.9 million in 2008. Net cash used in financing activities in 2009 mainly represented the distribution of a special dividend in September 2009 of RMB888.3 million and the buy-back of our ordinary shares. In November 2008, we announced a share buy-back plan of up to HK$2 billion (approximately RMB1.8 billion) of our ordinary shares through the end of 2009, subject to market conditions and at the discretion of our directors. In 2009, RMB69.8 million was paid for buying back our shares in the market.

Recurring free cash flow

Recurring free cash flow (non-GAAP), which represents net cash flow generated from operating activities as presented in our consolidated cash flow statement less purchase of property and equipment and excludes one-off payments and receipts like the one-off tax refund in the current year, was RMB1,816.2 million, representing a 23.9% increase from 2008. The increase was mainly due to the strong increase in paying members, who prepay for their full-year memberships, as reflected in the increase in our deferred revenue and customer advances.

DIVIDEND

A special cash dividend of 20 Hong Kong cents per ordinary share was paid to our shareholders on September 9, 2009.

Our Board did not recommend the payment of a final dividend for the year ended December 31, 2009 (2008: Nil).

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2009, we did not have any material off-balance sheet arrangements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of December 31, 2009, none of our assets were pledged and we did not have any material contingent liabilities or guarantees.

MATERIAL ACQUISITIONS AND DISPOSAL OF ASSETS

In August 2009, we entered into an acquisition agreement with Alibaba Group Holding Limited to acquire the business management software division of Alisoft, comprising the application software product lines for small businesses and related assets, certain business liabilities, together with all customer contracts and employees, for a total consideration of RMB208.0 million. The acquisition was completed in September 2009.

In September 2009, we entered into a series of agreements with Rich Premier Holdings Limited, Amplecity Holdings Limited, Keen Bond Holdings Limited, King Long Management Limited ("founder companies"), SYNNEX Investment Holdings Corporation and Platane Capital Limited, pursuant to which our Group conditionally agreed to acquire up to a 99.67% equity interest in 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). We have 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 us 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).

To further incentivize the founders and key employees to continue contributing to the success of HiChina after the acquisition, we have also agreed, among other things, that we might transfer certain earn-in shares of HiChina to the founder companies and certain key employees, subject to achieving other post-completion performance milestones to be set based on the ongoing business strategies and objectives of HiChina on an annual basis over each of the five years starting 2010. The earn-in shares transferrable will increase or decrease based on the achievement of the performance milestones, subject to the limit that our Company in no event will directly or indirectly hold less than 51% of the voting power in HiChina on a fully diluted basis. Furthermore, if a separate listing of HiChina has not taken place before January 1, 2016, the founder companies and certain key employees holding equity interests in HiChina may convert their equity interests in HiChina into our shares, calculated by a formula based on the value of the shares of our Company and that of HiChina (which takes into account certain financial metrics of HiChina and that of comparable companies) as prescribed in the acquisition agreements.

Our initial 85% acquisition of HiChina was completed in late December 2009.

During the year ended December 31, 2009, we did not make any material disposal of assets.

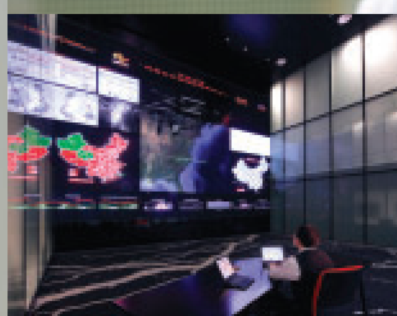
Alibaba.com

YOUR TEAM

Alibaba.com's directors, senior managers and staff have a wealth of experience in global product sourcing, retail, e-commerce, finance and other commercial sectors, bringing our company a variety of perspectives that enable us to constantly refine our strategies and offer the best possible solutions to our customers.

TRUST

Trust is the cornerstone of e-commerce. One of our top priorities is to foster a user-friendly online trading environment with trust, safety and transparency for all users.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

MA Yun, Jack

WEI Zhe, David

WU Wei, Maggie

LEE Shi-Huei, Elvis

DENG Kangming

PENG Yi Jie, Sabrina

TSAI Chung, Joseph

TSOU Kai-Lien, Rose

OKADA, Satoshi

NIU Gen Sheng

KWAUK Teh Ming, Walter

TSUEI, Andrew Tien Yuan

KWAN Ming Sang, Savio

CHAIRMAN

MA Yun, Jack, 45, is our chairman and non-executive director. He is the lead founder, chairman and a director of Alibaba Group Holding Limited ("Alibaba Group"), our holding company. Mr. Ma has also been the chief executive officer of Alibaba Group since its inception in 1999. He is responsible for the overall strategy and focus of Alibaba Group and our company. He is also a director of a number of our PRC subsidiaries. Mr. Ma is a pioneer in the Chinese Internet industry and in 1995 founded China Pages, one of the first Internet-based directories in China. From 1998 to 1999, Mr. Ma headed an information technology company established by the China International Electronic Commerce Center, a department of the Ministry of Foreign Trade and Economic Cooperation. As a respected business leader, Mr. Ma was chosen by the World Economic Forum as a "Young Global Leader" in 2001 and selected by China Central Television and its viewers as one of the "Top 10 Business Leaders of the Year" in 2004. He was named one of the "25 Most Powerful Businesspeople in Asia" by Fortune magazine in 2005, a "Businessperson of the Year" by BusinessWeek magazine in 2007 and one of the 30 "World's Best CEOs" by Barron's in 2008. In 2009, Mr. Ma was recognized as one of the "TIME 100: The World's Most Influential People" by TIME magazine, one of "China's Most Powerful People" by BusinessWeek magazine and one of the "Top 10 Most Respected Entrepreneurs in China" by Forbes Chinese edition. He also received the "2009 CCTV Economic Person of the Year: Business Leaders of the Decade Award" from China Central Television. Mr. Ma currently serves on the board of SOFTBANK CORP., a leading digital information company that is publicly traded on the Tokyo Stock Exchange. He is also a director of Huayi Brothers Media Corporation, a company listed on The Shenzhen Stock Exchange. Mr. Ma is a member of APEC Business Advisory Council, which was established by the Asia-Pacific Economic Cooperation, or APEC, in 1995 as the vehicle for formalizing private sector participation in APEC. He holds a Bachelor's degree in English from Hangzhou Teacher's Institute.

EXECUTIVE DIRECTORS

WEI Zhe, David, 39, is our executive director and chief executive officer. He is also a director of a number of our subsidiaries. Mr. Wei first joined Alibaba Group in November 2006 as president of the B2B business division and as executive vice president of Alibaba Group. Mr. Wei was president, from 2002 to 2006, and the chief financial officer, from 2000 to 2002, of B&Q China, a subsidiary of Kingfisher plc, a leading home improvement retailer in Europe and Asia. Under Mr. Wei's leadership, B&Q China grew to become China's largest home improvement retailer. From 2003 to 2006, Mr. Wei was the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Ltd. He served as managing director and head of investment banking for Orient Securities Co. from 1998 to 2000, and as corporate finance manager at Coopers & Lybrand, now part of PricewaterhouseCoopers, from 1995 to 1998. Mr. Wei holds non-executive directorship positions in HSBC Bank (China) Company Limited and The Hongkong and Shanghai Banking Corporation Limited. He holds a Bachelor's degree in International Business Management from Shanghai International Studies University and completed a corporate finance program at the London Business School.

WU Wei, Maggie, 41, is our executive director and has served as our chief financial officer since 2007. She is also a director of a number of our subsidiaries. Prior to joining our company, Ms. Wu was an audit partner at KPMG's Beijing Office. In her 15 years with KPMG, Ms. Wu was the lead audit partner on audits for the initial public offerings and annual audits of several Chinese companies listed overseas and provided audit, accountancy and advisory services to many multinational corporations. She is a member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. Ms. Wu holds a Bachelor's degree in Accounting from Capital University of Economics and Business.

LEE Shi-Huei, Elvis, 50, is our executive director and has served as our chief operating officer since February 2009. He is currently responsible for overseeing our international business operation, which covers website operation, sales and buyer service and development. Mr. Lee brings over 17 years of sales and business-to-business marketing experience. He first joined Alibaba Group in 2000 and played an important role in the early development of our international website and Gold Supplier sales function. Prior to this, Mr. Lee worked for 10 years at a leading trade media company. He holds a Bachelor's degree in Marine Engineering from National Taiwan Ocean University.

DENG Kangming, 44, is our executive director and senior vice president of human resources and administration. He has accumulated extensive expertise in the field of human resources management, with more than 18 years of experience working at multinational and local companies in China. Mr. Deng also supervises Ali-Institute, which was established as a dedicated division of our company to provide high quality e-commerce and management training programs to companies and individuals in China. Mr. Deng joined Alibaba Group in July 2004 as vice president of human resources and has held various senior management positions within Alibaba Group. Prior to joining Alibaba Group, Mr. Deng served as human resources director for several multinational companies including Microsoft China, Oracle China, Danone China and Janssen Pharmaceutical, a subsidiary of Johnson & Johnson. He holds a Bachelor's degree in Law from Fudan University in Shanghai.

PENG Yi Jie, Sabrina, 31, is our executive director and vice president, responsible for managing our international website operation. She has been with our company since 2000. As the architect behind our China TrustPass product, Ms. Peng successfully led a team which marketed the product to hundreds of thousands of SMEs in China. Prior to her current position, Ms. Peng served as director of customer service in our China marketplace division from 2004 to 2005, and as head of our China web operation department from 2006 to 2007. Ms. Peng holds a Bachelor's degree in English for special purpose and a Bachelor's degree in International Trade from Xi'an Jiaotong University.

NON-EXECUTIVE DIRECTORS

TSAI Chung, Joseph, 46, is our non-executive director and a director of a number of our PRC subsidiaries. Mr. Tsai is one of the founders, as well as a director of Alibaba Group and the chief financial officer of Alibaba Group. He held the position of chief operating officer of Alibaba Group from 1999 to 2000 before assuming his current role. Mr. Tsai has contributed to many milestones of Alibaba Group. In 1999, he spearheaded the establishment of Alibaba Group's Hong Kong operations. In 2005, he led the negotiations for Alibaba Group's acquisition of China Yahoo! and Yahoo! Inc.'s investment in Alibaba Group. Prior to joining Alibaba Group, Mr. Tsai was vice president from 1995 to 1999 at Investor AB, the main investment vehicle of Sweden's Wallenberg family, where he was in charge of Asian venture capital investments. From 1994 to 1995, Mr. Tsai served as vice president and general counsel of Rosecliff, Inc., a New York-based buy-out firm, and from 1990 to 1993, he practiced tax law as an associate with Sullivan & Cromwell LLP in New York. Mr. Tsai is a member of the New York State Bar. He holds a Bachelor's degree in Economics and East Asian Studies from Yale University and a Juris Doctor degree from Yale Law School.

TSOU Kai-Lien, Rose, 44, is our non-executive director. Ms. Tsou currently serves as senior vice president of Yahoo! Asia where she is responsible for operations in Korea, Hong Kong, Taiwan, Australia and New Zealand as well as facilitating Yahoo!'s relationship with Alibaba Group and joint venture operations in Japan. She joined Yahoo! Taiwan in 2000 and held the position of managing director from 2001 to 2007 during which she led the acquisition of Kimo, a portal site in Taiwan, which made Yahoo! the largest Internet business in Taiwan after the successful integration of the two companies. In 2007, she led another acquisition of Wretch, a leading blog and photo site in Taiwan, further fortifying Yahoo!'s leading position in Taiwan. Ms. Tsou has 18 years of experience in management, marketing and mass communication. Prior to joining Yahoo!, she was general manager of MTV Taiwan for two years. Ms. Tsou holds an MBA degree from J.L. Kellogg School of Business, Northwestern University and a Master's degree in Mass Communication from Boston University.

OKADA, Satoshi, 51, is our non-executive director. He is also a director of a number of associated companies of our company. Mr. Okada has served as executive vice president of SOFTBANK Group's e-commerce business planning in Japan since April 2000. Prior to that, he held various management positions within the SOFTBANK Group. Mr. Okada also previously held directorship in Ariba Japan and Deecorp Limited, companies engaging in the businesses of technology and software, respectively. In May 2007, he was appointed to serve on the board of Beijing Digital China BB Limited. Before joining the SOFTBANK Group, Mr. Okada was the chief executive officer and president of NetIQ KK, the Japanese subsidiary of NetIQ Corporation, a provider of e-business infrastructure management software. Mr. Okada oversaw the networking management service business and was responsible for establishing Original Equipment Manufacture (OEM) businesses with major Japanese companies such as NEC, Fujitsu and Hitachi. He is also renowned in the storage management industry for his success in establishing Cheyenne Software KK and Computer Associates Japan as industry leaders in the Japanese market.

INDEPENDENT NON-EXECUTIVE DIRECTORS

NIU Gen Sheng, 52, is our independent non-executive director. He is the chairman and an executive director of China Mengniu Dairy Company Limited ("China Mengniu"), one of China's leading dairy companies which is listed on The Stock Exchange of Hong Kong Limited. He is also one of the founders of Inner Mongolia Mengniu Dairy (Group) Company Limited, a subsidiary of China Mengniu. Mr. Niu is an independent director of Shanghai Metersbonwe Fashion & Accessories Co., Ltd., a company listed on The Shenzhen Stock Exchange. In 2007, Mr. Niu was elected as one of "China's Most Influential Business Leaders" for the fifth consecutive year and honored with the "2007 Hong Kong Bauhinia Award". Mr. Niu is devoted to charity and was ranked third in the "2007 Hurun Top 10 for Charity". He currently serves as deputy chairman of the Dairy Association of China and the Second China National Committee of International Dairy Federation. Mr. Niu graduated from Inner Mongolia University with a Bachelor's degree in Administration and Management and obtained a Master's degree in Enterprise Management at Chinese Academy of Social Sciences Graduate School.

KWAUK Teh Ming, Walter, 57, is our independent non-executive director. Mr. Kwauk is currently a vice president of Motorola and its director of corporate strategic finance and tax, Asia Pacific. He joined Motorola in January 2003 after 25 years of professional services with KPMG in Vancouver, Hong Kong, Beijing and Shanghai. Between 1987 and 2002, Mr. Kwauk held a number of senior positions in KPMG, including general manager of KPMG's joint accounting firm, managing partner in KPMG's Shanghai office and partner in KPMG's Hong Kong office. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwauk holds a Bachelor's degree in Science and a Licentiate's degree in Accounting from University of British Columbia.

TSUEI, Andrew Tien Yuan, 49, is our independent non-executive director. He is also an independent non-executive director of Tao Bao Holding Limited, a wholly-owned subsidiary of Alibaba Group. Mr. Tsuei was formerly senior vice president of Wal-Mart Stores, Inc. From 2001 to 2007, he was the managing director of Wal-Mart's global procurement division, where he oversaw the global procurement operations of Wal-Mart, which has a presence in over 30 countries. In 2004, Wal-Mart awarded him the "Sam M. Walton Hero Award" for his accomplishments. Mr. Tsuei has more than 20 years of management experience working across a wide range of industries, including procurement, manufacturing, store retailing and direct marketing. Throughout his career, Mr. Tsuei has held several executive positions, including chairman and chief executive officer of Mecox Lane International Mailorder Co. Ltd., one of China's first direct marketing businesses with an online presence, and chief operating officer of China Everbright Holdings Ltd.

KWAN Ming Sang, Savio, 62, is our independent non-executive director. Mr. Kwan was president and chief operating officer of Alibaba Group from 2001 to 2003 and served as chief people officer of Alibaba Group in 2004. He is currently a partner and the chief executive officer of A&K Consulting Co., Limited, a company co-founded by him in 2005 focusing on helping small and medium enterprises and start-ups in China. He has over 30 years of global management experience, including 17 years at the medical systems division of General Electric Company, during which he was responsible for sales, marketing, operations, business development and establishment of joint venture companies in Asia region. He also served as managing director of the China operations of BTR plc, a United Kingdom-based Fortune 500 company for four years. Mr. Kwan was a board member of the Asia Pacific advisory board of York International Corporation, a leading global air conditioning system provider and a unit of Johnson Controls, Inc., a company listed on the New York Stock Exchange. He is also a visiting executive professor of Henley Management College in the United Kingdom. Mr. Kwan received a higher national diploma from Cambridgeshire College of Technology in the United Kingdom and holds a Master's degree in Science from Loughborough University of Technology and London Graduate School of Business Studies.

SENIOR MANAGEMENT

LI Ang, Andy, 42, is our vice president of technology. Mr. Li joined Alibaba Group in November 2004 as senior director of the research center, where he was responsible for directing Alibaba Group's and our company's technology development, architecture and platform, website system operations and back-end business systems. Mr. Li has more than a decade of experience in Internet development and engineering management. Prior to joining Alibaba Group, Mr. Li was an independent technology consultant from 1997 and founded Angilon, Inc. (a technology consultancy business in Silicon Valley) in 2000 and managed the company for four years. Mr. Li holds a Bachelor's degree in Electrical Engineering from University of Science and Technology of China and a Master's degree in Electrical Engineering from University of Arizona.

LI Junling, Brian, 38, is currently the general manager of our ITBU, which was founded in 2009 to offer basic e-commerce solutions to small business owners. He is also a director of a number of our subsidiaries. Mr. Li first joined Alibaba Group in October 2006 as vice president of strategy, and later served multiple executive positions within Alibaba Group's portfolio of business. Prior to joining Alibaba Group, Mr. Li served as director of strategy for Motorola China, responsible for the go-to-market strategy development and execution with a focus on retail and channel development of the mobile phone product lines. From 2000 to 2002, Mr. Li was a senior associate consultant with McKinsey & Company, advising both multinational companies and large local government sectors on strategic, organizational and operational issues. Mr. Li also worked in Silicon Valley for many years in the 1990s, with a specialty on semiconductor (very large scale integrated circuit design) and manufacturing processes. Mr. Li was part of two start-up companies during that period, and helped both go IPO in NASDAQ in 1996 and 2000, respectively. Mr. Li holds a Bachelor's degree in Engineering Thermophysics from University of Science and Technology of China, and a Master's degree in Mechanical Engineering and a Ph.D. degree in Mechanical Engineering from Stanford University.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to rule 13.51B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, changes in our directors' information since the date of our 2008 annual report are set out below:

Directors' personal particulars

Name of director	Change
MA Yun, Jack (chairman and non-executive director)	• Being a director of Huayi Brothers Media Corporation which was listed on The Shenzhen Stock Exchange on October 30, 2009
WEI Zhe, David (executive director)	• Completed a corporate finance program at the London Business School • Ceased to be a non-executive director of the China Advisory Board of IMI plc in June 2009
LEE Shi-Huei, Elvis (executive director)	• Appointed on May 7, 2009
DENG Kangming (executive director)	• Appointed on May 7, 2009
NIU Gen Sheng (independent non-executive director)	• Ceased to be the chief executive officer and redesignated as the chairman of China Mengniu Dairy Company Limited in August 2009 • Ceased to be the chairman of Inner Mongolia Mengniu Dairy (Group) Company Limited in August 2009 • Ceased to be the deputy chairman of China Dairy Industry Association
KWAUK Teh Ming, Walter (independent non-executive director)	• Ceased to be a member of the Canadian Institute of Chartered Accountants
DAI Shan, Trudy (executive director)	• Retired on May 7, 2009
LONG Yong Tu (independent non-executive director)	• Retired on May 7, 2009

Directors' emoluments

During the year, there has been no change to the basis of determining our directors' emoluments (including basic salary, allowances, discretionary bonus and share-based compensation) and 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

EMPLOYEE RELATIONS

THE TEAM

As of December 31, 2009, Alibaba.com had a total of 11,716 employees, representing a net increase of 3,516 employees during the year. Around 200 of them were based in Hong Kong, Taiwan, Korea, the United States and Europe. Alibaba Japan, our associated company focusing on our operations in Japan, had a total of 178 employees, of which 56 were based in Japan.

REMUNERATION

We are committed to establishing a sound remuneration and benefit mechanism to ensure consistent implementation of our corporate objectives, motivate our team to strive for better performance, and to enhance the capabilities, work satisfaction and sense of achievement of our staff. Our remuneration policy is reviewed annually with reference to both the market situation and to our business performance. Our total employee costs for 2009 amounted to approximately RMB1,698.1 million. During the year, we maintained a salary freeze for senior management at the vice president level or above and motivated them through performance bonuses and long-term incentives. These types of initiatives place the most emphasis on management's sense of urgency and ownership. On the other hand, we gave normal annual salary raises to our other employees to ensure market competitiveness and internal fairness. For these raises, we took into consideration team as well as individual contributions on a merit-based evaluation system. We wanted to emphasize that each staff member is responsible for company development and therefore shares in the economic benefits brought about by the strong development of our company's businesses.

TRAINING AND DEVELOPMENT

In 2009, Alibaba.com upheld the concept of "Growing with Our Employees," and we endeavored to add value to our staff through sharing new concepts as well as staff training and development.

The staff training programs at Alibaba.com fall into three major categories: new recruit training, on-the-job training and management training. New recruit training centers on guiding new employees' understanding of Alibaba.com's culture and values and facilitating their smooth integration to a new environment. On-the-job staff training consists of both professional training and general training. On the professional side, we help staff in different stages of development set their own professional objectives and enhance their professional skills under the supervision of specialized experts, so as to increase their professionalism in their respective areas. On the general side, we advocate "Work Passionately, Live Fully," which promotes an open environment encouraging employees to contribute and share, finding fulfillment in not only their work but also their personal life. Finally, management training is classified into three levels: backup management training, on-the-job management training and successor training, each of which consists of three to four core courses, combining practice and mentoring schemes to facilitate leaders teaching and growing leaders.

By continuously improving our staff training system, we seek to ensure the smooth integration of our new recruits, enhance our staff's professional skills and enrich our talent pool, allowing all our employees to grow strong in the soil of Alibaba.com.



1. Kick-off meetings targeting different groups of Alibaba.com employees were organized during the year to build team cohesion.

2. In September 2009, Alibaba.com staff from all over the world participated in a variety of events such as a relay and employee celebration in Hangzhou, China to commemorate the relocation of our corporate campus and the 10th anniversary of Alibaba Group.

3

3. Alibaba.com created different activities designed to engage participation of employees' families.

DEVELOPMENT OF COMPANY CULTURE

Alibaba.com has a very strong company culture that is built on six core values: Customer First, Teamwork, Embrace Change, Integrity, Passion and Commitment. These values are key criteria of our annual performance evaluations of employees and they help ensure our core competitiveness. We look to the staff who have grown up under these six core values to drive our future corporate success and be good, respected citizens in the community. Based on our core values and in line with our current stage of development and organization capabilities, we advocate "Openness and Simplicity," as we believe open and simple communication, transparency and mutual trust are the cultural foundation of our continued progress.

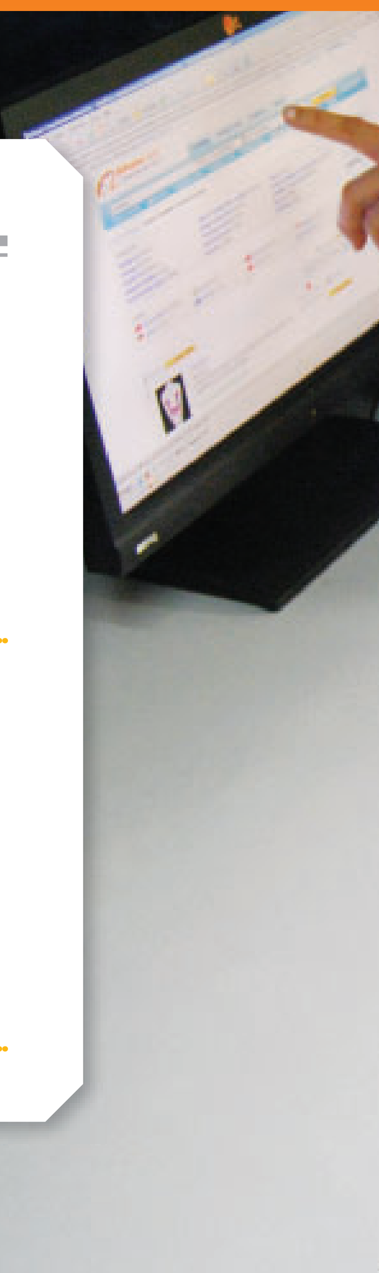
Open and simple communication ensures the efficient flow of information within Alibaba.com. Our communication channels include direct communication, round-table meetings, the CEO mailbox, a "free talk" message forum on the intranet, internal publications and staff satisfaction surveys. These channels promote smooth two-way internal communication, helping convey management ideas to staff in a timely manner while ensuring close follow-up on employee feedback and suggestions and prompt resolution of problems.

We encourage "Work Passionately, Live Fully" at work. We organize a variety of staff activities every year, and these activities have improved communication among our staff members and reinforced team cohesion, while enhancing employee job satisfaction and quality of life. In 2009, we successfully relocated our corporate campus in Hangzhou, China with a series of events that moved more than 6,000 Alibaba.com employees to the other side of Qiantang River over a two-week period. To celebrate this momentous move and our 10^{th} anniversary, we had "Aliren" (staff of Alibaba Group) from all over the world participate in a hundred-person relay to cross the river, a thousand-person visit to our new campus, an all-employee meeting and an evening celebration party. Other major activities held during the year included kick-off meetings targeting different groups such as the sales staff and the website operation staff; an Ali-Day celebration comprising an open day for relatives and friends and a collective wedding ceremony; a children's day; a singles party and a music festival. Additional smaller recreational activities as well as the numerous volunteer activities we supported have also enriched the cultural lives of our employees.

Through our core values, open and simple communication channels, rich staff activities and strong sense of social responsibility, we not only enhance our employees' satisfaction but also provide energy for sustainable corporate development.

Alibaba.com

YOUR
IMPACT



Corporate social responsibility is integrated into our business fabric. By encouraging the creation and development of small businesses through the greater efficiencies of global e-commerce, we contribute to economic development at the grassroots level. We also incorporate social welfare, environmental and community relief efforts into our daily business lives.

