ALIBABA.COM LIMITED
阿里巴巴網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1688)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2010

- Overall paying members, including those from HiChina, exceeded one million. Strong growth in paying members in both marketplaces of 31.6% to 809,362.
- Revenue growth of 43.4% to RMB5,557.6 million driven by increased revenue from paying members and sale of value-added services.
- EBITA margin (before share-based compensation expense) improved by 2.6 percentage points to 34.7%.
- Continued to maintain a high liquidity with recurring free cash flow increased by 56.4% to RMB2,840.8 million and cash and bank balance of RMB9,583.5 million as of December 31, 2010.
- Measures for enhancing trust and safety of our marketplaces were launched to foster a healthy growth of our business in the long run.

FINANCIAL HIGHLIGHTS	2009 RMB million	2010 RMB million	Change
Revenue	**3,874.7**	**5,557.6**	**+43.4%**
Earnings before interest, taxes and amortization (“EBITA”)	**1,043.1**	**1,587.3**	**+52.2%**
Profit attributable to equity owners	**1,013.0**	**1,469.5**	**+45.1%**
Share-based compensation expense	**200.4**	**341.0**	**+70.2%**
Deferred revenue and customer advances	**3,437.0**	**4,434.4**	**+29.0%**
Recurring free cash flow	**1,816.2**	**2,840.8**	**+56.4%**
EBITA margin (before share-based compensation expense)	**32.1%**	**34.7%**	**+2.6% pts**
Earnings per share, basic (HK$)	**23 cents**	**33 cents**	**+43.5%**
Earnings per share, diluted (HK$)	**23 cents**	**33 cents**	**+43.5%**

OPERATIONAL HIGHLIGHTS	2009	2010	Change
Registered users	**47,732,916**	**61,801,281**	**+29.5%**
International marketplace	*11,578,247*	*18,024,993*	*+55.7%*
China marketplace	*36,154,669*	*43,776,288*	*+21.1%*
Storefronts	**6,819,984**	**8,544,544**	**+25.3%**
International marketplace	*1,400,326*	*1,696,905*	*+21.2%*
China marketplace	*5,419,658*	*6,847,639*	*+26.3%*
Paying members *(Note 1)*	**615,212**	**809,362**	**+31.6%**
China Gold Supplier	*96,110*	*121,274*	*+26.2%*
Global Gold Supplier (Note 2)	*17,786*	*10,434*	*-41.3%*
China TrustPass	*501,316*	*677,654*	*+35.2%*

Note 1:
Include paying members with active storefront listings on our international and China marketplaces as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.

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

RESULTS

The board of directors (our "Board") of Alibaba.com Limited (our "Company" or "Alibaba.com") is pleased to announce the consolidated results of our Company and its subsidiaries ("we" or our "Group") for the year ended December 31, 2010, together with comparative figures for the last financial year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	2009 RMB'000	2010 RMB'000
Revenue			
International marketplace	4	2,406,804	3,238,243
China marketplace	4	1,414,897	1,893,899
Others	4	53,027	425,444
Total revenue		3,874,728	5,557,586
Cost of revenue		(534,438)	(931,016)
Gross profit		3,340,290	4,626,570
Sales and marketing expenses		(1,623,845)	(2,050,561)
Product development expenses		(384,333)	(580,173)
General and administrative expenses		(409,708)	(568,324)
Other operating income, net	5	150,566	109,026
Profit from operations	6	1,072,970	1,536,538
Finance income, net	7	140,941	176,398
Share of losses of associated companies and a jointly controlled entity, net of tax		(37,492)	(6,479)
Profit before income taxes		1,176,419	1,706,457
Income tax charges	8	(163,393)	(236,445)
Profit for the year		1,013,026	1,470,012
Other comprehensive income/(expense)			
Net fair value gains on available-for-sale investments		222	5,640
Currency translation differences		247	(21,533)
Total comprehensive income		1,013,495	1,454,119
Profit for the year attributable to			
Equity owners of our Company		1,013,026	1,469,464
Non-controlling interests		-	548
Profit for the year		1,013,026	1,470,012
Total comprehensive income attributable to			
Equity owners of our Company		1,013,495	1,453,571
Non-controlling interests		-	548
Total comprehensive income		1,013,495	1,454,119
Dividend per share			
Special cash dividend (HK$)	9	20 cents	22 cents
Earnings per share, basic (RMB)	10	20 cents	29 cents
Earnings per share, diluted (RMB)	10	20 cents	29 cents
Earnings per share, basic (HK$) *(Note3)*	10	23 cents	33 cents
Earnings per share, diluted (HK$) *(Note 3)*	10	23 cents	33 cents

Note 3:
The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8714 to HK$1.0000 (2009: RMB0.8812 to HK$1.0000). No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars or vice versa, at that rate, or at any rate or at all.

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2010

	Notes	2009 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		27,915	27,328
Property and equipment		783,122	781,145
Goodwill	11	202,631	367,787
Intangible assets	11	165,506	231,535
Interests in associated companies and a jointly controlled entity		3,802	12,723
Deferred tax assets		73,165	101,332
Available-for-sale investments	12	22,386	51,340
Prepayments, deposits and other receivables		4,234	46,731
Direct selling costs	13	31,087	45,204
Total non-current assets		1,313,848	1,665,125
Current assets			
Amounts due from related companies		37,925	39,534
Prepayments, deposits and other receivables		309,028	293,749
Customer accounts		-	54,162
Direct selling costs	13	529,496	595,718
Available-for-sale investments	12	50,000	305,140
Restricted cash and escrow receivables		-	168,179
Term deposits with original maturities of over three months	14	4,467,755	6,497,368
Cash and cash equivalents	14	2,748,690	3,086,165
Total current assets		8,142,894	11,040,015
Total assets		9,456,742	12,705,140
EQUITY			
Share capital		485	485
Reserves		4,976,605	5,752,764
Equity attributable to equity owners of our Company		4,977,090	5,753,249
Non-controlling interests		41,059	49,816
Total equity		5,018,149	5,803,065
LIABILITIES			
Non-current liabilities			
Deferred revenue	15	204,285	332,945
Other payables	17	67,602	53,666
Deferred tax liabilities		69,641	130,855
Total non-current liabilities		341,528	517,466
Current liabilities			
Deferred revenue and customer advances	15	3,232,690	4,101,442
Trade payables	16	23,907	15,981
Amounts due to customers		-	220,612
Amounts due to related companies		20,215	45,967
Other payables and accruals	17	785,577	859,261
Dividend payable		-	943,695
Current income tax liabilities		34,676	104,933
Short-term bank borrowings		-	92,718
Total current liabilities		4,097,065	6,384,609
Total liabilities		4,438,593	6,902,075
Total equity and liabilities		9,456,742	12,705,140
Net current assets		4,045,829	4,655,406
Total assets less current liabilities		5,359,677	6,320,531

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010

	2009 RMB'000	2010 RMB'000
Cash flows from operating activities		
Profit before income taxes	1,176,419	1,706,457
Adjustments for:		
Amortization of lease prepayment (Note 6)	587	587
Depreciation expense of property and equipment (Note 6)	119,380	187,190
Amortization of intangible assets (Notes 6 and 11)	6,615	39,133
Share-based compensation expense	200,385	340,971
Share of losses of associated companies and a jointly controlled entity, net of tax	37,492	6,479
Gains on deemed disposals of Alibaba Japan (Note 5(iii))	(6,980)	-
Losses on disposals of property and equipment (Note 6)	191	514
Interest income, net (Note 7)	(140,479)	(158,286)
Exchange gains, net (Note 7)	(462)	(18,112)
Increase in restricted cash and escrow receivables	-	(168,179)
Increase in amounts due from related companies	(6,555)	(1,609)
(Increase)/Decrease in prepayments, deposits and other receivables	(1,815)	10,677
Increase in direct selling costs	(228,812)	(80,339)
Increase in amounts due to customers	-	166,451
Increase in deferred revenue and customer advances	950,714	960,621
Increase/(Decrease) in trade payables	8,331	(7,926)
(Decrease)/Increase in amounts due to related companies	(30,268)	24,436
Increase in other payables and accruals	234,380	127,110
Net cash provided by operating activities	2,319,123	3,136,175
Income tax paid	(78,908)	(96,782)
Net cash generated from operating activities	2,240,215	3,039,393
Cash flows from investing activities		
Purchase of term deposits with original maturities of over three months	(4,400,984)	(6,404,124)
Proceeds from disposals of term deposits with original maturities of over three months	3,897,497	4,374,328
Purchase of property and equipment and lease prepayment	(410,744)	(288,089)
Purchase of intangible assets	-	(6,390)
Purchase of available-for-sale investments (Note 12)	(922,152)	(1,709,565)
Proceeds from disposals of property and equipment	2,737	534
Proceeds from disposals of available-for-sale investments (Note 12)	850,000	1,431,000
Interest received	176,206	131,187
Acquisitions of Vendio and Auctiva, net of cash acquired (Note 1)	-	(217,626)
Investment in a jointly controlled entity	-	(14,700)
Acquisition of the business management software division of Alisoft (Note 1)	(193,440)	-
Acquisition of an 85% equity interest in HiChina, net of cash acquired (Note 1)	(221,364)	(43,530)
Net cash used in investing activities	(1,222,244)	(2,746,975)
Cash flows from financing activities		
Payments for repurchase of issued ordinary shares	(69,804)	(20,455)
Payments for purchase of issued ordinary shares for the Share Award Scheme	-	(32,254)
Issue of ordinary shares under share-based incentive schemes	55	10,328
Dividends paid	(888,261)	-
Cash received from short-term bank borrowings	-	93,644
Net cash (used in)/generated from financing activities	(958,010)	51,263
Net increase in cash and cash equivalents	59,961	343,681
Cash and cash equivalents at beginning of year	2,688,951	2,748,690
Effect of exchange rate for the year	(222)	(6,206)
Cash and cash equivalents at end of year (Note 14)	2,748,690	3,086,165

	2009 RMB'000	2010 RMB'000
Analysis of cash and bank balances		
Cash and cash equivalents	2,748,690	3,086,165
Term deposits with original maturities of over three months	4,467,755	6,497,368
	7,216,445	9,583,533

1 General information

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on September 20, 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and reissued) of the Cayman Islands. Our Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered address of our Company is Fourth Floor, One Capital Place, P.O. Box 847GT, Grand Cayman, Cayman Islands. As of the date of this announcement, our ultimate holding company is Alibaba Group Holding Limited, a company incorporated in the Cayman Islands.

