



**Alibaba.com**  
阿里巴巴。

**Alibaba.com Limited**  
阿里巴巴網絡有限公司

Incorporated in the Cayman Islands with limited liability  
Stock Code: 1688

**OUR CUSTOMERS  
DRIVE US TO EXCEL**

**INTERIM REPORT 2011**

# Committed to Excellence

## Contents

- 02 Financial and Operational Highlights
- 04 Management Discussion & Analysis
- 11 Report on Review of Interim Financial Information
- 12 Condensed Consolidated Statement of Comprehensive Income
- 13 Condensed Consolidated Balance Sheet
- 15 Condensed Consolidated Statement of Changes in Equity
- 17 Condensed Consolidated Cash Flow Statement
- 18 Notes to the Condensed Consolidated Interim Financial Information
- 35 Supplementary Quarterly Financial Information
- 37 Other Information
- 47 Corporate Information



- Categories
- Agriculture
- Automobiles & Motorcycles
- Beauty & Personal Care
- Chemicals
- Computer Hardware & Software
- Construction & Real Estate
- Consumer Electronics
- Electrical Equipment & Supplies
- Energy
- Fashion Accessories
- Food & Beverage
- Furniture
- Gifts & Crafts
- Health & Medical
- Home Appliances
- Home & Garden
- Lights & Lighting
- Machinery
- Mechanical Parts & Fabrication
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Products Suppliers



**Customized Sourcing**

Trade Updates Worldwide  
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Electronics


**Hot Products**

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- Bushings
- Housings



**Dinnerware**

- Ceramic Plates
- Ceramic Bowls
- Coffee & Tea Sets



**Bicycles**

- Mountain Bikes
- Chopper Bikes
- Electric Bicycles

**Forums** Safe Trading Basics | China Forums | Payment

**Reteck**

Q: Can I buy original phones from China?  
A: Branded mobile phones at low prices are almost certainly a scam...

Alibaba.com News: Mom Always Told Us It's Go

**Price Watch**

Global Market: **News!** NYMEX |

Rice Cookers US \$40.68  
US \$29.94

Comments or suggest



# Financial and Operational Highlights

FINANCIAL HIGHLIGHTS (UNAUDITED)	Six months ended June 30,		
	2010	2011	Change
	RMB million	RMB million	
Revenue	2,586.8	3,155.5	+22.0%
Earnings before interest, taxes and amortization ("EBITA")	778.9	996.1	+27.9%
Profit attributable to equity owners	693.0	917.0	+32.3%
Share-based compensation expense	130.1	175.8	+35.1%
Deferred revenue and customer advances	3,721.8	4,059.7	+9.1%
Recurring free cash flow	921.7	610.0	-33.8%
EBITA margin before share-based compensation expense (%)	35.1%	37.1%	+2.0% pts
Earnings per share, basic (HK\$)	15.7 cents	21.6 cents	+37.6%
Earnings per share, diluted (HK\$)	15.6 cents	21.5 cents	+37.8%

OPERATIONAL HIGHLIGHTS	June 30, 2010	June 30, 2011	YoY Change	March 31, 2011	QoQ Change	Q2 2011 Net change
<b>Registered users</b>	53,437,054	68,900,278	+28.9%	65,034,254	+5.9%	3,866,024
International marketplace	13,643,361	21,625,081	+58.5%	19,723,404	+9.6%	1,901,677
China marketplace	39,793,693	47,275,197	+18.8%	45,310,850	+4.3%	1,964,347
<b>Storefronts</b>	7,812,354	9,195,763	+17.7%	8,847,072	+3.9%	348,691
International marketplace	1,559,881	1,867,452	+19.7%	1,777,292	+5.1%	90,160
China marketplace	6,252,473	7,328,311	+17.2%	7,069,780	+3.7%	258,531
<b>Paying members</b> <small>(Note 1)</small>	712,867	815,378	+14.4%	832,469	-2.1%	-17,091
China Gold Supplier	105,810	112,191	+6.0%	116,454	-3.7%	-4,263
Global Gold Supplier	13,559	9,245	-31.8%	9,549	-3.2%	-304
China TrustPass	593,498	693,942	+16.9%	706,466	-1.8%	-12,524

Note1: Includes paying members with active storefront listings on our international and China marketplaces as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.



# Striving for Excellence




# Management Discussion and Analysis

## BUSINESS OVERVIEW

The uneven pace of economic recovery in the U.S. and high indebtedness in European countries are contributing to ongoing uncertainty surrounding the strength of the global business environment. For the first half of 2011, China's economy recorded better-than-expected growth, supported by increases in exports, domestic demand and fixed-asset spending, all of which helped to ease fears that the country might suffer an economic hard-landing. However, elevated inflationary pressure, Renminbi appreciation and tightened SME financing still loom as potential problems for the development of China's small businesses in quarters to come.

Against this economic backdrop, we have decided that our core strategy this year is to focus on the fundamentals that make a robust e-commerce platform. This effort includes improving the platform's trust and safety, boosting the quality of suppliers, enhancing the online experiences of buyers and sellers as well as helping them increase their efficiency and return on investment. We expect this year that a "back-to-basics" approach, coupled with continuing efforts to enhance our performance-based and transaction-based services, will position the company for stronger growth in the years ahead.



Satisfying supplier and buyer needs as well as providing a secure online trade environment are of paramount importance.

We maintain our position as market leader in B2B e-commerce with the largest number of buyers and sellers doing business on our platform globally. As of June 30, 2011, we had a total of 68.9 million registered users and 9.2 million storefronts. Including members from HiChina, we had more than one million paying members at the end of first half of 2011, of which more than 815,000 paying members were from Alibaba.com. Our total GAAP revenue in the first half of 2011 grew 22.0% year-over-year to RMB3.2 billion. Healthy growth of VAS revenue and satisfactory progress in transaction platforms contributed to a more balanced revenue mix. Profit attributable to equity owners grew 32.3% year-over-year to RMB917.0 million.

### International marketplace

As of June 30, 2011, we had 21.6 million registered users and 1.9 million storefronts on our international marketplace. In the second quarter of 2011, the number of registered users increased by 1,901,677 and the number of storefronts increased by 90,160. We continued to see strong support from international buyers who came to our platform to source for products, leading to 65% year-on-year increase in average daily traffic. This demonstrated that our efforts to improve quality of the suppliers and information on our platform started to bear fruit.

#### International marketplace operational data

	As of December 31			As of June 30	
	2008	2009	2010	2010	2011
Registered users	7,914,630	11,578,247	18,024,993	13,643,361	<b>21,625,081</b>
Storefronts	965,747	1,400,326	1,696,905	1,559,881	<b>1,867,452</b>
Paying members <sup>(1)</sup>	59,164	113,896	131,708	119,369	<b>121,436</b>
China Gold Supplier	43,028	96,110	121,274	105,810	<b>112,191</b>
Global Gold Supplier	16,136	17,786	10,434	13,559	<b>9,245</b>

<sup>(1)</sup> Includes paying members with active storefront listings, as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.

#### International marketplace – Geographic distribution of registered users (other than China) as of June 30, 2011

Country or region	Number of registered users in country or region	Percentage of total registered users of our international marketplace
1. United States	3,576,199	16.5%
2. European Union <sup>(1)</sup>	2,299,762	10.6%
3. India	2,218,597	10.3%
4. United Kingdom	1,146,432	5.3%
5. Australia	627,676	2.9%

<sup>(1)</sup> Excludes the United Kingdom



# Management Discussion and Analysis

## *Gold Supplier*

As of June 30, 2011, we had 112,191 China Gold Supplier members. As expected, we saw a sequential decline in the number of China Gold Supplier members in the second quarter of 2011, mainly due to our tightening of entry and renewal requirements in order to raise the overall quality of our paying members. An increase in membership fees that went into effect in January 2011 also partly explained this decline. The renewal rate remained steady in the first half of 2011.

In the first half of 2011, we significantly emphasized the strengthening of trust and safety system and building mechanisms to help quality suppliers generate more business from Alibaba.com. For example, we required our field sales team, which has the most direct interaction with customers, to more fully participate in the ongoing assessment of suppliers' quality. We have also strengthened the enforcement of take-down policies and improved the system of monitoring online activities to prevent suppliers with high-risk characteristics from endangering the trust and safety of our platforms. Although the focus on quality tempered paying member growth, we are convinced that this is imperative for sustainable development. Since we stepped up our trust and safety efforts at the beginning of the year, the number of buyers' complaints has significantly declined by 70% compared with the February 2011 level.

We have always considered user experience, especially buyer experience, to be key to the success of any e-commerce platform. To better monitor customer satisfaction, we stepped up efforts to collect user feedback in the second quarter of 2011. This information will form the basis for further innovation as we continue to seek ways to make Alibaba.com more useful and valuable to buyers, which in turn will contribute to ongoing traffic growth and user stickiness while attracting more suppliers to join.

Our VAS development has progressed well so far. Subsequent to the introduction of Ali-ADvance, a "pay-for-performance" model for keyword search on our international marketplace, in the first quarter of 2011, we have reviewed and rationalized our marketing-related VAS offerings for more effective and efficient monetization. With the emphasis on quality of suppliers, we saw that our in-depth customer verification service, "Factory Audit", has gained traction. Apart from this, we have also started to extend comprehensive export-related services to our paying members through our subsidiary, One-Touch. With these new services, we are delivering more "Work at Alibaba" value to our members. VAS revenue contribution for the first half of 2011 remained relatively steady at a level exceeding 25% of China Gold Supplier revenue. We believe that more performance-driven VAS can help enhance our members' return and encourage them to use additional services.

As of June 30, 2011, we had 9,245 Global Gold Supplier members. The membership remained relatively stable compared with the first quarter.

## *AliExpress*

During the first year of operation, AliExpress made significant progress in becoming an established international transaction platform. Compared with its peers, AliExpress topped the ranking in most of the metrics that measure traffic and user awareness, such as supplier and buyer base, product offerings, user experience and transaction volume. Overall, we are pleased to see that the growth momentum of AliExpress remains strong. The average daily gross merchandise value (GMV) completed on AliExpress grew six times within a year, demonstrating demand for a small-lot wholesale platform serving a global market.

While the market response to AliExpress has been encouraging, there are still a number of areas that we need to improve and further develop. We believe that it is crucial to build up a solid foundation of AliExpress suppliers offering quality products and topnotch customer services, especially at this early stage of the platform's development. In 2011, our priority is to expand product offerings with quality suppliers, enhance trust and safety in online trade between buyers and suppliers, and optimize the online payment process and product delivery systems. Recently, AliExpress started to help the Chinese domestic brands tap the overseas market via a new channel on AliExpress called AliExpress Premier. Suppliers joining this channel are held to higher standards in their products, sales practices and delivery services. We believe that this will help promote AliExpress reputation as a trustworthy and efficient source of low cost, high quality merchandise.

Beginning August 3, 2011, Paypal is no longer available as an AliExpress payment option. We expect there will be some temporary impact on the volume of transactions successfully concluded on AliExpress. Nonetheless, we are committed to offering our customers choice in online payment solutions. AliExpress users can continue to choose from more than 10 online payment solutions, including Visa and Mastercard credit cards, the Moneybookers online payment system, Western Union cash payment and bank transfers. All these payment solutions, which are coupled with Alipay's escrow feature, enable our users to experience a secure, efficient and cost-effective online payment process.

Currently, revenue contributed by AliExpress remains a relatively insignificant part of our total revenue. However, in light of the positive trends we see in the business, we are confident it will become one of our core platforms in the future.