PASSION

Alibaba.com's culture nurtures creativity and passion at all levels of the corporation. Our employees actively seek innovative solutions for our company, our customers and for the world as a whole.

CORPORATE SOCIAL RESPONSIBILITY

1. Some 3,000 participants from more than 20 nations converged at the APEC SME Summit co-hosted by Alibaba Group in September 2009 to discuss issues concerning the growth and development of small businesses.

2. In 2009, Alibaba.com launched national contests in the United States and the United Kingdom to foster entrepreneurship.

Social responsibility is an integral part of Alibaba.com's business model and we are committed to the welfare of the global community. This includes incorporating social aspects into our products and programs to create a more sustainable future, as well as engaging in community relief and environmental protection. As in previous years, we organized a number of initiatives in 2009 to help improve our community and to provide channels for our employees to give back to society.

BOLSTERING THE LONG-TERM COMPETITIVENESS OF SMALL BUSINESSES

Alibaba.com focuses on serving small businesses, as they are the engine for economic growth and job creation around the world. Nevertheless, they are also the ones who face the greatest difficulties in doing business. In 2009, our 10th year of operation, we adopted a new approach to helping small businesses by addressing all their common everyday challenges, including difficulties in financing and management. This aims to empower them to survive and thrive in the long term.

In 2009, we continued our cooperation with leading banks in China in the loan-assistance program Ali-Loan to help small businesses obtain financial support. Under the program, we help banks assess the creditworthiness of our paying members based on their trade activity and trust rating on our online marketplace. The arrangement has enabled the participating companies to overcome barriers to bank financing, such as the inability to provide enough tangible assets to meet collateral requirements and the absence of a national credit ratings system, to secure loans for business expansion. Stepping up our efforts to help underfinanced small businesses, we expanded the program within Zhejiang Province and to Shanghai in August in partnership with China Construction Bank and the municipal and provincial governments. A loan-guarantee fund of RMB60 million each was established in Zhejiang Province, Hangzhou and Shanghai with capital from Alibaba Group, China Construction Bank and the government entities concerned to back up the loans granted to local companies. As of the end of 2009, our customers received more than RMB6 billion in principal amounts of loans under the Ali-Loan program. The default rate on Ali-Loans is substantially less than that of traditional loans made by commercial banks in China, demonstrating that this loan model can be a viable solution to small businesses' challenges in financing.

To cultivate human capital for small businesses seeking to adopt e-commerce, we continued to offer a large number of high-quality training programs in e-commerce and management through Ali-Institute. During the year, we organized more than 1,500 training courses for both our customers and individuals across China, the majority of which were free. In October, Ali-Institute was formally established as a stand-alone division and began offering education services through both offline learning centers and an online learning platform. By doing so, we aim to more efficiently create a pool of trained, qualified talent for small businesses to recruit from to run their growing e-commerce operations, closing the gap between employer demand and employee capabilities. As an additional benefit, Ali-Institute will help enhance the employment rate of new university graduates.

PROMOTING TRADE AMID CONTINUED ECONOMIC WEAKNESS

In view of the continued global economic weakness, Alibaba.com proactively introduced different programs in 2009 to lighten the burden on our small business members and generate business leads for them, in a bid to help drive an economic recovery.

During the year, we worked with trade associations in several overseas markets to help local export-oriented companies capture global trade opportunities. In June, we committed ourselves to helping Vietnamese small businesses learn about and take part in global trade by signing a Memorandum of Understanding with the Vietnam Industry and Trade Information Center, part of the Vietnam government's Ministry of Industry and Trade. In the same month, we sponsored a one-year subscription to our premium international membership for select members of the National Agency for Export Development in Indonesia through our local exclusive channel sales partner, PT Sinar Mas Multiartha Tbk. In September, we joined forces with the Korea International Trade Association ("KITA") to launch an innovative 12-month program called Export to China, Export to the World, which provides free access to online and offline buyer events and premium storefronts on our international marketplace to eligible KITA member companies. They also benefited from a grant of KRW4 million for subscribing to value-added services provided by KITA in partnership with Alibaba.com, and participated in a series of e-commerce and online marketplace educational courses. In addition, we partnered with the Macau Trade and Investment Promotion Institute ("IPIM") in October to launch an incentive program through which Macau exporters can enjoy an annual subsidy of up to MOP20,000 from IPIM to purchase e-commerce support services on Alibaba.com.

In China, we also launched a partnership scheme in October to enlist support for small businesses from local commercial services providers, bringing essential business services to our China TrustPass members at discounted rates. Beginning with the cooperation with four leading logistics firms in China, the scheme will gradually expand in 2010 to cover other key commercial services including recruitment, training, business travel and communication. We expect that in the area of logistics alone, the partnership scheme can help our community of more than 500,000 China TrustPass members save an aggregate of RMB3 billion each year.

In an effort to offset the temporary decline in demand from international markets, which was a blow to many small exporters in China, we joined forces with our sister company Taobao in 2009 to organize three offline Alibaba.com-Taobao Net Products Trade Fairs in Guangzhou, Hangzhou and Chengdu respectively. By introducing export-focused small manufacturers on Alibaba.com to Taobao power-sellers, we helped small manufacturers gain exposure for their goods in the domestic retail market and tap the growing domestic consumer demand in China. This initiative also aimed to help create employment opportunities in the local manufacturing and logistics industries.

FOSTERING ENTREPRENEURSHIP

Entrepreneurship is vital to innovation and progress, and nurturing the entrepreneurial spirit is at the core of Alibaba.com's mission. We are committed to investing in entrepreneurship and fostering an environment that is favorable for the growth of netrepreneurs.

Every year, Alibaba Group co-hosts our annual e-commerce summit, AliFest, with the Hangzhou municipal government in China. In September 2009, AliFest was jointly held with the APEC SME Summit. The annual two-day event brought together some 3,000 participants from more than 20 nations including global business leaders, entrepreneurs and prominent scholars across the APEC member economies to share insights on key issues concerning the growth and development of small businesses. Keynote speakers included President Bill Clinton, founder of the William J. Clinton Foundation and 42nd president of the United States; Olympic Gold Medalist and NBA Champion Kobe Bryant; Howard Schultz, chairman, president and CEO of Starbucks Coffee Company; Nobel Peace Prize Laureate Muhammad Yunus; and Alibaba Group Chairman and CEO Jack Ma. As always, AliFest featured an award ceremony in which 10 innovative netrepreneurs from Asia, Europe and America who demonstrated the spirits of integrity, cooperation and social responsibility were honored.

In 2009, we also launched national contests in the United States and the United Kingdom to support entrepreneurs with big ideas and a passion to pursue their dreams. The Newpreneur of the Year contest, launched in June in partnership with Inc. magazine in the United States, awarded a total of US$100,000 in business grants to promising small business owners who saw the recession as an opportunity to start a new venture. The Global Startup Challenge launched in August in the United Kingdom invited contestants to introduce innovative products in the local market using a sourcing budget offered by Alibaba.com. The finalist who showed the best business acumen was awarded a £10,000 business grant when the contest concluded in January 2010. These two contests received an overwhelming reception both in terms of participation and publicity, inspiring more people to pursue new business ventures.

CONTINUED SUPPORT FOR SICHUAN'S POST-EARTHQUAKE RECONSTRUCTION AND REHABILITATION EFFORTS

Alibaba.com has been assisting in the rebuilding efforts in China's Sichuan Province since the devastation inflicted by the tragic 5.12 Earthquake occurred in 2008. In 2009, we organized a series of programs focusing on serving residents of Qingchuan County, which was one of the hardest hit areas in the earthquake.

During the year, Alibaba.com volunteers traveled to Qingchuan almost 20 times to assess the needs of the residents and initiate disaster relief and post-disaster reconstruction. We helped promote e-commerce knowledge in the region and encouraged merchants and young people there to start their own online ventures. We also sponsored the establishment of an e-commerce classroom equipped with 30 computers, as we believed this would be an investment that would help these merchants achieve self-sustainability.

To assist Alibaba.com members affected by the earthquake, we set up a customized e-commerce channel on our China marketplace to feature special Qingchuan products and organized special training sessions for Qingchuan-based suppliers. This aimed to drive increased online exposure for our members in Qingchuan and contribute to the revival of the local economy.

As winter approached, we organized clothing and blanket donation drives across the company and delivered a large shipment of supplies donated by our employees to earthquake survivors in Qingchuan.

In addition to material support, we also administered to the psychological well-being of children affected by the earthquake. We paired Alibaba.com employees and Qingchuan children in a big brothers and big sisters program, encouraging them to exchange letters and give moral support to one another. Close to 50 pairs had been formed as of the end of 2009.

We will continue our support for post-disaster reconstruction in Sichuan Province for at least seven years to enable the ongoing betterment of the earthquake victims.

ENVIRONMENTAL PROTECTION

We adopt a two-pronged approach to environmental protection. Not only do we control waste within the company, but we also mobilize our human resources to cultivate environmental awareness in society. Internally, we have adopted various measures to conserve energy and other resources, such as by promoting the use of environmentally friendly chopsticks and raising awareness among staff to recycle and engage in energy conservation. Many Hangzhou-based employees have also pioneered green activities such as tree planting and green walks outside the company. Green walk participants were given the responsibility of clearing litter on streets and educating litterbugs about the importance of a clean environment. All these green initiatives have been very warmly embraced by our employees.

We also acted as a responsible e-commerce platform operator by banning all postings related to shark fin products on our marketplaces starting January 1, 2009.

LOOKING AHEAD

Thanks to our efforts in volunteering, giving, caring for our employees and caring for the environment, The Hong Kong Council of Social Service awarded us the Caring Company 2009/2010 designation in March 2010. As Alibaba.com enters a new decade in its history and grows in influence, we will be more committed than ever to demonstrating the qualities of a good corporate citizen, and integrating social values into our business offerings. We will continue to pay attention to the needs of small businesses and work to empower the less fortunate around the world.

商界展關懷
caringcompany 2009/10
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

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3. Volunteers from Alibaba.com visited Qingchuan County of China's earthquake-struck Sichuan Province several times during 2009 to engage in relief activities for the local community and schools.

4. A large shipment of supplies donated by our employees was delivered to earthquake survivors in Qingchuan County.

5. A number of our employees regularly participated in environmentally friendly initiatives including tree planting.

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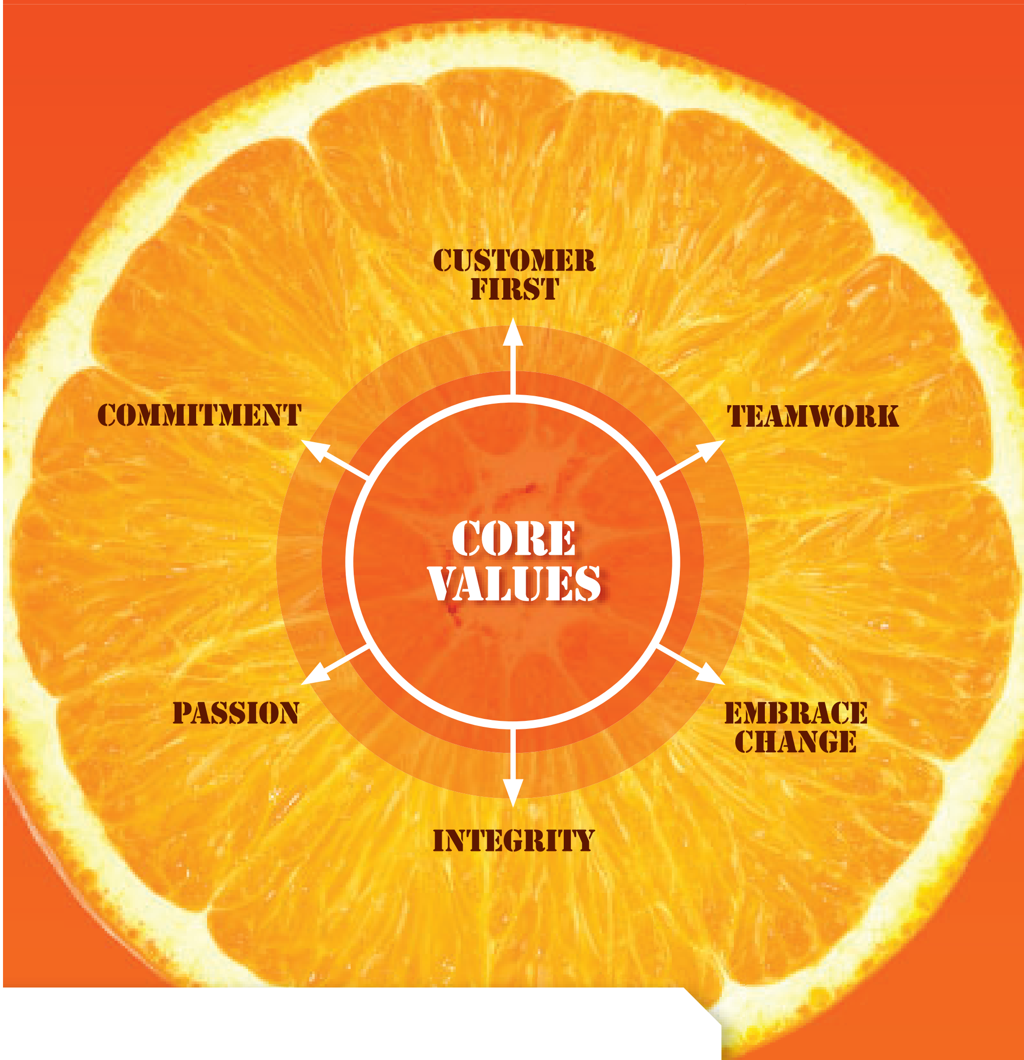


Alibaba.com

YOUR
ASSURANCE

All of our employees pledge to uphold six core values: Customer First, Teamwork, Embrace Change, Integrity, Passion and Commitment. These values help assure our stakeholders that, from top to bottom, Alibaba.com employees perform their jobs with dedication, integrity and continuous pursuit of excellence.

CORPORATE GOVERNANCE PRACTICES

The board of directors and management of Alibaba.com Limited ("Alibaba.com" or our "Company") believe that corporate governance is fundamental to corporate success and the enhancement of shareholder value. Key elements of corporate governance include honesty, trust and integrity, openness, transparency, responsibility and accountability, mutual respect and commitment.

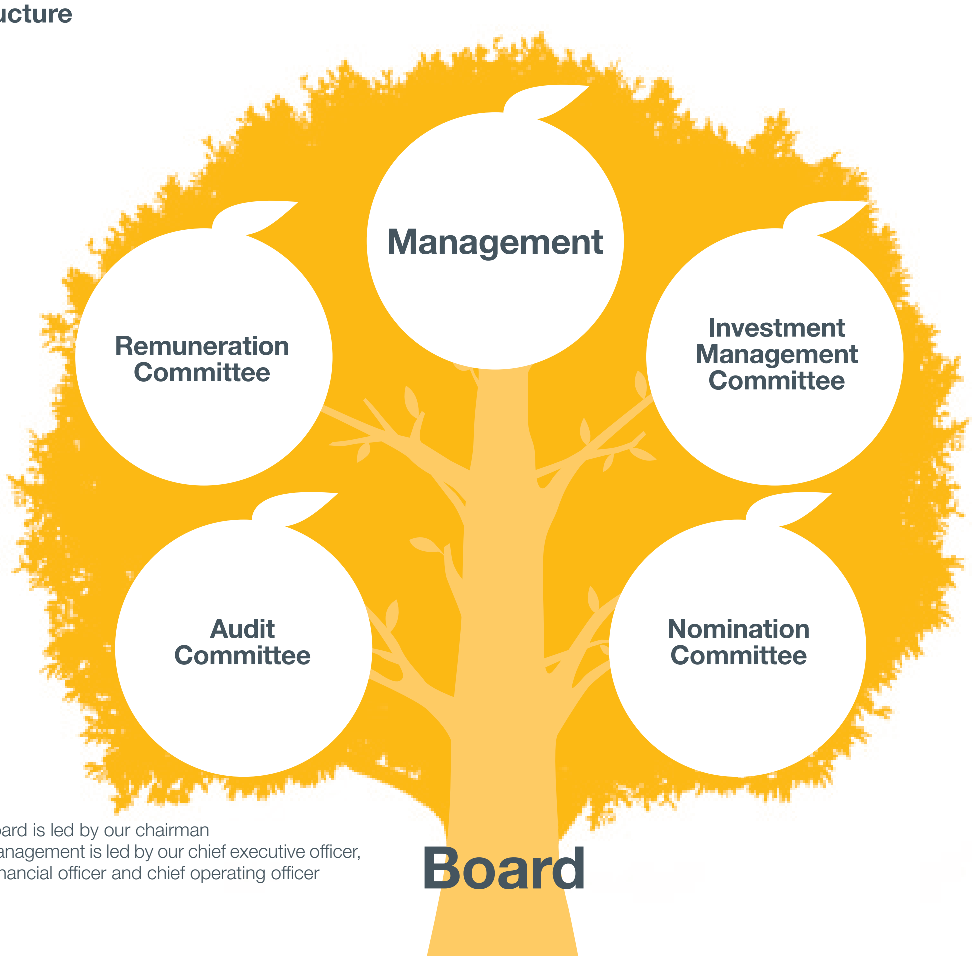
Our six core values (namely, Customer First, Teamwork, Embrace Change, Integrity, Passion and Commitment) embody key elements of corporate governance and form the corporate DNA of Alibaba.com. These values hold no less true, and we apply them with no less determination and care, in the context of our 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 directors, senior management and employees. 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 PRC Ministry of Information Industry, the Hong Kong Securities and Futures Commission and The Stock Exchange of Hong Kong Limited ("Stock Exchange").

OUR BOARD

Our board is at the core of our corporate governance framework. It is responsible for providing high-level guidance and effective oversight to our management. Our board oversees specific areas affecting the interests of all shareholders including financial reporting and control, equity fund raising, recommendation/ declaration of dividend or other distributions, notifiable and connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and capital reorganisation or other significant changes in the capital structure of our Company. Our board reviews and approves our Company's strategies and business plans and authorizes management to execute them. Our management reports to our board and is responsible for our day-to-day operations. Our management, led by the chief executive officer, chief financial officer and chief operating officer, is responsible for the management and administrative functions and day-to-day operations of our Company. Our board has 13 members, four of whom are independent non-executive directors. Biographical details of our directors are set out on pages 38 to 41 of this Annual Report and can be found on our website at http://ir.alibaba.com.

COMPOSITION OF BOARD AND BOARD COMMITTEES

Overall structure



Note: 1. Our board is led by our chairman
2. Our management is led by our chief executive officer, chief financial officer and chief operating officer

Composition and attendance

Directors	Attendance during 2009					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Management Committee	Annual General Meeting
Non-executive director and Chairman						
MA Yun, Jack[5]	5/5			1/1	2/2	1/1
Executive directors						
WEI Zhe, David	5/5				2/2	1/1
WU Wei, Maggie	5/5				2/2	1/1
LEE Shi-Huei, Elvis[1]	3/3					1/1
DENG Kangming[1]	2/3					1/1
PENG Yi Jie, Sabrina	5/5					1/1
DAI Shan, Trudy[2]	1/2					0/1
Non-executive directors						
TSAI Chung, Joseph[6]	5/5	2/4	2/2		2/2	1/1
TSOU Kai-Lien, Rose	4/5					0/1
OKADA, Satoshi	5/5					0/1
Independent non-executive directors						
NIU Gen Sheng[4]	3/5		2/2	1/1		0/1
KWAUK Teh Ming, Walter[3]	5/5	4/4	2/2			1/1
TSUEI, Andrew Tien Yuan	5/5				2/2	1/1
KWAN Ming Sang, Savio	5/5	4/4		1/1		0/1
LONG Yong Tu[2]	1/2					0/1

Note:

1. Appointed to our board on May 7, 2009.
2. Retired at the annual general meeting on May 7, 2009.
3. Also chairman of our audit committee
4. Also chairman of our remuneration committee
5. Also chairman of our nomination committee
6. Also chairman of our investment management committee

CORPORATE GOVERNANCE FRAMEWORK

Alibaba.com's governance framework is supported by many internal guidelines, policies and procedures that have been carefully developed over the years, including the following:

- Terms of reference for our board and each board committee
- Guidelines on Dealings in Securities (for both directors and relevant employees)
- Code of Business Conduct
- Corporate Disclosure Guidelines
- Delegation of Management Functions

We review our corporate governance practices regularly and implement changes and new measures as and when appropriate.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout 2009, we have applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices ("Corporate Governance Code") as set out in Appendix 14 of the Listing Rules, and where appropriate, adopted the recommended best practices.

Despite removal of the requirement for a qualified accountant under the Listing Rules effective January 1, 2009, we continue to maintain a team of suitably qualified accounting professionals (including our prior qualified accountant) to oversee our financial reporting and other accounting-related issues in accordance with the relevant law, rules and regulations.

Set out below are some of the key corporate governance principles and practices we have complied with. They include the major aspects of the code provisions as well as certain recommended best practices under the Corporate Governance Code.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
BOARD OF DIRECTORS		
Key Leadership		
• Clear division of the positions of the chairman and chief executive officer	✓	▸ To avoid the over concentration of power in any single individual, the positions of chairman and chief executive officer in Alibaba.com are held by two different individuals who have distinct and separate roles. Our chairman, MA Yun, Jack provides leadership for our board and is responsible for ensuring that our board works effectively, discharges its responsibilities and conforms to good corporate governance practices and procedures. As the chairman of our board, he also seeks to ensure, with the support of our executive directors, that all directors are properly briefed on issues arising at our board meetings, and that all directors receive accurate, timely and reliable information. Our chief executive officer, WEI Zhe, David is responsible for providing leadership for the senior management team, for strategic planning of different business functions and for implementing the policies and development strategies approved by our board.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
Independence of Directors		
• Meet guidelines on independence in rule 3.13	✓	▸ Each independent non-executive director has confirmed his independence with the Stock Exchange upon his appointment pursuant to the Listing Rules. ▸ Each independent non-executive director has also made an annual confirmation of independence taking into account the factors for assessing independence and in accordance with the requirements as set out in rule 3.13 of the Listing Rules. ▸ Our nomination committee made an annual assessment on the independence of all independent non-executive directors based on their annual confirmation of independence declared pursuant to rule 3.13 of the Listing Rules. The committee confirmed that each independent non-executive director was able to meet the requirements under rule 3.13 of the Listing Rules and has continued to be independent. ▸ Our board members are unrelated to each other and to the senior management in all respects, whether financial, business, or family.
Responsibilities of Directors		
• Induction program for new directors	✓	▸ LEE Shi-Huei, Elvis and DENG Kangming, executive directors appointed by our shareholders during 2009, received the required induction and training that were aimed to ensure their proper understanding of our operations and business, full awareness of their responsibilities under law, the Listing Rules and other applicable legal and regulatory requirements, as well as our business and governance policies.
• Update directors with the latest developments in the regulatory environment and the market	✓	▸ During the year, we provided important updates, in the form of written communications and training conducted by our external legal advisors, to our directors in respect of recent changes in the Listing Rules.
• Directors' and officers' liability insurance	✓	▸ We maintain appropriate directors' and officers' liability insurance based on the needs and characteristics of our business operations and the assessed exposures.
Appointments and Re-election of Directors		
• Non-executive directors should be appointed for a specific term and be subject to re-election	✓	▸ Non-executive directors are appointed for a specific term of not more than three years, subject to the re-election requirements under our articles of association and the Listing Rules.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
• Every director should be subject to retirement by rotation at least once every three years	✓	▶ Article 130 of our articles of association stipulates, among other things, that every director is subject to retirement by rotation at least once every three years. Retiring directors, being eligible, may stand for re-election at the general meeting at which they retire. In accordance with the code provision and our articles of association, five directors, namely WEI Zhe, David, DAI Shan, Trudy, TSAI Chung, Joseph, OKADA, Satoshi and LONG Yong Tu retired from office by rotation in our 2009 annual general meeting. Except for DAI Shan, Trudy and LONG Yong Tu who did not offer themselves for re-election, all the aforesaid directors were re-elected by our shareholders. In our forthcoming annual general meeting to be held on May 14, 2010, five of our directors, namely MA Yun, Jack, WU Wei, Maggie, PENG Yi Jie, Sabrina, TSOU Kai-Lien, Rose and NIU Gen Sheng will retire from office by rotation. All the aforesaid directors, being eligible, will stand for re-election.
Meetings		
• Regular meetings	✓	▶ Our board meets regularly according to an annual meeting schedule consulted with and notified to all directors before the start of the year.
• Minimum of four times a year	✓	▶ Our board meets regularly and five meetings were held during 2009 (in March, May, August, November and December). Our directors receive at least 14 days' written notice in advance of such meetings. For any ad hoc board meetings, our directors are given as much notice as is reasonable and practicable in the circumstances. All members of our board are given full and timely access to relevant information and may seek independent professional advice at our expense, if necessary, in accordance with pre-approved procedures. ▶ Our chairman, with the support of our executive directors, leads the process of setting the agenda of board meetings. Minutes of board meetings record in sufficient details the matters considered and decisions reached. They are kept by our company secretary and distributed to each director within a reasonable period after each meeting. ▶ Board members are invited to comment on the agenda and may submit proposals for inclusion into the agenda for consideration during board meetings. Procedures are in place for all directors to have access to the advice and services of our company secretary.
• Active participation by a majority of directors	✓	▶ The attendance record of each member of our board is set out on page 52 of this Annual Report.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
Board Committees		
• Specific written terms of reference	✓	▶ Our board has established four committees to oversee key aspects of Alibaba.com's affairs: ✓ audit committee (established on October 12, 2007) ✓ remuneration committee (established on October 12, 2007) ✓ nomination committee (established on October 12, 2007) ✓ investment management committee (established on March 18, 2008) ▶ Written terms of reference of our audit committee, remuneration committee and nomination committee, covering their respective specific role, authority and functions, are available on our website.
• Provision of board committees with sufficient resources to discharge their duties	✓	▶ To discharge its dedicated function, each of our board committees is provided with sufficient resources, including the retention of outside advisors such as financial advisors and valuers, to provide professional advice as required at our cost.