Our Group maintains 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 and under the trade name "Alibaba" (the "B2B services). Our 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."

In August 2009, our Group entered into an acquisition agreement with Alibaba Group Holding Limited to acquire the business management software division of Alisoft Holding Limited and its subsidiaries ("Alisoft"). The transaction was regarded as a business combination under common control in a manner similar to pooling-of-interests and with reference to the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and all comparative figures have been restated as if the business combination had been completed on the earliest date of the periods being presented, i.e., January 1, 2009.

In September 2009, our Group entered into a series of agreements pursuant to which our Group conditionally agreed to acquire up to 99.67% equity interest in China Civilink (Cayman) ("HiChina"), a company incorporated in the Cayman Islands with limited liability. The total consideration for the acquisition was RMB539.8 million (US$79.1 million) in cash upon completion in two phases. The first phase of the acquisition, completed in December 2009, was to acquire an initial 85% equity interest in HiChina for a cash consideration of RMB435.3 million (US$63.8 million). Our Company has further granted certain founder shareholders of HiChina put options exercisable on certain specified dates over a three-year period from 2011 to 2013, whereby the founder shareholders may, conditional on meeting certain post-completion performance milestones by HiChina, require our Company to further acquire up to a 14.67% equity interest in HiChina from them for a maximum consideration of RMB104.5 million (US$15.3 million). The non-compensatory portion of the consideration has been recorded as put liability under other payables, and the compensatory portion will be recorded as share-based compensation expense over the vesting period of the put options.

In July and August 2010, our Group completed two acquisitions of the entire interests in Vendio Services, Inc., and its subsidiaries ("Vendio") and Auctiva Corporation and its subsidiaries ("Auctiva") for a combined cash consideration of RMB233.2 million, which had been fully paid upon completion. The two acquisitions brought increased synergy and opportunities across our Group, Vendio and Auctiva. Vendio, a U.S.-based company, operates an e-commerce platform providing a one-stop solution for small businesses that are selling online across multiple online channels. Auctiva, also a U.S.-based company, is a developer of product listing, marketing and management tools for eBay sellers. Through the acquisitions of Vendio and Auctiva, our Group gained access to more than 250,000 small online retailers who have potential sourcing needs from manufacturers and wholesalers on our international marketplace and wholesale transaction platform and therefore the acquisitions help our Group to further enhance the values of a global e-commerce supply chain.

The consolidated financial statements of our Group for the year ended December 31, 2010 have been approved for issue by our Board on March 17, 2011.

2 Basis of preparation

The consolidated financial statements of our Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments.

2 Basis of preparation (Continued)

Our Group has early adopted IFRS 3 (Revised), IAS 27 (Revised), IFRIC 17, Amendment to IAS 38 and Amendment to IFRS 2 in 2009.

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

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

The adoption of the above new/revised IFRS standards and interpretations do not have any material impact on our Group's consolidated financial statements and has not led to any changes in our 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, 2010:

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

Our Group has not early adopted the above new standards, interpretations and amendments to the existing standards in 2010. We are in the process of making an assessment of their impact and are not yet in a position to state whether any substantial changes to our Group's significant accounting policies and presentation of the financial information will be resulted.

3 Segment information

We determine our operating segments based on management reports reviewed by our executive management committee ("chief operating decision-maker") that are used to make strategic decisions, assess performance and allocate resources. In the respective periods presented, we had one single operating segment, namely the provision of B2B services. Although the B2B services consist of operations of our international marketplace and our China marketplace, our chief operating decision-maker considers that these underlying marketplaces are subject to similar risks and returns. Therefore, we have 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 our chief operating decision-maker.

3 Segment information (Continued)

Our Group mainly operates our businesses in the PRC. In 2010, the majority of the revenues from the external customers is contributed from the PRC (2009: same).

As of December 31, 2010, the majority of the non-current assets other than financial instruments and deferred tax assets is located in the PRC (2009: same).

For the year ended December 31, 2010, there were no revenue derived from a single external customer amounting to 10% or more of the Group's total revenues (2009: same).

4 Revenue

	2009 RMB'000	2010 RMB'000
International marketplace		
China Gold Supplier	2,344,475	3,148,498
Global Gold Supplier	62,329	89,745
	2,406,804	3,238,243
China marketplace		
China TrustPass	1,344,029	1,812,991
Other revenue (i)	70,868	80,908
	1,414,897	1,893,899
Others (ii)	53,027	425,444
Total	3,874,728	5,557,586

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

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

5 Other operating income, net

	2009 RMB'000	2010 RMB'000
Government grants (i)	113,500	84,011
Reimbursement from fellow subsidiaries (ii)	26,806	11,509
Gains on deemed disposals of Alibaba Japan (iii)	6,980	-
Others	3,280	13,506
Total	150,566	109,026

(i) Government grants mainly represent amounts received from government authorities by Alibaba (China) Technology Co., Ltd. ("Alibaba China"), our wholly-owned subsidiary, in relation to technology developments in the PRC.

(ii) This represents amount 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.

(iii) Alibaba.com Japan Co., Ltd. ("Alibaba Japan"), our associated company, engages in the provision of Japanese language B2B services on a site with the uniform resource locator www.alibaba.co.jp. In May, 2009, Hikari Tsushin, Inc. ("Hikari Tsushin"), an independent third party, made a cash investment into Alibaba Japan in exchange for a 10.0% interest. As a result, our Group's interest in Alibaba Japan was diluted from 35.30% to 31.77% and a deemed disposal gain of RMB6,980,000 was recognized in 2009.

6 Profit from operations

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

	2009 RMB'000	2010 RMB'000
Crediting:		
Gains on deemed disposals of Alibaba Japan (Note 5(iii))	6,980	-
Charging:		
Staff costs	1,698,147	2,371,719
Depreciation expense of property and equipment	119,380	187,190
Operating lease rentals	68,013	69,790
Amortization of intangible assets	6,615	39,133
Auditors' remuneration	5,350	6,020
Amortization of lease prepayment	587	587
Losses on disposals of property and equipment, net	191	514

7 Finance income, net

	2009 RMB'000	2010 RMB'000
Interest income, net	140,479	158,286
Exchange gains, net	462	18,112
Total	140,941	176,398

8 Income tax charges

	2009 RMB'000	2010 RMB'000
Current tax charge	135,451	206,014
Deferred tax charge	26,256	26,986
Under-provision in previous years	1,686	3,445
Total	163,393	236,445

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

The PRC Enterprise Income Tax Law, which became effective on January 1, 2008, unifies the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25%.

Pursuant to Caishui [2008] No. 1 under the PRC Enterprise Income Tax Law, a duly recognized Key Software Enterprise within China's National Plan may qualify for a preferential PRC Enterprise Income Tax rate of 10%. Alibaba China was recognized as a Key Software Enterprise which qualified it for a 10% PRC Enterprise Income Tax rate for the full year of 2009 and 2010. This Key Software Enterprise status is subject to review by relevant authorities on an annual basis.

Further, Alibaba China Software Co., Ltd. ("Alibaba Software"), another major PRC operating subsidiary of our Group, was recognized as a Software Enterprise in 2008, entitling it to full exemption from PRC Enterprise Income Tax for its first two profit making years and a fifty percent reduction in subsequent three years. Since 2008 was the first profit-making year of Alibaba Software, it was subject to PRC Enterprise Income Tax at 12.5% in 2010 (2009: 0%), half of the standard rate of 25%.

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

Pursuant to PRC Enterprise Income Tax Law, a 10% withholding tax will be levied on dividends declared by the companies established in the PRC to their foreign investors. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC companies are incorporated in Hong Kong with regard to the arrangement between the Mainland of China and Hong Kong. In 2010, our Group recognized relevant deferred tax liabilities of RMB60,013,000 (2009: RMB34,000,000) on the retained earnings of Alibaba China of RMB1,200,250,000 (2009: RMB680,000,000), which is anticipated to be distributed as dividends by Alibaba China to finance our business development outside the PRC.

9 Dividend per share

On December 10, 2010, our Company declared a special cash dividend of 22 Hong Kong cents per ordinary share (2009: 20 Hong Kong cents per ordinary share), or HK$1,110,000,000 (equivalent to RMB950,538,000) (2009: HK$1,010,000,000 (equivalent to RMB888,261,000)) in aggregate, which excluded the dividend related to the ordinary shares held by the Share Award Scheme of RMB518,000 (2009: nil). The special cash dividend was paid in January 2011.