## China marketplace

### China marketplace operational data

	As of December 31			As of June 30	
	2008	2009	2010	2010	2011
Registered users	30,160,705	36,154,669	43,776,288	39,793,693	<b>47,275,197</b>
Storefronts	3,648,503	5,419,658	6,847,639	6,252,473	<b>7,328,311</b>
Paying members <sup>(1)</sup>	372,867	501,316	677,654	593,498	<b>693,942</b>

<sup>(1)</sup> Includes paying members with active storefront listings, as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.

Our China marketplace continued to maintain a steady growth in the first half of 2011. As of June 30, 2011, we had 47.3 million registered users and 7.3 million storefronts. In the second quarter of 2011, the number of registered users increased by 1,964,347 and the number of storefronts increased by 258,531. By the end of the second quarter of 2011, we had 693,942 China TrustPass members, which reflected a slight decline of 12,524 members from the first quarter. The drop was mainly due to our proactive strategy of tightening the entry requirement of China TrustPass members to screen out risk-prone segments. In particular, starting from the second quarter of 2011, we stopped to offer China TrustPass individual edition to new members. This constrained the pool for customer acquisition and resulted in slower customer growth. The membership renewal rate remained stable in the first half of 2011. We will continue to strengthen our trust and safety mechanisms and refine our supplier trust profile to build a quality and trustworthy e-commerce platform, and drive toward a more performance-based business model.

On the VAS front, in the first half of 2011, the VAS revenue contribution remained stable at a level exceeding 20% of our China TrustPass revenue. Ali-ADvance and premium placement continued to be the main sources of VAS revenue. We remain focused on enhancing our existing VAS products and raising awareness of the benefits of pay-for-performance VAS among members.

#### *Wu Ming Liang Pin (To be renamed as "Liang Wu Xian")*

Since its beta-launch in January 2011, we have received good market response on Wu Ming Liang Pin. We are delighted to see solid growth in all aspects of this B2C transaction platform. While the business is still in its infancy, Wu Ming Liang Pin is off to a good start. The robust growth was driven by two principal factors. First, with domestic consumer demand in China booming, manufacturers and suppliers are recognizing the potential of this emerging market. Secondly, manufacturers accustomed to high volume wholesale production for large overseas buyers lack experience in consumer-focused e-commerce which requires a level of sophistication in distribution channels, logistics

management and an understanding of consumer behavior and preferences. Wu Ming Liang Pin was designed to enable manufacturers to participate more easily in the burgeoning China consumer market by combining Taobao's massive consumer base with Alibaba.com's proven ability to provide manufacturers or suppliers with cost-effective e-commerce solutions. To build consumer trust, we only allow on this platform suppliers that have passed a rigorous selection process. We are positioning Wu Ming Liang Pin not simply as a transaction platform that provides reliable suppliers and quality products, but also an in-depth service that helps our suppliers better access and serve consumers.

Currently, Wu Ming Liang Pin is charging a transaction fee, which is shared between Alibaba.com and Taobao, based on the transaction value. While we are still reviewing this evolving business and its monetization model, we see room to create more value for our customers as well as to increase revenue.

#### HiChina

During the first half of 2011, HiChina's membership remained relatively stable despite a reduction in the number of channel partners. Going forward, HiChina will commit more resources to further develop its own sales team. Although domain name service remains HiChina's core business, HiChina is also dedicated to developing new businesses, such as website design and development services, as well as hosting services. Collaborating with Alibaba Cloud Computing, HiChina is developing cloud-related services including cloud hosting, cloud storage, cloud data center and cloud email, among which, cloud hosting and cloud email are currently in service.

#### Ali-Loan

Demand for working capital among small businesses has always been strong. While we have never doubted the value of our Ali-Loan program, there are various issues that we have to tackle, including, finding appropriate banking partners whose interests are aligned with the small business market and designing an optimal monetization model for this service. In the first half of

# Management Discussion and Analysis

2011, we began to review and modify the business model of the Ali-Loan program. We started to seek partnerships with local and regional banks, and support them by providing further information for their assessment of loan applicants' credit worthiness.

## Sales and customer services

As of June 30, 2011, we had more than 4,000 Gold Supplier field sales people and about 2,200 telephone sales representatives for China TrustPass. The decline in sales staff in the first half of 2011 was mainly due to team restructuring and the termination of employees as a result of the internal investigation as announced in February 2011. In addition to our sales team, we also had about 800 people in our customer service team, who are dedicated to handling customer inquiries.

## Employees

As of June 30, 2011, we had 12,858 employees (12,447 employees as of June 30, 2010). Of the entire staff force, about 2,070 people were involved in product development. Total staff costs, including directors' emoluments, were RMB1.4 billion (first half of 2010: RMB1.1 billion). Given our strategic focus on stabilizing and strengthening our existing business, we are maintaining rather than increasing the size of our staff force in 2011.

## FINANCIAL REVIEW

During the first half of 2011, we continued to report solid performance. As discussed in our first quarter results announcement, this year, we will focus on trust and safety on our platforms and hence various actions have been taken to tighten the requirements for membership acquisition and renewal. As expected, we experienced a slowdown in membership growth during the first half of 2011. Nevertheless, with the increase in VAS revenue as well as contribution from the new businesses, we recorded revenue of RMB3,155.5 million in the first half of 2011, representing a 22.0% increase from the same period in 2010.

Revenue from our international marketplace was RMB1,859.5 million in the first half of 2011, representing a 23.1% increase from the same period in 2010. The growth was due to an increase in revenue from VAS, as well as contributions from new businesses, including Vendio, Auctiva and One-touch which were acquired in the latter half of 2010 and the first half of 2011, and from an increase in transaction-based revenue from AliExpress.

Revenue from our China marketplace increased to RMB1,067.5 million in the first half of 2011, representing a 21.7% increase from the same period in 2010, mainly due to the increase in revenue from Ali-ADvance and premium placements as well as from an increase in membership.

Other revenue, mainly attributable to HiChina, was RMB228.5 million in the first half of 2011, representing a 14.3% increase from the same period last year.

Gross profit increased to RMB2,559.4 million in the first half of 2011, up 18.2% from RMB2,165.3 million in the first half of 2010. Gross profit margin declined slightly to 81.1%, compared with 83.7% in the same period last year primarily due to the relatively higher contribution from Vendio, Auctiva and AliExpress, which have lower gross profit margins.

Total operating expenses were RMB1,673.0 million in the first half of 2011, representing a 14.7% increase from RMB1,459.0 million in the same period last year. As a percentage of revenue, total operating expenses were 53.0% for the period, compared with 56.4% from the same period in 2010. The increase in operating expense was mainly due to the increase in product development expenses and general and administrative expenses as a result of our business expansion and the consolidation of expenses incurred by Vendio and Auctiva. The decrease of operating expense as a percentage of revenue was attributed to a lower sales and marketing expense as a percentage of revenue because we incurred more brand promotion expense last year for our China marketplace and we enjoyed a higher proportion of revenue from VAS, which has a lower directly attributable sales and marketing expenses, in the first half of 2011.

Other operating income (net) slightly decreased to RMB56.7 million, compared with RMB57.1 million in the same period last year.

Our earnings before interest, taxes and amortization ("EBITA") (non-GAAP) was RMB996.1 million for the period, a 27.9% increase from RMB778.9 million in the same period of 2010. EBITA margin (non-GAAP) was 31.6% for the period, as compared with 30.1% in the same period of 2010. EBITA margin before share-based compensation expense (non-GAAP) was 37.1% in the period, an increase from 35.1% in the same period last year. The increase in EBITA margin before share-based compensation expense was mainly due to lower sales and marketing expenses as a percentage of revenue as well as a higher margin contribution from VAS revenue, partly offset by the increase in product development and general and administrative expenses.

Net finance income was RMB141.1 million, an increase of 85.1% from RMB76.2 million in the first half of last year, which was attributable to higher interest income as a result of higher average cash and bank balances, and increased exchange gains in the period.

Income tax charges were RMB167.1 million, an increase of 17.1% from RMB142.8 million in the same period of 2010. Excluding the effect of the share-based compensation expense, which is not tax deductible, our effective tax rate was 13.3% in the first half of 2011, compared with 14.8% for the same period in 2010.

Profit attributable to equity owners was RMB917.0 million in the first half of 2011, an increase of 32.3% from the same period in 2010.

Earnings per share for the first half of 2011, basic and diluted, were 21.6 Hong Kong cents and 21.5 Hong Kong cents, respectively, compared to 15.7 Hong Kong cents and 15.6 Hong Kong cents, respectively in the same period of 2010. Diluted earnings per share before share-based compensation expense (non-GAAP), was 25.7 Hong Kong cents in the period, compared to 18.5 Hong Kong cents in the same period in 2010.

## 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 hedging against any foreign currency exchange risk. It is not our policy to invest our cash in financial products with significant underlying leverage or derivative exposure.

### Foreign currency exchange exposure

Currency 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 the functional currency of our key operating subsidiaries. Renminbi is not freely convertible into other foreign currencies. All foreign currency exchange transactions in the PRC must be effected through the State Administration of Foreign Exchange. As of June 30, 2011, 99.1% of our cash and bank balances were denominated in Renminbi.

### Interest rate exposure

Our exposure to changes in interest rates is mainly attributable to our interest-bearing assets, including all cash and cash equivalents, term deposits with original maturities of over three months and short-term Hong Kong dollar and United States dollar denominated bank loans.

### 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 recurring free cash flow from operations. As of June 30, 2011, we had cash and bank balances of RMB10,111.3 million, which was RMB527.8 million or 5.5% higher than that as of December 31, 2010. As of June 30, 2011, 99.1% of our cash and bank balances were in Renminbi (December 31, 2010: 98.6%). The average annual return on our cash and bank balances was 2.5% in the first half of 2011 (first half of 2010: 2.0%).

We continued to maintain a very strong balance sheet. As of June 30, 2011, our total assets amounted to RMB13,335.8 million (December 31, 2010: RMB12,705.1 million), which were financed by shareholders' funds of RMB6,971.4 million (December 31, 2010: RMB5,803.0 million), current liabilities of RMB5,744.0 million (December 31, 2010: RMB6,384.6 million) and non-current liabilities of RMB620.4 million (December 31, 2010: RMB517.5 million). Of the total liabilities, RMB4,059.7 million related to our deferred revenue and customer advances and RMB604.3 million was funded from floating rate short-term Hong Kong and United States dollar denominated bank loans, which were primarily for our overseas growth and expansion. In addition, as a result of the consolidation of One-Touch, we had a Renminbi bank borrowing of RMB215.2 million which was used to support the import and export services provided by One-Touch. Since our deferred revenue and customer advances represent upfront payments from customers for service that are due to be provided, these liabilities do not represent actual obligations to pay customers but instead they provide an assured base for our future reported revenue. Deferred revenue and customer advances were RMB4,059.7 million as of June 30, 2011, representing an 8.4% decrease from RMB4,434.4 million as of December 31, 2010 and a 9.1% increase from RMB3,721.8 million as of June 30, 2010.

As of June 30, 2011, our Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB3,478.4 million (December 31, 2010: RMB3,340.1 million).



# Management Discussion and Analysis

## Cash flow

### *Net cash generated from operating activities*

Net cash generated from operating activities was RMB677.3 million in the first half of 2011, representing a 30.8% decrease from RMB979.3 million in the same period in 2010. The decrease was mainly as a result of the decrease of deferred revenue and customer advances due to the expected slowdown in signing up of new paying members.

### *Net cash used in investing activities*

Net cash used in investing activities was RMB984.6 million in the first half of 2011, representing a 41.2% decrease as compared to RMB1,674.3 million in the same period in 2010. Net cash used in investing activities during the period primarily represented placement of cash in term deposits with original maturities of over three months and the payment for the acquisition of investments which amounted to RMB1,355.5 million (first half of 2010: RMB1,567.6 million).