REMUNERATION OF DIRECTORS

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
Remuneration Policy		
• Disclosure of information relating to directors' remuneration policy	✓	▶ The emoluments of our directors are determined with reference to a combination of factors including their skills, knowledge and experience, time commitment, duties and responsibilities required of them and the prevailing market conditions. Our executive directors' compensation packages include a large element of performance-based remuneration by reference to our Company's financial and operational results as well as corporate goals and objectives.
Remuneration Committee		
• Clear authority and duties	✓	**Role and Function** ▶ Review the remuneration policy of our Company ▶ Make recommendations to our board on the policy and structure for remuneration of our directors and senior management and on the establishment of formal and transparent procedures for developing a policy on such remuneration ▶ Determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment) ▶ Make recommendations to our board in regard to the remuneration of non-executive directors, including director's fees and any share-based award ▶ Consider and approve the grant of share options and restricted share units to eligible participants pursuant to our share option scheme and restricted share unit scheme

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
• A majority of members are independent non-executive directors	✓	▶ Our remuneration committee has a total of three members, namely NIU Gen Sheng (committee chairman), KWAUK Teh Ming, Walter and TSAI Chung, Joseph, with a majority of independent non-executive directors. ▶ Our remuneration committee held two meetings during the year. The attendance of its members is described on page 52 of this Annual Report. **Summary of Work Performed** ▶ During the meetings held in 2009, our remuneration committee: ✓ reviewed our share-based compensation policy and proposals for incentivizing Alibaba.com employees, and recommended the same to our board for approval ✓ reviewed and approved the remuneration packages (including year-end bonuses and share-based awards) of our executive directors and senior management ✓ reviewed the remuneration of non-executive directors and made proposal regarding director's fees to our board for shareholder approval at the 2009 annual general meeting

NOMINATION OF DIRECTORS

Nomination Committee		
• Clear authority and duties	✓	**Role and Function** ▶ Lead the process for board appointments ▶ Identify and nominate candidates for appointment to our board ▶ Assess the independence of our independent non-executive directors ▶ Make recommendations to our board on relevant matters relating to the appointment or re-appointment of directors and succession planning
• A majority of members are independent non-executive directors	✓	▶ Our nomination committee has a total of three members, namely MA Yun, Jack (committee chairman), NIU Gen Sheng and KWAN Ming Sang, Savio, with a majority of independent non-executive directors. ▶ Our nomination committee held one meeting during the year. The attendance of its members is described on page 52 of this Annual Report.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
• Formal appointment procedure	✓	**Nomination Procedures, Process and Criteria** ▸ The process for board appointments is principally led by our nomination committee: Nomination committee reviews the structure, size and composition (including the skills, knowledge and experience) of our board ▼ Nomination committee makes recommendations to our board regarding any proposed changes ▼ Nomination committee identifies individuals suitably qualified to become board members ▼ Nomination committee selects, or makes recommendations to our board on the selection of persons nominated for directorships ▼ **Our board makes formal invitation to the nominated candidate for appointment to our board** **Summary of Work Performed** ▸ Our nomination committee performed the following work during the year: ✓ recommended to the board for the appointment of LEE Shi-Huei, Elvis and DENG Kangming as executive directors ✓ nominated retiring directors for re-election by shareholders at the 2009 annual general meeting ✓ reviewied and assessed each independent non-executive director's annual confirmation of independence pursuant to rule 3.13 of the Listing Rules

ACCOUNTABILITY AND AUDIT

Financial reporting		
• Announcement and publication of quarterly financial results	✓	▸ Our Company announces and publishes quarterly financial results within 45 days after the end of the relevant quarter, which are prepared using the same accounting policies applied to our Company's half-year and annual accounts.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
Audit Committee		
• Clear authority and duties	✓	**Role and Function** ▶ Our audit committee is primarily responsible for assisting our board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, and for overseeing the audit process and performing other duties and responsibilities as assigned by our board. It meets regularly to review financial reporting, internal control and risk management matters and to this end has unrestricted access to both our external and internal auditors.
• A majority of members are independent non-executive directors	✓	▶ Our audit committee has a total of three members, namely KWAUK Teh Ming, Walter (committee chairman), TSAI Chung, Joseph and KWAN Ming Sang, Savio with a majority of independent non-executive directors. ▶ Our audit committee held four meetings during the year. The attendance of its members is described at page 52 of this Annual Report. **Summary of Work Performed** ▶ Our audit committee reviewed, considered and approved the following matters in its meetings held during the year: ✓ our Company's unaudited quarterly results, interim consolidated financial statements and audited annual consolidated financial statements, with a report of its recommendations to the board ✓ the terms of engagement and remuneration of our Company's external auditors ✓ all connected transactions/ continuing connected transactions of our Company ✓ the renewal and expansion of the scope and annual caps of certain continuing connected transactions the framework agreements of which expired on December 31, 2009 ✓ internal control and risk management plan and measures ✓ internal audit plan and measures ✓ compliance and corporate governance measures and practices
Directors' Responsibility for the Consolidation of Financial Statements		
• Directors' responsibility for preparing the accounts	✓	▶ Our directors acknowledge their responsibility for preparing our consolidated financial statements and of ensuring that the preparation of our consolidated financial statements is in accordance with the statutory requirements and applicable standards.
• Auditors' reporting responsibility in the auditors' report	✓	▶ The statement of our auditors concerning their reporting responsibilities on our consolidated financial statements is set out in the Independent Auditor's Report on page 87 of this Annual Report.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
Internal Controls		
• At least annually conduct a review of the effectiveness of the system of internal controls covering all material controls, including financial, operational and compliance controls and risk management functions. In particular, review and consider the adequacy of resources, qualifications and experience of staff for accounting and financial reporting function, and training programmes and budget	✓	▶ Alibaba.com's internal control system is designed to provide reasonable assurance in safeguarding our assets, preventing and detecting frauds and irregularities, providing reliable financial information as well as ensuring compliance with applicable law and regulations. The system is designed to manage, rather than eliminate, the risk of failure to achieve our business objectives, and it aims to provide a reasonable, as opposed to an absolute, assurance in this respect. ▶ Our board has the overall responsibility to establish, maintain, and review the effectiveness of our internal control system to ensure our shareholders' investment and assets are safeguarded. ▶ Our management is responsible for designing and implementing the internal control system of Alibaba.com to achieve the abovementioned objectives. Our management delegates to our internal control department the responsibility of strengthening our internal control system in respect of financial reporting and regulatory compliance. Our internal control department also helps management to improve our existing business processes to achieve higher operational efficiency and effectiveness. In addition, our management monitors the effectiveness of our internal controls through control self assessment. ▶ Under its terms of reference, our audit committee performs review of our internal control system covering financial, operational and compliance controls and risk management procedures. Regular communications are maintained among our board, audit committee, management and internal control department to address various areas of our internal control system. ▶ Also, our internal audit and compliance team, which reports directly to the audit committee, provides independent assessment as to the existence and effectiveness of our internal control system, mainly through conducting the annual internal audit, validation of our control self assessment results and audit on various operational projects. ▶ In respect of the year, our directors, through our audit committee as well as by themselves, have reviewed and are generally satisfied with the effectiveness of Alibaba.com's internal control system including: ✓ all material financial, operational and compliance controls and risk management functions ✓ the adequacy of resources, qualifications and experience of staff of our accounting and financial reporting function, and their training programs and budget
• The process applied for identifying, evaluating and managing the significant risks faced	✓	▶ Our audit committee also monitors significant operational risks identified through detailed risk assessment conducted by our management. Operation and emerging risks were brought to our audit committee through corporate governance meetings in addition to the regular audit committee meetings.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
• Additional information to assist understanding of the risk management process and system of internal control	✓	▶ Alibaba.com firmly believes that a sound control environment stems from having the right tone at top together with concerted action from our senior management. Therefore, we adopted a Code of Business Conduct ("Code") that applies to all our directors, officers and employees in late 2009. Our internal audit and compliance team rolled out a series of in-class training courses and online promotion campaigns to help employees understand more about the requirements of the Code and our expectations about ethical behavior. All directors, officers and employees are required to read and sign off to confirm their commitment to abide by the Code and behave in accordance with our policies, guidelines and procedures. In addition, our internal control department provided training on control principles and company policies to our management with a view to strengthening their sense of ownership in their role in corporate governance and internal control.
• Process that has applied in reviewing the effectiveness of the system of internal control	✓	▶ With our internal control department's coordination, management conducted an internal control documentation update, key control rationalization and self-assessment on significant cycles. These actions were based on an independent risk assessment provided by our internal audit and compliance team which also validate the results on our control self assessment. Results of the relevant reports will be regularly submitted to our senior management. The control self assessment quarterly results showed that our management has enhanced their awareness and competency in monitoring controls. Our internal audit and compliance team formulates the annual internal audit plan based on a top-down risk based approach to ensure the projects are aligned with our Company's objective. Results are reported to our audit committee and senior management concerned. Our internal audit and compliance team also performs remediation reviews to ensure outstanding issues are properly addressed. In addition, it maintains regular communications with our external auditors so that both parties are aware of the significant factors that may affect their respective scopes of work.
• Annual review the need for an internal audit function	✓	▶ We will continue to have an internal audit and compliance team which provides independent assessment on the existence and effectiveness of our internal control system, mainly through conducting annual internal audit, quarterly financial review and audit on various operational projects.

<table>
<tr><th>Key principles/provisions/practices in the Corporate Governance Code</th><th>Complied or not</th><th>How did Alibaba.com apply them?</th></tr>
<tr><td colspan="3">External Auditors</td></tr>
<tr><td>• Analysis of auditors' remuneration</td><td>✓</td><td>
▶ PricewaterhouseCoopers was re-appointed as our external auditors at the 2009 annual general meeting until the conclusion of the next annual general meeting.
▶ In order to maintain independence, PricewaterhouseCoopers is primarily responsible for providing audit services in connection with our consolidated financial statements, and only provides non-audit services that do not impair their independence or objectivity. For any non-audit service that exceeds the amount prescribed by our audit committee (currently fixed at RMB400,000), it will be subject to prior approval by the chairman of our audit committee.
▶ For the year ended December 31, 2009, the remuneration paid or payable to PricewaterhouseCoopers for audit and non-audit services (together with the comparative figures for 2008) is set out as follows:
<table>
<tr><th>Services rendered</th><th>2009
RMB'000</th><th>2008
RMB'000</th></tr>
<tr><td>Audit services</td><td></td><td></td></tr>
<tr><td>– annual audit</td><td>5,350</td><td>5,064</td></tr>
<tr><td>– other services</td><td>2,141</td><td>N/A</td></tr>
<tr><td>Non-audit services</td><td></td><td></td></tr>
<tr><td>– taxation</td><td>603</td><td>750</td></tr>
<tr><td>– other services</td><td>N/A</td><td>111</td></tr>
<tr><td>Total</td><td>8,094</td><td>5,925</td></tr>
</table>
</td></tr>
<tr><td colspan="3">Investment Management Committee</td></tr>
<tr><td>• Not a requirement under the Corporate Governance Code</td><td>N/A</td><td>
Role and Function
▶ Review and approve (if appropriate) investment projects according to the authority and limits delegated by our board
▶ Review and make recommendations to our board on suitable investment opportunities and projects
Summary of Work Performed
▶ Our investment management committee has a total of five members, namely TSAI Chung, Joseph (committee chairman), MA Yun, Jack, WEI Zhe, David, WU Wei, Maggie and TSUEI, Andrew Tien Yuan.
▶ During the year, the investment management committee held two meetings to review and consider potential investment opportunities and projects, including our acquisition of HiChina as announced in September 2009, and reported its recommendations to our board.
</td></tr>
</table>

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS		
• Compliance with the Model Code for Securities Transactions set out in Appendix 10	✓	▶ 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 by Directors of Listed Issuers ("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, save for the circumstances disclosed below in relation to OKADA, Satoshi, 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. ▶ OKADA, Satoshi, our non-executive director, purchased 30,000 shares of our Company on September 18 and 19, 2009 without first notifying our chairman and receiving a dated written acknowledgement in respect of the proposed dealing (these dates did not fall in a dealing blackout period). Mr. OKADA was under the misconception that he only needed to go through these procedures upon a disposal of shares. He learned of his oversight in March 2010 when we were conducting our review of compliance with the Model Code for Securities Transactions and our Guidelines on Dealings in Securities. At the time of his original nomination as a director of our Company in 2007, we gave Mr. OKADA a corporate governance training, including a review of directors' obligations under the Model Code for Securities Transactions. After we learned about Mr. OKADA's non-compliance, our company secretary reviewed with him the requirements under the Model Code for Securities Transactions and our Guidelines on Dealings in Securities in detail. Mr. OKADA has confirmed his understanding of these requirements and his commitment to fully comply with these requirements in the future. ▶ 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 will conduct a review session as part of our Company's continuous professional development program for our directors in 2010.
COMMUNICATIONS		
• Maintain on-going and effective communication with shareholders	✓	▶ Our board endeavors to uphold transparent communications with our shareholders for them to make informed decisions about their investments and the exercise of their rights as shareholders, including voting their shares. We establish and maintain different communication channels with our shareholders through the publication of annual and interim reports, press announcements as well as news releases to provide extensive information on Alibaba.com's activities, business strategies and developments. This information is also available on our website: http://ir.alibaba.com.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
• Use general meetings for communication and encourage shareholders' participation	✓	▶ Our board welcomes the views of shareholders on matters affecting Alibaba.com and encourages them to attend shareholder meetings to communicate any concerns that they might have directly to our directors. We regard shareholder meetings as a valuable forum for our shareholders to raise comments and exchange views with our board. Our directors and senior management will make an effort to be present at shareholder meetings to address queries from our shareholders. ▶ We held our 2009 annual general meeting at Grand Ballroom, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on May 7, 2009 at 10:00 a.m. The matters resolved thereat are summarized as follows: ✓ receipt and adoption of the audited financial statements together with the directors' report and the independent auditor's report for the year ended December 31, 2008 ✓ re-election of WEI Zhe, David, TSAI Chung, Joseph, OKADA, Satoshi and KWAN Ming Sang, Savio as directors (each by way of a separate resolution) ✓ appointment of LEE Shi-Huei, Elvis and DENG Kangming as executive directors (each by way of a separate resolution) ✓ authorization of the board to fix the remuneration of our directors, subject to a maximum aggregate amount of RMB3,000,000 for director's fee ✓ re-appointment of PricewaterhouseCoopers as our auditors and authorization of the board to fix their remuneration ✓ approval of the grant of a general mandate to our directors for the issue of new securities not exceeding 10% of the aggregate nominal amount of our issued share capital as at the date of our 2009 annual general meeting ✓ approval of a grant of a general mandate to our directors for the repurchase of shares not exceeding 10% of the aggregate nominal amount of our issued share capital as at the date of our 2009 annual general meeting ✓ confirmation of the maximum number of shares for issue under our restricted share unit scheme ✓ approval of the adoption of the amended and restated memorandum and articles of association

SHAREHOLDERS' RIGHTS

• Procedure for voting by poll	✓	▶ All resolutions put forward at our annual general meeting were conducted by way of poll in accordance with the requirements of the Listing Rules. Poll results were published and posted on the Stock Exchange's website as well as our website. ▶ Computershare Hong Kong Investor Services Limited was appointed the scrutineer to monitor and count the votes cast by poll at our 2009 annual general meeting.

Key principles/provisions/practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
INVESTOR RELATIONS		
• Maintaining close communications with investors	✓	▶ Alibaba.com is committed to providing a two-way dialogue with our shareholders and investors with clear and consistent information of our business strategies, our business performance and prospects for the future. We aim to provide open, ongoing and effective communication through a number of channels to foster our relationship with shareholders and investors. To achieve this, we have an investor relations team, which is primarily responsible for day-to-day contact with shareholders, investors and analysts through a comprehensive investor relations programme.
• Dissemination of company information	✓	▶ To ensure information symmetry across our shareholders and investors, we widely use our investor relations website to disseminate the company information such as financial results announcements, webcasts of analyst's and investor's conference calls, results presentations and key operating metrics and business updates. Other regular communications with the investment community include timely press releases and email alerts to investors. ▶ We report financial results on a quarterly basis, following the recommended best practice under the Corporate Governance Code. We also publish interim and annual reports in both printed and electronic version. All information is accessible and downloadable on our investor relations website at http://ir.alibaba.com in both Chinese and English versions.
• Communication with investment community	✓	▶ We actively participate in investor conferences and arrange non-deal roadshows. Our management is dedicated to engaging a direct communication with investors through focused one-on-one or small group meetings. During 2009, our management visited several international financial cities, including New York, Boston, San Francisco, London, Hong Kong and Singapore to meet with institutional investors. ▶ To foster mutual understanding between the investment community and Alibaba.com, we seek opportunities to communicate our culture, business strategies and development through various major company events, such as our 10th anniversary celebration and the APEC SME summit in order to help investors and analysts understand Alibaba.com. ▶ Furthermore, we encourage feedback from analysts and investors. In 2009, we conducted a global perception study to gather feedback from investors across Asia, the US and Europe. These feedback and views are invaluable to the further enhancement of our investor relations efforts going forward.
OTHER VOLUNTARY DISCLOSURES		
• Handling of price-sensitive information	✓	▶ With respect to the handling and dissemination of price-sensitive information, our directors are aware of, and have duly followed, the obligations under the Listing Rules and the principles set out in the guide on disclosure of price-sensitive information issued by the Stock Exchange. We have also established our own Corporate Disclosure Guidelines, under which senior managers are designated and authorized as our Company's spokespersons to respond to enquiries in their relevant areas according to the prescribed policy and procedures. Directors and relevant employees who may have access to price-sensitive information are strictly required to comply with our Guidelines on Dealings in Securities when considering or undertaking any dealing in our securities.

Key principles/provisions/ practices in the Corporate Governance Code	Complied or not	How did Alibaba.com apply them?
• Compliance with non-competition undertaking by major shareholder	N/A	▶ We have received an annual written confirmation from Alibaba Group Holding Limited ("Alibaba Group"), our holding company, in respect of its compliance of the provisions of the non-competition undertaking given in favour of our Company on October 19, 2007 ("Non-Competition Undertaking"). Alibaba Group further confirmed that there had not been any circumstances giving rise to a New Opportunity or an Acquisition Option (both as defined in the Non-Competition Undertaking) for our Company to consider during the financial year ended December 31, 2009. Based on (1) the assessment of our management, having continuously followed on developments in Alibaba Group's businesses and strategies; (2) the information provided by Alibaba Group from time to time, including any relevant corporate and financial information relating to any Restricted Business (as defined in the Non-Competition Undertaking) it has engaged in, assisted or supported a third party as well as any circumstances that may give rise to any New Opportunity or Acquisition Option; and (3) the annual written confirmation provided by Alibaba Group, our independent non-executive directors have reviewed the compliance of the Non-Competition Undertaking by Alibaba Group during the financial year ended December 31, 2009. Our independent non-executive directors were satisfied that Alibaba Group has duly complied with the provisions of the Non-Competition Undertaking. Since there were no circumstances giving rise to any New Opportunity or Acquisition Option during the aforesaid period, our independent non-executive directors were not required to review any decision taken in relation to any New Opportunity or Acquisition Option which may be offered to us by Alibaba Group pursuant to the Non-Competition Undertaking.

OTHER INITIATIVES

- Our board recognizes the importance of using our annual general meeting as a forum to communicate and share the Alibaba.com objectives and developments with our shareholders. Shareholders are encouraged to attend the meeting and raise questions with our board and management and exchange their views candidly in an open and friendly atmosphere. To enhance shareholders' understanding of Alibaba.com's business developments, operations, management philosophies and latest initiatives, our chairman and chief executive officer each designated a separate session of sharing during our 2009 annual general meeting in addition to the standard meeting agenda. In addition, in order to give young people a taste of how a listed company in Hong Kong runs its shareholder meeting in practice, we invited about 80 undergraduate and postgraduate students from the business schools of The Hong Kong University and The Chinese University of Hong Kong to our 2009 annual general meeting. As a surprise gift, these students were each given 100 shares of Alibaba.com so that they could register themselves as shareholders and continue to attend our annual general meeting in the future.
- Alibaba.com continues to enhance the use of its corporate website as a channel of communication with shareholders. Relevant information including press releases, formal announcements and principal corporate governance policies are available on our website: http://ir.alibaba.com.

By order of the Board
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, March 16, 2010

DIRECTORS' REPORT

Our directors are pleased to present the annual report and the audited consolidated financial statements of Alibaba.com Limited (our "Company") together with its subsidiaries (collectively, our "Group") for the year ended December 31, 2009.

PRINCIPAL ACTIVITIES

Our Company is an investment holding company. Our subsidiaries are principally engaged in the provision of software, technology and other services on our 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". Details of the activities of our subsidiaries are set out in note 18 to our consolidated financial statements on pages 123 to 124 of this Annual Report. There were no significant changes in the nature of our Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

Our results for the year ended December 31, 2009 and the state of our affairs as of that date are set out in our consolidated financial statements on pages 88 to 96 of this Annual Report.

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 to our shareholders on September 9, 2009 (2008: Nil). Our directors do not recommend the payment of a final dividend for the year ended December 31, 2009 (2008: Nil).

PROPERTY AND EQUIPMENT

Details of movements in our property and equipment during the year are set out in note 16 to our consolidated financial statements on page 121 of this Annual Report.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2009, we had no borrowings.

RETIREMENT SCHEME

We participate in government and other mandatory pension schemes for our employees in Mainland China and overseas. Particulars of these schemes are set out in note 10 to our consolidated financial statements on pages 114 to 115 of this Annual Report.

CHARITABLE DONATIONS

During the year ended December 31, 2009, we contributed a total of RMB418,000 as charitable donations.

SHARE CAPITAL

Details of our share capital during the year are set out in note 24 to our consolidated financial statements on page 129 of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of our Company or the laws of the Cayman Islands, which would oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of our results and of the assets and liabilities for the last six financial years, as extracted from our audited consolidated financial statements, is set out on page 148 of this Annual Report. This summary does not form part of our audited consolidated financial statements.

RESERVES

Details of movements in the reserves of our Group and our Company during the year are set out in the consolidated statement of changes in equity on pages 93 to 94 of this Annual Report and in note 26 to our consolidated financial statements on page 130 of this Annual Report, respectively.

DISTRIBUTABLE RESERVES

As of December 31, 2009, our reserves available for distribution, calculated in accordance with the Companies Law (2007 Revision) of the Cayman Islands, amounted to RMB3,190.5 million.

USE OF PROCEEDS

The application of proceeds from our initial public offering has not materially changed from the proposed allocation as outlined in our prospectus dated October 23, 2007.

DIRECTORS

Our directors during the year and up to the date of this Annual Report were:

Chairman and Non-executive Director

MA Yun, Jack

Executive Directors

WEI Zhe, David	
WU Wei, Maggie	
LEE Shi-Huei, Elvis	(appointed on May 7, 2009)
DENG Kangming	(appointed on May 7, 2009)
PENG Yi Jie, Sabrina	
DAI Shan, Trudy	(retired on May 7, 2009)

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	
LONG Yong Tu	(retired on May 7, 2009)

In accordance with article 130 of our articles of association, MA Yun, Jack, WU Wei, Maggie, PENG Yi Jie, Sabrina, TSOU Kai-Lien, Rose and NIU Gen Sheng will retire from office by rotation at our forthcoming annual general meeting. All retiring directors aforesaid, being eligible, will offer themselves for re-election, and all remaining directors will continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of our independent non-executive directors, namely NIU Gen Sheng, KWAUK Teh Ming, Walter, TSUEI, Andrew Tien Yuan and KWAN Ming Sang, Savio, an annual confirmation of their respective independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Our nomination committee has duly reviewed the annual confirmation of independence of each of these directors. We consider that our independent non-executive directors have been independent throughout from the date of their appointment to December 31, 2009, and they remain so as of the date of this Annual Report.

DIRECTORS' BIOGRAPHIES

Biographical details of our directors are set out on pages 38 to 41 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with us which is not determinable by us within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

Our directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by our remuneration committee with reference to the directors' duties and responsibilities as well as our Company's performance and results.

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

As of December 31, 2009, 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 ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code for Securities Transactions"), 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 (Note 8)
MA Yun, Jack	Beneficial owner	15,369,053	15,369,053		0.30%
WEI Zhe, David	Beneficial owner	512,000			
	Interest of controlled corporation	48,250,000	48,762,000	(1)	0.97%
WU Wei, Maggie	Beneficial owner	148,000			
	Interest of controlled corporation	9,650,000	9,798,000	(2)	0.19%
LEE Shi-Huei, Elvis	Beneficial owner	10,948,900	10,948,900	(3)	0.22%
DENG Kangming	Beneficial owner	3,660,000			
	Interest of controlled corporation	3,235,500	6,895,500	(4)	0.14%
PENG Yi Jie, Sabrina	Beneficial owner	4,125,000			
	Interest of controlled corporation	1,000,000	5,125,000	(5)	0.10%
TSAI Chung, Joseph	Interest of spouse	120,000			
	Interest of controlled corporation	11,401,560	11,521,560	(6)	0.23%
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 512,000 underlying Shares granted by our Company to Mr. Wei; and (b) relevant interests in respect of 48,250,000 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 148,000 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) 1,948,900 Shares held by Mr. Lee; and (b) share options in respect of 9,000,000 underlying Shares granted by our Company to Mr. Lee.

(4) These securities represent (a) share options and restricted share units in respect of 3,560,000 and 100,000 underlying Shares respectively granted by our Company to Mr. Deng pursuant to our Company's share option scheme and restricted share unit scheme; (b) 2,385,500 Shares held through Infogrand Technology Limited (a company owned by a trust established by Mr. Deng for the benefit of his family); and (c) 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) 1,175,000 Shares held by Ms. Peng; (b) share options in respect of 2,950,000 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); (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); (c) 3,140,802 Shares held by MFG Limited (a company ultimately owned by a trust established by Mr. Tsai for the benefit of his family); and (d) 5,260,758 Shares held by MFG II Ltd. (a company ultimately owned by Mr. Tsai).

(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 December 31, 2009, the Company had a total of 5,039,701,540 Shares in issue.