Our Board did not recommend the payment of a final dividend for the year ended December 31, 2010 (2009: nil).

10 Earnings per share

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

	2009	2010
Profit attributable to equity owners of our Company (RMB'000)	1,013,026	1,469,464
Weighted average number of ordinary shares in issue (thousand shares)	5,040,685	5,043,800
Earnings per share, basic (RMB)	20 cents	29 cents
Earnings per share, basic (HK$) (i)	23 cents	33 cents

Diluted earnings per share is computed by dividing the profit attributable to equity owners for the year by the weighted average number of ordinary shares and potential ordinary shares outstanding during the year. 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.

	2009	2010
Profit attributable to equity owners of our Company (RMB'000)	1,013,026	1,469,464
Weighted average number of ordinary shares in issue (thousand shares)	5,040,685	5,043,800
Adjustments for share options and RSUs (thousand shares)	38,942	35,020
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	5,079,627	5,078,820
Earnings per share, diluted (RMB)	20 cents	29 cents
Earnings per share, diluted (HK$) (i)	23 cents	33 cents

(i) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8714 to HK$1.0000 (2009: RMB0.8812 to HK$1.0000). No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars or vice versa, at that rate, or at any rates or at all.

11 Goodwill and intangible assets

	Computer software and technology RMB'000	Trademarks/ Domain names RMB'000	Customer relationships RMB'000	Total intangible assets RMB'000	Goodwill RMB'000	Total RMB'000
Year ended December 31, 2009						
As of January 1, 2009, as previously reported	-	-	-	-	-	-
Adjustment for business combination under common control (Note 1)	6,615	-	-	6,615	-	6,615
As of January 1, 2009, as restated	6,615	-	-	6,615	-	6,615
Acquisition of HiChina (Note 1)	56,255	40,969	68,282	165,506	202,631	368,137
Amortization charge	(6,615)	-	-	(6,615)	-	(6,615)
Closing net book amount	56,255	40,969	68,282	165,506	202,631	368,137
As of December 31, 2009						
Cost	77,903	40,969	68,282	187,154	202,631	389,785
Accumulated amortization	(21,648)	-	-	(21,648)	-	(21,648)
Closing net book amount	56,255	40,969	68,282	165,506	202,631	368,137
Year ended December 31, 2010						
As of January 1, 2010	56,255	40,969	68,282	165,506	202,631	368,137
Additions	6,390	-	-	6,390	-	6,390
Acquisitions of Vendio and Auctiva (Note 1)	64,242	9,283	27,587	101,112	169,163	270,275
Amortization charge	(19,199)	(3,834)	(16,100)	(39,133)	-	(39,133)
Exchange differences	(1,529)	(211)	(600)	(2,340)	(4,007)	(6,347)
Closing net book amount	106,159	46,207	79,169	231,535	367,787	599,322
As of December 31, 2010						
Cost	146,964	50,036	95,236	292,236	367,787	660,023
Accumulated amortization	(40,805)	(3,829)	(16,067)	(60,701)	-	(60,701)
Closing net book amount	106,159	46,207	79,169	231,535	367,787	599,322

Amortization expense by function is analyzed as follows:

	2009 RMB'000	2010 RMB'000
Cost of revenue	-	236
Sales and marketing expenses	-	19,971
Product development expenses	6,615	18,620
General and administrative expenses	-	306
Total	6,615	39,133

The carrying amount of goodwill primarily arises from the acquisitions of HiChina of RMB202,631,000 in 2009 and Vendio and Auctiva of RMB169,163,000 in 2010.

12 Available-for-sale investments

	2009 RMB'000	2010 RMB'000
As of January 1	-	72,386
Additions	922,165	1,709,565
Disposals	(850,000)	(1,431,000)
Net gains transferred to equity	222	5,640
Exchange differences	(1)	(111)
As of December 31	72,386	356,480
Less: Current portion	(50,000)	(305,140)
Non-current portion	22,386	51,340

Available-for-sale investments include the following:

	2009 RMB'000	2010 RMB'000
Unlisted securities:		
Debt securities in the PRC, at fair value	70,222	325,862
Equity securities in the PRC, at cost	-	27,000
Equity securities in Japan, at cost	2,164	2,099
Equity securities in Hong Kong, at cost	-	1,519
	72,386	356,480
Less: Current portion	(50,000)	(305,140)
Non-current portion	22,386	51,340

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

	2009 RMB'000	2010 RMB'000
Renminbi	70,222	352,862
Japanese Yen	2,164	2,099
Hong Kong Dollars	-	1,519
Total	72,386	356,480

None of our available-for-sale investments were impaired as of December 31, 2010 (2009: nil).

13 Direct selling costs

Upon the receipt of service fees from paying members, we are obligated to pay certain costs related to the receipt of such service fees which primarily comprise sales commissions etc. The service fees are initially deferred and recognized in the consolidated statement of comprehensive income in the period in which the services are rendered (Note 15). 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.

14 Cash and bank balances

	2009 RMB'000	2010 RMB'000
Cash at banks and on hand	359,366	1,446,233
Term deposits and short-term highly liquid investments with original maturities of three months or less	2,389,324	1,639,932
Cash and cash equivalents	2,748,690	3,086,165
Term deposits with original maturities of over three months	4,467,755	6,497,368
Total	7,216,445	9,583,533

15 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 are as follows:

	2009 RMB'000	2010 RMB'000
Deferred revenue	2,558,898	3,071,663
Customer advances	878,077	1,362,724
	3,436,975	4,434,387
Less: Current portion	(3,232,690)	(4,101,442)
Non-current portion	204,285	332,945

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

16 Trade payables

The aging analysis of trade payables is as follows:

	2009 RMB'000	2010 RMB'000
0 - 30 days	23,794	14,266
31 days - 60 days	-	333
61 days - 90 days	-	188
Over 90 days	113	1,194
Total	23,907	15,981

17 Other payables and accruals

	2009 RMB'000	2010 RMB'000
Non-current portion		
Put liability and compensatory liability in relation to the acquisition of a 14.67% equity interest in HiChina (Note 1)	67,602	53,666
Current portion		
Accrued salaries, bonuses, sales commissions and staff benefits	314,961	389,338
Accrued advertising and promotion expenses, professional fees and others	200,547	296,139
Accrued purchases of property and equipment	134,278	57,705
Put liability and compensatory liability in relation to the acquisition of a 14.67% equity interest in HiChina (Note 1)	-	31,189
Deferred consideration in relation to the initial acquisition of an 85% equity interest in HiChina	43,530	-
Other taxes payable	92,261	84,890
	785,577	859,261
Total	853,179	912,927

Management Discussion and Analysis

BUSINESS ENVIRONMENT

The global economy has been held back over the past few years by major adjustments following the credit crisis and extended recession. Although we have started to see signs of gradual recovery, not all economies are moving out of recession yet and there is mixed sentiment as far as some seriously indebted European countries are concerned. We have seen that China still remains as the engine of global economic growth among all economies. China's GDP grew by 10.3% in 2010, even faster than that of 8.7% in 2009.

Chinese exports jumped 31% in 2010 from the previous year while imports leapt nearly 39%, indicating strong domestic demand expansion in China. However, the enthusiasm about economic growth figures could not allay concerns about China's economy such as inflation, Renminbi appreciation and rising labor costs, which have made it tougher for small businesses. In addition, uncertainties around the pace of global recovery could weigh on China's key export sector.

Against this economic backdrop, small businesses in China are eager to explore new business opportunities, and enhance their own competitiveness. As always, small businesses, particularly for those using e-commerce, are more nimble in running their businesses and changing business environments. For instance, Chinese small business exporters are now endeavoring to move up the global value chains and are placing more emphasis on quality rather than volume. To expand their businesses and hedge against global economic swings, they have also started to turn more to the domestic market. In particular, they are extending their business model from purely B2B to B2B2C, or in other words, they are expanding their businesses by tapping into the strong domestic retail market.

Small business evolution in the value chain usually leads to greater demands on their management and increases their financing needs, as well as increased pressure to upgrade and innovate their services and technologies. As such, we have seen that a breakthrough in e-commerce is imperative. In 2010, we embarked on several initiatives on both our international and China marketplaces to help small businesses use e-commerce to further grow in scale, upgrade their position in the value chain, and build resilience in the face of a challenging environment. In an environment with increasing cost pressure, e-commerce is the best way to demonstrate cost-efficiency. Our conviction remains unchanged that e-commerce will become a mainstream channel with a leading role in economic restructuring.

BUSINESS REVIEW

Last year, Alibaba.com designated 2010 as a "Year of Customer Service". Therefore, while we continued to grow our membership base, we went back to basics to address user needs and concerns. We invested in developing our services, improving quality of suppliers, building a network of trustworthy buyers and suppliers, and providing a secure and user-friendly online transaction platform.

During the year, we continued to uphold our "membership plus value-added service (VAS)" strategy for our long-term business development. We continued to evolve our business model by enriching values related to our "Meet at Alibaba" strategy and at the same time started to implement "Work at Alibaba" strategy to create value for our small business customers. The upgrade of our business model impacts our value proposition for our customers, as well as our revenue structure and our monetization model. Alibaba.com today is a significantly different company from what we were at the time of our initial public offering three years ago. We saw key changes in the following areas:

- **More balance between export-related business and non-export-related business:**
  To diversify our revenue sources and reduce the risk of over-exposure to the global trade environment, we have been proactively balancing our business structure. Driven mainly by growing revenue contributions from our China marketplace and the addition of HiChina, non-export-related revenue increased from 29% of total revenue in 2007 to 42% in 2010. This more-balanced business stance has allowed Alibaba.com to capture opportunity from the rapid growth of domestic demand in China and from e-commerce activities beyond traditional SME online marketing.