### *Net cash used in financing activities*

Net cash used in financing activities was RMB350.9 million in the first half of 2011, compared to an inflow of RMB5.4 million in the first half of 2010. The cash outflow in current period mainly represented payment of special dividends declared in December 2010, net of increase in bank borrowings.

### *Recurring free cash flow*

Recurring free cash flow (non-GAAP) in the period was RMB610.0 million representing a 33.8% decrease compared with RMB921.7 million in the same period last year, mainly due to the slowdown in growth of paying members.

### *Cash and bank balances*

Despite the distribution of the special cash dividend in January 2011, cash and bank balances as of June 30, 2011 remained strong at RMB10,111.3 million, representing a 5.5% increase from December 31, 2010 and a 29.8% increase from June 30, 2010.

## OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2011, we did not have any material off-balance sheet arrangements.

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of June 30, 2011, none of our assets were pledged and we did not have any material contingent liabilities or guarantees.

## OUTLOOK

Looking ahead, "Quality" is our top focus. This means that we are dedicated to enhancing the quality of information on our e-commerce platforms. To achieve this, we have to attract and retain quality buyers and suppliers. A lot of our services in the past were supplier-oriented. However, we are making clear progress in strengthening our business to be more balanced by emphasizing buyer experience and satisfaction. Satisfying supplier and buyer needs as well as providing a secure online trade environment are of paramount importance. Although our focus on quality might lead to a slight decline in membership base in the second half of 2011, riding on a quality supplier base and a broad buyer base, we continue to deliver "Meet at Alibaba" and "Work at Alibaba" values to our users.

We plan to make better use of industry and user information that is captured on our platforms. We believe that leveraging the power of data will bring us to the next stage of development. We can utilize the information to create better value for small businesses, resulting in our long-term and sustainable growth.

Another strategy that we are pursuing in a year of consolidation and transition is to expedite the upgrade of our business model. We aim at developing our business with a more scalable model through our performance-based VAS and transaction platforms. In particular, we will further develop and invest in AliExpress and Wu Ming Liang Pin. In the near term, our priority is to gain scale and scope for these new business lines. We believe the monetization potential can be fully realized over time as traffic, transaction volume, awareness and quality of products all improve and grow. Although we might see a softening in short-term financial gain, we are confident that this is a fair trade for long-term robustness in a more scalable business model and a more balanced revenue mix.

In the first half of 2011, we moved forward to realize more synergies among our sister companies. Typical examples are Wu Ming Liang Pin and the cloud hosting service provided by HiChina. Going forward, we will utilize our key assets, including our user data, technology, sales and customer service experience and synergy with Alibaba Group to unlock the potential of e-commerce and create better value for small businesses.

On behalf of our Board

**LU Zhaoxi, Jonathan**  
*Chief Executive Officer*

Hong Kong, August 11, 2011

# Report on Review of Interim Financial Information



羅兵咸永道會計師事務所

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

## TO THE BOARD OF DIRECTORS OF ALIBABA.COM LIMITED

*(incorporated in Cayman Islands with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 12 to 34, which comprises the condensed consolidated balance sheet of Alibaba.com Limited (the "Company") and its subsidiaries (together, the "Group") as of June 30, 2011 and the related condensed consolidated statement of comprehensive income, the condensed consolidated changes in equity and the condensed consolidated cash flow statement for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, August 11, 2011

# Unaudited Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2011

	Notes	Six months ended June 30,	
		2010	2011
		RMB'000	RMB'000
<b>Revenue</b>			
International marketplace	4	1,509,987	1,859,503
China marketplace	4	876,875	1,067,518
Others	4	199,978	228,480
<b>Total revenue</b>		2,586,840	3,155,501
Cost of revenue		(421,565)	(596,082)
<b>Gross profit</b>		2,165,275	2,559,419
Sales and marketing expenses		(964,330)	(989,130)
Product development expenses		(249,646)	(357,593)
General and administrative expenses		(245,009)	(326,309)
Other operating income, net	5	57,110	56,692
<b>Profit from operations</b>	6	763,400	943,079
Finance income, net	7	76,227	141,099
Share of losses of associated companies and a jointly controlled entity, net of tax		(3,802)	(1,110)
<b>Profit before income taxes</b>		835,825	1,083,068
Income tax charges	9	(142,774)	(167,122)
<b>Profit for the period</b>		693,051	915,946
<b>Other comprehensive income/(expense)</b>			
Net fair value gains/(losses) on available-for-sale investments		340	(4,940)
Currency translation differences		(3,806)	(13,176)
<b>Total comprehensive income for the period</b>		689,585	897,830
<b>Profit/(Loss) for the period attributable to</b>			
Equity owners of the Company		692,958	917,046
Non-controlling interests		93	(1,100)
<b>Profit for the period</b>		693,051	915,946
<b>Total comprehensive income/(expense) for the period attributable to</b>			
Equity owners of the Company		689,492	898,930
Non-controlling interests		93	(1,100)
<b>Total comprehensive income for the period</b>		689,585	897,830
<b>Earnings per share, basic (RMB)</b>	10	13.7 cents	18.2 cents
<b>Earnings per share, diluted (RMB)</b>	10	13.7 cents	18.1 cents
<b>Earnings per share, basic (HK\$)</b>	10	15.7 cents	21.6 cents
<b>Earnings per share, diluted (HK\$)</b>	10	15.6 cents	21.5 cents

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.



# Unaudited Condensed Consolidated Balance Sheet

As of June 30, 2011

	Notes	December 31, 2010	June 30, 2011
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Lease prepayment		27,328	63,640
Property and equipment	11	781,145	733,196
Goodwill	12	367,787	459,463
Intangible assets	12	231,535	254,345
Interests in associated companies and a jointly controlled entity		12,723	11,129
Deferred tax assets	21	101,332	91,589
Available-for-sale investments	13	51,340	220,985
Prepayments, deposits and other receivables	14	46,731	8,573
Direct selling costs	16	45,204	45,595
<b>Total non-current assets</b>		1,665,125	1,888,515
<b>Current assets</b>			
Amounts due from related companies		39,534	27,533
Prepayments, deposits and other receivables	14	293,749	287,476
Customer accounts		54,162	41,480
Direct selling costs	16	595,718	500,462
Available-for-sale investments	13	305,140	-
Restricted cash and escrow receivables	15	168,179	479,047
Term deposits with original maturities of over three months	17	6,497,368	7,685,823
Cash and cash equivalents	17	3,086,165	2,425,471
<b>Total current assets</b>		11,040,015	11,447,292
<b>Total assets</b>		12,705,140	13,335,807
<b>EQUITY</b>			
Share capital		485	486
Reserves		5,752,764	6,884,423
<b>Equity attributable to equity owners of the Company</b>		5,753,249	6,884,909
<b>Non-controlling interests</b>		49,816	86,534
<b>Total equity</b>		5,803,065	6,971,443

# Unaudited Condensed Consolidated Balance Sheet

As of June 30, 2011

	Notes	December 31, 2010	June 30, 2011
		RMB'000	RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred revenue	18	332,945	<b>360,898</b>
Other payables	20	53,666	<b>125,901</b>
Deferred tax liabilities	21	130,855	<b>133,567</b>
<b>Total non-current liabilities</b>		517,466	<b>620,366</b>
<b>Current liabilities</b>			
Deferred revenue and customer advances	18	4,101,442	<b>3,698,824</b>
Trade payables	19	15,981	<b>16,987</b>
Amounts due to customers		220,612	<b>338,765</b>
Amounts due to related companies		45,967	<b>51,872</b>
Other payables and accruals	20	859,261	<b>669,705</b>
Dividend payable		943,695	<b>–</b>
Current income tax liabilities		104,933	<b>148,310</b>
Short-term bank borrowings	22	92,718	<b>819,535</b>
<b>Total current liabilities</b>		6,384,609	<b>5,743,998</b>
<b>Total liabilities</b>		6,902,075	<b>6,364,364</b>
<b>Total equity and liabilities</b>		12,705,140	<b>13,335,807</b>
<b>Net current assets</b>		4,655,406	<b>5,703,294</b>
<b>Total assets less current liabilities</b>		6,320,531	<b>7,591,809</b>

**LU Zhaoxi, Jonathan**  
Director

**WU Wei, Maggie**  
Director

Hong Kong, August 11, 2011

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2011

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



# Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2011

	Attributable to equity owners of the Company												
										Shares held		Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Exchange reserve	Statutory reserves	Investment revaluation reserve	Award Scheme	Retained earnings	Total			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance as of January 1, 2011</b>	485	3,514,885	(219,878)	1	(25,579)	525,626	5,862	(32,254)	1,984,101	5,753,249	49,816	5,803,065	
<b>Comprehensive income</b>													
Profit attributable to equity owners of the Company	-	-	-	-	-	-	-	-	917,046	917,046	(1,100)	915,946	
<b>Other comprehensive income/(expense)</b>													
Net fair value losses on available-for-sale investments	-	-	-	-	-	-	(4,940)	-	-	(4,940)	-	(4,940)	
Currency translation differences	-	-	-	-	(13,176)	-	-	-	-	(13,176)	-	(13,176)	
<b>Total comprehensive income/(expense)</b>	-	-	-	-	(13,176)	-	(4,940)	-	917,046	898,930	(1,100)	897,830	
<b>Transactions with equity owners</b>													
Issue of ordinary shares under employee equity award plans	1	47,101	-	-	-	-	-	-	-	47,102	-	47,102	
Deemed disposal of partial interest in a subsidiary arising from exercise of share based awards	-	-	(3,102)	-	-	-	-	-	-	(3,102)	8,935	5,833	
Value of employee services under equity award plans	-	166,196	-	-	-	-	-	-	-	166,196	-	166,196	
<b>Total transactions with equity owners</b>	1	213,297	(3,102)	-	-	-	-	-	-	210,196	8,935	219,131	
<b>Transactions with non-controlling interests</b>													
Value of employee services under equity award plans of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,057	2,057	
Put liability forfeited in relation to the acquisition of equity interest of HiChina	-	-	22,534	-	-	-	-	-	-	22,534	-	22,534	
Non-controlling interests arising from acquisition of One-Touch (Note 1)	-	-	-	-	-	-	-	-	-	-	26,826	26,826	
<b>Total transactions with non-controlling interests</b>	-	-	22,534	-	-	-	-	-	-	22,534	28,883	51,417	
<b>Appropriation to statutory reserves</b>	-	-	-	-	-	110,586	-	-	(110,586)	-	-	-	
<b>Balance as of June 30, 2011</b>	486	3,728,182	(200,446)	1	(38,755)	636,212	922	(32,254)	2,790,561	6,884,909	86,534	6,971,443	

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.

# Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended June 30, 2011

	Six months ended June 30,	
	2010	2011
	RMB'000	RMB'000
<b>Net cash generated from operating activities</b>	979,299	<b>677,326</b>
<b>Net cash used in investing activities</b>	(1,674,268)	<b>(984,584)</b>
<b>Net cash generated from/(used in) financing activities</b>	5,381	<b>(350,921)</b>
<b>Net decrease in cash and cash equivalents</b>	(689,588)	<b>(658,179)</b>
Cash and cash equivalents at beginning of period	2,748,690	<b>3,086,165</b>
Effect of exchange rate for the period	(2,162)	<b>(2,515)</b>
<b>Cash and cash equivalents at end of period</b>	2,056,940	<b>2,425,471</b>

	June 30,	
	2010	2011
	RMB'000	RMB'000
<b>Analysis of cash and bank balances (Note 17)</b>		
Cash and cash equivalents	2,056,940	<b>2,425,471</b>
Term deposits with original maturities of over three months	5,733,695	<b>7,685,823</b>
Total	7,790,635	<b>10,111,294</b>

The notes on pages 18 to 34 are an integral part of this condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 1 GENERAL INFORMATION

Alibaba.com Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands 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”). 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”) maintain a number of business lines to provide software, technology and other related services primarily on the online business-to-business (“B2B”) marketplaces with the uniform resource locators www.alibaba.com and www.1688.com under the trade name “Alibaba” (the “B2B services”). The Group also renders other comprehensive Internet based services such as software applications, domain name registration, website hosting and solutions, email hosting and technology-related consulting services on various marketplaces and platforms.