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 (Note 10)
MA Yun, Jack	Ordinary shares	Beneficial owner	127,035,813			
		Interest of spouse	52,847,360			
	Share options	Beneficial owner	987,500	180,870,673	(1)	7.43%
WEI Zhe, David	Ordinary shares	Beneficial owner	3,400,000			
	Restricted share units	Beneficial owner	220,000	3,620,000	(2)	0.15%
WU Wei, Maggie	Ordinary shares	Beneficial owner	600,000			
	Restricted share units	Beneficial owner	45,000	645,000	(3)	0.03%
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			
		Interest of controlled corporation	52,249	475,000	(6)	0.02%
TSAI Chung, Joseph	Ordinary shares	Beneficial owner	2,442,964			
		Interest of spouse	160,000			
		Interest of controlled corporation	71,926,932			
	Share options	Beneficial owner	800,000	75,329,896	(7)	3.10%
TSUEI, Andrew Tien Yuan	Ordinary shares	Beneficial owner	320,000			
	Share options	Beneficial owner	800,000	1,120,000	(8)	0.05%
KWAN Ming Sang, Savio	Ordinary shares	Interest of controlled corporation	5,600,000			
	Share options	Interest of controlled corporation	7,200,000	12,800,000	(9)	0.53%

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) 3,400,000 issued shares of Alibaba Group directly held by Mr. Wei; and (b) restricted share units in respect of 220,000 underlying shares of Alibaba Group granted by Alibaba Group to Mr. Wei. These securities had all been pledged by Mr. Wei 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 the year. Subsequent to the year, the pledge was discharged in January 2010 upon Mr. Wei's repayment of the loan in full.

(3) These securities represent (a) 600,000 issued shares of Alibaba Group directly held by Ms. Wu; and (b) restricted share units in respect of 45,000 underlying shares of Alibaba Group granted by Alibaba Group to Ms. Wu. These securities had 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 the year.

(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, and they had 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 the year.

(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), and they had 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 the year.

(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 December 31, 2009, Alibaba Group had a total of 2,432,801,434 shares in issue.

(b) Other associated corporations (all interests are with reference to registered capital)

Name of Company	Name of Director	Capacity/nature of interest	Amount of registered capital held (RMB)	Total registered capital (RMB)	Percentage of associated corporation's 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	40,000,000	50,000,000	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%

Save as disclosed above, as of December 31, 2009, 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.

3. Directors' right to acquire shares or debentures

Save as disclosed in this Annual Report, at no time during the year was our Company, or any of our holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable our directors to acquire benefits by means of the acquisition of shares in, or debentures of, our Company or any other body corporate, and none of our directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of our Company or any other body corporate, nor had they exercised any such right.

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, which was subsequently 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.

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 7, 2009, the total number of Shares still available under both the Share Option Scheme and the RSU Scheme must not, in aggregate, exceed 75,002,995 Shares, representing approximately 1.49% of the issued share capital of our Company as of December 31, 2009.

As of December 31, 2009, a total of 19,892,020 Shares were issuable in respect of restricted share units ("RSUs") granted under the RSU Scheme.

As of December 31, 2009, the total number of Shares available for grant under the RSU Scheme (assuming no more options would be granted under the Share Option Scheme) was 65,361,827, representing approximately 1.30% of the issued share capital of our Company as of December 31, 2009 and the date of this Annual Report.

Subsequent to December 31, 2009 and up to the date of this Annual Report, we granted RSUs in respect of a total of 9,700 underlying Shares under the RSU Scheme.

Taking into account the number of RSUs granted under the RSU Scheme subsequent to the year, RSUs in respect of a total of 65,352,127 underlying Shares are still available for grant under the RSU Scheme (assuming no more options will be granted under the Share Option Scheme) as of the date of this Annual Report, representing approximately 1.30% of the issued share capital of our Company.

Particulars and movements of the RSUs under the RSU Scheme during the year ended December 31, 2009 were as follows:–

Name or category of participant	Number of RSUs: Outstanding as of 01/01/2009	Granted during the year	Vested during the year	Cancelled during the year	Outstanding as of 31/12/2009	Date of grant (DD/MM/YYYY)
Director						
DENG Kangming (Note 1)	–	100,000	–	–	100,000	23/01/2009
Sub-total	–	100,000	–	–	100,000	
Others						
Employees	3,600,409	–	(897,554)	(279,941)	2,422,914	01/02/2008
	233,136	–	(58,278)	(27,312)	147,546	20/06/2008
	230,000	–	–	–	230,000	17/12/2008
	–	5,675,000	(2,800)	(695,450)	4,976,750	23/01/2009
	–	5,371,456	–	(303,972)	5,067,484	06/02/2009
	–	2,907,240	–	(394,044)	2,513,196	01/04/2009
	–	2,944,168	(375,096)	(239,942)	2,329,130	04/09/2009
	–	2,105,000	–	–	2,105,000	28/12/2009
Sub-total	4,063,545	19,002,864	(1,333,728)	(1,940,661)	19,792,020	
Total	4,063,545	19,102,864	(1,333,728)	(1,940,661)	19,892,020	

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.

(a) Summary of the principal terms of the Share Option Scheme

(i) Purpose of the Share Option Scheme

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.

(ii) Participants of the Share Option Scheme

Our board may at its discretion grant options to directors (including executive directors, non-executive directors and independent non-executive directors), our employees and any of our advisors or consultants whom our board considers, in its sole discretion, to have contributed or will contribute to the growth and success of our Company.

(iii) Total number of shares available for issue under the Share Option Scheme

(1) The maximum number of Shares that our board shall be entitled to grant options ("Scheme Mandate") shall be calculated in accordance with the following formula:

$X = (A+B) - (C+D+E)$

Where:

X = the maximum aggregate number of Shares over which our board shall be entitled to grant options;

A = 135,100,000 Shares;

B = the maximum aggregate number of Shares authorized by our shareholders to be issued under other equity incentive plans (if any), other than the Share Option Scheme and the RSU Scheme;

C = the maximum aggregate number of Shares underlying options that have been granted previously under the Share Option Scheme;

D = the maximum aggregate number of Shares authorized for issuance assuming the vesting of all RSUs that have been previously granted under the RSU Scheme; and

E = the maximum aggregate number of Shares authorized for issuance assuming the exercise of all other rights to acquire Shares that have been granted previously pursuant to other equity incentive plans (if any), other than the Share Option Scheme and the RSU Scheme.

For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(2) Pursuant to the listing approval issued by the Stock Exchange on November 5, 2007, the total number of Shares subject to the Share Option Scheme and the RSU Scheme of our Company must not, in aggregate, exceed 135,100,000 Shares, representing approximately 2.67% of the then issued share capital of our Company.

As of December 31, 2009, a total of 42,951,150 Shares were issuable in respect of outstanding share options granted under the Share Option Scheme.

As of December 31, 2009, the total number of Shares available for grant under the Share Option Scheme (assuming no more RSUs would be granted under the RSUs Scheme) was 68,656,565, representing approximately 1.36% of the issued share capital of our Company as of December 31, 2009 and the date of this Annual Report.

Subsequent to December 31, 2009 and up to the date of this Annual Report, we granted RSUs in respect of a total of 9,700 underlying Shares under the RSU Scheme but no options were granted under the Share Option Scheme.

Taking into account the number of RSUs granted under the RSU Scheme subsequent to the year, options in respect of a total of 68,971,240 underlying Shares are still available for grant under the Share Option Scheme (assuming no more RSUs will be granted under the RSU Scheme) as of the date of this Annual Report, representing approximately 1.37% more of the issued share capital of our Company.

(iv) Maximum entitlement of each participant

No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to such person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of our Company other than those options granted pursuant to specific approval by our shareholders in general meeting with the proposed participant and his associates abstaining from voting) would exceed 1% of the Shares in issue from time to time.

(v) Period within which the Shares must be taken up under an option

An option may be exercised at any time during the period to be determined and notified by our board at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant.

(vi) Minimum period, if any, for which an option must be held before it can be exercised

There is no specific requirement under the Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the Share Option Scheme provide that our board has the discretion to impose a minimum period at the time of grant of any particular option.

(vii) Amount payable upon acceptance and the period within which the payments or calls must or may be made or loans for such purposes must be repaid

A remittance in favor of our Company of HK$1 or the equivalent amount in any other currency by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as defined by our board. The remittance is not in any circumstances refundable.

(viii) Basis of determining the exercise price

The exercise price shall be determined by our board in its absolute discretion but in any event shall not be less than the higher of:

(1) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date on which the option is offered which must be a business day;

(2) the average closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date of the option; and

(3) the nominal value of the Shares.

(ix) Remaining life

Subject to the early termination of the Share Option Scheme pursuant to the terms thereof, the Share Option Scheme shall remain valid and effective for 10 years commencing on the date of adoption on October 12, 2007.

(b) Particulars and movements of share options under the Share Option Scheme during the year were as follows:

Name or category participant	Outstanding as of 01/01/2009	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as of 31/12/2009	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$)
	Number of share options										
Directors											
WEI Zhe, David	512,000	–	–	–	–	512,000	01/02/2008	01/02/2009–01/02/2014	19.86	18.46	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
LEE Shi-Huei, Elvis (Note 4)	–	9,000,000	–	–	–	9,000,000	01/04/2009	01/04/2010–01/04/2015	7.25	7.12	N/A
DENG Kangming (Note 4)	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
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
Sub-total	1,171,000	14,999,000	–	–	–	16,170,000					
Others											
Employees	4,269,500	–	–	(616,000)	–	3,653,500	01/02/2008	12/11/2009–01/02/2014 01/02/2009–01/02/2014	19.86	18.46	N/A
	2,360,000	–	–	(370,000)	–	1,990,000	20/06/2008	28/01/2010–20/06/2014	12.74	12.00	N/A
	7,007,000	–	(11,312)	(706,938)	(82,000)	6,206,750	17/12/2008	02/10/2008–17/12/2014 12/11/2009–17/12/2014	5.54	5.50	18.13
	–	3,494,700	–	(496,800)	–	2,997,900	23/01/2009	23/01/2010-23/01/2015	5.71	5.61	N/A
	–	7,796,000	–	(235,000)	(20,000)	7,541,000	01/04/2009	19/12/2010–01/04/2015 06/02/2010–01/04/2015 01/04/2010–01/04/2015	7.25	7.12	N/A
	–	2,302,000	–	(200,000)	–	2,102,000	04/09/2009	16/05/2010–04/09/2015	20.60	19.76	N/A
	–	2,290,000	–	–	–	2,290,000	28/12/2009	21/08/2010–28/12/2015	17.62	16.88	N/A
Sub-total	13,636,500	15,882,700	(11,312)	(2,624,738)	(102,000)	26,781,150					
Total	14,807,500	30,881,700	(11,312)	(2,624,738)	(102,000)	42,951,150					

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) Became a director of our Company on May 7, 2009.

(5) The weighted average fair value of share options granted under the Share Options Scheme on January 23, 2009, April 1, 2009, September 4, 2009 and December 28, 2009 measured as at the date of grant, were approximately HK$2.44, HK$3.08, HK$8.89 and HK$7.65 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Type of grant	Expected volatility (%) On-hire	Performance	Special	Expected life (in years) On-hire	Performance	Special	Risk-free interest rate (%) All	Expected dividend yield (%) On-hire	Performance	Special
Date of grant (DD/MM/YYYY)										
23/01/2009	–	52.59	–	–	4.25	–	1.17	–	–	–
01/04/2009	52.12	51.75	51.75	4.38	4.25	4.25	1.47-1.49	–	–	–
04/09/2009	51.83	52.32	–	4.38	4.25	–	1.45-1.48	–	–	–
28/12/2009	51.89	52.17	–	4.38	4.25	–	1.61-1.66	–	–	–

In total, share-based compensation expense of RMB200.4 million was included in the consolidated income statement for the year ended December 31, 2009 (2008: RMB182.0 million). These expenses included the amortization of the fair value of certain share-based awards in the form of share options and RSUs granted to our Company's employees under the share incentive schemes and pre-IPO share incentive scheme of Alibaba Group.

Further particulars of the Share Option Scheme and RSU Scheme, as well as the share incentive schemes and pre IPO share incentive scheme of Alibaba Group, are set out in note 27 to our consolidated financial statements on pages 131 to 139 of this Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between our Group and companies in which our directors had beneficial interest are set out in note 35 to the consolidated financial statements on pages 144 to 146 of this Annual Report.

Save as disclosed above, no contracts of significance in relation to our business which we, our holding company or any of our subsidiaries or fellow subsidiaries of our holding company was a party to and in which any of our directors had a material interest (whether directly or indirectly) subsisted at the end of the year or at any time during the year.

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

As of December 31, 2009, 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 (Note 6)
Alibaba Group	Beneficial owner	Long position	3,709,044,182 Shares	(1)	3,709,044,182 Shares	73.60%
	Beneficial owner	Short position	104,277,055 Shares	(2)	104,277,055 Shares	2.07%
Yahoo! Inc.	Interest of controlled corporation	Long position	3,709,044,182 Shares	(3)	3,709,044,182 Shares	73.60%
	Interest of controlled corporation	Short position	104,277,055 Shares	(4)	104,277,055 Shares	2.07%

Note:

(1) Included 104,277,055 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 3,709,044,182 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 104,277,055 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 December 31, 2009, the Company had a total of 5,039,701,540 Shares in issue.

Save as disclosed above, as of December 31, 2009, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to our Company and within the knowledge of our directors, our Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as of the date of this Annual Report.

CONFIRMATION OF COMPLIANCE WITH NON-COMPETITION UNDERTAKING

We have received an annual written confirmation from Alibaba Group in respect of its compliance of the provisions of the non-competition undertaking given by Alibaba Group in favour of our Company on October 19, 2007 ("Non-Competition Undertaking"). Alibaba Group further confirmed that there had not been any circumstances giving rise to a New Opportunity or an Acquisition Option (both as defined in the Non-Competition Undertaking) for our Company to consider during the financial year ended December 31, 2009.

Our independent non-executive directors have reviewed the compliance by Alibaba Group of the Non-Competition Undertaking during the financial year ended December 31, 2009 and were satisfied that Alibaba Group has duly complied with the Non-Competition Undertaking. Since there were no circumstances giving rise to any New Opportunity or Acquisition Option during the aforesaid period, our independent non-executive directors were not required to review any decision taken in relation to any New Opportunity or Acquisition Option which may be offered by Alibaba Group to our Company pursuant to the Non-Competition Undertaking.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of our directors has confirmed that he or she (as the case may be) is not interested in any business (apart from our business) which competes or is likely to compete, either directly or indirectly, with our business as of the date of this Annual Report. There are also non-competition undertakings provided by each of the executive directors and non-executive directors in their respective employment contract or appointment letter for our Group's benefit.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of our Company's compliance with the Code on Corporate Governance Practices are set out in the Corporate Governance Report on pages 51 to 66 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of our Company's compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report on page 63 of this Annual Report.

CONNECTED TRANSACTIONS

During the year ended December 31, 2009, the following transactions constitute connected transaction and continuing connected transactions of our Company and require disclosure in the Annual Report pursuant to rules 14A.45 and 14A.46 of the Listing Rules.

Connected transaction

On August 14, 2009, our Company entered into an acquisition agreement with Alibaba Group to acquire the business management software division of Alisoft Holding Limited and its subsidiaries ("Alisoft"), comprising application software product lines for small businesses and related assets together with all customer contracts and employees, for a total consideration of RMB208.0 million. In addition, our Company also assumed certain business liabilities of about RMB19.62 million, representing deferred revenue and customer advances associated with unexpired customer contracts carried over from Alisoft net of the corresponding direct selling costs deferred.

Alisoft was wholly-owned by Alibaba Group, our holding company and a connected person under the Listing Rules. The transaction therefore constituted a connected transaction for our Company under the Listing Rules. The transaction was however exempt from the requirements of independent shareholders' approval pursuant to rule 14A.32 of the Listing Rules and was only subject to our compliance of the reporting and announcement requirements set out under Chapter 14A of the Listing Rules. Details of this transaction were set out in our Company's announcement dated August 14, 2009.

Continuing connected transactions

Certain transactions entered into by us constituted non-exempt continuing connected transactions under the Listing Rules but they have been the subject of waiver granted to our Company by the Stock Exchange subject to compliance of certain conditions of the relevant waiver. Details of these continuing connected transactions are set out below:

1. Structure contracts

We conduct our B2B business in the PRC through 杭州阿里巴巴廣告有限公司 ("Alibaba Hangzhou"), a consolidated affiliate of our Company with 80% of its equity interests held by our chairman, MA Yun, Jack and 20% held by a former director, XIE Shi Huang, Simon. Under our operating structure, our wholly-owned subsidiary, Alibaba (China) Technology Co., Ltd. ("Alibaba China") provides software and technology services to our customers, including, among other things, licensing software that enables our customers to upload their company and product information onto our China marketplace operated by Alibaba Hangzhou. Paying members of our China marketplace pay Alibaba China a fee for these services and substantially all of the revenue from our China marketplace is generated through such fees. Pursuant to a cooperation agreement with Alibaba China and Alibaba.com Hong Kong Limited (another wholly-owned subsidiary of us), Alibaba Hangzhou provides information services to enable our customers to publish such information on our China marketplace website and exchanges contents and information on our China marketplace with those on our international marketplace. Alibaba China pays a cost-plus fee to Alibaba Hangzhou for these services. In turn, Alibaba China provides technical services to Alibaba Hangzhou and is paid a fee for these services.

We have also entered into a series of additional contracts that are designed to provide us with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests in and/or the assets of Alibaba Hangzhou (including the intellectual property rights). These include:

(a) an option to acquire all the equity interests in and/or the assets of Alibaba Hangzhou, as and when permitted by PRC laws, at a price capped at the amount of the capital contribution to Alibaba Hangzhou by its shareholders (in case of an equity interest acquisition) or the net book value (in the case of an assets acquisition), or such other minimum payment as required by law, whichever is the higher;

(b) an undertaking from Alibaba Hangzhou not to enter into any material business transaction and an undertaking from its shareholders not to approve any resolution relating to the same, without the prior written consent of Alibaba China;

(c) the right to exercise the rights of shareholders in Alibaba Hangzhou; and

(d) a pledge in our favor over the entire equity interests in Alibaba Hangzhou.

The above arrangements, which we call the "Structure Contracts", collectively permit us to consolidate the financial results of Alibaba Hangzhou in our financial results as if Alibaba Hangzhou were our wholly-owned subsidiary, because these contractual arrangements effectively transfer the economic risks and benefits of Alibaba Hangzhou to us through: (i) our right (if and when PRC law permits) to acquire equity interests and/or assets of Alibaba Hangzhou; (ii) the business structure under which the revenue generated by the cooperation between our Company and Alibaba Hangzhou is mainly retained by us; and (iii) our right to govern the financial and operating policies as well as, in substance, all of the voting rights of Alibaba Hangzhou.

Our directors are of the view that the Structure Contracts are fundamental to our legal structure and business operations, in the ordinary and usual course of our business, on normal commercial terms (or better to us), and are fair and reasonable and in the interests of our shareholders as a whole. Our directors also believe that the nature of our structure, whereby the financial results of Alibaba Hangzhou are fully consolidated into our financial results as if it were our wholly-owned subsidiary and the financial and economic benefits of its business flow to us, places the Structure Contracts in a special position in relation to the connected transaction rules under the Listing Rules. We have applied for, and the Stock Exchange has granted, a perpetual waiver pursuant to rule 14A.42(3) of the Listing Rules for the Structure Contracts from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules, on the following conditions:

(a) no changes to the Structure Contracts will be made without our independent non-executive directors' approval;

(b) the Structure Contracts continue to enable us to receive the above mentioned economic benefits derived by Alibaba Hangzhou; and

(c) we will disclose certain details relating to the Structure Contracts on an ongoing basis as required by the Stock Exchange.

For the year ended December 31, 2009, our independent non-executive directors have reviewed the Structure Contracts and confirmed that (i) the transactions carried out during this financial period have been entered into in accordance with the relevant provisions of the Structure Contracts, have been operated so that the revenue generated by Alibaba China and Alibaba Hangzhou has been mainly retained by Alibaba China; (ii) no dividends or other distributions have been made by Alibaba Hangzhou to the holders of its equity interests; and (iii) any new contracts entered into, renewed or reproduced between our Company and Alibaba Hangzhou during this financial period were fair and reasonable as far as we are concerned and were in the interests of our shareholders as a whole.

We have also engaged our auditors to perform certain fact finding procedures on the transactions carried out pursuant to the Structure Contracts on a sample basis in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on the selected samples based on the agreed upon procedures to our board as follows:

(a) the transactions have received the approval of our board;

(b) the transactions have been entered into in accordance with the relevant Structure Contracts; and

(c) no dividends or other distributions have been made by Alibaba Hangzhou to the holders of its equity interests.

2. Technology Services Framework Agreement

We entered into a technology services framework agreement dated October 19, 2007 with Alibaba Group ("Technology Services Framework Agreement"). Under the terms of the Technology Services Framework Agreement, we have provided to Alibaba Group certain technology services including:

(a) technology maintenance services for search engine, system security and architecture support;

(b) provision of a dedicated transmission network system to improve the connectivity between telecommunication providers and website users;

(c) website monitoring services;

(d) sub-licensing of third-party software;

(e) sharing of servers and server racks;

(f) development and maintenance of data warehouse;

(g) quality assurance services and maintenance of quality assurance management systems and project management systems; and

(h) research and development services including patent development.

Under the Technology Services Framework Agreement, fees payable to us for technology services provided have been calculated on the basis of our actual costs for providing such services plus a margin of up to 15% by reference to industry practice for comparable transactions. The costs for providing each technology service included operating costs, cost for the aggregate time spent by our staff and any equipment depreciation that we incurred or may incur, in connection with providing such service.

The fee payable for research and development services provided by us to Alibaba Group has been computed on a cost-plus basis.

During the year, the total amount we received from Alibaba Group under the Technology Services Framework Agreement was RMB14.8 million.

The Technology Services Framework Agreement expired on December 31, 2009. Prior to its expiry, our Company entered into a new framework agreement with Alibaba Group for the mutual provision of technology services as described in the section headed "New framework agreements for continuing connected transactions" below.

3. Cooperation Framework Agreement

We entered into a cooperation framework agreement dated October 19, 2007 with Alibaba Group with respect to the provision of products and services developed by it to us and to users of our marketplaces ("Cooperation Framework Agreement"). These products and services included the provision of the online payment platform operated by Zhejiang Alipay Network Technology Co., Ltd. and Alipay Software (Shanghai) Co., Ltd., each a wholly-owned subsidiary of Alibaba Group, and Zhejiang Alibaba E-Commerce Co., Ltd., a consolidated affiliate of Alibaba Group (collectively, "Alipay"), to us and to users of our China marketplace, instant messenger development and maintenance services to users of our marketplaces, as well as the sale of keywords on websites operated by Alibaba Group for the promotion of our marketplaces.

Fees payable by us under the Cooperation Framework Agreement have been based on market rates and on normal commercial terms no less favorable than terms offered to us by independent third-party service providers for similar products and services. Market rates have been determined based on the rates offered by independent third-party providers for similar products and services.

During the year, the total amount of fees paid by us to Alibaba Group under the Cooperation Framework Agreement was RMB8.5 million.

The Cooperation Framework Agreement expired on December 31, 2009. Prior to its expiry, our Company entered into a new framework agreement with Alibaba Group for the mutual provision of products and services as described in the section headed "New framework agreements for continuing connected transactions" below.

4. Cross-selling Services Framework Agreement

We entered into a cross-selling services framework agreement dated October 19, 2007 with Alibaba Group to govern our existing and future arrangements under which we cross sell the products and services of the other party to our respective customers ("Cross-selling Services Framework Agreement"). Under the terms of the Cross-selling Services Framework Agreement, we would provide cross-selling services to Alibaba Group, including the sale to our users of software products of Alibaba Software (Shanghai) Co., Ltd., a wholly-owned subsidiary of Alibaba Group, and Alipay's online payment services for the settlement of transactions between users of our marketplaces.

Under the terms of the Cross-selling Services Framework Agreement, Alibaba Group would sell our website inventory to customers of Alibaba Group. "Website inventory" refers to parts of the website pages which are reserved for promotional displays.

Under the Cross-selling Services Framework Agreement, payments have been made in the form of commissions or on the basis of revenue sharing arrangements. In particular:

(a) we would receive a commission fee of between 20% to 80% or pay a revenue share of 20% to 80% of the transaction amount for cross-selling services provided by us to Alibaba Group; and

(b) we would pay a commission fee of between 15% to 40% or receive a revenue share of 60% to 85% of the transaction amount for cross-selling services provided to us from Alibaba Group.

The commission fees and revenue share payable and receivable by us vary as they related to the cross-selling of different products and were therefore at different rates. Commission fees and revenue sharing arrangements for additional cross-selling services were subject to negotiation between the parties, except that commission fees paid to or revenue shared with us shall not be less than the prevailing market rate, and commissions or revenue share payable by us shall not exceed the prevailing market rate.

During the year, the total amount of combined payments under the Cross-selling Services Framework Agreement was RMB2.7 million.

The Cross-selling Services Framework Agreement expired on December 31, 2009. Prior to its expiry, our Company entered into a new framework agreement with Alibaba Group for the mutual provision of cross-selling services as described in the section headed "New framework agreements for continuing connected transactions" below.

5. Technology and Intellectual Property Framework License Agreement

We entered into a technology and intellectual property framework license agreement dated October 19, 2007 with Alibaba Group ("Technology and Intellectual Property Framework License Agreement") whereby:

(a) we have been granted, to the extent relevant to our B2B business, a renewable license to use all patents, pending patents and related know-how of Alibaba Group in existence at the time of our initial public offering, including a license of any future patents the development of which was undertaken by our Company on behalf of Alibaba Group pursuant to the Technology Services Framework Agreement;

(b) we have the right to be granted, to the extent relevant to our B2B business, a renewable sub-license to use all technology and intellectual property that Alibaba Group has an existing license to use from a third party and which Alibaba Group is permitted to sub-license to us and subject to the other terms of the third-party license to Alibaba Group; and

(c) we have the right to be granted, to the extent relevant to our B2B business, an option to use all technology and intellectual property that Alibaba Group may license from third parties in the future to the extent Alibaba Group has the right to do so.