- **More balance between membership fees and VAS:**
  Although the fixed membership fee model is easy for small business users to understand and gives Alibaba.com a stable and predictable revenue stream, it tends to be less flexible in the services offered and limit our ability to benefit from the growth in overall online traffic and makes the company less performance driven. By understanding our customer's needs and introducing a variety of VAS to meet those needs, our non-membership-fee revenue increased from 21% of total revenue in 2007 to 33% in 2010. Since VAS in general has not involved additional customer acquisition costs – an increasing number of customers have been purchasing our VAS offerings on a self-service basis – the margin we enjoyed from VAS was higher than that from the membership fee package.

- **Introduced transaction-based platforms:**
  Before 2009, Alibaba.com was purely a platform for the exchange of information between buyers and sellers to facilitate their online marketing activities. However, we have been exploring the value we can bring to our customers by enabling them to complete online transactions via Alibaba.com. Our first effort in this area is AliExpress, our small-order, wholesale online transaction platform. Our second online transaction platform was initiated in China when we launched 1688.com with a transaction channel built-in. Both transaction platforms were officially launched in the second quarter of 2010. We have started monetization on AliExpress. We are confident that the annualized gross merchandize value (GMV) will continue to increase with ongoing high growth potential.

- **Expanded to include a wide array of services, laying foundation for "Work at Alibaba":**
  Over the years, our services have grown both in breadth and in depth. In terms of marketing-related features, the more sophisticated "pay-for-performance" model for keyword search, Ali-ADvance, was introduced on both marketplaces. The significant growth in traffic on the websites can now be monetized through the performance-driven Ali-ADvance. In addition to deepening the value related to "Meet at Alibaba", we started to offer a wide selection of export-related services for the small exporters in China. Besides the existing export-related services such as Factory Audit and Japan Link, we expect to provide more comprehensive services, for instance, customs clearance, tax refund and trade financing. On the front of helping our customers more effectively grow and manage their businesses, we offered more SaaS (software as a service)-based tools and applications. Thousands of customers have purchased these offerings through our website.

- **Established channels to assist small businesses' access to capital**
  We addressed the financing needs of small businesses through Ali-Loan program. Since its launch, we saw strong demand for this product and we have recently started to monetize on the significant value we created for our members.

While we focused in 2010 on evolving our business model, we continued the 3-phased strategy set in late 2008 when we announced our plan for the Year of Investment. At that time, we guided our shareholders to look for returns from these three things during these three stages:

- accelerated growth in paying members and increased market share
- increased revenue driven by more paying members and VAS
- expanded economies of scale and margin enhancement.

Over time, we have delivered on our promises. The business initiatives and investments we made in 2010 all centered on this core roadmap, which has remained unchanged and we consistently made progress. First, we expanded our customer base. In 2010, we added 14.1 million registered users, more than 1.7 million storefronts and 194,150 paying members on the two marketplaces. Total number of customers who paid to use our services, including on our marketplaces and from HiChina, surpassed the milestone of 1 million. As of December 31, 2010, we had a total of 61.8 million registered users, 8.5 million storefronts and 809,362 paying members including those on our international and China marketplaces. Second, we increased our revenue through increased sales of memberships and VAS. Our total GAAP revenue grew by 43.4% year-over-year to RMB5.6 billion as a result of membership and VAS growth. We are delighted to see that VAS revenue contribution grew faster than anticipated. Third, we started to see signs of margin enhancement through economies of scale, and we outperformed our expectations on the margin enhancement in 2010. Our EBITA margin before share-based compensation for 2010 was 34.7%, 2.6 percentage points better than that in 2009 due to the accelerated growth of revenue from VAS and operating leverage.

Overall, we are pleased with our business performance and growth momentum. And our financial position remained robust. The continuous growth in paying members drove a year-on-year growth of 29.0% in our deferred revenue and customer advances to RMB4.4 billion as of December 31, 2010. We also generated RMB2.8 billion of recurring free cash flow in 2010, representing a significant increase of 56.4% year-over-year. Our cash position increased 32.8% from previous year to RMB9.6 billion as of December 31, 2010, notwithstanding a few acquisition initiatives completed in 2010.

International marketplace

In 2010, we continued healthy growth in the user base of our international marketplace. As of December 31, 2010, we had 18,024,993 registered users, representing 55.7% year-over-year growth on our international marketplace. The number of storefronts grew by 21.2% to 1,696,905. By constantly enhancing user experience, and providing a safer and more trusted e-commerce environment, we continued to reinforce our position as the leading online marketplace for small businesses.

International marketplace operating data

	As of December 31				
	2006	2007	2008	2009	2010
Registered users	3,115,153	4,405,557	7,914,630	11,578,247	18,024,993
Storefronts	514,891	697,563	965,747	1,400,326	1,696,905
Paying members(1)	29,525	39,536	59,164	113,896	131,708
China Gold Supplier	18,682	27,384	43,028	96,110	121,274
Global Gold Supplier(2)	10,843	12,152	16,136	17,786	10,434

(1) Includes paying members with active storefront listings, as well as paying members who have paid membership package subscription fees but whose storefronts have not yet been activated.
(2) Product upgraded from International TrustPass to Global Gold Supplier in July 2009.

Country or region	Number of registered users in country or region	Percentage of total registered users on our international marketplace
1. United States	2,941,509	16.3%
2. European Union(1)	1,878,322	10.4%
3. India	1,866,244	10.4%
4. United Kingdom	988,273	5.5%
5. Australia	497,944	2.8%

(1) Excludes the United Kingdom

China Gold Supplier

In 2010, the pace of growth of our China Gold Supplier customer base was relatively moderate as compared with the tremendous growth in 2009. Overall, the growth momentum was in line with our expectation. During the year, we took proactive steps to focus on existing members. We improved our paying member's experience and stickiness on our platform through VAS, and we took action to terminate our members, who have committed fraud or are very likely fraudulent, to increase trust and safety on our platform. Against the backdrop, there were net additions of 25,164 paying members during the year, bringing the total of China Gold Supplier members to 121,274. In the fourth quarter, there were net additions of 12,702 China Gold Supplier members, representing 11.7% growth quarter-on-quarter. The surge in customer acquisition recorded in the fourth quarter was partially triggered by the announcement that we would upgrade and increase the pricing of our China Gold Supplier membership package in 2011 ("CGS 2011") and partially due to our business seasonality.

At the end of September 2010, we announced our plan to introduce the CGS 2011 edition on January 1, 2011. The CGS 2011 edition aims to improve the customer experience and incorporate enhanced features on the international marketplace to help customers "Work at Alibaba." Key changes in the new product include an upgraded customer work platform and an enhanced functionality of existing features as part of the membership. CGS 2011 edition is priced at RMB29,800 per annum. Compared with the Gold Supplier Starter Pack, the increase in price merely reflects the increased value associated with the upgrade in functionality, not additional VAS bundled into this new membership package. To foster VAS penetration, the enhanced platform facilitates self-service purchase of VAS by our paying members. By providing more services tailored to our member's needs, we have created new dimensions of user experience to help them improve their competitiveness. To support this upgrade, our sales and service teams are jointly responsible for customer acquisition, customer retention and VAS sales. This new structure will help enhance user experience while steadily expanding our customer base and, most importantly, strengthening our relationship with customers.

VAS development was our key business focus on our international marketplace in 2010. We are pleased with the progress of VAS development achieved in 2010, resulting in the strong growth of VAS revenue contribution, and increased VAS penetration. VAS revenue contribution exceeded 25% of China Gold Supplier revenue in 2010 compared with the high-teens contribution in 2009. VAS growth was faster than what we anticipated, and VAS also helped improve our members' renewal rate in recent quarters.

Going forward, we will aim to create new services on the Alibaba.com platform to help our customers migrate their other business processes - beyond sales and marketing - online. We believe that by offering various kinds of VAS, we can create a platform so our customers can truly "Work at Alibaba". To jump-start "Work at Alibaba" on our international marketplace, we announced the acquisition of Shenzhen One-Touch Enterprise Service Limited ("One-Touch") in November 2010. One-Touch is a leading provider of comprehensive export-related services tailored to the needs of small businesses in China, including, among others, customs clearance, cargo insurance, currency exchange, tax refund, and trade financing. In 2011, we plan to extend One-Touch's export-related services to our existing customer base. We expect One-Touch will help us enhance user experience and paying member stickiness. In addition, after the successful launch in 2009 of Ali-ADvance, which is a "pay for performance" model for keyword search, on our China marketplace, we recently introduced Ali-ADvance on our international marketplace. While we have retained our existing keyword-based VAS product, the new Ali-ADvance creates new value for members who opt for pay-for-performance and traffic. It is an incremental monetization opportunity for us to leverage on the ever increasing buyer traffic on our marketplace while better serving suppliers.

Global Gold Suppliers and overseas expansion

As of December 31, 2010, we had 10,434 Global Gold Supplier members. The total number of Global Gold Supplier members declined due to the expected impact of price increase of our new Global Gold Supplier membership launched in the second half of 2009. Although the total number of paying members declined in 2010, revenue from Global Gold Supplier continued to grow, compensating for the decline in customer base.