During the first half of 2011, the Group completed the acquisition of a 65% equity interest in Shenzhen 1-Touch Enterprise Service Ltd. (“One-Touch”) and a 25% equity interest in Sinosoft Technology Group Ltd. (“Sinosoft”). One-Touch, a company based in the People’s Republic of China (“PRC”), is a provider of one-stop import and export services to small and medium enterprises in the PRC. The acquisition was completed in January 2011 and the first instalment of the purchase consideration in cash was paid. The second and third instalments of the consideration will be paid in 2012 and 2014 and the amounts may be adjusted based on the operating and financial performance of One-Touch in 2011 and 2013. Also in January 2011, the Group completed and paid in cash for a 25% equity interest in Sinosoft. Through its wholly-owned subsidiary, Nanjing Skytech Co., Ltd., Sinosoft develops and provides export value-added tax refund software products and related services in the PRC. Although the Group has over 20% equity interest in Sinosoft, the Group has accounted Sinosoft not as an associated company but an investment available-for-sale at fair value on the basis that the Group is not in a position to exercise any significant influence over its operation.

The acquisition of One-Touch and Sinosoft will further enhance the Group’s value as the leading e-commerce supply chain provider by offering comprehensive export-related services, which include, among others, customs clearance, logistics, cargo insurance etc. to members of the Group.

This condensed consolidated interim financial information (the “Interim Financial Information”) has been approved for issue by the board of directors on August 11, 2011.

The Interim Financial Information has not been audited.

## 2 BASIS OF PREPARATION

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

The Interim Financial Information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2010 (the “2010 Financial Statements”) as set out in the 2010 annual report of the Company dated March 17, 2011. The 2010 Financial Statements were prepared in accordance with International Financial Reporting Standards (“IFRS”).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. Those areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group’s consolidated financial statements, were detailed in the 2010 Financial Statements.



## 2 BASIS OF PREPARATION (Continued)

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those set out in the 2010 Financial Statements except that the Group has adopted the following new/revised IFRS standards and interpretations for accounting periods commencing January 1, 2011:

		Effective for annual periods beginning on or after
Amendment to IAS 1	Presentation of Financial Statements	January 1, 2011
Amendment to IAS 24	Related Party Disclosures	January 1, 2011
Amendment to IAS 34	Interim Financial Reporting	January 1, 2011
Amendment to IFRS 7	Financial Instruments: Disclosure	January 1, 2011
Amendment to IFRIC 13	Customer Loyalty Programmes	January 1, 2011

The adoption of the above new/revised IFRS standards and interpretations did not have any material impact on the Group's Interim Financial Information and has not led to any significant changes to the Group's accounting policies.

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, 2011:

		Effective for annual periods beginning on or after
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	July 1, 2011
Amendment to IAS 12	Deferred tax: Recovery of Underlying Assets	January 1, 2012
IAS 1 (Amendment)	Presentation of Financial Statements	July 1, 2012
IAS 19 (Amendment)	Employee Benefits	January 1, 2013
IFRS 9	Financial Instruments	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurements	January 1, 2013

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 3 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. The chief operating decision-maker has been identified to be the executive management committee that makes strategic decisions. 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.

The Group mainly operates its business in the PRC. During the six months ended June 30, 2011, majority of the revenue from external customers was contributed from the business of the Group in the PRC (June 30, 2010: same).

As of June 30, 2011, majority of the non-current assets other than financial instruments and goodwill were located in the PRC (June 30, 2010: same).

For the six months ended June 30, 2011, the Group did not have any revenue derived from a single external customer that amounted to 10% or more of the Group's total revenue (June 30, 2010: same).

## 4 REVENUE

	Six months ended June 30,	
	2010	2011
	RMB'000	RMB'000
International marketplace		
China Gold Supplier	1,467,584	<b>1,805,740</b>
Global Gold Supplier	42,403	<b>53,763</b>
	1,509,987	<b>1,859,503</b>
China marketplace		
China TrustPass	834,847	<b>985,655</b>
Other revenue <sup>(i)</sup>	42,028	<b>81,863</b>
	876,875	<b>1,067,518</b>
Others <sup>(ii)</sup>	199,978	<b>228,480</b>
Total	2,586,840	<b>3,155,501</b>

(i) Other revenue earned with respect to the China marketplace mainly represented advertising fees paid by third party advertisers and transaction fees charged to the Group's suppliers on transactions carried out on the platform of the Group's fellow subsidiary.

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

## 5 OTHER OPERATING INCOME, NET

	Six months ended June 30,	
	2010	2011
	RMB'000	RMB'000
Government grants <sup>(i)</sup>	45,850	<b>36,168</b>
Reimbursement from fellow subsidiaries <sup>(ii)</sup>	6,051	<b>5,172</b>
Others	5,209	<b>15,352</b>
<b>Total</b>	<b>57,110</b>	<b>56,692</b>

- (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) These represented amounts received from fellow subsidiaries for the provision of administrative and technology services. The reimbursement charges were calculated based on actual cost incurred, with or without a margin.

## 6 PROFIT FROM OPERATIONS

Profit from operations is stated after charging the following:

	Six months ended June 30,	
	2010	2011
	RMB'000	RMB'000
Staff costs (Note 8)	1,077,443	<b>1,354,158</b>
Depreciation expense of property and equipment (Note 11)	91,089	<b>97,875</b>
Operating lease rentals	32,461	<b>40,838</b>
Amortization of intangible assets (Note 12)	16,453	<b>28,305</b>
Auditors' remuneration	3,363	<b>3,481</b>
Amortization of lease prepayment	293	<b>356</b>
Losses on disposals of property and equipment, net	131	<b>52</b>

## 7 FINANCE INCOME, NET

	Six months ended June 30,	
	2010	2011
	RMB'000	RMB'000
Interest income, net	73,716	<b>116,772</b>
Exchange gains, net	2,511	<b>24,327</b>
<b>Total</b>	<b>76,227</b>	<b>141,099</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended June 30,	
	2010	2011
	RMB'000	RMB'000
Salaries, bonuses and sales commission	771,506	928,922
Contributions to defined contribution plans	133,838	190,751
Discretionary employee benefits	41,994	58,642
Share-based compensation expense	130,105	175,843
Total	1,077,443	1,354,158

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

	Six months ended June 30,	
	2010	2011
	RMB'000	RMB'000
Cost of revenue	12,393	18,810
Sales and marketing expenses	38,809	45,077
Product development expenses	27,251	39,696
General and administrative expenses	51,652	72,260
Total	130,105	175,843

	As of June 30,	
	2010	2011
Number of employees	12,447	12,858

## 9 INCOME TAX CHARGES

	Six months ended June 30,	
	2010	2011
	RMB'000	RMB'000
Current tax charge	142,791	165,059
Deferred tax (credit)/charge (Note 21)	(17)	2,063
Total	142,774	167,122



## 9 INCOME TAX CHARGES (Continued)

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

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

Under the PRC Enterprise Income Tax Law, the standard corporate income tax rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the PRC Enterprise Income Tax Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises. Alibaba China, the principal operating entity of the Group, has been designated as a High and New Technology Enterprise for three years from 2008 to 2010. Management is of the view that this status is highly probable to be renewed in the second half of 2011. As a result, the Group has used 15% to calculate Alibaba China's PRC Enterprise Income Tax for the six months ended June 30, 2011 (2010:15%).

Pursuant to Caishui [2008] No.1 under the PRC Enterprise Income Tax Law, a duly recognized Key Software Enterprise within China's National Plan can enjoy a preferential PRC Enterprise Income Tax rate of 10%. Alibaba China was recognized as a Key Software Enterprise by four ministries including National Development and Reform Commission, Ministry of Industry and Information Technology, Ministry of Commerce and the State Administration for Taxation and as a result, Alibaba China was subject to PRC Enterprise Income Tax at 10% in 2010. This Key Software Enterprise status is subject to review by relevant authorities on an annual basis. As of June 30, 2010 and 2011, the Key Software Enterprise Income Tax status of Alibaba China has not yet been approved, therefore the PRC Enterprise Income Tax of Alibaba China was calculated at 15% for the six months ended June 30, 2011 (2010: 15%).

Further, Alibaba China Software Co., Ltd. ("Alibaba Software"), another major PRC operating subsidiary of the Group, was recognized as a Software Enterprise pursuant to the PRC Enterprise Income Tax Law. Under this tax circular, a Software Enterprise can enjoy full exemption from PRC Enterprise Income Tax for the first two years and a 50% reduction in PRC Enterprise Income Tax thereafter for three years, starting from the company's first profit-making year. Since 2008 was its first profit-making year, Alibaba Software was subject to PRC Enterprise Income Tax at 12.5% for the six months ended June 30, 2011 (2010: 12.5%).

Most of the remaining PRC entities of the Group are subject to PRC Enterprise Income Tax at 25% for the six months ended June 30, 2011 (2010: 25%).

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 10 EARNINGS PER SHARE

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

	Six months ended June 30,	
	2010	2011
Profit attributable to equity owners of the Company (RMB'000)	692,958	<b>917,046</b>
Weighted average number of ordinary shares in issue (thousand shares)	5,042,767	<b>5,052,325</b>
Earnings per share, basic (RMB)	13.7 cents	<b>18.2 cents</b>
Earnings per share, basic (HK\$) <sup>(i)</sup>	15.7 cents	<b>21.6 cents</b>

Diluted earnings per share is computed by dividing the profit attributable to equity owners for the period by the weighted average number of ordinary shares and potential ordinary shares outstanding during the period. Potential ordinary shares, composed of incremental ordinary shares issuable upon the exercise of share options and RSUs in all periods, are included in the computation of diluted earnings per share to the extent such shares are dilutive. Diluted earnings per share also takes into consideration the effect of diluted securities issued by subsidiaries.

	Six months ended June 30,	
	2010	2011
Profit attributable to equity owners of the Company (RMB'000)	692,958	<b>917,046</b>
Weighted average number of ordinary shares in issue (thousand shares)	5,042,767	<b>5,052,325</b>
Adjustments for share options and RSUs (thousand shares)	31,757	<b>20,148</b>
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	5,074,524	<b>5,072,473</b>
Earnings per share, diluted (RMB)	13.7 cents	<b>18.1 cents</b>
Earnings per share, diluted (HK\$) <sup>(i)</sup>	15.6 cents	<b>21.5 cents</b>

- (i) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8407 to HK\$1.0000 for the six months ended June 30, 2011 (six months ended June 30, 2010: RMB0.8782 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.