The Technology and Intellectual Property Framework License Agreement was subject to the restrictions in the agreement between Alibaba Group and any third party in respect of the third party's intellectual property, including any applicable limitations on the scope of the license, limitations on sub-licensing, termination under certain circumstances (including change of control) and other standard provisions.

Under the Technology and Intellectual Property Framework License Agreement:

(a) the fees payable by us for third-party technology and intellectual property sub-licensed to us would be calculated at the same rate and on the same basis as (but in no case at a rate or on a basis less favorable than) that applicable to Alibaba Group in obtaining such license (i.e. not less preferable than on a pass-through basis);

(b) the fees payable by us for licenses of patents and inventions subject to patent applications and related know-how owned by Alibaba Group, provided each such patent (and patent application) is relevant to our business, licensed to us from Alibaba Group, should be at rates not more than the prevailing market rates for comparable licenses. The license fee payable for patents and inventions subject to patent applications for each year would be agreed between our Company and Alibaba Group at the end of each year and assessed as a percentage of revenue during the year. The percentage rate will be adjusted based on the size of the portfolio during the course of the year and the level of usage of the patents by our Company in its business during the year; and

(c) the fees payable by us for licenses of future patents developed by our Company on behalf of Alibaba Group, which would be subsequently licensed by Alibaba Group to us, would be subject to negotiation between the parties and will not exceed the prevailing market rate for comparable licenses.

During the year, the total amount of fees paid by us under the Technology and Intellectual Property Framework License Agreement was RMB73.5 million.

The Technology and Intellectual Property Framework License Agreement expired on December 31, 2009. Prior to its expiry, our Company entered into a new framework agreement with Alibaba Group for the licensing of technology and intellectual property as described in the section headed "New framework agreements for continuing connected transactions" below.

6. Disclosure of details pursuant to the conditions of the waivers

The aggregate amount of transactions that took place pursuant to each framework agreement, as compared against the applicable single highest amount or aggregate amount under the relevant waiver (i.e. the annual cap), for the year ended December 31, 2009 is as follows:

		Aggregate amount of transactions that took place RMB (million)	Applicable single highest amount or aggregate amount under the relevant waiver RMB (million)
1	Technology Services Framework Agreement	14.8	15
2	Cooperation Framework Agreement	8.5	24
3	Cross-selling Services Framework Agreement	2.7	151
4	Technology and Intellectual Property Framework License Agreement	73.5	110

The above continuing connected transactions have been reviewed by the independent non-executive directors of our Company. Our independent non-executive directors confirmed that these connected transactions were entered into (i) in our ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favorable to us than terms available to or from independent third parties; (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of our Company as a whole.

In accordance with rule 14A.38 of the Listing Rules, our board engaged the auditors of our Company to perform certain standard procedures on the above continuing connected transaction on a sample basis in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on the selected samples based on the agreed-upon procedures to our board as follows:

(a) The above continuing connected transactions were approved by our board;

(b) The above continuing connected transactions were entered into in accordance with the relevant agreements; and

(c) The value of above continuing connected transactions had not exceeded the applicable caps under the waivers granted by the Stock Exchange and as previously disclosed by our Company.

The auditors also reported that, pursuant to rule 14A.38(2) of the Listing Rules, if the continuing connected transactions involve provision of goods or services by a listed issuer, they shall confirm that the continuing connected transactions are in accordance with the pricing policies of the listed issuer. The continuing connected transactions under the Technology Services Framework Agreement and the Cross-selling Services Framework Agreement are rather unique in its service nature, and our Company has not rendered similar services to other independent third parties. In addition, these framework agreements only set out certain pricing ranges rather than quantifying the exact pricing policy because the scope of services and actual circumstances will vary in different scenarios. Accordingly, the auditors considered that they could only confirm whether pricing of the aforesaid continuing connected transactions fell within the pricing ranges set out in the respective framework agreements. The auditors have sampled on the accounting records and compared the pricing of the technology services provided under Technology Services Framework Agreement against the pricing range set out in that agreement, and found that the pricing was based on actual cost plus a margin of 15%, being the ceiling of the stipulated pricing range. The auditors have also sampled on the accounting records and compared the commission and revenue share under the Cross-selling Services Framework Agreement against the pricing ranges set out in that framework agreement, and found that the commission was calculated according to a rate between 50% and 70%, which was within the stipulated 20% to 80% pricing range;

Save as disclosed above, details of the significant related party transactions undertaken by us during the year in our ordinary course of business are set out in note 35 to our consolidated financial statements on pages 144 to 146 of this Annual Report.

7. New framework agreements for continuing connected transactions

As the Technology Services Framework Agreement, the Cooperation Framework Agreement, the Cross-selling Services Framework Agreement and the Technology and Intellectual Property Framework License Agreement (collectively, "Existing Framework Agreements") were all due to expire on December 31, 2009, our Company and Alibaba Group conditionally entered into four new framework agreements (collectively, "New Framework Agreements") on November 10, 2009 to revise and expand the scope of, and adopt new annual caps for, transactions conducted under each of the Existing Framework Agreements. Among the New Framework Agreements, the new cooperation framework agreement, the new cross-selling services framework agreement and the new technology and intellectual property framework license agreement were subject to approval of our Company's independent shareholders under the Listing Rules. On December 15, 2009, our Company duly convened an extraordinary general meeting and the aforesaid three New Framework Agreements were approved by our independent shareholders. Details of each of the New Framework Agreements, including its major terms, pricing standards and new annual cap amounts applicable for the three years ending December 31, 2010, 2011 and 2012, were set out in the announcement and circular issued by our Company on November 10, 2009 and November 27, 2009 respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2009, we did not have a single major customer. Our top five customers accounted for less than 5% of our revenue. Our top five service providers accounted for approximately 18% of our purchases and our largest service provider accounted for approximately 7% of our purchases for the year.

None of our directors or any of their associates or any shareholders (which to the best knowledge of our directors owned more than 5% of our Company's issued share capital) had a material interest in our five largest suppliers or customers.

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

During the year ended December 31, 2009, we purchased 11,000,000 Shares at prices ranging from HK$5.47 to HK$7.50 per Share on the Stock Exchange. We made repurchases with a view to enhancing shareholder value in the long term.

Particulars of the repurchases are as follows:

Date (MM/YYYY)	Number of Shares repurchased	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Aggregate consideration paid (excluding expenses) (HK$)
01/2009	1,000,000	5.50	5.47	5,497,830
02/2009	10,000,000	7.50	6.94	73,424,875
Total	11,000,000			78,922,705

The repurchased Shares were cancelled and, accordingly, our issued share capital was diminished by the nominal value thereof. The premium payable on repurchases was charged against our share premium account.

Save as disclosed above, neither we nor any of our subsidiaries purchased, sold or redeemed any of our listed securities during the year ended December 31, 2009.

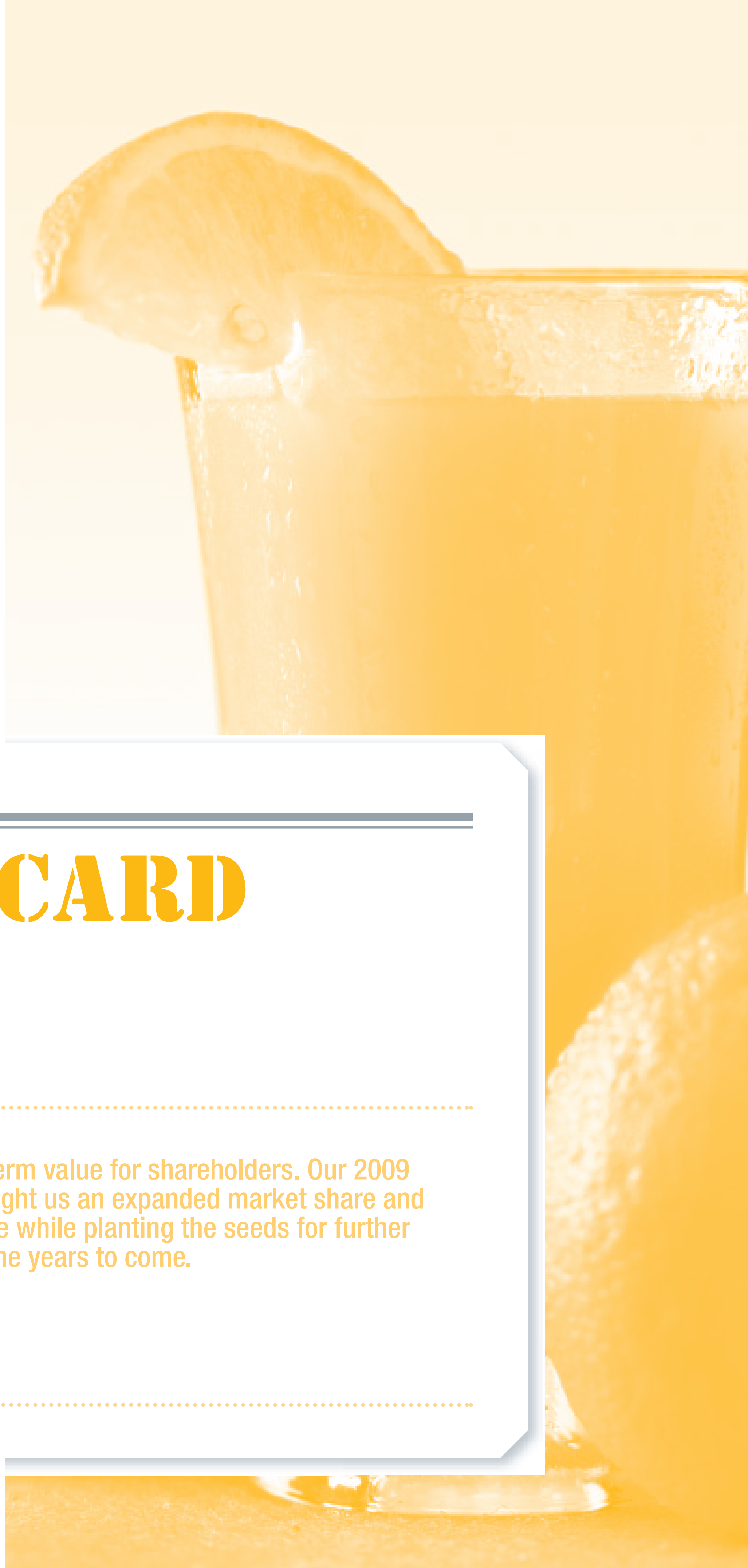
AUDITORS

Our financial statements for the year ended December 31, 2009 were audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at our forthcoming annual general meeting.

A resolution to re-appoint PricewaterhouseCoopers as our auditors will be submitted for shareholders' approval at our forthcoming annual general meeting.

On behalf of the Board
MA Yun, Jack
Chairman

Hong Kong, March 16, 2010



Alibaba.com

YOUR

SCORE CARD

We create long-term value for shareholders. Our 2009 investments brought us an expanded market share and a larger user base while planting the seeds for further development in the years to come.

PricewaterhouseCoopers

羅兵咸永道會計師事務所

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

TO THE SHAREHOLDERS OF ALIBABA.COM LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Alibaba.com Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 88 to 147, which comprise the consolidated and company balance sheets as of December 31, 2009, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of December 31, 2009 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 16, 2010

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
Revenue			
International marketplace	6	2,406,804	1,883,966
China marketplace	6	1,414,897	1,094,059
Others	6	53,027	26,102
Total revenue		3,874,728	3,004,127
Cost of revenue		(534,438)	(400,651)
Gross profit		3,340,290	2,603,476
Sales and marketing expenses		(1,623,845)	(1,108,129)
Product development expenses		(384,333)	(214,038)
General and administrative expenses		(409,708)	(322,246)
Other operating income, net	7	150,566	182,637
Profit from operations	8	1,072,970	1,141,700
Finance income, net	9	140,941	239,207
Share of losses of associated companies, net of tax	19	(37,492)	(16,087)
Profit before income taxes		1,176,419	1,364,820
Income tax charges	13	(163,393)	(210,317)
Profit for the year		1,013,026	1,154,503
Profit attributable to:			
Equity owners of the Company		1,013,026	1,154,503
Non-controlling interest		–	–
		1,013,026	1,154,503
Dividends	14	888,261	–
Earnings per share, basic (RMB)	15	RMB20.10 cents	RMB22.85 cents
Earnings per share, diluted (RMB)	15	RMB19.94 cents	RMB22.83 cents
Earnings per share, basic (HK$ equivalent)	15	HK$22.81 cents	HK$25.61 cents
Earnings per share, diluted (HK$ equivalent)	15	HK$22.63 cents	HK$25.58 cents

The notes on pages 97 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2009

	2009 RMB'000	2008 RMB'000 (Restated)
Profit attributable to equity owners of the Company	**1,013,026**	1,154,503
Other comprehensive income:		
Currency translation differences	**247**	(24,650)
Net fair value gains on available-for-sale investments	**222**	–
Total comprehensive income attributable to equity owners of the Company	**1,013,495**	1,129,853

The notes on pages 97 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As of December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
ASSETS			
Non-current assets			
Lease prepayment		**27,915**	28,502
Property and equipment	16	**783,122**	386,545
Goodwill	17	**202,631**	–
Intangible assets	17	**165,506**	6,615
Interests in associated companies	19	**3,802**	31,719
Deferred tax assets	31	**73,165**	310,025
Available-for-sale investments	20	**22,386**	–
Prepayments, deposits and other receivables	21	**4,234**	10,768
Direct selling costs	22	**31,087**	16,763
Total non-current assets		**1,313,848**	790,937
Current assets			
Amounts due from related companies	35(c)	**37,925**	12,678
Prepayments, deposits and other receivables	21	**309,028**	186,476
Direct selling costs	22	**529,496**	308,416
Available-for-sale investments	20	**50,000**	–
Term deposits with original maturities of over three months	23	**4,467,755**	3,923,373
Cash and cash equivalents	23	**2,748,690**	2,688,951
Total current assets		**8,142,894**	7,119,894
Total assets		**9,456,742**	7,910,831
EQUITY			
Share capital	24	**485**	486
Reserves		**4,976,605**	4,906,575
Equity attributable to equity owners of the Company		**4,977,090**	4,907,061
Non-controlling interest		**41,059**	–
Total equity		**5,018,149**	4,907,061

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred revenue	30	**204,285**	118,277
Other payables	29	**67,602**	–
Deferred tax liabilities	31	**69,641**	–
Total non-current liabilities		**341,528**	118,277
Current liabilities			
Deferred revenue and customer advances	30	**3,232,690**	2,176,120
Trade payables	28	**23,907**	15,576
Amounts due to related companies	35(c)	**20,215**	107,961
Other payables and accruals	29	**785,577**	429,113
Current income tax liabilities		**34,676**	156,723
Total current liabilities		**4,097,065**	2,885,493
Total liabilities		**4,438,593**	3,003,770
Total equity and liabilities		**9,456,742**	7,910,831
Net current assets		**4,045,829**	4,234,401
Total assets less current liabilities		**5,359,677**	5,025,338

Approved on behalf of the board of directors

WEI Zhe, David
Director

WU Wei, Maggie
Director

Hong Kong, March 16, 2010

The notes on pages 97 to 147 are an integral part of these consolidated financial statements.

BALANCE SHEET

As of December 31, 2009

	Notes	2009 RMB'000	2008 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	**1,717,429**	1,607,905
Current assets			
Prepayments and other receivables	21	**101**	631
Amounts due from subsidiaries	18, 35(c)	**1,530,401**	1,574,748
Amount due from an associated company	35(c)	**205**	–
Cash and cash equivalents	23	**120**	24,816
Total current assets		**1,530,827**	1,600,195
Total assets		**3,248,256**	3,208,100
EQUITY			
Share capital	24	**485**	486
Reserves	25	**3,190,451**	3,165,458
Total equity	26	**3,190,936**	3,165,944
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	18, 35(c)	**49,637**	34,232
Amount due to the ultimate holding company	35(c)	**1,676**	2,523
Other payables and accruals	29	**6,007**	5,401
Total current liabilities		**57,320**	42,156
Total equity and liabilities		**3,248,256**	3,208,100
Net current assets		**1,473,507**	1,558,039
Total assets less current liabilities		**3,190,936**	3,165,944

Approved on behalf of the board of directors

WEI Zhe, David
Director

WU Wei, Maggie
Director

Hong Kong, March 16, 2010

The notes on pages 97 to 147 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2009

	Attributable to equity owners of the Company							
	Share capital RMB'000 (Note 24)	Share premium RMB'000	Capital reserve RMB'000 (Note 25(a))	Capital redemption reserve RMB'000 (Note 24(a))	Exchange reserve RMB'000	Statutory reserves RMB'000 (Note 25(b))	Retained earnings RMB'000	Total equity RMB'000
Balance as of January 1, 2008, as previously reported	486	2,893,132	(55,787)	–	20,357	119,615	635,278	3,613,081
Reserve arising from business combination under common control (Note 1)	–	4,116	25,434	–	–	–	(43,359)	(13,809)
Balance as of January 1, 2008, as restated	486	2,897,248	(30,353)	–	20,357	119,615	591,919	3,599,272
Comprehensive income								
Profit attributable to equity owners of the Company	–	–	–	–	–	–	1,154,503	1,154,503
Other comprehensive income								
Currency translation differences	–	–	–	–	(24,650)	–	–	(24,650)
Total comprehensive income	–	–	–	–	(24,650)	–	1,154,503	1,129,853
Transactions with equity owners								
Repurchase of issued ordinary shares	–	(12,401)	–	–	–	–	–	(12,401)
Value of employee services under equity award plans (Note 27(d))	–	190,337	–	–	–	–	–	190,337
Total transactions with equity owners	–	177,936	–	–	–	–	–	177,936
Appropriation to statutory reserves	–	–	–	–	–	130,513	(130,513)	–
Balance as of December 31, 2008	486	3,075,184	(30,353)	–	(4,293)	250,128	1,615,909	4,907,061

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2009

	Attributable to equity owners of the Company										
	Share capital RMB'000 (Note 24)	Share premium RMB'000	Capital reserve RMB'000 (Note 25(a))	Capital redemption reserve RMB'000 (Note 24(b))	Exchange reserve RMB'000	Statutory reserves RMB'000 (Note 25(b))	Investment revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity 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	–	4,968,409
Reserve arising from business combination under common control (Note 1)	–	7,260	25,434	–	–	–	–	(94,042)	(61,348)	–	(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	–	4,907,061
Comprehensive income											
Profit attributable to equity owners of the Company	–	–	–	–	–	–	–	1,013,026	1,013,026	–	1,013,026
Other comprehensive income											
Currency translation differences	–	–	–	–	247	–	–	–	247	–	247
Net fair value gains on available-for-sale investments	–	–	–	–	–	–	222	–	222	–	222
Total comprehensive income	–	–	–	–	247	–	222	1,013,026	1,013,495	–	1,013,495
Transactions with equity owners											
Repurchase of issued ordinary shares	(1)	(69,803)	–	1	–	–	–	(1)	(69,804)	–	(69,804)
Issue of ordinary shares under employee equity award plans	–	55	–	–	–	–	–	–	55	–	55
Special cash dividends (Note 14)	–	–	–	–	–	–	–	(888,261)	(888,261)	–	(888,261)
Net deemed distributions arising from business combination under common control (Note 1)	–	–	(118,239)	–	–	–	–	–	(118,239)	–	(118,239)
Put liability in relation to the acquisition of a 14.67% equity interest in HiChina (Notes 1 and 29)	–	–	(67,602)	–	–	–	–	–	(67,602)	–	(67,602)
Value of employee services under equity award plans (Note 27(d))	–	200,385	–	–	–	–	–	–	200,385	–	200,385
Total transactions with equity owners	(1)	130,637	(185,841)	1	–	–	–	(888,262)	(943,466)	–	(943,466)
Appropriation to statutory reserves	–	–	–	–	–	105,675	–	(105,675)	–	–	–
Non-controlling interest arising on acquisition of HiChina (Note 1)	–	–	–	–	–	–	–	–	–	41,059	41,059
Balance as of December 31, 2009	485	3,205,821	(216,194)	1	(4,046)	355,803	222	1,634,998	4,977,090	41,059	5,018,149

The notes on pages 97 to 147 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2009

	2009 RMB'000	2008 RMB'000 (Restated)
Cash flows from operating activities		
Profit before income taxes	1,176,419	1,364,820
Adjustments for:		
Amortization of lease prepayment	587	586
Depreciation expense of property and equipment	119,380	80,669
Amortization of intangible assets	6,615	7,216
Share-based compensation expense	200,385	181,959
Share of losses of associated companies, net of tax	37,492	16,087
Gains on deemed disposals of Alibaba Japan (Note 7(iii))	(6,980)	(41,281)
Losses/(Gains) on disposals of property and equipment, net	191	(61)
Interest income	(140,479)	(245,055)
Exchange (gains)/losses, net	(462)	5,848
(Increase)/Decrease in amounts due from related companies	(6,555)	16,907
Increase in prepayments, deposits and other receivables	(1,815)	(6,224)
Increase in direct selling costs	(228,812)	(95,181)
Increase in deferred revenue and customer advances	950,714	355,461
Increase in trade payables	8,331	2,693
(Decrease)/Increase in amounts due to related companies	(30,268)	88,605
Increase in other payables and accruals	234,380	113,854
Net cash provided by operating activities	2,319,123	1,846,903
Income tax paid	(78,908)	(256,840)
Net cash generated from operating activities	2,240,215	1,590,063

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2009

	2009 RMB'000	2008 RMB'000 (Restated)
Cash flows from investing activities		
Increase in term deposits with original maturities of over three months	(503,487)	(2,970,991)
Purchase of property and equipment and lease prepayment of land use rights	(410,744)	(275,680)
Purchase of available-for-sale investments	(922,152)	–
Proceeds from disposals of property and equipment	2,737	2,153
Proceeds from disposals of available-for-sale investments	850,000	–
Interest received	176,206	143,110
Payments for expenses in relation to deemed disposal of Alibaba Japan	–	(9,513)
Acquisition of the business management software division of Alisoft (Note 1)	(193,440)	–
Acquisition of an 85% equity interest in HiChina, net of cash acquired (Note 32)	(221,364)	–
Net cash used in investing activities	(1,222,244)	(3,110,921)
Cash flows from financing activities		
Payments for share issuance costs	–	(66,472)
Payments for repurchase of issued ordinary shares	(69,804)	(12,401)
Issue of ordinary shares under employee equity award plans	55	–
Dividends paid	(888,261)	–
Net cash used in financing activities	(958,010)	(78,873)
Net increase/(decrease) in cash and cash equivalents	59,961	(1,599,731)
Cash and cash equivalents at beginning of year	2,688,951	4,321,170
Effect of exchange rate for the year	(222)	(32,488)
Cash and cash equivalents at end of year (Note 23)	2,748,690	2,688,951

	2009 RMB'000	2008 RMB'000
Analysis of cash and bank balances		
Cash and cash equivalents	2,748,690	2,688,951
Term deposits with original maturities of over three months	4,467,755	3,923,373
Total	7,216,445	6,612,324

The notes on pages 97 to 147 are an integral part of these consolidated 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 ("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 Hong Kong Institute of Certified Public Accountants (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, 2008). As a result of this business combination under common control, profit for the year ended December 31, 2009 has been decreased by RMB22,787,000 (2008: RMB50,683,000).

Details of the adjustments for the common control combination on the Group's financial position as of December 31, 2008 and the Group's results for the year then ended are set out in Note 36.

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"), SYNNEX 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) (Note 29). The non-compensatory portion of the consideration has been recorded as put liability under other payables, and the compensatory portion will be recorded as share-based compensation expenses over the vesting period of the put options.

In addition, the Company has also agreed, among other things, that it might transfer certain earn-in shares of HiChina to the founder companies and certain key employees, subject to achieving other post-completion performance milestones to be set based on the ongoing business strategies and objectives of HiChina on an annual basis over each of the five years starting 2010. The earn-in shares transferrable will increase or decrease based on the achievement of the performance milestones, subject to the limit that the Company in no event will directly or indirectly hold less than 51% of the voting power in HiChina on a fully diluted basis. Furthermore, if a separate listing of HiChina has not taken place before January 1, 2016, the founder companies and certain key employees holding equity interests in HiChina may convert their equity interests in HiChina into shares of the Company, calculated by a formula based on the value of the shares of the Company and that of HiChina (which takes into account certain financial metrics of HiChina and that of comparable companies) as prescribed in the acquisition agreements.

1 GENERAL INFORMATION (Continued)

The aforesaid transaction was accounted for using the acquisition accounting method and the non-controlling interest was measured at the non-controlling interest's proportionate share of the net assets of HiChina.

The acquisition brought increased synergy and opportunities across both the Group and HiChina. Four principal strategic assets were brought into the Group: a large new customer base, new value-added applications, advanced and automated website technology and a strong management and operating team. The goodwill of RMB202,631,000 arising from the acquisition was attributable to synergies expected from combining the operations of the Group and HiChina.

HiChina, through its subsidiaries in the PRC, operates the website www.net.cn in the PRC and is a provider of Internet infrastructure services, including domain name services, web and server hosting services, e-mail hosting services and website design and development in the PRC.

The consolidated financial statements of the Group have been approved for issue by the board of directors on March 16, 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 preparation of the 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's consolidated financial statements are disclosed in Note 4. Actual results may differ from these estimates.