During the year, we achieved significant progress in India, our second largest supplier market in the world. In the second half of 2010, we set up our own operations in four major cities in India including Mumbai and Delhi in order to better serve our vast Indian small business community. We now have our own direct sales and customer support for the Indian market, and we will continue to expand and localize our Indian operation in 2011. For other countries, including Japan, Korea, Turkey and Malaysia, our progress was on track in 2010. We will continue to customize our sales and customer service to raise productivity and service quality for our global markets in 2011.

AliExpress

In April 2010, we officially launched AliExpress, an online wholesale transaction platform that facilitates small-order transactions online. We have also sharpened our focus on four areas: 1) expanding product offerings and product categories, 2) increasing buyer traffic, 3) streamlining the process of placing orders and arranging logistics and 4) enhancing safety and trust levels on AliExpress and AliExpress payment process.

We are pleased with the progress made by AliExpress in every respect so far. Within less than 12 months since its launch, AliExpress has achieved the highest levels of traffic of all international B2B online transaction platforms and is now the leading player in terms of product categories and number of listed products, among other measures. Although the revenue contribution by AliExpress is currently not significant, and we do not see transaction fee it generates as a near-term revenue driver, we have conviction that this segment of the e-commerce market will boom in the future.

As a means to grow the buyer base for AliExpress in major buyer markets, in 2010, we acquired two U.S.-based e-commerce companies, Vendio and Auctiva, each of which provides e-commerce solutions for sellers on eBay and Amazon and other platforms. Vendio and Auctiva together bring more than 250,000 online retailers who are potential buyers of products offered by suppliers on our AliExpress. Business integration is underway with satisfactory progress. We expect that the connection of these two businesses with our marketplaces will help integrate the e-commerce value chain between B2B and B2C, fully realizing the B2B2C model.

In conjunction with our development of buyers and sellers on AliExpress, we have done significant amount of work to develop its payment options, supplier quality and credibility, and logistics – all of these issues are key to user experience and hence, our long-term development. During the year, we expanded online payment methods available on the platform from three to more than ten popular international payment means, including Visa, MasterCard, bank transfers and Paypal. For logistics, we started by establishing a strategic partnership with UPS to provide our users with favorable international logistic rates. In January 2011, we launched fulfillment services on AliExpress.

In summary, we are enthusiastic about the growth momentum of AliExpress. Going forward, we will continue to invest in AliExpress in order to grow awareness, traffic and transaction volume. We see opportunity for AliExpress not only to penetrate further into developed buyer markets, but also to tap new emerging markets.

China marketplace

Our China marketplace achieved significant growth in 2010. Registered users increased by 7,621,619 during the year to 43,776,288 as of December 31, 2010. During the same period, the number of storefronts increased by 1,427,981 to 6,847,639.

	As of December 31				
	2006	2007	2008	2009	2010
Registered users	16,649,073	23,194,402	30,160,705	36,154,669	43,776,288
Storefronts	1,557,874	2,259,283	3,648,503	5,419,658	6,847,639
Paying members(1)	189,573	266,009	372,867	501,316	677,654

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

With our conviction that Chinese domestic consumption is a key growth driver to China's economy in the long term, we stepped up our investment in the China marketplace, announcing a number of new initiatives to help small businesses use e-commerce to grow their business.

China TrustPass

In April 2010, we officially launched the new "China TrustPass Basic." Following the successful introduction of the Gold Supplier Starter Pack on our international marketplace, we positioned China TrustPass Basic as an entry level product priced at RMB1,688 per year. Overall, the market responded well, with customer growth in 2010 in line with our expectation. By December 31, 2010, our China TrustPass members reached 677,654, a net increase of 176,338 members, or 35.2%, during the year. At the end of the year, about 42% of our China TrustPass membership base were China TrustPass Basic members.

The significant customer growth was accompanied by a positive trend in VAS revenue, which grew to more than 20% of China TrustPass revenue in 2010, compared with the mid-teens level in 2009. We saw increased VAS usage and penetration among China TrustPass members, particularly with Ali-ADvance and Premium Placement. It was encouraging to see that the growth of Ali-ADvance in terms of penetration and usage kept increasing quarter-over-quarter in 2010. By the end of 2010, we had more than 100,000 paying members using Ali-ADvance, which helped them enjoy quality search results rankings and generally increase their exposure on the China marketplace. During the year, we enriched our VAS offerings for China TrustPass members and launched SaaS-based applications, such as smart marketing wizard and inquiry management to help customers manage their business. The stickiness of VAS helped reinforce renewal rates. Overall, our members' renewal rate has been stable.

1688.com

In the first quarter of 2010, we announced the revamp of our China site and the use of a new domain, 1688.com. As part of this campaign, we highlighted the new channels with online wholesale transaction features which we had added to our China marketplace in 2009. 1688.com aims to connect retailers, both online and offline, to factories and suppliers directly online. During the period, we increased product categories from apparel, and small commodities, to home decoration, industrials and raw materials. We leveraged synergies with Alibaba Group companies such as Taobao and Alipay to increase traffic and provide reliable online payment services. It is encouraging to see that traffic and transaction volume continued to trend up. By the end of 2010, daily transaction volume, measured by GMV, quadrupled on 1688.com. We have started to benefit from the increased traffic by monetizing through pay-for-performance search offerings. Our priority remains to make 1688.com an easy-to-use, safe and convenient online wholesale transaction platform to connect the online B2B2C value chain in the domestic China market.

Trust and safety

With tens of millions of buyers and suppliers visiting our marketplaces, the development of a safe and trustworthy platform is pivotal to Alibaba.com and our users. To this end, we have taken a number of initiatives over the years to promote safe trading and to fight online fraud. Indeed, as we have continued to expand our user base and with an increasing number of transactions conducted on our transaction platforms, we have seen a pressing need to further build confidence between both buyers and suppliers in the safety and trustworthiness of online transactions. Therefore, in 2010, our "Year of Customer Service," we took unprecedented steps, in terms of our policies and enforcement efforts, to foster safety and trust on our platforms. New programs to help protect both buyers and suppliers fall into three areas: 1) making trade safer, 2) combating e-commerce fraud and 3) helping the victims.

First, we strengthened our dedicated teams for both our international and China marketplace operations who are charged with ensuring that Alibaba.com is a safe and trusted platform for e-commerce businesses. We took a number of initiatives to make trade safer, including the introduction of an escrow service for payment, the set up of the first Business Integrity Insurance Fund to protect buyers, and the introduction of dynamic, transparent trust profiles for suppliers. We began offering VAS such as Factory Audit conducted by an independent third party on suppliers. The factory audit reports were made available online allowing buyers to better evaluate the trading and/or production capability of suppliers.

Our second area of initiatives is in combating fraud. In 2010, we significantly stepped up our efforts on this front. In particular, with respect to China Gold Supplier members, in 2010, we devoted additional resources in investigating buyer's complaints against them. We proactively monitored, de-listed the storefronts and terminated fraudulent members as well as those who based on our analysis of a variety of data exhibit a high risk of fraud. In early 2011, we also set up a special task force led by an independent, non-executive director to further look into buyer's complaints, and our internal quality control systems, sales incentive system and reporting structure in order to address the systemic nature of fraud problem. The task force identified 2,326 China Gold Supplier members who were engaged in fraud against buyers on our international marketplace and they were terminated by Alibaba.com in 2009 and 2010. The investigation identified that about 100 sales people as well as a number of supervisors and sales managers were directly responsible in either intentionally or negligently allowing the fraudsters to evade our Company's authentication and verification measures and systematically establish fraudulent storefronts on the international marketplace. These employees were dismissed. Investigations are ongoing, and we will continue to evaluate and monitor the situation closely. Although this action may create a short-term pressure on membership growth, we believe it is crucial for us to maintain a trustworthy environment which allows our buyers and suppliers to engage in international trade with confidence.

Third, we tried to help victims in fraud cases recoup their losses. In late 2009, we established the Fair Play

Fund, the first program of its kind to take the membership fees from terminated Gold Supplier members and use that money to offset a portion of losses suffered by buyers in substantiated fraud cases. If a Gold Supplier is removed from our site based on a confirmed case of fraud, the remainder of their Gold Supplier fees will be added to the Fair Play Fund. If a buyer is defrauded by a Gold Supplier, and they can adequately substantiate their claims, they can apply to receive a portion of these funds based on the amount of the transaction.

HiChina

In 2010, the domain name services remained strong, making a significant contribution to HiChina revenue. As of December 31, 2010, HiChina had about 2.1 million domain names under service and the total number of paying members for other non-domain name services was around 270,800. This customer base is largely distinct from that of Alibaba.com which presents synergies for long-term development. During the end of 2010, HiChina started to develop "A-li-A-wai", an internet infrastructure service package that helps Alibaba.com and other wholesale e-commerce users design and develop their own websites through a seamless connection with Alibaba.com's back-end system for efficient e-commerce management on A-li-A-wai website and Alibaba.com platform.

Targeting increasing demand for corporate websites in China, in the fourth quarter of 2010, HiChina launched a new open-platform concept business model for website design and development, as well as online transaction platform. This new model provides advanced, efficient and automated "do-it-yourself" website technology while enhancing quality and standardized services for website development. In addition, we saw increasing collaboration between HiChina and Alibaba Cloud Computing on the development of web-hosting services and enhancing data storage capabilities using cloud computing technology.