## 11 PROPERTY AND EQUIPMENT

	Buildings	Leasehold and building improvements	Furniture and office equipment	Computer equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended June 30, 2010</b>						
As of January 1, 2010	320,592	150,213	60,655	247,104	4,558	783,122
Additions	–	8,415	6,428	73,121	5,466	93,430
Disposals	–	(55)	(80)	(498)	–	(633)
Depreciation	(3,369)	(10,551)	(13,139)	(64,030)	–	(91,089)
Exchange differences	–	(59)	(64)	(120)	–	(243)
<b>Closing net book amount</b>	<b>317,223</b>	<b>147,963</b>	<b>53,800</b>	<b>255,577</b>	<b>10,024</b>	<b>784,587</b>
<b>As of June 30, 2010</b>						
Cost	322,838	176,834	101,294	539,760	10,024	1,150,750
Accumulated depreciation	(5,615)	(28,871)	(47,494)	(284,183)	–	(366,163)
<b>Closing net book amount</b>	<b>317,223</b>	<b>147,963</b>	<b>53,800</b>	<b>255,577</b>	<b>10,024</b>	<b>784,587</b>
<b>Six months ended June 30, 2011</b>						
As of January 1, 2011	<b>313,854</b>	<b>148,783</b>	<b>49,632</b>	<b>240,897</b>	<b>27,979</b>	<b>781,145</b>
Additions	–	<b>572</b>	<b>3,879</b>	<b>39,781</b>	<b>10,786</b>	<b>55,018</b>
Acquisition of One-Touch	–	<b>369</b>	<b>273</b>	–	–	<b>642</b>
Disposals	<b>(2,555)</b>	<b>(1,198)</b>	<b>(940)</b>	<b>(237)</b>	–	<b>(4,930)</b>
Transfer from construction in progress	–	<b>13,949</b>	<b>4,805</b>	<b>287</b>	<b>(19,041)</b>	–
Depreciation	<b>(3,271)</b>	<b>(13,466)</b>	<b>(15,484)</b>	<b>(65,654)</b>	–	<b>(97,875)</b>
Exchange differences	–	<b>(15)</b>	<b>(51)</b>	<b>(738)</b>	–	<b>(804)</b>
<b>Closing net book amount</b>	<b>308,028</b>	<b>148,994</b>	<b>42,114</b>	<b>214,336</b>	<b>19,724</b>	<b>733,196</b>
<b>As of June 30, 2011</b>						
Cost	<b>320,283</b>	<b>194,807</b>	<b>116,620</b>	<b>619,825</b>	<b>19,724</b>	<b>1,271,259</b>
Accumulated depreciation	<b>(12,255)</b>	<b>(45,813)</b>	<b>(74,506)</b>	<b>(405,489)</b>	–	<b>(538,063)</b>
<b>Closing net book amount</b>	<b>308,028</b>	<b>148,994</b>	<b>42,114</b>	<b>214,336</b>	<b>19,724</b>	<b>733,196</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 12 GOODWILL AND INTANGIBLE ASSETS

	Computer software and technology	Trademarks/ Domain names	Customer relationships	Non-compete agreement	Total intangible assets	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended June 30, 2010</b>							
As of January 1, 2010	56,255	40,969	68,282	-	165,506	202,631	368,137
Additions	1,073	-	-	-	1,073	-	1,073
Amortization charge	(7,918)	(1,707)	(6,828)	-	(16,453)	-	(16,453)
<b>Closing net book amount</b>	<b>49,410</b>	<b>39,262</b>	<b>61,454</b>	<b>-</b>	<b>150,126</b>	<b>202,631</b>	<b>352,757</b>
<b>As of June 30, 2010</b>							
Cost	78,976	40,969	68,282	-	188,227	202,631	390,858
Accumulated amortization	(29,566)	(1,707)	(6,828)	-	(38,101)	-	(38,101)
<b>Closing net book amount</b>	<b>49,410</b>	<b>39,262</b>	<b>61,454</b>	<b>-</b>	<b>150,126</b>	<b>202,631</b>	<b>352,757</b>
<b>Six months ended June 30, 2011</b>							
As of January 1, 2011	106,159	46,207	79,169	-	231,535	367,787	599,322
Additions	8,278	-	-	-	8,278	-	8,278
Acquisition of One-Touch	8,500	4,500	11,900	20,000	44,900	95,444	140,344
Amortization charge	(13,397)	(2,380)	(10,528)	(2,000)	(28,305)	-	(28,305)
Exchange differences	(1,338)	(192)	(533)	-	(2,063)	(3,768)	(5,831)
<b>Closing net book amount</b>	<b>108,202</b>	<b>48,135</b>	<b>80,008</b>	<b>18,000</b>	<b>254,345</b>	<b>459,463</b>	<b>713,808</b>
<b>As of June 30, 2011</b>							
Cost	162,291	54,329	106,522	20,000	343,142	459,463	802,605
Accumulated amortization	(54,089)	(6,194)	(26,514)	(2,000)	(88,797)	-	(88,797)
<b>Closing net book amount</b>	<b>108,202</b>	<b>48,135</b>	<b>80,008</b>	<b>18,000</b>	<b>254,345</b>	<b>459,463</b>	<b>713,808</b>



### 13 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments include the following:

	<b>December 31, 2010</b>	<b>June 30, 2011</b>
	RMB'000	RMB'000
Unlisted securities:		
– Debt securities in the PRC, at fair value	325,862	<b>20,923</b>
– Equity securities in Cayman Islands, at fair value	–	<b>169,527</b>
– Equity securities in the PRC, at cost	27,000	<b>27,000</b>
– Equity securities in Japan, at cost	2,099	<b>2,051</b>
– Equity securities in Hong Kong, at cost	1,519	<b>1,484</b>
	356,480	<b>220,985</b>
Less: Current portion	(305,140)	–
Non-current portion	51,340	<b>220,985</b>

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

	<b>December 31, 2010</b>	<b>June 30, 2011</b>
	RMB'000	RMB'000
– Renminbi	352,862	<b>217,450</b>
– Japanese Yen	2,099	<b>2,051</b>
– Hong Kong Dollars	1,519	<b>1,484</b>
Total	356,480	<b>220,985</b>

None of the available-for-sale investments were impaired as of June 30, 2011 (December 31, 2010: Nil).

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	December 31, 2010	June 30, 2011
	RMB'000	RMB'000
Non-current portion		
Rental and other deposits	46,731	8,573
Current portion		
Interest income receivables	114,237	78,733
Prepaid rentals, rental and other deposits	14,815	17,658
Prepaid expenses	34,891	26,291
Other tax receivables <sup>(i)</sup>	6,503	72,015
Other receivables <sup>(ii)</sup>	123,303	92,779
	293,749	287,476
Total	340,480	296,049

- (i) Other tax receivables represent tax receivables from relevant PRC tax authorities amounted to RMB72,015,000 (December 31, 2010: RMB6,503,000). The receivables as of June 30, 2011 mainly represented value-added tax refund receivable as a result of the consolidation of One-Touch.
- (ii) Other receivables mainly represent receivables from certain PRC government authorities amounted to RMB36,766,000 (December 31, 2010: RMB59,902,000). Such receivables arose from an incentive scheme granted to certain qualified PRC-based small and medium enterprises for the use of the Group's e-commerce services. The amount of incentive granted would be paid to the Group by the relevant government authorities directly on filing of relevant documents by the Group with the government authorities. As of June 30, 2011, 52% of the amount outstanding was filed with government authorities.

## 15 RESTRICTED CASH AND ESCROW RECEIVABLES

	December 31, 2010	June 30, 2011
	RMB'000	RMB'000
Restricted cash:		
– arising from online transaction services and others <sup>(i)</sup>	164,645	277,862
– pledged for short-term bank borrowings (Note 22) <sup>(ii)</sup>	–	180,031
Escrow receivable from external payment networks <sup>(iii)</sup>	3,534	21,154
Total	168,179	479,047

- (i) The amount mainly represents customer funds held on escrow by the Group arising from the online transaction service with a corresponding liability in amounts due to customers.
- (ii) The amount represents restricted cash of One-Touch of which RMB59,680,000 arose at acquisition.
- (iii) The amount represents funds held by external payment networks in relation to the online transaction services with a corresponding liability in amounts due to customers. Such amount will be transferred to restricted cash arising from online transaction services on receipt.

## 16 DIRECT SELLING COSTS

Upon the receipt of service fees from paying members, the Group is obligated to pay certain costs related to the receipt of such service fees which primarily comprise sales commissions. The service fees are initially deferred and recognized in the consolidated statement of comprehensive income in the period in which the services are rendered (Note 18). As such, the related costs are also initially deferred and recognized in the consolidated statement of comprehensive income in the same period as the related service fees are recognized.

## 17 CASH AND BANK BALANCES

	<b>December 31, 2010</b>	<b>June 30, 2011</b>
	RMB'000	RMB'000
Cash at banks and on hand	1,446,233	<b>1,365,229</b>
Term deposits and short-term highly liquid investments with original maturities of three months or less	1,639,932	<b>1,060,242</b>
Cash and cash equivalents	3,086,165	<b>2,425,471</b>
Term deposits with original maturities of over three months	6,497,368	<b>7,685,823</b>
Total	9,583,533	<b>10,111,294</b>

The carrying values of the term deposits with original maturities of over three months approximate their fair values as of June 30, 2011 (2010: same).

## 18 DEFERRED REVENUE AND CUSTOMER ADVANCES

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

	<b>December 31, 2010</b>	<b>June 30, 2011</b>
	RMB'000	RMB'000
Deferred revenue	3,071,663	<b>3,272,751</b>
Customer advances	1,362,724	<b>786,971</b>
	4,434,387	<b>4,059,722</b>
Less: Current portion	(4,101,442)	<b>(3,698,824)</b>
Non-current portion	332,945	<b>360,898</b>

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 19 TRADE PAYABLES

The aging analysis of trade payables based on invoice date is as follows:

	December 31, 2010	June 30, 2011
	RMB'000	RMB'000
0 – 30 days	14,266	7,981
31 – 60 days	333	1,636
61 – 90 days	188	4,342
Over 90 days	1,194	3,028
<b>Total</b>	<b>15,981</b>	<b>16,987</b>

## 20 OTHER PAYABLES AND ACCRUALS

	December 31, 2010	June 30, 2011
	RMB'000	RMB'000
Non-current portion		
Put liability and compensatory liability in relation to the acquisition of equity interest in HiChina	53,666	27,793
Deferred consideration in relation to the acquisition of a 65% equity interest in One-Touch	–	98,108
	53,666	125,901
Current portion		
Accrued salaries, bonuses, sales commissions and staff benefits	389,338	254,652
Accrued advertising and promotion expenses, professional fees and others	296,137	297,073
Accrued purchases of property and equipment	57,705	24,141
Put liability and compensatory liability in relation to the acquisition of equity interest in HiChina	31,191	30,004
Deferred consideration in relation to the acquisition of a 65% equity interest in One-Touch	–	11,396
Other taxes payable	84,890	52,439
	859,261	669,705
<b>Total</b>	<b>912,927</b>	<b>795,606</b>



## 21 DEFERRED TAX ASSETS AND LIABILITIES

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

	<b>December 31, 2010</b>	<b>June 30, 2011</b>
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	19,578	<b>22,106</b>
– Deferred tax assets to be recovered within 12 months	81,754	<b>69,483</b>
	101,332	<b>91,589</b>
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	(117,223)	<b>(118,783)</b>
– Deferred tax liabilities to be settled within 12 months	(13,632)	<b>(14,784)</b>
	(130,855)	<b>(133,567)</b>
Deferred tax liabilities, net	(29,523)	<b>(41,978)</b>

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

	<b>RMB'000</b>
As of January 1, 2011	<b>(29,523)</b>
Charged to the condensed consolidated statement of comprehensive income (Note 9)	<b>(2,063)</b>
Deferred tax liabilities arising from the acquisition of One-Touch	<b>(11,225)</b>
Exchange differences	<b>833</b>
As of June 30, 2011	<b>(41,978)</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 21 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