The Group has adopted the following new/revised IFRS standards and interpretations for accounting periods commencing January 1, 2009:

		Effective for annual periods beginning on or after
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IAS 1 (Revised)	Presentation of Financial Statements	January 1, 2009
IFRS 8	Operating Segments	January 1, 2009
IFRSs (Amendments)	Improvements to IFRSs	January 1, 2009
Amendments to IFRS 1 and IAS 27	Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2009
Amendment to IFRS 2	Share-based Payment Vesting Conditions and Cancellations	January 1, 2009
Amendments to IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosure	January 1, 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements	July 1, 2009
IFRS 3 (Revised)	Business Combination	July 1, 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	July 1, 2009
Amendment to IAS 38	Intangible Assets	July 1, 2009
Amendment to IFRS 2	Share-based Payments	July 1, 2009

The Group has early adopted and applied IFRS 3 (Revised), "Business Combinations" to the acquisition of the controlling interest in HiChina in December 2009. Acquisition-related costs of RMB14,205,000 have been recognized in the general and administrative expenses of the consolidated income statement, which previously would have been included in the consideration for the business combination under IFRS 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

As the Group has early adopted IFRS 3 (Revised) in 2009, it is required to early adopt IAS 27 (Revised), "Consolidated and Separate Financial Statements", IFRIC 17, "Distribution of Non-cash Assets to Owners", Amendment to IAS 38 "Intangible Assets" and Amendment to IFRS 2, "Share-based Payments". IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies that when control in an entity is lost, any remaining interest in that entity is re-measured to fair value, and any gain or loss is recognized in the consolidated income statement. IFRIC 17 provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. Amendment to IAS 38 clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset as if each asset has similar useful economic lives. Amendment to IFRS 2 confirms the issuance of equity instruments relating to business combinations under common control or contribution of a business for the formation of a joint venture are not within the scope of IFRS 2.

The adoption of the above new/revised IFRS standards and interpretations including the early adoption of IFRS 3 (Revised), IAS 27 (Revised), IFRIC 17, Amendment to IAS 38 and Amendment to IFRS 2 did not have any material impact on the Group's consolidated financial statements except for disclosures and has not led to any changes in the 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, 2009:

		Effective for annual periods beginning on or after
Amendment to IAS 39	Eligible Hedge Items	July 1, 2009
Amendment to IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	July 1, 2009
Amendment to IFRIC 9	Reassessment of Embedded Derivatives	July 1, 2009
Amendment to IFRIC 16	Hedges of a Net Investment in a Foreign Operation	July 1, 2009
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 5	Non-current Assets Held for Sale and Discontinued Operations	January 1, 2010
Amendment to IFRS 8	Operating Segments	January 1, 2010
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
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 the above revised standards, interpretations and amendments to the existing standards in 2009. Management is in the process of making an assessment of their impact and are 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and of all its direct and indirect subsidiaries made up to December 31 and include the Group's interests in associated companies. Results of subsidiaries and associated companies acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal respectively.

Inter-company transactions, balances and unrealized gains on transactions between the consolidated entities or businesses are eliminated on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions which are considered 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 Common Control Combinations".

(i) Acquisition method of accounting

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

The Group treats transactions with non-controlling interest as transactions with equity owners of the Company. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

(ii) Business combinations under common control

The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

(ii) Business combinations under common control (Continued)

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognized directly in equity as part of the capital reserve.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, the date of the common control combination is disregarded.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been consolidated at the earliest balance sheet date presented or when they first came under common control, whichever is the later.

To comply with laws and regulations of the People's Republic of China (the "PRC") that restrict foreign ownership of companies that operate Internet information services and other restricted businesses, the Group operates its websites and provides such restricted services in the PRC through PRC domestic companies whose equity interests are held by a director and a former director of the Company. The paid-in capital of these entities was funded by the Group through loans extended to these two shareholders of the PRC domestic companies. In addition, these domestic companies have entered into certain business cooperation and technical service agreements with the Group, which make it obligatory for the Group to absorb a substantial majority of the risk of losses from their activities and entitle the Group to receive a substantial majority of their residual returns.

Further, the Group has entered into certain agreements with the two shareholders of these domestic companies, including loan agreements for them to contribute paid-in capital to the domestic companies, option agreements for the Group to acquire the equity in the PRC domestic companies subject to compliance with PRC laws, pledge agreements over the equity interests of these PRC domestic companies held by them, and proxy agreements irrevocably authorizing individuals designated by the Group to exercise equity owner's rights over these PRC domestic companies, whichever is applicable. Based on these contractual agreements, the Group believes that, notwithstanding the lack of equity ownership, the contractual arrangements described above give the Group control over the PRC domestic companies in substance. Accordingly, the financial position and operating results of these entities are included in the Group's consolidated financial statements.

(b) Associated companies

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Associated companies (Continued)

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-maker. The chief operating decision-maker has been identified to be the executive management committee that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized within "finance income, net" in the income statement.

(c) Group companies

Results and financial positions of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in exchange reserve as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Lease prepayment

Lease prepayment represents payments of land use rights to the PRC's land bureau. Land use right is carried at cost less accumulated amortization and impairment losses. Amortization is provided to write off the cost of lease prepayment on a straight-line basis over the period of the right which is 50 years.

2.6 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs to their residual amounts over their estimated useful lives, as follows:

	Years
Buildings	20 – 48
Leasehold and building improvements	2 – 20 (shorter of remaining lease period or estimated useful life)
Furniture and office equipment	3
Computer equipment	3

An asset's residual value and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction-in-progress represents buildings under construction, which is stated at actual construction cost less any impairment loss. Construction-in-progress is transferred to property and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other operating income/(expenses)" in the income statement.

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested for impairment annually or whenever there is an indication that it may be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets

(a) Computer software and technology

Computer software and technology primarily comprise computer software that are acquired in a business combination and are recognized at fair value at the acquisition date. Amortization is calculated using the straight-line method over their estimated economic lives of two to five years.

(b) Trademarks and domain names

Trademarks and domain names acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and domain names have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and domain names over their estimated useful lives of ten to fifteen years.

(c) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated life of the customer relationships of three to five years.

2.9 Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. These investments are initially recognized in the balance sheet at fair value plus transaction costs and measured at each subsequent reporting date at fair value. Changes in fair value are dealt with as movements in the investment revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in the income statement. Dividends from available-for-sale investments are recognized when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously recognized in the investment revaluation reserve is recognized in the income statement.

Changes in fair value of a monetary investment denominated in a foreign currency and classified as an available-for-sale investment are analyzed between translation differences resulting from changes in amortized cost of the investment and other changes in the carrying amount of the investment. The translation differences on monetary investments are recognized in the income statement; translation differences on non-monetary investments are recognized in equity.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are measured at cost less provision for impairment in value.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale investments, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale investments, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that available-for-sale investment previously recognized in the income statement, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the other receivables are impaired. The amount of the provision is the difference between the other receivables' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the other receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When an amount of other receivables is uncollectible, it is written off against the allowance account for other receivables. Subsequent recoveries of amounts previously written off are credited to "other operating income/(expenses)" in the income statement.

2.12 Direct selling costs

Direct selling costs, which principally comprise sales commissions paid in respect of service fees received in advance, are deferred and are charged ratably to the income statement over the term of the respective service contracts as the services are rendered.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Costs directly attributable to the repurchase of issued ordinary shares are shown in equity as a deduction and the nominal value of the shares repurchased is transferred from the retained earnings to the capital redemption reserve.

2.15 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.18 Staff costs

(a) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(b) Pension obligations

The Group participates in various defined contribution pension schemes. The schemes are generally funded through monthly payments to publicly or privately administered pension insurance plans or government authorities on a mandatory, contractual or voluntary basis. The contributions are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Assets of the defined contribution plans are held and managed by publicly or privately administered pension insurance plans or government authorities and are separate from those of the Group.

(c) Share-based compensation

Share options and restricted share units

The ultimate holding company operates equity award plans (the "Equity Award Plans") and other share incentive schemes, one of which is the Pre-IPO share incentive scheme, where employees (including directors) of the Group are granted share options or restricted share units ("RSUs") to acquire shares of the ultimate holding company or the Company's shares held by the ultimate holding company at specified exercise prices. The resulting share-based compensation expense is allocated to the Group accordingly.

The Company also operates a share option scheme and a RSU scheme where share options and RSUs are granted to employees (including directors) and consultants of the Group in exchange for their services to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Staff costs (Continued)

Share options or RSUs granted on or before November 7, 2002 or vested before January 1, 2005

No expense is recognized in respect of these options.

Share options or RSUs granted after November 7, 2002 and vested on or after January 1, 2005

The fair value of the employee services received in exchange for the grant of the options or RSUs is recognized as staff costs in the income statement with a corresponding increase in the share premium under equity of the Company or its subsidiaries. The fair value of the options granted is measured at grant date using the Black-Scholes valuation model ("Black-Scholes Model") whereas the fair value of RSUs granted is measured at grant date based on the fair value of the shares of the ultimate holding company or the Company, as appropriate, taking into account the terms and conditions upon which the options or RSUs were granted, and amortized over the respective vesting periods during which the employees become unconditionally entitled to the options or RSUs. At each balance sheet date, the Group revises its estimates of the number of share options or RSUs that are expected to become vested. The impact of the revision of original estimates, if any, is recognized in the income statement over the remaining vesting period. On vesting date, the amount recognized as employee benefit expense is adjusted to reflect the actual number of share options or RSUs that become vested.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

The Group principally derives its revenue from the provision of B2B services.

(a) B2B services

The Group's online B2B marketplaces facilitate e-commerce between suppliers and buyers. The Group earns its revenues from service fees received from suppliers ("paying members") while buyers may use the marketplaces to conduct business at no charge. Service fees are received by the Group in respect of the sale of membership packages which provide priority placement of paying members' storefronts and listings in the industry directory and search results on the Group's marketplaces. Additional revenue is generated from service fees from paying members in respect of the sale of value-added services, including sale of additional keywords to improve the paying member's rankings in search results on the Group's marketplaces and sale of premium placements on the web pages to increase the paying member's exposure to potential buyers.

Service fees are paid in advance in respect of the above services for a specific contracted service period. All service fees are initially deferred when received and revenue is recognized ratably over the term of the respective service contracts as the services are rendered.

Value-added services are normally purchased by paying members together with the membership packages within its contracted service period. In the event the fair value of the respective membership package and the value-added services cannot be objectively measured, the aggregate service fees are recognized as revenue ratably over the term of the membership package. In the event the fair value of the value-added services can be objectively measured, service fees from such value-added services are recognized as revenue ratably over the contracted service period of the value-added services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

(b) Barter transactions

When services are exchanged or swapped for services which are of a similar nature and value, the exchange is not regarded as a revenue-generating transaction.

When services are rendered in exchange for dissimilar services, the exchange is regarded as a revenue-generating transaction. The revenue is measured at the fair value of the services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of the services provided in a barter transaction, by reference to non-barter transaction involving similar services, adjusted by the amount of any cash or cash equivalents transferred.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. Interest income is classified as "finance income, net" in the consolidated income statement.

The Group is subject to business tax and related surcharges on the revenue earned for services provided in the PRC. The applicable rate of business tax is 5%. In the income statement, business tax and related surcharges for revenue earned by the Group are included in "cost of revenue".

2.20 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The income approach is adopted to recognize government grants. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Where a government grant becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs, it is recognized as income in the period in which it becomes receivable. Government grants are recognized within "other operating income/(expenses)" in the income statement.

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the shareholders or equity owners of the Group is recognized as a liability in the Group's financial statements in the year in which the dividends are approved by the shareholders or equity owners of the Company or Group's subsidiaries.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks in the ordinary course of business, mainly foreign currency exchange risk and interest rate risk on cash and cash equivalents. The Group's treasury department, which reports to the Chief Financial Officer, monitors the current and expected liquidity requirements in accordance with policies and procedures approved by the board of directors. The Group has adopted prudent treasury management objectives, which include maintaining sufficient liquidity to meet various funding requirements in accordance with the strategic plans while aiming to achieve a better return on cash and to hedge against any foreign currency exchange risk. It is the Group's policy not to invest in financial products with significant underlying leverage or derivative exposure.

(a) Foreign currency exchange risk

Foreign currency exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Although the Group operates businesses in different countries, substantially all of the revenue-generating and expense-related transactions are denominated in Renminbi which is the functional currency of the Company and most of the Group's 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.

Sensitivity analysis

As of December 31, 2009, most of the foreign currency denominated monetary assets and liabilities being held by the Group were denominated in United States dollars (2008: same). As of December 31, 2009, if Renminbi had strengthened/weakened 2% against United States dollars with all other variables held constant, profit attributable to equity owners for the year would have been decreased/increased by RMB5,574,000 (2008: RMB32,012,000) as a result of foreign exchange losses/gains on translation of United States dollars denominated monetary assets and liabilities.

Exchange differences arising from translation of results and financial positions of certain Group companies from functional currencies to the presentation currency are dealt with as a movement in exchange reserve. As of December 31, 2009, if Renminbi had strengthened/weakened 2% against United States dollars with all other variables held constant, the Group's equity would have been decreased/increased by RMB18,612,000 (2008: RMB35,800,000).

(b) Interest rate risk

The Group has no interest-bearing borrowings. The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing assets including term deposits with original maturities of over three months and cash and cash equivalents.

Sensitivity analysis

As of December 31, 2009, if the interest rate increased/decreased by 50 basis-point with all other variables held constant, profit attributable to equity owners of the Company would have been RMB36,044,000 (2008: RMB32,923,000) higher/lower, mainly as a result of higher/lower interest income on bank balances.

(c) Credit risk

The Group's credit risk is considered minimal as a substantial part of the income is prepaid by a diversified group of customers. The extent of the Group's credit risk exposure is represented by the aggregate of cash and other investments held at banks and at other financial institutions. All of the Group's 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.

The Group's maximum exposure to credit risk without taking into account of the value of any collateral held is represented by the carrying amount of each financial asset in the balance sheet.

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

The Group has maintained its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations. The Group adopts prudent treasury management objectives which include maintaining sufficient cash and cash equivalents to meet its commitment over the foreseeable future in accordance with its strategic plans.

The Group does not have significant financial liabilities except for amounts due to related companies, trade payables, other payables and certain accruals. The contractual maturities of amounts due to related companies are disclosed in Note 35(c). For trade payables and other payables, they are generally on credit terms of one to three months after the invoice date, except for the deferred consideration and put liability, which will be matured from one to four years. For accruals, there are generally no specified contractual maturities and are paid upon counterparty's formal notification, of which should be within 12 months from the balance sheet date.

(e) Fair value estimation

The fair values of the Groups' financial instruments are not materially different from their carrying amounts.

The fair values of financial instruments that are not traded in active market are made reference to amounts as determined by discounted cash flow valuation techniques.

The carrying values less impairment provision (as applicable) of amounts due from related companies, prepayments, deposits and other receivables are a reasonable approximation of their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, "Financial Instruments: Disclosure", with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Group Fair value measurement as of December 31, 2009			
	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total amount** RMB'000
Debt securities in the PRC, at fair value (Note 20)	–	70,222	–	70,222

3 FINANCIAL RISK MANAGEMENT (Continued)

(f) Capital risk management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to sustain the future development of the Group's businesses.

The Group's capital structure is being reviewed periodically to ensure these objectives are to be achieved. In order to maintain or adjust the capital structure, the Group will consider the macroeconomic conditions, prevailing interest rate and adequacy of cash flows generating from operations and may adjust the amount of dividends to shareholders, return capital to shareholders and issue new shares.

Currently, the Group has no external borrowings. The Group defines the total equity as the capital of the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Recognition of share-based compensation expense

The Group's employees have participated in equity award plans of the ultimate holding company and/or the Company. Management of the Group have used the Black-Scholes Model to determine the total fair value of the options granted, which is based on fair value and various attributes of the underlying shares of the ultimate holding company and the Company, depending on the type of the equity award plan. Significant estimates and assumptions are required to be made in determining the parameters for applying the Black-Scholes Model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield and volatility of the underlying shares and the expected life of the options. The total fair value of RSUs granted is measured on the grant date based on the fair value of the underlying shares of the ultimate holding company and the Company. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group at the end of the vesting period. The Group only recognizes an expense for those options or RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to the options or RSUs. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSUs and the amount of such equity awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expense.

The fair value of options and RSUs at the time of grant is to be expensed over the vesting period of the options and RSUs based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share option or RSU grant, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Based on the fair value of options and RSUs granted by the ultimate holding company and the Company to the Group's employees and the expected turnover rate of grantees, the corresponding share-based compensation expense recognized by the Group in respect of their services rendered for the year ended December 31, 2009 was approximately RMB200,385,000 (2008: RMB181,959,000) (Note 27(d)).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Recognition of income taxes

The Group is mainly subject to income tax in the PRC. In the ordinary course of business, there are many transactions (including entitlement to preferential tax treatment and deductibility of expenses) where the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax is recognized for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilized. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred income tax and income tax charge in the period in which such estimate has been changed.

Deferred tax liability is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Depreciation and amortization

The costs of property and equipment are charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

The costs of intangible assets are charged as amortization over the estimated useful lives of the respective intangible assets using the straight-line method. The Group periodically reviews the estimated remaining useful lives and amortization rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in estimated useful lives and therefore amortization in future periods.

5 SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by 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.

6 REVENUE

	2009 RMB'000	2008 RMB'000 (Restated)
International marketplace		
China Gold Supplier	**2,344,475**	1,842,884
Global Gold Supplier	**62,329**	41,082
	2,406,804	1,883,966
China marketplace		
China TrustPass	**1,344,029**	1,026,883
Other revenue (i)	**70,868**	67,176
	1,414,897	1,094,059
Others (ii)	**53,027**	26,102
Total	**3,874,728**	3,004,127

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

(ii) Other revenue mainly represented revenue earned from the sale of certain software products.

7 OTHER OPERATING INCOME, NET

	2009 RMB'000	2008 RMB'000 (Restated)
Government grants (i)	**113,500**	102,840
Reimbursement from fellow subsidiaries (ii)	**26,806**	17,121
Gains on deemed disposals of Alibaba Japan (iii)	**6,980**	41,281
Others	**3,280**	21,395
Total	**150,566**	182,637

(i) Government grants mainly represented 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 PRC.

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

(iii) Alibaba.com Japan Co., Ltd. ("Alibaba Japan"), a wholly-owned subsidiary of the Company before the transactions described below, engages in the provision of Japanese language B2B services on a site with the uniform resource locator www.alibaba.co.jp. In May, 2008, the Group entered into an agreement with SOFTBANK CORP. ("Softbank") under which Softbank made a cash investment into Alibaba Japan for a 64.7% interest. As a result of the deemed disposal of the Japanese business, a gain, net of related expenses, of RMB41,281,000 was recognized for the year ended December 31, 2008. In May, 2009, Hikari Tsushin, Inc. ("Hikari Tsushin") made a cash investment into Alibaba Japan in exchange for a 10.0% interest. As a result, the Group's interest in Alibaba Japan was diluted from 35.30% to 31.77% and a deemed disposal gain of RMB6,980,000 was recognized for the year ended December 31, 2009.

8 PROFIT FROM OPERATIONS

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

	2009 RMB'000	2008 RMB'000 (Restated)
Crediting:		
Gains on deemed disposals of Alibaba Japan (Note 7(iii))	6,980	41,281
Gains on disposals of property and equipment, net	–	61
Charging:		
Staff costs (Note 10)	1,698,147	1,075,206
Depreciation expense of property and equipment (Note 16)	119,380	80,669
Operating lease rentals	68,013	55,702
Amortization of intangible assets (Note 17)	6,615	7,216
Auditors' remuneration	5,350	5,064
Amortization of lease prepayment	587	586
Losses on disposals of property and equipment, net	191	–

9 FINANCE INCOME, NET

	2009 RMB'000	2008 RMB'000
Interest income	140,479	245,055
Exchange gains/(losses), net	462	(5,848)
Total	140,941	239,207

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 RMB'000	2008 RMB'000 (Restated)
Salaries, bonuses and sales commission	1,243,515	691,984
Contributions to defined contribution plans [i]	204,416	121,152
Discretionary employee benefits	49,831	80,111
Share-based compensation expense (Note 27(d))	200,385	181,959
Total	1,698,147	1,075,206

	2009	2008 (Restated)
Number of employees	11,716	8,200

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(i) All local employees of the subsidiaries in the PRC participate in mandatory employee social security plans pursuant to the regulations enacted in the PRC, which cover pension, medical and other welfare benefits. The plans are organized and administered by the government authorities. Except for welfare benefits provided by these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the subsidiaries of the Group as required by the above social security plans are principally determined based on a percentage of the monthly compensation of employees, subject to certain ceilings, and are paid to the respective labour and social welfare authorities.

The Group also contributes to retirement plans for its employees outside the PRC at percentages of the monthly compensation of employees in compliance with requirements of the respective governments.

The contributions to the above plans are expensed as incurred. Assets of the plans are held and managed by publicly or privately administered pension insurance plans or government authorities and are separate from those of the Group.

11 DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments – paid and payable by the Company to directors of the Company were as follows:

	2009 RMB'000	2008 RMB'000
Fees	1,416	1,348
Salaries, bonuses, allowances and benefits in kind	14,819	8,232
Contributions to defined contribution plans	213	201
	16,448	9,781
Share-based compensation expense [i]	66,647	76,182
Total	83,095	85,963

(i) Share-based compensation expense represents amortization of fair value of: (a) the share options and RSUs issued under the Equity Award Plans, a Pre-IPO share incentive scheme and other share incentive schemes of the ultimate holding company; and (b) the share options and RSUs issued by the Company. The fair values of these abovementioned share-based compensations were allocated/charged to the income statement of the Group, disregarding whether or not the options and RSUs have been vested or exercised.

	2009	2008
Number of directors		
– with emoluments	13	12
– without emoluments	2	2
Total	15	14

11 DIRECTORS' EMOLUMENTS (Continued)

The remuneration of the Company's directors was set out below:

For the year ended December 31, 2009

Name of directors	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind[i] RMB'000	Contributions to defined contribution plans RMB'000	Subtotal RMB'000	Share-based compensation expense[ii] RMB'000	Total RMB'000
Executive directors						
WEI Zhe, David	–	3,500	50	3,550	36,989	40,539
WU Wei, Maggie	–	2,760	57	2,817	8,335	11,152
LEE Shi-Huei, Elvis [iii]	–	3,718	–	3,718	9,010	12,728
DENG Kangming [iii]	–	2,400	57	2,457	4,973	7,430
PENG Yi Jie, Sabrina	–	1,459	37	1,496	4,016	5,512
DAI Shan, Trudy [iv]	–	982	12	994	242	1,236
Non-executive directors						
MA Yun, Jack	–	–	–	–	1,481	1,481
TSAI Chung, Joseph	–	–	–	–	1,601	1,601
OKADA, Satoshi	–	–	–	–	–	–
TSOU Kai-Lien, Rose	–	–	–	–	–	–
Independent non-executive directors						
TSUEI, Andrew Tien Yuan	264	–	–	264	–	264
NIU Gen Sheng	353	–	–	353	–	353
KWAUK Teh Ming, Walter	353	–	–	353	–	353
KWAN Ming Sang, Savio	353	–	–	353	–	353
LONG Yong Tu [iv]	93	–	–	93	–	93
Total	1,416	14,819	213	16,448	66,647	83,095

(i) Bonuses in respect of 2009 was paid in 2010.

(ii) This represents amortization of the fair value of share options and RSUs measured at the grant dates charged to the income statement, regardless of whether or not the share options and RSUs have been vested or exercised.

(iii) These directors were appointed on May 7, 2009 and the remuneration shown above represented their remuneration received for the whole year, including remuneration received as employees prior to their directorship for the Company.

(iv) These directors retired on May 7, 2009 and the remuneration shown above represented their remuneration received up to the date of retirement.

11 DIRECTORS' EMOLUMENTS (Continued)

For the year ended December 31, 2008

Name of directors	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind[i] RMB'000	Contributions to defined contribution plans RMB'000	Subtotal RMB'000	Share-based compensation expense[ii] RMB'000	Total RMB'000
Executive directors						
WEI Zhe, David	–	2,700	44	2,744	56,158	58,902
WU Wei, Maggie	–	2,470	52	2,522	11,829	14,351
DAI Shan, Trudy	–	955	35	990	2,319	3,309
PENG Yi Jie, Sabrina	–	1,279	35	1,314	2,095	3,409
XIE Shi Huang, Simon	–	828	35	863	1,089	1,952
Non-executive directors						
MA Yun, Jack	–	–	–	–	1,269	1,269
TSAI Chung, Joseph	–	–	–	–	1,423	1,423
OKADA, Satoshi	–	–	–	–	–	–
TSOU Kai-Lien, Rose	–	–	–	–	–	–
Independent non-executive directors						
LONG Yong Tu	354	–	–	354	–	354
TSUEI, Andrew Tien Yuan	268	–	–	268	–	268
NIU Gen Sheng	357	–	–	357	–	357
KWAUK Teh Ming, Walter	357	–	–	357	–	357
KWAN Ming Sang, Savio	12	–	–	12	–	12
Total	1,348	8,232	201	9,781	76,182	85,963

(i) Bonuses in respect of 2008 was paid in 2009.

(ii) This represents amortization of the fair value of share options measured at the grant dates charged to the income statement, regardless of whether or not the share options have been vested or exercised.

None of the directors received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office (2008: Nil). None of the directors waived or has agreed to waive any emoluments during the year (2008: Nil).

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals whose emoluments were the highest in the Group during the year ended December 31, 2009 included five (2008: three) directors whose details have been reflected in the analysis above. The emoluments payable to the remaining two individuals in 2008 are as follows:

	2008 RMB'000
Salaries, bonuses, allowances and benefits in kind	3,483
Contributions to defined contribution plans	52
Share-based compensation expense	4,378
Total	7,913

The emoluments payable to the two individuals in 2008 were within the following bands:

	Number of individuals 2008
RMB3,000,001 – RMB3,500,000	1
RMB4,000,001 – RMB4,500,000	1
Total	2

13 INCOME TAX CHARGES

	2009 RMB'000	2008 RMB'000
Current tax charge	**135,451**	260,031
Deferred tax charge/(credit) (Note 31)	**26,256**	(49,714)
Under-provision in previous years	**1,686**	–
Total	**163,393**	210,317

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

The PRC Enterprise Income Tax Law (the "New EIT Law"), which became effective on January 1, 2008, unifies the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25%. In addition, the New EIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). In 2008, Alibaba China, the principal operating entity of the Group, was formally designated as a HNTE and as a result, was subject to EIT at 15% in 2008.