Ali-Loan program

The Ali-Loan program, where we have partnered with Alibaba Group and various banks since 2007 in order to address our SME customers' financing needs, continued to gain traction. As of December 31, 2010, the total loans issued by our partner banks to our paying members were more than RMB24 billion. About RMB18 billion of these loans were outstanding as of the end of 2010. We also continued to broaden the geographical reach of the Ali-Loan program to benefit more SMEs. We offer the Ali-Loan program in four provinces - Zhejiang, Jiangsu, Guangdong and Fujian, and two major cities - Beijing and Shanghai. In 2011, we plan to enhance the service of the Ali-Loan program. Meanwhile, we started to trial-monetize the Ali-Loan program by charging our paying members a service fee based on the size of the loans.

Sales & customer service

In 2010, Alibaba.com continued to expand the number of our sales offices to cover a wider geographical area. We now have sales and customer services offices in more than 65 cities across mainland China, Hong Kong, Taiwan and India. As of December 31, 2010, we had more than 4,800 in our Gold Supplier sales force, and about 2,500 China TrustPass sales people. In addition to our sales team, who mainly focus on actively servicing our paying members, we also had about 1,100 customer services staff as of December 31, 2010. This team is dedicated to handling inbound customer inquiries.

Employees

As of December 31, 2010, we had 13,674 employees (11,716 employees as of December 31, 2009), including employees in the companies we acquired. Of the entire staff force, about 2,000 were product development employees. The related staff costs, including directors' emoluments, for 2010 were RMB2,371.7 million (2009: RMB1,698.1 million). We review our employees' performance on a quarterly basis and adjust compensation annually based on performance and with reference to market rates.

FINANCIAL REVIEW

In 2010, our combined marketplaces enjoyed a robust growth in paying members. As of December 31, 2010, we had in total over 1 million paying members which, comprising 809,362 on our international and China marketplaces and 270,800 from HiChina. The number of paying members, excluding HiChina members, increased by 31.6% during the year.

Total revenue grew by 43.4% to RMB5,557.6 million, as compared to RMB3,874.7 million in 2009, as a result of the increase in paying members. Driven by our strong growth in revenue, profit attributable to equity owners increased by 45.1% to RMB1,469.5 million, as compared to RMB1,013.0 million in 2009. Basic earnings per share increased 43.5% from 23 Hong Kong cents in 2009 to 33 Hong Kong cents in 2010.

Revenue

We generate revenue primarily from selling membership packages and VAS to suppliers on our international and China marketplaces. We also render other comprehensive Internet based services such as software applications, domain name registration, website hosting and solutions, email hosting and technology related consulting services on our marketplaces and platforms.

Our total revenue was RMB5,557.6 million in 2010, representing a 43.4% increase from RMB3,874.7 million in 2009 mainly due to the increase in the number of paying members on both of our marketplaces.

International marketplace

Revenue from our international marketplace primarily consists of:

- Revenue from the sale of China Gold Supplier membership packages and VAS, such as keywords, Premium Placement and Product Showcase, to our suppliers in China; and
- Revenue from the sale of Global Gold Supplier membership packages to our suppliers outside China.

Revenue from our international marketplace was RMB3,238.2 million in 2010, representing a 34.5% increase from RMB2,406.8 million in 2009, primarily due to the increase in revenue from sales of membership and VAS to our China Gold Supplier members as well as the consolidation of revenue from Vendio and Auctiva. Our China Gold Supplier members increased by 25,164 during the year, reaching 121,274 as of December 31, 2010, representing a 26.2% growth from 96,110 as of December 31, 2009. Revenue from the sale of VAS also increased due to the increase in paying members and the VAS coverage which exceeded 25% of the revenue generated during the year. The total number of Global Gold Supplier members, as we expected, declined to 10,434 as of December 31, 2010 due to the impact of our launch in the second half of 2009 of a new Global Gold Supplier membership, which is an upgraded and higher priced version of International TrustPass membership. The revenue impact of the decrease in Global Gold Supplier members was more than compensated for by the price increase.

China marketplace

Revenue from our China marketplace primarily consists of:

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

Revenue from our China marketplace was RMB1,893.9 million in 2010, representing a 33.9% increase from RMB1,414.9 million in 2009. The growth was largely due to an increase in the number of China TrustPass members as a result of the various new business initiatives we introduced at the beginning of the year, which led to an increase in revenue from VAS such as Ali-ADvance and Premium Placement. Our China TrustPass members increased by 176,338 during the year, reaching 677,654 as of December 31, 2010, representing a 35.2% growth from 501,316 as of December 31, 2009. On the VAS front, revenue from Ali-ADvance and Premium Placement continued to see healthy growth during the year.

Other revenue

Other revenue was RMB425.5 million in 2010, representing a 702.3% increase from RMB53.0 million in 2009. The increase was mainly due to the first full-year contribution by HiChina, which we acquired in December 2009.

Cost of revenue and gross profit

Our cost of revenue increased to RMB931.0 million in 2010, representing a 74.2% increase from RMB534.4 million in 2009. Included in the cost of revenue was share-based compensation expense of RMB26.4 million and RMB15.9 million in 2010 and 2009, respectively. Key components in cost of revenue increased as our revenue grew. The increase was primarily the result of the following changes:

- Cost of acquiring domain names for customers of HiChina's business was much higher because we acquired HiChina only in December 2009;
- Business taxes and related surcharges, as well as authentication and verification expenses, were higher as a result of the increase in revenue and customer numbers;
- Bandwidth and depreciation expenses were higher mainly because of the increased user traffic on our websites (which required us to pay higher bandwidth and co-location fees) and for acquisition of additional servers and related computer equipment; and
- Staff costs were higher mainly because we expanded our website operations and our customer support services during the year to serve our expanding customer base as well as to prepare for our future business expansion.

Gross profit increased to RMB4,626.6 million in 2010, up 38.5% from RMB3,340.3 million in 2009. Gross profit margin declined slightly to 83.2% in 2010, as compared with 86.2% in 2009. The decline was primarily a result of the higher cost of revenue stemming from the consolidation of financial results of HiChina and Vendio, which have relatively lower gross profit margins due to their different business models.

Sales and marketing expenses

Our sales and marketing expenses were RMB2,050.6 million in 2010, representing a 26.3% increase from RMB1,623.8 million in 2009. Included in sales and marketing expenses was share-based compensation expense of RMB95.1 million and RMB55.7 million in 2010 and 2009, respectively. Our sales and marketing expenses increased mainly as a result of increased sales commission expense, staff costs and advertising and promotional expenses. The increase in sales commission expense was mainly due to the increase in revenue and our strategy of expanding market leadership by growing paying member base, and as a result, we increased performance-based incentive compensation to drive this initiative. As a percentage of revenue, however, commission expenses decreased by 2.0% year-on-year as a result of higher revenue from VAS which are subject to a lower commission rate. Staff costs increased mainly as a result of the expansion of our sales force to better serve our increasing number of customers. As a percentage of revenue, however, staff costs decreased by 0.5% year-on-year as a result of realized scale benefits. Advertising and promotional expenses decreased, as a percentage of revenue, by 2.2% year-on-year because 2010 was our "Year of customer service" and we focused less on brand marketing than in 2009, our "Year of investment". As a result of the foregoing, sales and marketing expenses as a percentage of revenue decreased to 36.9% in 2010, as compared to 41.9% in 2009.

Product development expenses

Our product development expenses were RMB580.2 million in 2010, representing a 51.0% increase from RMB384.3 million in 2009. Included in product development expenses was share-based compensation expense of RMB71.5 million and RMB32.8 million in 2010 and 2009, respectively. Our product development expenses increased mainly because of an increase in staff costs as we hired more engineers and enhanced IT infrastructures to develop new initiatives and products, such as Ali-ADvance, to upgrade our Gold Supplier services. Consequently, product development expenses, as a percentage of revenue, increased to 10.4% in 2010, as compared to 9.9% in 2009.

General and administrative expenses

Our general and administrative expenses were RMB568.3 million in 2010, representing a 38.7% increase from RMB409.7 million in 2009. Included in general and administrative expenses was share-based compensation expense of RMB148.0 million and RMB96.0 million in 2010 and 2009, respectively. Our general and administrative expenses increased year-on-year mainly due to an increase in staff costs and other general expenditure during the year. The increase in staff costs was mainly resulted from an increase in share-based compensation expenses. As a percentage of revenue, staff costs decreased by 0.7% year-on-year. The increase in other general expenditure was mainly due to our donations of 0.3% revenue under our announced environmental protection fund and an increase in professional fee as a result of the various acquisitions we made during the year. As a result of the foregoing, general and administrative expenses as a percentage of revenue, declined slightly to 10.2% in 2010, as compared to 10.6% in 2009.

Other operating income, net

Other operating income, net was RMB109.0 million in 2010, representing a 27.6% decrease from RMB150.6 million in 2009, mainly due to the decrease in government subsidy, which amounted to RMB84.0 million as compared to RMB113.5 million in 2009.

Profit margin before interest, taxes and amortization ("EBITA margin")

Our profit margin before interest, taxes and amortization ("EBITA margin") (non-GAAP) was 28.6% for the year, an increase from 26.9% in 2009. EBITA margin before share-based compensation expense (non-GAAP) was 34.7% for the year, an increase from 32.1% in 2009. The increase in EBITA margin before share-based compensation expense was mainly due to lower sales and marketing expenses as a percentage of revenue, partially offset by a lower gross profit margin and other operating income, net due to the reasons discussed in previous sections.