### Deferred tax assets

	Deferred revenue and customer advances	Depreciation	Others <sup>(i)</sup>	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2011	26,216	13,400	63,061	102,677
Credited/(Charged) to the condensed consolidated statement of comprehensive income	5,067	1,240	(15,805)	(9,498)
As of June 30, 2011	31,283	14,640	47,256	93,179

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

### Deferred tax liabilities

	Withholding tax on unremitted earnings	Others	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2011	(60,013)	(72,187)	(132,200)
Credited to the condensed consolidated statement of comprehensive income	–	7,435	7,435
Deferred tax liabilities arising from the acquisition of One-Touch	–	(11,225)	(11,225)
Exchange differences	–	833	833
As of June 30, 2011	(60,013)	(75,144)	(135,157)

## 22 SHORT-TERM BANK BORROWINGS

(a) Short-term bank borrowings are analyzed as follows:

	<b>December 31, 2010</b>	<b>June 30, 2011</b>
	RMB'000	RMB'000
On demand or wholly repayable within one year	92,718	<b>819,535</b>

(b) Movement in bank borrowings is analyzed as follows:

	<b>2010</b>	<b>2011</b>
	RMB'000	RMB'000
As of January 1	–	<b>92,718</b>
Arising from the acquisition of One-Touch	–	<b>76,560</b>
Additions	–	<b>726,844</b>
Repayments	–	<b>(64,979)</b>
Exchange differences	–	<b>(11,608)</b>
As of June 30	–	<b>819,535</b>

(c) The carrying amounts of short-term bank borrowings are denominated in the following currencies:

	<b>December 31, 2010</b>	<b>June 30, 2011</b>
	RMB'000	RMB'000
Hong Kong Dollars	–	<b>377,813</b>
United States Dollars	92,718	<b>226,506</b>
Renminbi	–	<b>215,216</b>
	92,718	<b>819,535</b>

The carrying amounts of short-term bank borrowings approximate their fair values, as the impact of discounting is not significant. As of June 30, 2011, cash of RMB180,031,000 (December 31, 2010: Nil) of the restricted cash balance is pledged to obtain short-term bank borrowing of RMB179,981,000.

# Notes to the Condensed Consolidated Interim Financial Information

For the six month ended June 30, 2011

## 23 CAPITAL COMMITMENTS

Capital expenditures contracted for are analyzed as follows:

	December 31, 2010	June 30, 2011
	RMB'000	RMB'000
Contracted but not provided for:		
– Purchase of property and equipment	6,471	6,461
– Construction of a corporate campus	17,508	65,825
Total	23,979	72,286

Pursuant to the agreement signed between Alibaba China and The Bureau of State Land and Resources of Hangzhou Municipality on March 9, 2010, the Group has committed that the total investment for the construction would not be less than RMB667,000,000 by September 2013.

## 24 COMPARATIVE FIGURES

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

## Unaudited Supplementary Quarterly Financial Information

	Q2 2010	Q2 2011	Q1 2011	Q2 2011
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>				
International marketplace	791,038	<b>948,973</b>	910,530	<b>948,973</b>
China marketplace	470,738	<b>552,361</b>	515,157	<b>552,361</b>
Others	104,454	<b>122,430</b>	106,050	<b>122,430</b>
<b>Total revenue</b>	1,366,230	<b>1,623,764</b>	1,531,737	<b>1,623,764</b>
Cost of revenue (Note 1)	(227,208)	<b>(315,028)</b>	(281,054)	<b>(315,028)</b>
<b>Gross profit</b>	1,139,022	<b>1,308,736</b>	1,250,683	<b>1,308,736</b>
Sales and marketing expenses (Note 1)	(498,084)	<b>(512,075)</b>	(477,055)	<b>(512,075)</b>
Product development expenses	(132,279)	<b>(186,238)</b>	(171,355)	<b>(186,238)</b>
General and administrative expenses	(122,542)	<b>(157,741)</b>	(168,568)	<b>(157,741)</b>
Other operating income, net	7,789	<b>7,478</b>	49,214	<b>7,478</b>
<b>Profit from operations</b>	393,906	<b>460,160</b>	482,919	<b>460,160</b>
Finance income, net	43,102	<b>84,323</b>	56,776	<b>84,323</b>
Share of losses of associated companies and a jointly controlled entity, net of tax	–	<b>(418)</b>	(692)	<b>(418)</b>
<b>Profit before income taxes</b>	437,008	<b>544,065</b>	539,003	<b>544,065</b>
Income tax charges	(74,055)	<b>(79,446)</b>	(87,676)	<b>(79,446)</b>
<b>Profit for the period</b>	362,953	<b>464,619</b>	451,327	<b>464,619</b>
<b>Other comprehensive income/(expense)</b>				
Net fair value gains/(losses) on available-for-sale investments	100	<b>(7,358)</b>	2,418	<b>(7,358)</b>
Currency translation differences	(3,162)	<b>(7,595)</b>	(5,581)	<b>(7,595)</b>
<b>Total comprehensive income for the period</b>	359,891	<b>449,666</b>	448,164	<b>449,666</b>
<b>Profit/(Loss) attributable to</b>				
Equity owners of our Company	362,959	<b>464,545</b>	452,501	<b>464,545</b>
Non-controlling interests	(6)	<b>74</b>	(1,174)	<b>74</b>
<b>Profit for the period</b>	362,953	<b>464,619</b>	451,327	<b>464,619</b>
<b>Total comprehensive income/(expense) for the period attributable to</b>				
Equity owners of our Company	359,897	<b>449,592</b>	449,338	<b>449,592</b>
Non-controlling interests	(6)	<b>74</b>	(1,174)	<b>74</b>
<b>Total comprehensive income for the period</b>	359,891	<b>449,666</b>	448,164	<b>449,666</b>
<b>Earnings per share, basic (RMB)</b>	7.2 cents	<b>9.2 cents</b>	9.0 cents	<b>9.2 cents</b>
<b>Earnings per share, diluted (RMB)</b>	7.2 cents	<b>9.2 cents</b>	8.9 cents	<b>9.2 cents</b>
<b>Earnings per share, basic (HK\$)</b> (Note 2)	8.2 cents	<b>11.0 cents</b>	10.6 cents	<b>11.0 cents</b>
<b>Earnings per share, diluted (HK\$)</b> (Note 2)	8.2 cents	<b>11.0 cents</b>	10.5 cents	<b>11.0 cents</b>

Note 1: Certain comparative figures have been reclassified to conform to the presentation of current period.

Note 2: The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8455 and RMB0.8359 to HK\$1.0000 for the first and second quarter of 2011 (second quarter of 2010: RMB0.8771 to HK\$1.0000). No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars or vice versa, at that rate, or at any rate or at all.



## Unaudited Supplementary Quarterly Financial Information

	Q2 2010	Q2 2011	Q1 2011	Q2 2011
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Revenue</b>				
<b>International marketplace</b>				
China Gold Supplier	768,248	<b>921,186</b>	884,554	<b>921,186</b>
Global Gold Supplier	22,790	<b>27,787</b>	25,976	<b>27,787</b>
	791,038	<b>948,973</b>	910,530	<b>948,973</b>
<b>China marketplace</b>				
China TrustPass	444,420	<b>504,793</b>	480,862	<b>504,793</b>
Other revenue (Note 3)	26,318	<b>47,568</b>	34,295	<b>47,568</b>
	470,738	<b>552,361</b>	515,157	<b>552,361</b>
<b>Others (Note 4)</b>	104,454	<b>122,430</b>	106,050	<b>122,430</b>
<b>Total</b>	1,366,230	<b>1,623,764</b>	1,531,737	<b>1,623,764</b>
<b>Recurring free cash flow (Non-GAAP)</b>				
Net cash generated from operating activities	547,765	<b>476,781</b>	200,545	<b>476,781</b>
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(64,476)	<b>(25,373)</b>	(41,932)	<b>(25,373)</b>
<b>Total</b>	483,289	<b>451,408</b>	158,613	<b>451,408</b>
<b>Share-based compensation expense</b>	79,015	<b>90,684</b>	85,159	<b>90,684</b>
<b>Amortization of intangible assets and lease prepayment</b>	8,401	<b>14,203</b>	14,458	<b>14,203</b>
	<b>As of</b>	<b>As of</b>	<b>As of</b>	<b>As of</b>
	<b>June 30,</b>	<b>June 30,</b>	<b>March 31,</b>	<b>June 30,</b>
	<b>2010</b>	<b>2011</b>	<b>2011</b>	<b>2011</b>
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cash and bank balances</b>	7,790,635	<b>10,111,294</b>	9,414,917	<b>10,111,294</b>
<b>Deferred revenue and customer advances</b>	3,721,805	<b>4,059,722</b>	4,210,187	<b>4,059,722</b>

Note 3: Other revenue earned with respect to our China marketplace mainly represents advertising fees paid by third party advertisers and transaction fee charged to our suppliers on transactions carried out on the platform of our affiliated company.

Note 4: Other revenue mainly represents revenue earned from the sale of Internet infrastructure and application services and certain software products.

## Other Information

### INTERIM DIVIDEND

The board of directors of Alibaba.com Limited (“Company”, together with its subsidiaries, “Group”) has resolved not to declare an interim dividend for the six months ended June 30, 2011 (six months ended June 30, 2010: Nil).

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

As of June 30, 2011, the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code for Securities Transactions”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

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

Name of Director	Number of Shares/underlying Shares held				Note	Approximate percentage of our Company’s issued share capital
	Personal Interests	Family Interests	Corporate Interests	Total		
MA Yun, Jack	15,369,053	–	–	15,369,053		0.30%
LU Zhaoxi, Jonathan	2,600,045	–	159,060	2,759,105	(1)	0.05%
WU Wei, Maggie	848,000	–	6,308,746	7,156,746	(2)	0.14%
PENG Yi Jie, Sabrina	4,275,000	–	1,000,000	5,275,000	(3)	0.10%
TSAI Chung, Joseph	–	120,000	3,000,000	3,120,000	(4)	0.06%
TSOU Kai-Lien, Rose	94,000	–	–	94,000		0.00%
OKADA, Satoshi	130,000	–	–	130,000	(5)	0.00%
SHAO Xiaofeng	2,462,760	–	–	2,462,760	(6)	0.05%
NIU Gen Sheng	150,000	–	–	150,000	(7)	0.00%
KWAUK Teh Ming, Walter	100,000	–	–	100,000		0.00%
KWAN Ming Sang, Savio	100,000	–	6,600,000	6,700,000	(8)	0.13%

Note:

- (1) These securities represent (a) 162,545 Shares held by Mr. Lu; (b) share options in respect of 2,000,000 underlying Shares granted by our Company to Mr. Lu; (c) restricted share units in respect of 437,500 underlying Shares granted by Alibaba Group Holding Limited (“Alibaba Group”), our ultimate holding company, to Mr. Lu; and (d) 159,060 Shares held by Eagletron Management Limited (a company controlled by Mr. Lu).
- (2) These securities represent (a) share options in respect of 848,000 underlying Shares granted by our Company to Ms. Wu; (b) 46 Shares held by Sheenson Development Limited (a company ultimately owned by Ms. Wu) for the benefit of Ms. Wu; and (c) relevant interests in respect of 6,308,700 underlying Shares held by Direct Solutions Management Limited, which were owned by Sheenson Development Limited pursuant to the pre-IPO share incentive scheme of Alibaba Group.
- (3) These securities represent (a) 875,000 Shares held by Ms. Peng; (b) share options in respect of 3,400,000 underlying Shares granted by our Company to Ms. Peng; and (c) relevant interests in respect of 1,000,000 underlying Shares held by Direct Solutions Management Limited, which were owned by Netyan Enterprise Ltd. (a company ultimately owned by Ms. Peng) for the benefit of Ms. Peng pursuant to the pre-IPO share incentive scheme of Alibaba Group.