Pursuant to Caishui [2008] No. 1 under the New EIT Law, a duly recognized Key Software Enterprise ("KSE") within China's National Plan can enjoy a preferential EIT rate of 10%. Alibaba China was recognized as a KSE 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 EIT at 10% in 2009. This KSE status is subject to review by relevant authorities on an annual basis.

13 INCOME TAX CHARGES (Continued)

Pursuant to the New EIT Law and the Detailed Implementation Regulations for implementation of the New EIT Law, unless otherwise specified, a 10% withholding tax will be levied on dividends declared by the companies established in the PRC to their foreign investors starting from January 1, 2008. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC companies are incorporated in Hong Kong with regard to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income". In 2009, the Group recognized relevant deferred tax liabilities of RMB34,000,000 (2008: Nil) on the retained earnings of Alibaba China of approximately RMB680,000,000, which is anticipated to be distributed as dividends by Alibaba China to finance the business development outside the PRC.

In addition, 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 New EIT Law in 2008. Under this tax circular, a "Software Enterprise" can enjoy full exemption from EIT for the first two years and fifty percent reduction in EIT 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 enjoyed full exemption from EIT in 2008 and 2009.

Most of the remaining PRC entities of the Group were subject to EIT at 25% in 2009 (2008: 25%) in accordance with the New EIT Law.

The tax on the Group's profit before income tax differed from the theoretical amount that would arise using the PRC EIT statutory rate of 25% (2008: 25%) as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Profit before income tax	**1,176,419**	1,364,820
Tax calculated at a tax rate of 25% (2008: 25%)	**294,105**	341,205
Effect of different tax rates available to different companies of the Group	**(172,495)**	(143,092)
Effects of tax holiday on assessable profits of subsidiaries incorporated in the PRC	**(24,238)**	(9,376)
Tax incentives for research and development expenses available for a subsidiary incorporated in the PRC (i)	**(15,259)**	(15,089)
Income not taxable for tax purposes	**(1,319)**	(446)
Expenses not deductible for tax purposes (ii)	**29,876**	34,308
Withholding tax on the earnings remitted and anticipated to be remitted	**45,241**	–
Utilization of previously unrecognized tax assets	**(3,902)**	(3,553)
Unrecognized tax losses	**11,384**	6,360
Income tax charges	**163,393**	210,317

(i) The Group obtained a tax incentive relating to the research and development expenses of one of its major operating subsidiaries in the PRC in 2008. Under such tax incentive rule, the Group may claim an additional tax deduction amounting to 50% of the research and development expenses incurred in a year. The amount which exceeds that year's taxable profit can be carried forward for utilization up to the following five years.

(ii) Expenses not deductible for tax purposes primarily represent share-based compensation expense.

14 DIVIDENDS

	2009 RMB'000	2008 RMB'000
Special cash dividends paid	**888,261**	–

A special cash dividend of 20 Hong Kong cents per ordinary share was paid to shareholders on September 9, 2009.

The directors did not recommend the payment of a final dividend for the year ended December 31, 2009 (2008: Nil).

15 EARNINGS PER SHARE

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

	2009	2008 (Restated)
Profit attributable to equity owners of the Company (RMB'000)	**1,013,026**	1,154,503
Weighted average number of ordinary shares in issue (thousand shares)	**5,040,685**	5,052,130
Earnings per share, basic (RMB)	**RMB20.10 cents**	RMB22.85 cents
Earnings per share, basic (HK$ equivalent) [(i)]	**HK$22.81 cents**	HK$25.61 cents

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year on the assumption that potentially dilutive share options and 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 year) 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. No adjustment is made to earnings (the numerator).

	2009	2008 (Restated)
Profit attributable to equity owners of the Company (RMB'000)	**1,013,026**	1,154,503
Weighted average number of ordinary shares in issue (thousand shares)	**5,040,685**	5,052,130
Adjustments for share options and RSUs (thousand shares)	**38,942**	4,218
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	**5,079,627**	5,056,348
Earnings per share, diluted (RMB)	**RMB19.94 cents**	RMB22.83 cents
Earnings per share, diluted (HK$ equivalent) [(i)]	**HK$22.63 cents**	HK$25.58 cents

(i) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8812 to HK$1.0000 (2008: RMB0.8924 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.

16 PROPERTY AND EQUIPMENT

	Buildings RMB'000	Leasehold and building improvements RMB'000	Furniture and office equipment RMB'000	Computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended December 31, 2008						
As of January 1, 2008, as previously reported	–	14,437	12,446	93,596	38,513	158,992
Adjusted for business combination under common control (Note 1)	–	–	–	4,781	–	4,781
As of January 1, 2008, as restated	–	14,437	12,446	98,377	38,513	163,773
Additions	–	10,010	23,323	107,879	170,700	311,912
Disposals	–	(950)	(394)	(5,733)	–	(7,077)
Depreciation	–	(10,275)	(8,432)	(61,962)	–	(80,669)
Exchange differences	–	(114)	(88)	(1,192)	–	(1,394)
Closing net book amount	–	13,108	26,855	137,369	209,213	386,545
As of December 31, 2008						
Cost	–	44,164	56,640	288,592	209,213	598,609
Accumulated depreciation	–	(31,056)	(29,785)	(151,223)	–	(212,064)
Closing net book amount	–	13,108	26,855	137,369	209,213	386,545
Year ended December 31, 2009						
As of January 1, 2009, as previously reported	–	13,108	26,850	126,804	209,213	375,975
Adjusted for business combination under common control (Note 1)	–	–	5	10,565	–	10,570
As of January 1, 2009, as restated	–	13,108	26,855	137,369	209,213	386,545
Additions	–	18,160	37,876	157,089	266,174	479,299
Acquisition of HiChina (Notes1 and 32)	–	1,129	2,599	38,637	–	42,365
Disposals	–	(1,406)	(1,614)	(2,770)	–	(5,790)
Transfer from construction in progress	322,838	135,670	10,931	1,390	(470,829)	–
Depreciation	(2,246)	(16,493)	(16,005)	(84,636)	–	(119,380)
Exchange differences	–	45	13	25	–	83
Closing net book amount	320,592	150,213	60,655	247,104	4,558	783,122
As of December 31, 2009						
Cost	322,838	168,625	97,038	470,839	4,558	1,063,898
Accumulated depreciation	(2,246)	(18,412)	(36,383)	(223,735)	–	(280,776)
Closing net book amount	320,592	150,213	60,655	247,104	4,558	783,122

Upon the completion of the construction of the corporate campus in September 2009, assets classified under construction in progress of RMB470,829,000 were transferred to other categories of property and equipment.

17 GOODWILL AND INTANGIBLE ASSETS

	Goodwill RMB'000	Computer software and technology RMB'000	Trademarks/ Domain names RMB'000	Customer relationships RMB'000	Total RMB'000
Year ended December 31, 2008					
As of January 1, 2008 as previously reported	–	–	–	–	–
Adjusted for business combination under common control (Note 1)	–	13,831	–	–	13,831
As of January 1, 2008, as restated	–	13,831	–	–	13,831
Amortization charge	–	(7,216)	–	–	(7,216)
Closing net book amount	–	6,615	–	–	6,615
As of December 31, 2008					
Cost	–	21,648	–	–	21,648
Accumulated amortization	–	(15,033)	–	–	(15,033)
Closing net book amount	–	6,615	–	–	6,615
Year ended December 31, 2009					
As of January 1, 2009 as previously reported	–	–	–	–	–
Adjusted for business combination under common control (Note 1)	–	6,615	–	–	6,615
As of January 1, 2009, as restated	–	6,615	–	–	6,615
Acquisition of HiChina (Notes 1 and 32)	202,631	56,255	40,969	68,282	368,137
Amortization charge	–	(6,615)	–	–	(6,615)
Closing net book amount	202,631	56,255	40,969	68,282	368,137
As of 31 December 2009					
Cost	202,631	77,903	40,969	68,282	389,785
Accumulated amortization	–	(21,648)	–	–	(21,648)
Closing net book amount	202,631	56,255	40,969	68,282	368,137

18 INTERESTS IN AND AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company 2009 RMB'000	Company 2008 RMB'000
Non-current portion		
Unlisted shares, at cost	–	–
Deemed capital contributions arising from share-based compensation	152,272	42,748
Amounts due from subsidiaries	1,565,157	1,565,157
Total	1,717,429	1,607,905
Current portion		
Amounts due from subsidiaries	1,530,401	1,574,748
Amounts due to subsidiaries	(49,637)	(34,232)
Total	1,480,764	1,540,516

The amounts due from subsidiaries included under non-current portion are unsecured, interest-free and not repayable in foreseeable future.

The amounts due from/(to) subsidiaries included under current portion are unsecured, interest-free and repayable on demand.

Details of the principal subsidiaries as of December 31, 2009 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
Indirectly held:				
Acknow Web Solutions (Beijing) Limited# 融慧信通國際信息技術(北京)有限公司	The PRC December 28, 2006 Limited liability company	Research and development of computer software, Internet technology and data processing	US$150,000	85%
Alibaba China Software Co., Ltd.# 阿里巴巴（中國）軟件有限公司	The PRC August 23, 2004 Limited liability company	Provision of software and technology services	US$105,000,000	100%
Alibaba (Chengdu) Education & Software Co. Ltd.# 阿里巴巴（成都）教育軟件有限公司	The PRC December 28, 2009 Limited liability company	Provision of education and software services	RMB10,000,000	100%
Alibaba (China) Education & Technology Co. Ltd.# 阿里巴巴（中國）教育科技有限公司	The PRC September 21, 2009 Limited liability company	Provision of education and technology services	US$15,000,000	100%
Alibaba (China) Technology Co., Ltd.# 阿里巴巴（中國）網絡技術有限公司	The PRC September 9, 1999 Limited liability company	Provision of software and technology services	US$109,000,000	100%
Alibaba.com China Limited	Hong Kong October 5, 2006 Limited liability company	Investment holding and provision of administrative services	HK$1	100%

18 INTERESTS IN AND AMOUNT DUE FROM/(TO) SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share/ registered capital	Effective interest held
Alibaba.com (Europe) Limited	United Kingdom October 13, 2008 Limited liability company	Marketing and administrative services	Pound Sterling £1	100%
Alibaba.com Hong Kong Limited	Hong Kong September 29, 1999 Limited liability company	Provision of Internet content, software and technology, services and other group administrative services	HK$3,900,002	100%
Alibaba.com, Inc.	Delaware, United States of America February 25, 2000 Limited liability company	Technology maintenance, marketing and administrative services	US$2	100%
Alibaba.com Singapore E-Commerce Private Limited (formerly known as Alibaba.com Singapore Investment Holding Private Limited)	Singapore November 5, 2007 Limited liability company	Investment holding and marketing and sale of Internet content services	Singapore $1	100%
Alibaba (Guangzhou) Technology Co., Ltd.# 阿里巴巴（廣州）網絡技術有限公司	The PRC July 8, 2008 Limited liability company	Provision of software and technology services	US$20,000,000	100%
Beijing Charmdomain Investment Consultancy Co., Ltd.# 北京網域名城投資顧問有限公司	The PRC December 19, 2007 Limited liability company	Provision of Internet content and advertising services	RMB$1,000,000	85%
Beijing HiChina Zhicheng Technology Co., Ltd.# 北京萬網志成科技有限公司	The PRC December 3, 2004 Limited liability company	Provision of Internet content and advertising services	RMB16,520,000	85%
Hangzhou Alibaba Advertising Co., Ltd.# 杭州阿里巴巴廣告有限公司	The PRC December 7, 2006 Limited liability company	Provision of Internet content and advertising services	RMB10,000,000	100%
Hangzhou Baotong Network Co., Ltd.# 杭州寶通網絡工程有限公司	The PRC October 22, 2004 Limited liability company	Provision of software and technology services	RMB1,000,000	100%

The English names of these subsidiaries represent management's translation of the Chinese names only, as no official English names have been registered by these PRC companies.

19 INTERESTS IN ASSOCIATED COMPANIES

	2009 RMB'000	2008 RMB'000
As of January 1	31,719	–
Increase in interests in associated companies	–	48,195
Share of losses, net of tax	(37,492)	(16,087)
Gain on deemed disposal [(i)]	6,980	–
Exchange difference	2,595	(389)
As of December 31	3,802	31,719

(i) On May 11, 2009, Hikari Tsushin made a cash investment into Alibaba Japan in exchange for a 10.0% interest. As a result of this deemed disposal, the Group retained a 31.77% equity interest in Alibaba Japan.

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

(iii) Details of the associated companies as of December 31, 2009 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	Investment holding	HK$1	31.77%
Zhejiang Ayeda Network Technology Company[#] Limited 浙江阿曄達網絡技術有限公司	The PRC May 23, 2008 Limited liability company	Provision of software and technology services	RMB25,000,000	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 investment in associated companies is 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 income statement.

19 INTERESTS IN ASSOCIATED COMPANIES (Continued)

The aggregate amounts of revenues, operating results, assets and liabilities of the Group's associated companies were as follows:

	From Oct 1, 2008 to September 30, 2009 RMB'000	From May 31, 2008 to September 30, 2008 RMB'000
Revenue	2,637	–
Loss attributable to equity owners	(110,012)	(45,572)

	As of September 30, 2009 RMB'000	As of September 30, 2008 RMB'000
Total assets	44,752	94,739
Total liabilities	(32,785)	(9,275)

20 AVAILABLE-FOR-SALE INVESTMENTS

	2009 RMB'000
As of January 1	–
Additions	922,165
Disposals	(850,000)
Net gains transfer to equity	222
Exchange differences	(1)
As of December 31	72,386
Less: Current portion	(50,000)
Non-current portion	22,386

Available-for-sale investments included the following:

	2009 RMB'000
Unlisted securities:	
– Debt securities in the PRC, at fair value (Note 3(e))	70,222
– Equity securities in Japan, at cost	2,164
Total	72,386

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

	2009 RMB'000
– Renminbi	70,222
– Japanese Yen	2,164
Total	72,386

None of the available-for-sale investments were impaired as of December 31, 2009 (2008: Nil).

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2009 RMB'000	2008 RMB'000 (Note 37)
Non-current portion		
Rental and other deposits	**4,234**	–
Loans to employees (i) (Note 27(a))	**–**	10,768
	4,234	10,768
Current portion		
Loans to employees (i) (Note 27(a))	**944**	–
Interest income receivables	**87,138**	122,865
Prepaid tax	**76,766**	–
Prepaid rentals, rental and other deposits	**26,987**	39,857
Prepaid expenses	**17,350**	5,295
Other receivables (ii)	**99,843**	18,459
	309,028	186,476
Total	**313,262**	197,244

(i) The fair value of loans to employees was determined using discounted cash flows at a market rate of 5.67% (2008: 5.67%), which was equivalent to the effective interest rate on the loans.

(ii) Other receivables mainly represent receivables from certain PRC government authorities collectable on behalf of the qualified PRC-based small and medium enterprises ("SMEs") under the incentive schemes to SMEs for the use of e-commerce service of the Group which amounted to RMB72,557,000 (2008: RMB5,877,000).

	Company	
	2009 RMB'000	2008 RMB'000
Prepayments and other receivables	**101**	631

22 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 etc. The service fees are initially deferred and recognized in the income statement in the period in which the services are rendered (Note 30). As such, the related costs are also initially deferred and recognized in the income statement in the same period as the related service fees are recognized.

23 CASH AND BANK BALANCES

	Group	
	2009 RMB'000	2008 RMB'000
Cash at banks and on hand	**359,366**	341,027
Term deposits and short-term highly liquid investments with original maturities of three months or less	**2,389,324**	2,347,924
Cash and cash equivalents	**2,748,690**	2,688,951
Term deposits with original maturities of over three months	**4,467,755**	3,923,373
Total	**7,216,445**	6,612,324

	Company	
	2009 RMB'000	2008 RMB'000
Cash and cash equivalents	**120**	24,816

As of December 31, 2009, 95.5% (2008: 75.2%) of the cash and bank balances of the Group was denominated in Renminbi.

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC Government.

The effective interest rate of the cash and bank balances was 2.1% (2008: 4.2%).

24 SHARE CAPITAL

	Notes	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB'000
Authorized				
Ordinary share of HK$0.0001 each		8,000,000,000	HK$800,000	770
Issued and fully paid				
As of January 1, 2008		5,052,356,500	HK$505,236	486
Repurchase of issued ordinary shares	(a)	(3,000,000)	(HK$300)	–
As of December 31, 2008		5,049,356,500	HK$504,936	486
As of January 1, 2009		5,049,356,500	HK$504,936	486
Issuance of ordinary shares under employee equity award plans		1,345,040	HK$134	–
Repurchase of issued ordinary shares	(b)	(11,000,000)	(HK$1,100)	(1)
As of December 31, 2009		5,039,701,540	HK$503,970	485

(a) In 2008, the Company repurchased 3,000,000 issued ordinary shares on the Stock Exchange. These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$14,071,000 (equivalent to RMB12,401,000) was deducted from the shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$300 has been transferred from retained earnings to capital redemption reserve.

Month of repurchase	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate price paid HK$'000	Equivalent aggregate price paid RMB'000
November 2008	1,000,000	4.35	4.23	4,315	3,800
December 2008	2,000,000	5.45	4.40	9,756	8,601
Total	3,000,000			14,071	12,401

(b) In 2009, the Company repurchased 11,000,000 issued ordinary shares on the Stock Exchange. These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$79,204,000 (equivalent to RMB69,804,000) was deducted from the shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$1,100 has been transferred from retained earnings to capital redemption reserve.

Month of repurchase	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate price paid HK$'000	Equivalent aggregate price paid RMB'000
January 2009	1,000,000	5.50	5.47	5,519	4,867
February 2009	10,000,000	7.50	6.94	73,685	64,937
Total	11,000,000			79,204	69,804

25 RESERVES

(a) Capital reserve

Capital reserve arises from the difference between (i) the aggregate of the consideration for business combination under common control; and (ii) the aggregate of the historical costs of the assets and liabilities of the entities being acquired. Deemed distributions to equity owners represented the amounts paid by the Group in exchange for the interests in the entities being acquired.

(b) Statutory reserves

In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in the PRC are required to allocate at least 10% of their after-tax profit according to PRC accounting standards and regulations to the general statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. These reserves can only be used for specific purposes and are not distributable or transferable in the form of loans, advances, or cash dividends.

26 EQUITY – COMPANY

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
As of January 1, 2008	486	2,809,905	–	298,029	3,108,420
Profit for the year	–	–	–	24,485	24,485
Total recognized income for the year	–	–	–	24,485	24,485
Repurchase of issued ordinary shares (Note 24(a))	–	(12,401)	–	–	(12,401)
Value of employee services under equity award plans	–	45,440	–	–	45,440
As of December 31, 2008	486	2,842,944	–	322,514	3,165,944
As of January 1, 2009	**486**	**2,842,944**	**–**	**322,514**	**3,165,944**
Profit for the year	**–**	**–**	**–**	**870,390**	**870,390**
Total recognized income for the year	**–**	**–**	**–**	**870,390**	**870,390**
Repurchase of issued ordinary shares (Note 24(b))	**(1)**	**(69,803)**	**1**	**(1)**	**(69,804)**
Issue of ordinary shares under employee equity award plans	**–**	**55**	**–**	**–**	**55**
Special cash dividends	**–**	**–**	**–**	**(888,261)**	**(888,261)**
Value of employee services under equity award plans	**–**	**112,612**	**–**	**–**	**112,612**
As of December 31, 2009	**485**	**2,885,808**	**1**	**304,642**	**3,190,936**

The profit attributable to equity owners of the Company was dealt with in the financial statements of the Company to the extent of RMB870,390,000 (2008: RMB24,485,000).

27 SHARE-BASED COMPENSATION

The Group's employees have participated in Equity Award Plans, a Pre-IPO share incentive scheme and other share incentive schemes of the ultimate holding company. Share options and RSUs under such schemes are granted to the directors and employees of the Group to acquire shares of the ultimate holding company or the Company's shares held by the ultimate holding company and they are in general subject to a four-year vesting schedule whereby the share options and RSUs vest 25% upon the first anniversary of the vesting commencement date, and ratably monthly or annually thereafter. The exercisable period of the share options ranges from 6 years to 10 years from the date of grant.

On October 12, 2007, the Company adopted a share option scheme (the "Share Option Scheme") and a RSU scheme (the "RSU Scheme") in which a total of 135,100,000 unissued ordinary shares of the Company has been reserved and are available for the grant of share options or RSUs. Such number of shares represented approximately 2.68% (2008: 2.68%) of the issued share capital of the Company as of December 31, 2009. Subsequent to the initial public offering of the shares of the Company in November 2007 (the "Initial Public Offering"), in most cases only share options under the Share Option Scheme or RSUs under the RSU Scheme were granted to the Group's directors and employees to acquire shares of the Company. Depending on the nature or purpose of the grant, the vesting schedule of share options and the RSUs granted by the Company could be different but in general they are also subject to a four-year vesting schedule whereby they vest 25% annually. The exercisable period of the share options is 6 years from the date of grant.

(a) Equity Award Plans operated by the ultimate holding company

Share options granted under the Equity Award Plans

Movements in the number of share options outstanding and their related weighted average exercise prices attributable to the directors and employees of the Group as grantees of the Equity Award Plans of the ultimate holding company were as follows:

	2009		2008	
	Weighted average exercise price (i) US$	**Number of options (ii) ('000)**	Weighted average exercise price (i) US$ (Restated)	Number of options (ii) ('000) (Restated)
Outstanding as of January 1	**1.2882**	**48,839**	1.1716	53,253
Granted	**4.4376**	**541**	3.8531	1,712
Transfer-in (iii)	**1.5112**	**3,729**	1.5526	2,097
Exercised	**1.0084**	**(27,363)**	0.8195	(1,870)
Transfer-out (iii)	**1.3964**	**(2,971)**	0.9067	(4,192)
Cancelled/expired	**2.0341**	**(761)**	1.8503	(2,161)
Outstanding as of December 31	**1.7108**	**22,014**	1.2882	48,839
Vested and exercisable as of December 31	**1.1889**	**13,408**	0.9178	31,491

(i) Exercise price is expressed in the currency in which the shares of the ultimate holding company are denominated.

(ii) Number of options represents the number of shares of the ultimate holding company into which the options are exercisable. Certain proportion of these options have been exchanged for options to acquire the Company's shares held by the ultimate holding company pursuant to the terms of the Employee Equity Exchange as described below.

(iii) Transfer-in and transfer-out represent movement of share options owned by grantees who transferred from other subsidiaries of the ultimate holding company to the Company, or vice versa.

The movement above does not include share options of the ultimate holding company granted to the directors and employees of the Group as a result of their services rendered or to be rendered to companies other than the Group.

27 SHARE-BASED COMPENSATION (Continued)

(a) Equity Award Plans operated by the ultimate holding company (Continued)

Share options granted under the Equity Award Plans (Continued)

The above share options outstanding as of December 31 had the following remaining contractual lives and exercise prices:

	2009		2008	
Exercise price [i]	Number of options outstanding [ii] ('000)	Weighted average remaining contractual life (years)	Number of options outstanding [ii] ('000) (Restated)	Weighted average remaining contractual life (years) (Restated)
US$0.0500 – US$0.0750	**1,375**	**2.7**	1,773	4.4
US$0.1250 – US$0.2030	**708**	**4.4**	3,422	5.4
US$0.3125 – US$0.5625	**2,031**	**1.0**	9,012	2.0
US$0.8750 – US$1.2500	**4,525**	**2.2**	12,448	3.2
US$1.6250 – US$1.8500	**5,960**	**2.9**	13,066	3.9
US$2.0000 – US$2.4700	**4,338**	**3.4**	6,710	4.5
US$2.6500 – US$3.6500	**1,104**	**4.1**	1,114	5.4
US$4.0600 – US$4.7500	**1,973**	**4.6**	1,294	5.2
	22,014	**2.9**	48,839	3.6

(i) Exercise price is expressed in the currency in which the shares of the ultimate holding company are denominated.

(ii) Number of options represents the number of shares of the ultimate holding company into which the options are exercisable. Certain proportion of these options have been exchanged for options to acquire the Company's shares held by the ultimate holding company pursuant to the terms of the Employee Equity Exchange as described below.

27 SHARE-BASED COMPENSATION (Continued)

(a) Equity Award Plans operated by the ultimate holding company (Continued)

Share options granted under the Equity Award Plans (Continued)

The significant inputs into the Black-Scholes Model in determining the fair value of the share options granted by the ultimate holding company under the Equity Award Plans during the years presented were as follows:

	2009	2008 (Restated)
Risk-free annual interest rate	**1.51% to 2.32%**	1.32% to 3.27%
Dividend yield	**0%**	0%
Expected life (years)	**4.25 to 4.38**	4.25 to 4.38
Expected volatility (i)	**52.1% to 52.7%**	50.8% to 51.5%
Weighted average fair value of each share option	**US$1.9445**	US$1.5981

(i) Expected volatility is assumed based on the historical volatility of the share price of comparable companies in a period that has the same length of the expected life of each grant.

RSUs granted under the Equity Award Plans

Movements in the number of RSUs outstanding and the respective weighted average grant date fair value attributable to the directors and employees of the Group as grantees of the Equity Award Plans of the ultimate holding company were as follows:

	2009		2008	
	Weighted average grant date fair value (i) US$	**Number of RSUs (ii) ('000)**	Weighted average grant date fair value (i) US$ (Restated)	Number of RSUs (ii) ('000) (Restated)
Outstanding as of January 1	**2.10**	**2,291**	2.01	3,110
Granted	**3.20**	**265**	4.22	94
Transfer-in	**3.00**	**56**	2.00	17
Vested	**2.10**	**(677)**	2.01	(727)
Transfer-out	**2.24**	**(108)**	2.00	(130)
Cancelled	**2.04**	**(139)**	2.00	(73)
Outstanding as of December 31	**2.30**	**1,688**	2.10	2,291

(i) Grant date fair value represents the fair value of the shares of the ultimate holding company.

(ii) Number of RSUs represents the number of shares of the ultimate holding company into which the RSUs are vested. Certain proportion of these RSUs have been exchanged for RSUs to acquire the Company's shares held by the ultimate holding company pursuant to the terms of the Employee Equity Exchange as described below.