Finance income, net

Finance income mainly consisted of interest income and foreign currency exchange differences. Interest income was RMB158.3 million in 2010, representing a 12.7% increase from RMB140.5 million in 2009, principally due to the strong cash position maintained during the year.

Share of losses of associated companies and a jointly controlled entity, net of tax

Share of losses of associated companies and a jointly controlled entity, net of tax was RMB6.5 million for 2010, an 82.7% decrease from RMB37.5 million in 2009. In accordance with prescribed accounting rules, the share of losses of associated companies was limited to our original investment costs. Current year losses represented the write-off of the remaining amount of our investment costs in our associated companies in Japan carried on our balance sheet and our share of losses of a newly acquired associated company and a jointly controlled entity.

Income tax charges

Current income tax charges mainly represents the provision for PRC Enterprise Income Tax for subsidiaries operating in the PRC. These subsidiaries are subject to PRC 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, corporate entities may qualify for various preferential corporate tax rates. In 2009 and 2010, Alibaba China Technology Co., Ltd. ("Alibaba China") was recognized as a Key Software Enterprise which qualified it for a 10% PRC Enterprise Income Tax rate for both years.

Another major PRC operating subsidiary, Alibaba China Software Co., Ltd. ("Alibaba Software"), was recognized as a Software Enterprise in 2008, entitling it to full exemption from PRC Enterprise Income Tax for its first two profit-making years and a fifty percent reduction in the subsequent three years. Since 2008 was the first profit-making year of Alibaba Software, it was subject to PRC Enterprise Income Tax at 12.5% in 2010 (2009: 0%), half of the standard rate of 25%.

Most of our remaining PRC entities were subject to the standard PRC Enterprise Income Tax at a rate of 25% in 2010 (2009: 25%) in accordance with the PRC Enterprise Income Tax Law.

Income tax charges were RMB236.4 million in 2010, representing a 44.7% increase from RMB163.4 million in 2009. Our effective tax rate was 13.9% in 2010, which was higher than the preferential tax rate of 10% applicable to Alibaba China because our share-based compensation expense are not tax deductible. Excluding the effect of the share-based compensation, our effective tax rate would have been 11.5% for the year, as compared to 11.9% in 2009.

Share-based compensation expense

We seek to structure our employee compensation packages to allow our employees to share in the success of our business. Therefore, a large number of our employees have been granted share-based awards. Alibaba Group Holding Limited also operates share-based award schemes under which some of our employees and employees of Alibaba Group Holding Limited and its subsidiaries have been granted options to purchase shares of Alibaba Group Holding Limited or our shares held by Alibaba Group Holding Limited. In our consolidated financial statements, share-based compensation expense arising from the grant of share-based awards by us and Alibaba Group Holding Limited to our employees is allocated to and included as part of our expenses. In 2010, total share-based compensation expense was RMB341.0 million, a 70.2% increase compared to RMB200.4 million in 2009 mainly due to the subscription of certain rights relating to shares of Alibaba Group Holding Limited under the Senior Management Equity Incentive Scheme by certain of our employees whereby deemed share-based compensation expense was allocated to us during the year. As a result, share-based compensation expense as percentage of revenue also increased to 6.1% in 2010, as compared to 5.2% in 2009.

Profit attributable to equity owners

We recorded a profit attributable to equity owners of RMB1,469.5 million in 2010, representing a 45.1% increase from RMB1,013.0 million in 2009. The increase was a result of the strong growth in our revenue driven by our new business initiatives introduced in the beginning of the year.

Earnings and recurring cash flow per share

Earnings per share, both basic and diluted, were 33 Hong Kong cents in 2010, compared to 23 Hong Kong cents, for both basic and diluted, in 2009. Diluted earnings per share before share-based compensation expense (non-GAAP), was 41 Hong Kong cents in 2010, compared to 27 Hong Kong cents in 2009.

Since we collect membership fees upfront on contracting with customers, we believe that recurring free cash flow per share (non-GAAP) is also a useful metric to measure our performance. In 2010, recurring free cash flow per share, diluted (non-GAAP) was 64 Hong Kong cents in 2010, compared to 41 Hong Kong cents per share in 2009.

Deferred revenue and customer advances

As of December 31, 2010, deferred revenue and customer advances were RMB4,434.4 million, representing a 29.0% increase from RMB3,437.0 million as of December 31, 2009. The increase was mainly due to the continued growth of our paying customers and revenues from VAS, in particular, the strong acquisition of paying members in the fourth quarter of 2010 due to our announcement during the quarter that we would increase the price of our China Gold Supplier membership in 2011. During the year, the deferred revenue of RMB15.7 million related to our fraudulent members was forfeited and transferred to our Fair Play Fund, of which RMB11.2 million was paid out to defrauded buyers as compensation.

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 foreign currency exchange risk. It is our policy not 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 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 currencies. All foreign currency exchange transactions in the PRC must be effected through the State Administration of Foreign Exchange. As of December 31, 2010, 98.6% 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 United States dollars denominated bank loans obtained during the year.

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 other financial institutions. All of our cash and other investments are placed with financial institutions of sound credit quality and most of these investments bear maximum original maturities of less than 12 months.

Capital structure

We continue to maintain a strong financial position as a result of our healthy growth in recurring free cash flow from operations. We have been cautiously managing our cash to maintain a favorable return and to minimize any foreign exchange risk. As of December 31, 2010, we had cash and bank balances of RMB9,583.5 million, which was RMB2,367.1 million or 32.8% higher than that as of December 31, 2009. As of December 31, 2010, our cash and bank balances comprised 98.6% (2009: 95.5%) in Renminbi and 1.4% (2009: 4.5%) in other currencies, mainly United States dollars. The weighted average annual return on our cash and bank balances was 2.0% in 2010 (2009: 2.1%).

We further strengthened our balance sheet during the year. As of December 31, 2010, our total assets were RMB12,705.1 million (2009: RMB9,456.7 million), which were financed by shareholders' funds of RMB5,803.0 million (2009: RMB5,018.1 million), current liabilities of RMB6,384.6 million (2009: RMB4,097.1 million) and non-current liabilities of RMB517.5 million (2009: RMB341.5 million). Of the total liabilities, RMB92.7 million was funded from short-term United States dollars denominated bank loans, which we obtained during the year mainly for financing of our overseas business growth and expansion. As of December 31, 2010, our deferred revenue and customer advances amounted to RMB4,434.4 million, up 29.0% from RMB3,437.0 million as of December 31, 2009. These upfront payments are reflected as liabilities until we provide services to earn the related revenue. Therefore, these liabilities do not represent actual obligations to pay customers but instead they provide an assured base for our future reported revenue.

As of December 31, 2010, our reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB3,340.1 million (2009: RMB3,190.5 million).

Cash flow

Net cash generated from operating activities

Net cash generated from operating activities was RMB3,039.4 million in 2010, representing a 35.7% increase from RMB2,240.2 million in 2009. The increase in net cash generated from operating activities was principally because of the strong growth in deferred revenue and customer advances as a result of the increase in cash revenue as compared to 2009, due to the strong acquisition of customers, in particular, in the fourth quarter of 2010.

Net cash used in investing activities

Net cash used in investing activities was RMB2,747.0 million in 2010 compared to RMB1,222.2 million in 2009. Net cash used in investing activities during the year primarily represented increased placement of cash in time deposits with original maturities of over three months of RMB2,029.8 million, payments for the acquisitions of the Auctiva and Vendio, net of cash, amounting RMB217.6 million (gross cash paid amounted RMB233.2 million) and capital expenditures of RMB288.1 million.

In 2010, our capital expenditures decreased by 29.9% to RMB288.1 million (2009: RMB410.7 million). The decrease in capital expenditures was primarily due to the completion of our new corporate campus in the Binjiang District of Hangzhou in September 2009. Excluding the effect of our investment in our Binjiang campus, capital expenditure decreased by 10.2% as compared to 2009 as we acquired more servers in 2009 to enhance our IT infrastructures to support the development of new initiatives and products, such as Ali-ADvance and to upgrade our Gold Supplier services.

Net cash generated from financing activities

Net cash generated from financing activities was RMB51.3 million in 2010, compared to cash outflow of RMB958.0 million in 2009. The cash inflow in 2010 mainly represented a RMB93.6 million drawdown on bank facilities, partially offset by a combined outflow of RMB52.8 million to purchase our shares on the market for a newly established share award scheme as well as for part of our continuing share buy-back program. The new share award scheme is intended to be used to incentivize directors of our Group and is substantially similar to our existing Restricted Share Unit Scheme. During the year, the trust that we set up solely for this share award scheme paid RMB32.3 million on the market to purchase our shares. We originally announced the plan to buy-back up to HK$2 billion (approximately RMB1.8 billion) worth of our shares in November 2008. The plan was valid through the end of 2010 and buy-backs under plan were to be made at the discretion of our directors subject to market conditions. In 2010, we paid RMB20.5 million to buy back our shares on the market. Net cash used in financing activities in 2009 was RMB958.0 million, mainly represented the distribution of a special dividend of RMB888.3 million in September 2009.

Recurring free cash flow

Recurring free cash flow (non-GAAP), which represents net cash flow generated from operating activities as presented in our consolidated cash flow statement less purchase of property and equipment and excludes non-recurring capital expenditure such as payment for the construction of our Binjiang campus and other one-off items, was RMB2,840.8 million in 2010, representing a 56.4% increase from 2009. The increase was mainly due to the strong increase of paying members, who prepay for their memberships, as reflected in the increase in our deferred revenue and customer advances and the strong growth in cash revenue from the sale of memberships in the fourth quarter following our announcement that we would increase the price of our China Gold Supplier membership in 2011.