## Other Information

- (4) These securities represent (a) 120,000 Shares held by Clara Wu Ming-Hua (Mr. Tsai's spouse); and (b) 3,000,000 Shares held by Parufam Limited (a company ultimately owned by a trust established by a family member of Mr. Tsai and of which Mr. Tsai is a beneficiary).
- (5) These securities represent (a) 30,000 Shares held by Mr. Okada; and (b) 100,000 restricted Shares granted by our Company to Mr. Okada pursuant to our Company's share award scheme.
- (6) These securities represent (a) 260,260 Shares held by Mr. Shao; (b) share options in respect of 1,000,000 underlying Shares granted by our Company to Mr. Shao; (c) restricted share units in respect of 1,000,000 underlying Shares granted by our Company to Mr. Shao prior to his appointment as a director of the Company; and (d) restricted share units in respect of 202,500 underlying Shares granted by Alibaba Group to Mr. Shao.
- (7) These securities represent (a) 100,000 Shares held by Mr. Niu; and (b) 50,000 restricted Shares granted by our Company to Mr. Niu pursuant to our Company's share award scheme.
- (8) These securities represent (a) 100,000 restricted Shares granted by our Company to Mr. Kwan pursuant to our Company's share award scheme; and (b) 6,600,000 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).
- (9) As of June 30, 2011, the Company had a total of 5,059,411,214 Shares in issue.

## 2. Long positions in shares and underlying shares of associated corporations:

### (a) Alibaba Group

Name of Director	Number of shares/underlying shares held				Total	Note	Approximate percentage of Alibaba Group's issued share capital
	Personal Interests	Family Interests	Corporate Interests				
MA Yun, Jack	36,773,177	146,197,496	–	182,970,673	(1)	7.33%	
LU Zhaoxi, Jonathan	285,000	–	9,716,844	10,001,844	(2)	0.40%	
WU Wei, Maggie	685,000	–	400,000	1,085,000	(3)	0.04%	
PENG Yi Jie, Sabrina	442,751	–	552,249	995,000	(4)	0.04%	
TSAI Chung, Joseph	3,242,964	160,000	73,126,932	76,529,896	(5)	3.07%	
SHAO Xiaofeng	2,114,816	–	–	2,114,816	(6)	0.08%	
TSUEI, Andrew Tien Yuan	1,120,000	–	–	1,120,000	(7)	0.04%	
KWAN Ming Sang, Savio	–	–	12,800,000	12,800,000	(8)	0.51%	

Note:

- (1) These securities represent (a) 36,173,177 issued shares of Alibaba Group directly held by Mr. Ma; (b) 84,000,000 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) 60,097,496 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); (d) 600,000 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Ma; and (e) relevant interests in respect of 2,100,000 underlying shares of Alibaba Group held by Alternate Solutions Management Limited, which were owned by Diamond Key Worldwide Inc. (a company ultimately owned by Zhang Ying) for the benefit of Ms. Zhang pursuant to the senior management equity incentive scheme of Alibaba Group;
- (2) These securities represent (a) 225,000 issued shares of Alibaba Group directly held by Mr. Lu; (b) restricted share units in respect of 60,000 underlying shares of Alibaba Group granted by Alibaba Group to Mr. Lu; (c) 6,716,844 issued shares of Alibaba Group held by Eagletron Management Limited; and (d) relevant interests in respect of 3,000,000 underlying shares of Alibaba Group held by Alternate Solutions Management Limited, which were owned by Eagletron Management Limited for the benefit of Mr. Lu pursuant to the senior management equity incentive scheme of Alibaba Group. Securities as mentioned in (a) to (d) have all been pledged by Mr. Lu to Alibaba Group to secure repayment of a loan granted to him by Alibaba Group for the purpose of exercising certain share options of Alibaba Group.
- (3) These securities represent (a) 622,500 issued shares of Alibaba Group directly held by Ms. Wu; (b) restricted share units in respect of 62,500 underlying shares of Alibaba Group granted by Alibaba Group to Ms. Wu; and (c) relevant interests in respect of 400,000 underlying shares of Alibaba Group held by Alternate Solutions Management Limited, which were owned by Sheenson Development Limited for the benefit of Ms. Wu pursuant to the senior management equity incentive scheme of Alibaba Group.
- (4) These securities represent (a) 422,751 issued shares of Alibaba Group directly held by Ms. Peng; (b) restricted share units in respect of 20,000 underlying shares of Alibaba Group granted by Alibaba Group to Ms. Peng; (c) 252,249 issued shares of Alibaba Group held by Netyan Enterprise Ltd.; and (d) relevant interests in respect of 300,000 underlying shares of Alibaba Group held by Alternate Solutions Management Limited, which were owned by Netyan Enterprise Ltd. for the benefit of Ms. Peng pursuant to the senior management equity incentive scheme of Alibaba Group. Securities as mentioned in (a) to (d) have all been pledged by Ms. Peng to Alibaba Group to secure repayment of a loan granted to her by Alibaba Group for the purpose of exercising certain share options of Alibaba Group.
- (5) 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; (c) 10,520,980 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; (e) 36,000,000 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); (f) 800,000 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Tsai; and (g) relevant interests in respect of 1,200,000 underlying shares of Alibaba Group held by Alternate Solutions Management Limited, which were owned by Parufam Limited for the benefit of Mr. Tsai pursuant to the senior management equity incentive scheme of Alibaba Group.
- (6) These securities represent (a) 1,274,816 issued shares of Alibaba Group directly held by Mr. Shao; (b) 800,000 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Shao; and (c) restricted share units in respect of 40,000 underlying shares of Alibaba Group granted by Alibaba Group to Mr. Shao. Securities as mentioned in (a) to (c) have all been pledged by Mr. Shao to secure repayment of a loan granted to him for the purpose of exercising certain share options of Alibaba Group.
- (7) 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.
- (8) These securities represent 12,800,000 issued shares of Alibaba Group held by CSS Development Limited.
- (9) As of June 30, 2011, Alibaba Group had a total of 2,495,932,174 shares in issue.

## Other Information

### (b) Other associated corporations

Name of Company	Name of Director	Capacity/nature of interest	Number of underlying shares held/ amount of registered capital held in RMB	Total number of issued shares/ registered capital in RMB	Approximate percentage of associated corporation's issued shares/ total registered capital
(1) 杭州阿里巴巴廣告有限公司	MA Yun, Jack	Beneficial owner	8,000,000	10,000,000	80%
(2) 北京阿里巴巴信息技術有限公司	MA Yun, Jack	Beneficial owner	8,000,000	10,000,000	80%
(3) 杭州口口相傳網絡技術有限公司	MA Yun, Jack	Beneficial owner	800,000	1,000,000	80%
(4) 阿里雲計算有限公司	MA Yun, Jack	Beneficial owner	40,000,000	50,000,000	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	208,000,000	260,000,000	80%
(7) 浙江淘寶網絡有限公司	MA Yun, Jack	Beneficial owner	45,000,000	50,000,000	90%
(8) Alibaba.com Japan Co., Ltd.	OKADA, Satoshi	Beneficial owner	1,634 (Note 1)	1,111,111 (Note 2)	0.15%

Note:

- (1) These securities represent share options in respect of 1,634 underlying shares of Alibaba.com Japan Co., Ltd. granted by Alibaba.com Japan Co., Ltd. to Mr. Okada.
- (2) As of June 30, 2011, Alibaba.com Japan Co., Ltd. had a total of 1,111,111 shares in issue.

Save as disclosed above, as of June 30, 2011, none of our directors or chief executives had registered any interest or short position in the shares, underlying shares or debentures of our Company or any of our associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions.

## SHARE-BASED INCENTIVE SCHEMES

### 1. Restricted share unit scheme

We adopted a restricted share unit scheme ("RSU Scheme") by a resolution of our then sole shareholder and a resolution of our board, both on October 12, 2007. The RSU Scheme was amended by a resolution of our shareholders at our annual general meeting held on May 5, 2008 and was further amended by a resolution of our shareholders at our extraordinary general meeting held on December 10, 2010. 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 the resolutions passed by our shareholders at the extraordinary general meeting on December 10, 2010, the combined limit of the RSU Scheme and the Share Option Scheme was refreshed to 156,000,000 Shares. Further, pursuant to the resolution passed by shareholders at our annual general meeting on May 14, 2011, the total number of Shares still available under the RSU Scheme must not, in aggregate, exceed 131,988,550 Shares, representing approximately 2.61% of the issued share capital of our Company as of the date of the said 2011 annual general meeting and as of June 30, 2011.

Particulars and movements of the restricted share units (“RSUs”) under the RSU Scheme during the six months ended June 30, 2011 were as follows:

Name or category of participant	Number of RSUs					Date of grant (DD/MM/YYYY)
	Outstanding as of 01/01/2011	Granted during the period	Vested during the period	Cancelled during the period	Outstanding as of 30/06/2011	
<b>Director</b>						
SHAO Xiaofeng (Note 1)	1,000,000	–	–	–	1,000,000	18/11/2010
Sub-total	1,000,000	–	–	–	1,000,000	
<b>Others</b>						
Employees	1,430,485	–	711,772	68,182	650,531	01/02/2008
	75,819	–	37,906	1,225	36,688	20/06/2008
	115,000	–	–	–	115,000	17/12/2008
	3,219,415	–	1,073,140	185,600	1,960,675	23/01/2009
	3,457,215	–	1,139,530	317,067	2,000,618	06/02/2009
	1,835,552	–	675,184	183,702	976,666	01/04/2009
	1,710,494	–	622,538	120,390	967,566	04/09/2009
	1,695,000	–	–	120,000	1,575,000	28/12/2009
	13,827,644	–	3,309,633	1,076,495	9,441,516	31/03/2010
	1,600,924	–	1,730	97,800	1,501,394	07/07/2010
	1,933,000	–	–	360,500	1,572,500	11/10/2010
	5,746,728	–	5,557	512,500	5,228,671	18/11/2010
	–	20,511,450	68,789	872,224	19,570,437	11/04/2011
Sub-total	36,647,276	20,511,450	7,645,779	3,915,685	45,597,262	
<b>Total</b>	<b>37,647,276</b>	<b>20,511,450</b>	<b>7,645,779</b>	<b>3,915,685</b>	<b>46,597,262</b>	

Note:

- (1) These RSUs were granted to SHAO Xiaofeng on November 18, 2010 prior to his appointment as a director of our Company on January 1, 2011.
- (2) The vesting period of these RSUs 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.



## Other Information

### 2. Share option scheme

We also adopted a share option scheme (the “Share Option Scheme”) by a resolution of our then sole shareholder and a resolution of our board (both on October 12, 2007), effective on the date of our listing. The purpose of the Share Option Scheme is to, through providing an opportunity to acquire equity interests in our Company, attract skilled and experienced personnel, to incentivize them to remain with our Company and live to our customer-focused corporate culture, and to motivate them to strive for our future development and expansion. Pursuant to the resolutions passed by our shareholders at the extraordinary general meeting on December 10, 2010, the Share Option Scheme was amended and the limit of the Share Option Scheme, combined with that of the RSU Scheme, was refreshed to 156,000,000 Shares.