27 SHARE-BASED COMPENSATION (Continued)

(a) Equity Award Plans operated by the ultimate holding company (Continued)

Employee Equity Exchange

In connection with the Initial Public Offering, the ultimate holding company restructured its Equity Award Plans to allow a proportion of the share options and RSUs granted by the ultimate holding company prior to the listing date of the Company's shares to be exchanged for share options to purchase the Company's shares held by the ultimate holding company and RSUs relating to the Company's shares held by the ultimate holding company, and a certain number of the shares of the ultimate holding company to be exchanged for the Company's shares held by the ultimate holding company (the "Employee Equity Exchange"). Participants of the Employee Equity Exchange included only existing employees prior to the Initial Public Offering but not other shareholders of the ultimate holding company.

Approximately 4,900 employees of the ultimate holding company (including those from the Group) participated in the Employee Equity Exchange. Those who participated in the Employee Equity Exchange (other than certain senior management of the Company) were permitted to exchange between 20% and 50% of their respective holdings of the securities of the ultimate holding company under the Employee Equity Exchange. Certain senior management of the ultimate holding company and the Company were only permitted to exchange an aggregate of 5% to 15% of their collective holdings.

The number of the Company's shares, the options to acquire the Company's shares and RSUs relating to the Company's shares under the Employee Equity Exchange was derived by applying an exchange ratio that was determined and approved by the board of directors of the ultimate holding company based on the relative values of the Company and the ultimate holding company having considered analysis provided by an independent consultant. Similarly, the exercise price of the share options exercisable for the Company's shares was also adjusted in accordance with the same ratio so that the aggregate exercise price of such options remained the same. Other than the above, the vesting schedules and other terms applicable to the original options and RSUs of the ultimate holding company remained the same for the new options and RSUs with respect to the Company's shares held by the ultimate holding company.

In 2009, 10,146,866 shares (including the Company's shares underlying the options and RSUs exchangeable by the ultimate holding company) were transferred to the participants of the Employee Equity Exchange and 730,138 shares were cancelled. As of December 31, 2009, there were 18,464,691 shares (including the Company's shares underlying the options and RSUs exchangeable by the ultimate holding company) transferrable to the participants of the Employee Equity Exchange. These security holdings represented approximately 0.37% of the outstanding shares of the Company as of December 31, 2009.

Prior to the Employee Equity Exchange, employees of the Group holding options granted by the ultimate holding company exercisable for its shares which have already vested had the choice of: (i) having a percentage of such options exchanged for options exercisable for the Company's shares under the Employee Equity Exchange ("Option Entitlement"); or (ii) exercising their Option Entitlement for shares of the ultimate holding company, all of which would then qualify for exchange for the Company's shares under the Employee Equity Exchange. In connection with (ii) above, the Group made available full recourse interest-bearing loans to its employees in order to allow them to pay individual income tax due upon exercise of the Option Entitlement. The loans advanced to the employees initially bear interest at two-year term deposit base rate as published by the PBOC from time to time and with a term of two years. A number of the employees took the loans and have charged the shares of the Company and the ultimate holding company that they beneficially owned as security for these loans. In November 2008, the Group waived the interest on the loans on a prospective basis and has extended the repayment term for one year to November 2010. The outstanding loans, together with interest accrued up to November 2008, amounted to RMB944,000 as of December 31, 2009 (2008: RMB10,768,000) (Note 21).

27 SHARE-BASED COMPENSATION (Continued)

(b) Share options/rights to acquire shares and RSUs relating to shares of the Company granted by the ultimate holding company

Share options/rights granted under the Pre-IPO share incentive scheme

Movements in the number of share options/rights to acquire shares outstanding and their related weighted average exercise/subscription prices attributable to the directors and employees of the Group as grantees under the Pre-IPO share incentive scheme of the ultimate holding company were as follows:

	2009		2008	
	Weighted average exercise/ subscription price (i) HK$	Number of options/ rights (ii) ('000)	Weighted average exercise/ subscription price (i) HK$ (Restated)	Number of options/ rights (ii) ('000) (Restated)
Outstanding as of January 1	6.80	68,127	6.80	69,070
Transfer-in	6.80	40	6.80	285
Exercised	6.80	(580)	–	–
Transfer-out	6.80	(2,170)	6.80	(408)
Cancelled/expired	6.80	(141)	6.80	(820)
Outstanding as of December 31	6.80	65,276	6.80	68,127
Vested and exercisable as of December 31	6.80	32,403	6.80	17,037

(i) Exercise/subscription price is expressed in the currency in which the shares of the Company are denominated.

(ii) Number of options/rights represents the number of shares of the Company, held by the ultimate holding company, into which the options/rights are exercisable/subscribed.

As of December 31, 2009, the weighted average remaining contractual life of the above share options/rights granted under the Pre-IPO share incentive scheme is 3.7 years (2008: 4.7 years).

27 SHARE-BASED COMPENSATION (Continued)

(b) Share options/rights to acquire shares and RSUs relating to shares of the Company granted by the ultimate holding company (Continued)

Other schemes

Movements in the number of RSUs outstanding and their respective weighted average grant date fair value attributable to the employees of the Group as grantees of a performance grant issued by the ultimate holding company were as follows:

	2009	
	Weighted average grant date fair value[(i)] HK$	Number of RSUs ('000)[(ii)]
Outstanding as of January 1	–	–
Granted	7.25	952
Transfer-in	7.25	247
Transfer-out	7.25	(11)
Cancelled	7.25	(13)
Outstanding as of December 31	7.25	1,175

(i) Grant date fair value represents the fair value of the shares of the Company.

(ii) Number of RSUs represents the number of shares of the Company, held by the ultimate holding company, into which the RSUs are vested.

27 SHARE-BASED COMPENSATION (Continued)

(c) Share Option Scheme and RSU Scheme operated by the Company

Share options granted under the Share Option Scheme

Movements in the number of share options outstanding and their related weighted average exercise prices attributable to the directors and employees of the Group as grantees of the Share Option Scheme of the Company were as follows:

	2009		2008	
	Weighted average exercise price(i) HK$	**Number of option(ii) ('000)**	Weighted average exercise price(i) HK$	Number of option(ii) ('000)
Outstanding as of January 1	**11.95**	**14,808**	–	–
Granted	**8.82**	**30,881**	12.24	15,478
Exercised	**5.54**	**(11)**	–	–
Cancelled	**11.05**	**(2,727)**	18.69	(670)
Outstanding as of December 31	**9.76**	**42,951**	11.95	14,808
Vested and exercisable as of December 31	**15.63**	**1,818**	5.54	74

(i) Exercise price is expressed in the currency in which the shares of the Company are denominated.

(ii) Number of options represents the number of shares of the Company into which the options are exercisable.

The above share options outstanding as of December 31 had the following remaining contractual lives and exercise prices:

	2009		2008	
	Number of options outstanding(ii) ('000)	**Weighted average remaining contractual life (years)**	Number of options outstanding(ii) ('000)	Weighted Average Remaining contractual life (years)
Exercise price (i)				
HK$5.54	**6,207**	**5.0**	7,007	6.0
HK$5.71	**3,497**	**5.1**	–	–
HK$7.25	**22,041**	**5.3**	–	–
HK$12.74	**1,990**	**4.5**	2,360	5.5
HK$17.62	**2,290**	**6.0**	–	–
HK$19.86	**4,824**	**4.1**	5,441	5.1
HK$20.60	**2,102**	**5.7**	–	–
	42,951	**5.1**	14,808	5.6

(i) Exercise price is expressed in the currency in which the shares of the Company are denominated.

(ii) Number of options represents the number of shares of the Company into which the options are exercisable.

27 SHARE-BASED COMPENSATION (Continued)

(c) Share Option Scheme and RSU Scheme operated by the Company (Continued)

Share options granted under the Share Option Scheme (Continued)

The significant inputs into the Black-Scholes Model in determining the fair value of the share options granted by the Company under Share Option Scheme during the years presented were as follows:

	2009	2008
Risk-free annual interest rate	1.17% to 1.66%	1.20% to 3.50%
Dividend yield	0%	0%
Expected life (years)	4.25 to 4.38	4.25 to 4.38
Expected volatility (i)	51.8% to 52.7%	45.9% to 51.0%
Weighted average fair value of each share option	HK$3.77	HK$4.37

(i) Expected volatility is assumed based on the historical volatility of the comparable companies in the period that has the same length of the expected life of each grant.

RSUs granted under the RSU Scheme

Movements in the number of RSUs outstanding and the respective weighted average grant date fair value attributable to the employees of the Group as grantees of the RSU Scheme of the Company were as follows:

	2009		2008	
	Weighted average grant date fair value (i) HK$	Number of RSUs (ii) ('000)	Weighted average grant date fair value (i) HK$	Number of RSUs (ii) ('000)
Outstanding as of January 1	16.87	4,064	–	–
Granted	9.84	19,103	16.92	4,276
Vested	18.39	(1,334)	–	–
Cancelled	9.88	(1,941)	17.75	(212)
Outstanding as of December 31	10.70	19,892	16.87	4,064

(i) Grant date fair value represents the fair value of the shares of the Company.

(ii) Number of RSUs represents the number of shares of the Company into which the RSUs are vested.

Subsequent to December 31, 2009, no share options and RSUs were granted to the directors and employees of the Group.

27 SHARE-BASED COMPENSATION (Continued)

(d) Share-based compensation expense by function

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

	2009 RMB'000	2008 RMB'000 (Restated)
Cost of revenue	15,874	10,015
Sales and marketing expenses	55,667	58,253
Product development expenses	32,805	19,987
General and administrative expenses	96,039	93,704
Total	200,385	181,959

The Company has implemented a share appreciation rights award plan to provide for a "one-time" award of cash-settled share appreciation rights ("SARs") to certain employees of the Group prior to the Initial Public Offering. No SARs was outstanding as of December 31, 2008 and an amount of RMB8,378,000 previously charged to income statement was reversed in 2008.

28 TRADE PAYABLES

The aging analysis of trade payables was as follows:

	2009 RMB'000	2008 RMB'000
0 – 30 days	23,794	11,691
31 days – 60 days	–	1,785
61 days – 90 days	–	753
Over 90 days	113	1,347
Total	23,907	15,576

29 OTHER PAYABLES AND ACCRUALS

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Non-current portion		
Put liability in relation to the acquisition of a 14.67% equity interest in HiChina (Note 1)	67,602	–
Current portion		
Accrued salaries, bonuses, sales commissions and staff benefits	314,961	218,976
Accrued advertising and promotion expenses, professional fees and others	200,547	96,605
Accrued purchases of property and equipment	134,278	77,151
Deferred consideration in relation to the initial acquisition of an 85% equity interest in HiChina (Note 32)	43,530	–
Other taxes payable	92,261	36,381
	785,577	429,113
Total	853,179	429,113

29 OTHER PAYABLES AND ACCRUALS (Continued)

	Company	
	2009 RMB'000	2008 RMB'000
Accrued professional fees and others	**6,007**	5,401

30 DEFERRED REVENUE AND CUSTOMER ADVANCES

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

	2009 RMB'000	2008 RMB'000 (Restated)
Customer advances	**878,077**	473,640
Deferred revenue	**2,558,898**	1,820,757
	3,436,975	2,294,397
Less: Current portion	**(3,232,690)**	(2,176,120)
Non-current portion	**204,285**	118,277

All service fees received in advance are initially recorded as customer advances. These amounts are transferred to deferred revenue upon the commencement of the rendering of services by the Group and are recognized in the income statement 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.

31 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 consolidated balance sheet are determined after appropriate offset.

	2009 RMB'000	2008 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**13,534**	25,487
– Deferred tax assets to be recovered within 12 months	**59,631**	345,192
	73,165	370,679
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**(67,224)**	(1,615)
– Deferred tax liabilities to be settled within 12 months	**(2,417)**	(59,039)
	(69,641)	(60,654)
Deferred tax assets, net	**3,524**	310,025

31 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	2009 RMB'000	2008 RMB'000
As of January 1	**310,025**	260,311
(Charged)/Credited to the income statement (Note 13)	**(26,256)**	49,714
Reversal of deferred tax assets arising from change in tax filing basis (i)	**(256,766)**	–
Deferred tax assets arising from the acquisition of HiChina (Note 1)	**12,021**	–
Deferred tax liabilities arising from the acquisition of HiChina (Note 1)	**(35,500)**	–
As of December 31	**3,524**	310,025

(i) Pursuant to the new EIT Law and Guoshuihan [2008] No. 875, taxable income should be computed on an accrual basis for EIT purpose. As a result, Alibaba China changed its EIT filing basis from cash basis to accrual basis in 2009 and a cash refund of RMB180,000,000, being tax prepaid under cash basis, was received in 2009. No withholding tax has been provided for the earnings of approximately RMB1,130,000,000 expected to be retained by the PRC subsidiaries and not to be remitted out of the PRC in the foreseeable future based on management's estimated requirement for funding outside the PRC.

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

Deferred tax assets

	Deferred revenue and customer advances RMB'000	**Depreciation** RMB'000	**Others (i)** RMB'000	**Total** RMB'000
As of January 1, 2008	278,620	7,157	19,845	305,622
Credited to the income statement	39,725	2,685	22,647	65,057
As of January 1, 2009	318,345	9,842	42,492	370,679
(Charged)/Credited to the income statement	–	(496)	8,381	7,885
Reversal of deferred tax assets arising from change in tax filing basis	(318,345)	–	925	(317,420)
Deferred tax assets arising from the acquisition of HiChina (Note 1)	10,786	233	1,002	12,021
As of December 31, 2009	10,786	9,579	52,800	73,165

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

Deferred tax liabilities

	Direct selling costs RMB'000	**Withholding tax on unremitted earnings** RMB'000	**Others** RMB'000	**Total** RMB'000
As of January 1, 2008	(45,311)	–	–	(45,311)
Charged to the income statement	(15,343)	–		(15,343)
As of January 1, 2009	(60,654)	–	–	(60,654)
Reversal of deferred tax liabilities arising from change in tax filing basis	60,654	–	–	60,654
Charged to the income statement	–	(34,141)	–	(34,141)
Deferred tax liabilities arising from the acquisition of HiChina (Note 1)	–	–	(35,500)	(35,500)
As of December 31, 2009	–	(34,141)	(35,500)	(69,641)

31 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of related tax benefits through future taxable profits is probable. The Group's major operating subsidiary, Alibaba China, used a tax rate of 15% in the computation of deferred tax assets as of December 31, 2009 (2008: 15%). In addition, the Group did not recognize deferred tax assets of RMB40,048,000 (2008: RMB35,827,000) primarily in respect of the accumulated tax losses of subsidiaries incorporated in Hong Kong, Singapore and the United States, and of a branch set up in Taiwan, subject to the agreement by the relevant tax authorities, amounting to RMB240,704,000 (2008: RMB182,740,000). These tax losses are allowed to be carried forward to offset against future taxable profits. Carry forward of tax losses in Hong Kong and Singapore have no time limit, while the tax losses in the United States and Taiwan will expire, if unused, in the following years:

The United States	:	Years ending December 31, 2020 through 2021; and
Taiwan	:	Years ending December 31, 2018 through 2019.

Further, the Group did not recognize deferred tax assets of RMB23,072,000 (2008: RMB26,046,000) in respect of the accumulated tax losses of subsidiaries incorporated in the PRC, subject to the agreement by the PRC tax authorities, amounting to RMB92,289,000 (2008: RMB104,184,000). Carry forward of these tax losses will expire, if unused, in the years ending December 31, 2010 through 2014.

32 SUPPLEMENTARY INFORMATION TO CONSOLIDATED CASH FLOW STATEMENT

Acquisition of HiChina

In December 2009, the Company acquired an 85% equity interest in HiChina for a consideration of RMB435,298,000. Details of net assets acquired were as follows:

	Fair value RMB'000
Property and equipment (Note 16)	42,365
Computer software and technology (Note 17)	56,255
Trademarks/Domain names (Note 17)	40,969
Customer relationships(Note 17)	68,282
Prepayments, deposits and other receivables	14,283
Direct selling costs	6,592
Term deposits with original maturities of over three months	41,927
Cash and cash equivalents	170,404
Deferred revenue	(123,757)
Other payables and accruals	(20,115)
Deferred tax assets	12,021
Deferred tax liabilities	(35,500)
	273,726
Non-controlling interest	(41,059)
Net assets acquired	232,667
Goodwill arising from the acquisition (Note 17)	202,631
Total purchase consideration for an 85% equity interest in HiChina	435,298
Purchase consideration settled in cash during the year	(391,768)
Deferred consideration (Note 29)	43,530
Net cash outflow arising from acquisition:	
Purchase consideration settled in cash during the year	391,768
Cash and cash equivalents acquired	(170,404)
Net cash outflow on acquisition	221,364

The fair value of the acquired identifiable assets of RMB165,506,000 includes computer software and technology, trademarks and domain names and customer relationships.

The acquisition of HiChina did not have any significant contribution to the Group's turnover or results for the year.

33 CONTINGENCIES

As of December 31, 2009, the Group did not have any material contingent liabilities or guarantees (2008: Nil).

34 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for were analyzed as follows:

	2009 RMB'000	2008 RMB'000
Contracted but not provided for:		
Purchase of property and equipment	32,257	2,825
Construction of a corporate campus	20,586	120,788
Total	52,843	123,613

(b) Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	2009 RMB'000	2008 RMB'000
No later than 1 year	43,308	32,182
Later than 1 year and no later than 5 years	23,520	16,703
Total	66,828	48,885

(c) Other commitments – sales and marketing expenses

	2009 RMB'000	2008 RMB'000
No later than 1 year	4,124	3,551

35 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 year:

(a) Recurring transactions

	2009 RMB'000	2008 RMB'000 (Restated)
Expenses paid or payable to the ultimate holding company for certain technology, intellectual property and related know-how (Note i)	**(73,486)**	(57,083)
House brand head license fee paid or payable to the ultimate holding company (Note ii)	**(2,000)**	(2,000)
Purchase of advertising, promotion and technology services from (Note iii):		
– fellow subsidiaries	**(8,531)**	(3,819)
– subsidiaries of a substantial shareholder of the ultimate holding company	**(12,806)**	(9,325)
Total	**(21,337)**	(13,144)
Cross-selling of promotion and related services with fellow subsidiaries (Note iv)	**2,697**	56,182
Cross-selling of promotion and related products with an associated company (Note v)	**8,303**	–
Reimbursement from fellow subsidiaries for the provision of administrative services (Note vi)	**11,434**	11,840
Reimbursement from fellow subsidiaries for the provision of technology services (Note vii)	**14,764**	5,041

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Non-recurring transactions

	2009 RMB'000	2008 RMB'000 (Restated)
Purchase of other technology and related services from a fellow subsidiary (Note viii)	(2,550)	(3,509)
Purchase of property and equipment from fellow subsidiaries (Note ix)	(2,579)	(820)
Sale of property and equipment to fellow subsidiaries (Note x)	2,862	4,504
Reimbursement from an associated company for costs incurred in relation to the Japan website (Note xi)	–	15,200

(i) These represented 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 were calculated based on a mutually agreed basis.

(ii) This represented license fee paid or payable by the Group to the ultimate holding company at a fixed fee of RMB2 million per annum.

(iii) These represented charges paid or payable by the Group to various fellow subsidiaries and related companies in relation to the purchase of keywords and display advertisement on websites operated by various fellow subsidiaries and related companies as well as certain technology and related services from a fellow subsidiary. These charges were calculated based on market rates of the related services.

(iv) This represented charges received or receivable by the Group from fellow subsidiaries for the cross-selling of the Group's website inventory. The charge was calculated based on a pre-determined percentage of the underlying transaction amount.

(v) This represented charges received or receivable by the Group from an associated company for the cross-selling of the associate's products. The charge was calculated based on a pre-determined percentage of the underlying transaction amount.

(vi) This represented charge received or receivable by the Group for the provision of administrative services to fellow subsidiaries. The charge was determined on a cost basis.

(vii) This represented charge received or receivable by the Group for the provision of technology services to fellow subsidiaries. The charge was calculated based on actual cost incurred in providing such services plus a margin of 15%.

(viii) These represented amounts paid or payable by the Group for the purchase of other technology and related services from a fellow subsidiary. These charges were determined on a cost basis.

(ix) These represented amounts paid or payable by the Group for purchase of certain property and equipment from fellow subsidiaries. These charges were based on the net book value of the property and equipment transferred.

(x) These represented amounts received or receivable by the Group for sale of certain property and equipment to fellow subsidiaries. These charges were based on the net book value of the property and equipment transferred.

(xi) In 2008, Alibaba Japan paid US$2.2 million to the Group mainly for reimbursing the costs incurred by the Group in upgrading the Japan website as well as certain property and equipment and customer information of the Japan website before the deemed disposal of Alibaba Japan by the Group. The charge was determined on a cost basis or based on the net book value of the property and equipment transferred.

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.

35 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	Group	
	2009 RMB'000	2008 RMB'000 (Restated)
Amounts due from related companies:		
Ultimate holding company	**10,917**	–
Fellow subsidiaries	**27,008**	12,678
Total	**37,925**	12,678
Amounts due to related companies:		
Ultimate holding company	**1,676**	10,790
Fellow subsidiaries	**16,797**	92,780
Subsidiary of a substantial shareholder of the ultimate holding company	**1,742**	4,391
Total	**20,215**	107,961

	Company	
	2009 RMB'000	2008 RMB'000
Amounts due from subsidiaries:		
Non-current portion (Note 18)	**1,565,157**	1,565,157
Current portion (Note 18)	**1,530,401**	1,574,748
Total	**3,095,558**	3,139,905
Amount due from an associated company	**205**	–
Amount due to ultimate holding company	**(1,676)**	(2,523)
Amount due to subsidiaries (Note 18)	**(49,637)**	(34,232)

Except for the amounts due from subsidiaries included under non-current portion in the Company's balance sheets, the amounts due from/(to) the ultimate holding company, fellow subsidiaries, subsidiaries and other related parties 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.

(d) Key management personnel compensation

Remuneration for key management personnel represented amounts paid to the Company's directors as disclosed in Note 11.

36 BUSINESS COMBINATION UNDER COMMON CONTROL

Details of adjustments for the common control combination of the Acquired Business on the Group's results for the year ended December 31, 2008 and the consolidated balance sheet as of December 31, 2008 were as follows:

	As previously reported RMB'000	Acquired Business RMB'000	Consolidation adjustments RMB'000	Notes	As restated RMB'000
Year ended December 31, 2008					
Revenue	3,001,194	26,102	(23,169)	(i)	3,004,127
Profit/(loss) before income taxes	1,415,503	(40,445)	(10,238)	(i)	1,364,820
Income tax charges	(210,317)	–	–		(210,317)
Profit/(loss) attributable to equity owners of the Company	1,205,186	(40,445)	(10,238)		1,154,503
As of December 31, 2008					
ASSETS					
Non-current assets	772,277	17,185	1,475	(ii)	790,937
Current assets	7,120,653	21,525	(22,284)	(ii)	7,119,894
Total assets	7,892,930	38,710	(20,809)		7,910,831
EQUITY					
Share capital	486	–	–		486
Reserves	4,967,923	(40,539)	(20,809)	(ii)	4,906,575
Total equity	4,968,409	(40,539)	(20,809)		4,907,061
LIABILITIES					
Non-current liabilities	106,340	11,937	–		118,277
Current liabilities	2,818,181	67,312	–		2,885,493
Total liabilities	2,924,521	79,249	–		3,003,770
Total equity and liabilities	7,892,930	38,710	(20,809)		7,910,831

(i) Adjustments to eliminate the intra-group transactions for the year ended December 31, 2008.

(ii) Adjustments to eliminate the intra-group balances as of December 31, 2008.

37 COMPARATIVE FIGURES

As stated in Note 1, 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.

Certain comparative figures have been reclassified to conform to the presentation of current year.

FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENTS

	For the year ended December 31,					
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Revenue	359,435	738,297	1,363,862	2,153,310	3,004,127	**3,874,728**
Gross profit	296,866	611,788	1,126,237	1,867,238	2,603,476	**3,340,290**
Profit from operations	25,037	97,572	268,496	765,861	1,141,700	**1,072,970**
Profit before income taxes	28,468	103,419	291,388	1,110,960	1,364,820	**1,176,419**
Profit attributable to equity owners of the Company	73,861	70,454	219,938	929,311	1,154,503	**1,013,026**
Share-based compensation expense	11,415	48,891	113,904	156,194	181,959	**200,385**
Dividends	–	–	–	–	–	**888,261**
Earnings per share						
– Basic (HK$)	N/A	N/A	N/A	19.60 cents	25.61 cents	**22.81 cents**
– Diluted (HK$)	N/A	N/A	N/A	19.60 cents	25.58 cents	**22.63 cents**

CONSOLIDATED BALANCE SHEETS

	As of December 31,					
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Assets and liabilities						
Property and equipment	38,126	84,992	113,304	163,773	386,545	**783,122**
Goodwill	–	–	–	–	–	**202,631**
Liquid funds and investments	441,705	1,035,335	1,488,804	5,273,552	6,612,324	**7,288,831**
Deferred revenue and customer advances	(388,652)	(784,713)	(1,253,964)	(1,935,673)	(2,294,397)	**(3,436,975)**
Other net assets/(liabilities)	28,617	(133,833)	(202,576)	97,620	202,589	**180,540**
Total assets and liabilities	119,796	201,781	145,568	3,599,272	4,907,061	**5,018,149**
Equity						
Share capital	–	–	–	486	486	**485**
Reserves	119,796	201,781	145,568	3,598,786	4,906,575	**4,976,605**
Equity attributable to equity owners of the Company	119,796	201,781	145,568	3,599,272	4,907,061	**4,977,090**
Non-controlling interest	–	–	–	–	–	**41,059**
Total equity	119,796	201,781	145,568	3,599,272	4,907,061	**5,018,149**
Net current assets/ (liabilities)	34,014	18,453	(147,453)	3,169,645	4,234,401	**4,045,829**
Total assets less current liabilities	133,842	237,290	182,714	3,674,484	5,025,338	**5,359,677**

Design & Concept: Phoenix Communications Limited