Particulars and movements of share options under the Share Option Scheme during the six months ended June 30, 2011 were as follows:

Name or category of participant	Number of share options					Outstanding as of 30/06/2011	Date of grant (DD/MM/YYYY)	Exercise period (Note 1) (DD/MM/YYYY)	Exercise price per Share (HK\$)	Price immediately preceding the grant date of share options (Note 2) (HK\$)	Price immediately preceding the exercise date of share options (Note 3) (HK\$)
	Outstanding as of 01/01/2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
<b>Directors</b>											
LU Zhaoxi, Jonathan	-	2,000,000	-	-	-	2,000,000	18/03/2011	21/02/2013-18/03/2017	14.26	13.80	N/A
WU Wei, Maggie	74,000	-	-	-	-	74,000	01/02/2008	01/02/2009-01/02/2014	19.86	18.46	N/A
	74,000	-	-	-	-	74,000	23/01/2009	23/01/2010-23/01/2015	5.71	5.61	N/A
	700,000	-	-	-	-	700,000	31/03/2010	31/01/2011-31/03/2016	16.12	16.20	N/A
PENG Yi Jie, Sabrina	225,000	-	-	-	-	225,000	01/02/2008	01/02/2009-01/02/2014	19.86	18.46	N/A
	225,000	-	-	-	-	225,000	23/01/2009	23/01/2010-23/01/2015	5.71	5.61	N/A
	2,500,000	-	-	-	-	2,500,000	01/04/2009	01/04/2010-01/04/2015	7.25	7.12	N/A
	450,000	-	-	-	-	450,000	31/03/2010	31/01/2011-31/03/2016	16.12	16.20	N/A
SHAO Xiaofeng	1,000,000	-	-	-	-	1,000,000	18/11/2010	01/08/2012-18/11/2016	14.57	13.88	N/A
Sub-total	5,248,000	2,000,000	-	-	-	7,248,000					
<b>Others</b>											
Employees	3,688,500	-	-	844,500	-	2,844,000	01/02/2008	12/11/2009-01/02/2014	19.86	18.46	N/A
	1,447,000	-	102,000	125,000	-	1,220,000	20/06/2008	01/02/2009-01/02/2014	12.74	12.00	15.80
	4,554,062	-	1,046,987	395,187	-	3,111,888	17/12/2008	28/01/2010-20/06/2014	5.54	5.50	14.58
								12/11/2009-17/12/2014			
	2,586,150	-	600,250	164,500	-	1,821,400	23/01/2009	23/01/2010-23/01/2015	5.71	5.61	13.98
	17,018,500	-	6,282,250	113,750	-	10,622,500	01/04/2009	19/12/2010-01/04/2015	7.25	7.12	13.75
								06/02/2010-01/04/2015			
								01/04/2010-01/04/2015			
	1,757,000	-	-	102,500	-	1,654,500	04/09/2009	16/05/2010-04/09/2015	20.60	19.76	N/A
	1,780,000	-	-	120,000	-	1,660,000	28/12/2009	21/08/2010-28/12/2015	17.62	16.88	N/A
	9,703,000	-	2,500	2,285,000	-	7,415,500	31/03/2010	29/12/2011-31/03/2016	16.12	16.20	16.62
								31/01/2011-31/03/2016			
	-	1,000,000	-	-	-	1,000,000	18/03/2011	01/03/2013-18/03/2017	14.26	13.80	N/A
	-	500,000	-	-	-	500,000	11/04/2011	08/12/2012-11/04/2017	14.22	14.06	N/A
Sub-total	42,534,212	1,500,000	8,033,987	4,150,437	-	31,849,788					
<b>Total</b>	<b>47,782,212</b>	<b>3,500,000</b>	<b>8,033,987</b>	<b>4,150,437</b>	<b>-</b>	<b>39,097,788</b>					

Note:

- (1) The vesting period of the share options granted commences on a date determined by our board (or its delegated committee) at the time of grant, and generally spreads over a four-year period. Any share options not exercised at the end of each exercise period shall lapse automatically.
- (2) Being the closing price of the Shares quoted on the Stock Exchange on the trading day immediately prior to the date of grant of the share options.
- (3) Being the weighted average closing price of the Shares immediately before the date on which the options were exercised.
- (4) The weighted average fair value of share options granted under the Share Options Scheme on March 18, 2011 and April 11, 2011 measured as at the date of grant, was approximately HK\$5.56 and HK\$6.10 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Type of grant	Expected volatility (%)	Expected life (in years)	Risk-free interest rate (%)	Expected dividend yield (%)
	All types	All types	All types	All types
<b>Date of grant (DD/MM/YYYY)</b>				
18/03/2011	51.32	4.38	1.46	–
11/04/2011	50.87	4.38	1.82	–

In total, share-based compensation expense of RMB175.8 million was included in the consolidated statement of comprehensive income for the six months ended June 30, 2011 (six months ended June 30, 2010: RMB130.1 million). These expenses included the amortization of the fair value of (i) certain share-based awards in the form of share options, RSUs and restricted shares (where applicable) granted to our directors and employees under our share incentive schemes as well as certain share-based incentive schemes of Alibaba Group; and (ii) certain put options and rights to earn shares of HiChina granted to HiChina's management and key employees pursuant to the shareholders' agreement entered into by our Company for the acquisition of HiChina.

### 3. Share award scheme

The Company has adopted a share award scheme ("Share Award Scheme") by a resolution of our board on August 10, 2010. The purpose of the Share Award Scheme is to incentivize the directors of our Company and subsidiaries by giving them the opportunity to participate in an equity incentive scheme that is equivalent to the RSU Scheme, which as a result of the Listing Rules restrictions is only open to employees and consultants of our Group and not open to directors of our Company and subsidiaries. Our board considered, in particular, that it is important for our Company to have the flexibility to make share-based incentive awards to directors of our subsidiaries (most of whom are senior managers of our Company who are assigned to be responsible for the performance of these subsidiaries) in the form of Shares as and when appropriate. Over the past two years, our Company has increased the number of directors of our subsidiaries who are not directors of our Company itself, due to our Company's organic expansion as well as its business acquisitions, such as those of HiChina, Vendio and Auctiva.

The Share Award Scheme is substantially similar to the RSU Scheme, except that (i) it is open to directors of our Company and subsidiaries; and (ii) Shares awarded under the Share Award Scheme will be purchased by a designated trustee from the market, whereas Shares awarded pursuant to the RSU Scheme are newly issued Shares. The Share Award Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

Since the adoption of the Share Award Scheme, a total of 1,925,500 restricted Shares have been awarded to directors of our Company and its subsidiaries as of June 30, 2011 and the date of this Interim Report, representing approximately 0.04% of the issued share capital of our Company as of June 30, 2011 and the date of this Interim Report.

## Other Information

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

As of June 30, 2011, 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
Alibaba Group	Beneficial owner and interest of controlled corporation	Long position	3,681,337,684 Shares	(1)	3,681,337,684 Shares	72.76%
	Beneficial owner and interest of controlled corporation	Short position	96,694,349 Shares	(2)	96,694,349 Shares	1.91%
Yahoo! Inc.	Interest of controlled corporation	Long position	3,681,337,684 Shares	(3)	3,681,337,684 Shares	72.76%
	Interest of controlled corporation	Short position	96,694,349 Shares	(4)	96,694,349 Shares	1.91%

Note:

- (1) Included 96,694,349 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 the Shares subject to the employee equity exchange program, the pre-IPO share incentive scheme and other share award schemes of Alibaba Group.
- (3) These 3,681,337,684 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 the Shares held by Alibaba Group under the SFO.
- (4) These represent the same 96,694,349 Shares subject to the employee equity exchange program, the pre-IPO share incentive scheme and other share award schemes of Alibaba Group as set out in Note (2) above.
- (5) As of June 30, 2011, our Company had a total of 5,059,411,214 Shares in issue.

Save as disclosed above, as of June 30, 2011, no person, other than our directors whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short positions in the Shares or underlying Shares that were required to be recorded pursuant to Section 336 of Part XV of the SFO.

### CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended June 30, 2011, we have applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, and where appropriate, adopted the recommended best practices. The functions of our board and board committees, as well as our corporate governance practices, remain the same as those detailed in the Corporate Governance Report of our 2010 annual report.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

According to our specific enquiry, all directors have complied with the required standard set out in the Model Code for Securities Transactions and our Guidelines on Dealings in Securities regarding transactions involving our securities throughout the six months ended June 30, 2011.

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

During the six months ended June 30, 2011, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of the listed securities of our Company.

## REVIEW OF FINANCIAL STATEMENTS

Our interim results for the six months ended June 30, 2011 were reviewed by our audit committee, comprising KWAIK Teh Ming, Walter (chairman), TSAI Chung, Joseph and KWAN Ming Sang, Savio. Our audit committee was of the opinion that the preparation of the interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made. Our interim financial statements have not been audited but have been reviewed by our external auditors.

## CHANGES IN DIRECTORS' INFORMATION

Pursuant to rule 13.51B of the Listing Rules, changes in our directors' information since the date of our 2010 annual report are set out below:

## DIRECTORS' PERSONAL DETAILS

Name of director	Change
(1) NIU Gen Sheng (independent non-executive director)	<ul style="list-style-type: none"><li>Resigned as an independent director of Shanghai Metersbonwe Fashion &amp; Accessories Co., Ltd. on April 22, 2011</li><li>Resigned as the chairman of China Mengniu Dairy Company Limited on June 10, 2011</li></ul>
(2) LU Zhaoxi, Jonathan (executive director)	<ul style="list-style-type: none"><li>Ceased his role as chief executive officer of Taobao on June 16, 2011 and thereafter only assumes the role of non-executive chairman in respect of Taobao's customer to customer (C2C) marketplace business</li></ul>
(3) SHAO Xiaofeng (non-executive director)	<ul style="list-style-type: none"><li>Ceased his role as general manager of China Business Unit on June 16, 2011</li><li>Re-designated as non-executive director on June 16, 2011</li></ul>

## Other Information

### DIRECTORS' EMOLUMENTS

At the meetings held on March 17, 2011 and May 12, 2011, our remuneration committee and our board proposed, subject to approval by our shareholders at the 2011 annual general meeting, to maintain the same level of director's fees for non-executive directors as in previous years. At the 2011 annual general meeting held on May 14, 2011, our shareholders have duly authorized our board to fix the remuneration of our directors for the year of 2011, subject to a cap of RMB5,000,000 for director's fees in aggregate (including any fee given in the form of share-based awards).

SHAO Xiaofeng, appointed as an executive director on January 1, 2011 and redesignated as a non-executive director on June 16, 2011, did not receive any director's fee. Following his cessation as the general manager of our China Business Unit on June 16, 2011, he no longer received any compensation in the form of salary and allowances from our Company.

Save as disclosed above, during the six months period ended June 30, 2011, there has been no change to the basis of determining our directors' emoluments (including basic salary, allowances, discretionary bonus and share-based compensation) and to the level of director's fees for our non-executive directors.

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

# Corporate Information

## BOARD OF DIRECTORS

### Chairman and Non-executive Director

MA Yun, Jack

### Executive Directors

LU Zhaoxi, Jonathan (*chief executive officer*)

WU Wei, Maggie (*chief financial officer*)

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

## COMPANY SECRETARY

WONG Lai Kin, Elsa

## AUTHORIZED REPRESENTATIVES

WU Wei, Maggie

WONG Lai Kin, Elsa

CHOW LOK Mei Ki, Cindy (*alternate to WU Wei, Maggie*)

## AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

## LEGAL ADVISERS

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

Fangda Partners (*as to PRC law*)

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

## PRINCIPAL BANKERS IN CHINA

(*in alphabetical order*)

Bank of China Limited

China Merchants Bank

Industrial and Commercial Bank of China Ltd.

## PRINCIPAL BANKER IN HONG KONG

The Hongkong and Shanghai Banking Corporation Limited

## 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

WU Wei, Maggie

TSUEI, Andrew Tien Yuan

## 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



# Corporate Information

## 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

## CORPORATE WEBSITE

<http://www.alibaba.com/about>

## STOCK CODE

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