DIVIDEND

We declared a special cash dividend of 22 Hong Kong cents (2009: 20 Hong Kong cents) per ordinary share on December 10, 2010, and distributed on January 31, 2011.

Our Board did not recommend the payment of a final dividend for the year ended December 31, 2010 (2009: nil).

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2010, we did not have any material off-balance sheet arrangements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of December 31, 2010, none of our assets were pledged and we did not have any material contingent liabilities or guarantees.

MATERIAL ACQUISITIONS AND DISPOSAL OF ASSETS

In July and August 2010, we completed the acquisitions of the entire interests in Vendio and Auctiva for a combined cash consideration, paid on completion, of RMB233,220,000. The acquisitions brought us increased synergy and opportunities. Vendio, a U.S.-based company, operates an e-commerce platform providing a one-stop solution for small businesses that sell online across multiple online channels. Auctiva, also a U.S.-based company, is a developer of listing, marketing and management tools for eBay sellers. Through our acquisitions of Vendio and Auctiva, we gained access to more than 250,000 small online retailers who have potential sourcing needs from manufacturers and wholesalers on our international marketplace and wholesale transaction platform and therefore help us to further enhance the value of our global e-commerce supply chain.

OUTLOOK

Looking ahead to 2011, we find that the global economic environment to continue to be full of uncertainties. We expect China's economic growth to remain robust, driven primarily by continued strength in its domestic market. However, growth is likely to be moderate amid China's tightening monetary policy to curb inflation. Export growth will also likely slow due to rising costs and the ongoing appreciation of the Renminbi. Against this backdrop, there are three things that we can nonetheless be certain of: e-commerce will boom, China's domestic consumption will continue to be strong and China will remain the world's largest exporter.

We have positioned ourselves to benefit from these certainties, while taking steps to mitigate the business risks they may generate. The strategic direction that we have been pursuing for years remains unchanged. In 2011, we will focus on stabilizing our existing businesses at the same time accelerate our business model upgrade process. After the strong customer growth in the past two years, we have reviewed the pace of our acquisition of new paying members. With our "Customer comes first" philosophy, we believe it is crucial that the quality of our service keeps pace with membership growth in order to ensure customer satisfaction and to improve the value we provide. We have decided in 2011 to place more emphasis on making our platform a trusted and safe place for e-commerce, enhancing our services to our existing paying members rather than accelerating member acquisition. We will enhance Gold Supplier and China TrustPass customer experience of through service upgrades that we hope will result in a stable membership base and healthy, sustainable growth.

While maintaining our "Meet at Alibaba" strategy, we will expedite our business model upgrade, bringing "Work at Alibaba" initiatives to our customers through additional, richer VAS. In 2011, we will help customers derive more value from the more sophisticated marketing-related VAS, for example, the pay-for-performance Ali-ADvance. We also aim to provide more comprehensive, in-depth services for export-oriented small businesses. In addition to VAS development, we will continue to grow our online transactional platforms, AliExpress and 1688.com. In January 2011, in collaboration with Taobao, we kicked off the beta-launch of our third online transactional platform, Wu Ming Liang Pin (lp.taobao.com), This new transaction platform is designed to give our quality wholesale paying members direct access to the massive retail traffic and rapid growth potential of Taobao, China's largest retailing website. We will seek further synergies with Alibaba Group companies including Taobao, Alipay, and Alibaba Cloud Computing. We expect that the monetization opportunities associated with these new initiatives will contribute more significantly to our revenues in the medium term. Membership revenue growth, VAS revenue growth and margin growth will then follow.

In 2011, it is of paramount importance to step up our efforts to reinvigorate confidence in our online marketplaces. Although our internal investigation of fraudulent activities announced on February 21, 2011, is ongoing, we will take other remedial and preventive actions to strengthen trust and safety on our marketplaces. For instance, we will identify and de-list additional suppliers who we believe to have a high risk of fraud. We will also improve our quality control system and policies, and sales management structure in order to ensure proper checks and balances, and align incentive towards building long-term customer value.

We will continue to firmly uphold our mission: "To make it easy to do business anywhere" and our core values, including "Customer comes first". We have no tolerance for any compromise of our culture and values that could jeopardize our customers' interest. The recent incident of fraudulent suppliers on our marketplaces signaled a challenge to our most important principle – Integrity. Therefore, we have quickly taken stringent measures to address any situation that risks serious damage to our customers and our corporate values, and we will continue to take this approach without any hesitation. We strongly believe our values, instead of short-term financial gains, are key to our long-term success.

Although it takes time to evolve our business model from "Meet at Alibaba" to "Work at Alibaba", we are confident to see that we are on the right track. With our dedication to e-commerce development, we will continue to strive to provide innovative solutions to help small businesses worldwide grow and prosper.

CODE ON CORPORATE GOVERNANCE PRACTICES

Our Board and management believe that corporate governance is fundamental to corporate success and the enhancement of shareholder value. Key elements of corporate governance include honesty, trust and integrity, openness, transparency, responsibility and accountability, mutual respect and commitment.

We seek to promote a new business paradigm that embodies openness, transparency, sharing and responsibility. Our six core values (namely, Customer First, Teamwork, Embrace Change, Integrity, Passion and Commitment) also embody key elements of corporate governance and form the corporate DNA of Alibaba.com. These values hold no less true, and we apply them with no less determination and care, in the context of our business and corporate governance practices. In particular, we view integrity as one of our most important values and are committed to upholding and continuously promoting integrity of our employees and integrity of our online marketplaces as trusted and safe places for our small business customers. We are also committed to maintaining and upholding good corporate governance in order to protect the interests of our customers, employees and shareholders. Our Board sets high standards for our directors, management and employees. Any conduct that compromises or attempts to compromise our culture and values will not be acceptable or tolerated. We abide strictly by the laws and regulations of the PRC and the other jurisdictions where we operate, and we observe the guidelines and rules issued by regulatory authorities relevant to our business and our Company, such as those issued by the Ministry of Industry and Information Technology of the PRC, the Hong Kong Securities and Futures Commission and the Stock Exchange.

Throughout 2010, we have applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, and where appropriate, adopted the recommended best practices. We will set out further information on our corporate governance practices in the Corporate Governance Report contained in our 2010 Annual Report.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year ended December 31, 2010, our Company purchased 1,800,000 ordinary voting shares of HK$0.0001 each in the capital of our Company at prices ranging from HK$12.88 to HK$13.50 per share on the Stock Exchange. We made these repurchases with a view to enhancing shareholder value in the long-term.

Particulars of the repurchases were as follows:

Date (MM/YYYY)	Number of shares repurchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate consideration paid (excluding expenses) (HK$)
11/2010	1,500,000	13.20	12.88	19,632,200
12/2010	300,000	13.50	13.30	4,029,090
Total	1,800,000			23,661,290

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

Save as disclosed above, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of the listed securities of our Company during the year ended December 31, 2010.

REVIEW OF FINANCIAL STATEMENTS

Our annual results for the year ended December 31, 2010 were reviewed by our audit committee (comprising three non-executive directors, namely, KWAUK Teh Ming, Walter (Committee Chairman), TSAI Chung, Joseph and KWAN Ming Sang, Savio), which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on our website at http://ir.alibaba.com and the website of the Stock Exchange at www.hkex.com.hk. Our 2010 annual report will be available on the websites of our Company and the Stock Exchange and dispatched to our shareholders on or about Wednesday, April 6, 2011.

On behalf of the Board
MA Yun, Jack
Chairman

Hong Kong, March 17, 2011

As of the date of this announcement, the composition of our Board is as follows:

Chairman and Non-executive Director
MA Yun, Jack

Executive Directors
LU Zhaoxi, Jonathan
WU Wei, Maggie
SHAO Xiaofeng
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

SUPPLEMENTARY FINANCIAL INFORMATION

	Q4 2009 RMB'000	Q4 2010 RMB'000	Q3 2010 RMB'000	Q4 2010 RMB'000
Revenue				
International marketplace	687,102	881,103	847,153	881,103
China marketplace	402,001	524,847	492,177	524,847
Others	16,616	115,521	109,945	115,521
Total revenue	**1,105,719**	**1,521,471**	**1,449,275**	**1,521,471**
Cost of revenue	(146,821)	(267,401)	(242,050)	(267,401)
Gross profit	**958,898**	**1,254,070**	**1,207,225**	**1,254,070**
Sales and marketing expenses	(481,640)	(560,019)	(526,212)	(560,019)
Product development expenses	(121,396)	(170,269)	(160,258)	(170,269)
General and administrative expenses	(130,853)	(177,878)	(145,437)	(177,878)
Other operating income, net	41,805	31,133	20,783	31,133
Profit from operations	**266,814**	**377,037**	**396,101**	**377,037**
Finance income, net	32,854	51,779	48,392	51,779
Share of losses of associated companies and a jointly controlled entity, net of tax	(7,916)	(937)	(1,740)	(937)
Profit before income taxes	**291,752**	**427,879**	**442,753**	**427,879**
Income tax charges	(10,599)	(16,635)	(77,036)	(16,635)
Profit for the period	**281,153**	**411,244**	**365,717**	**411,244**
Other comprehensive income/(expense)				
Net fair value gains on available-for-sale investments	160	5,080	220	5,080
Currency translation differences	353	(8,833)	(8,894)	(8,833)
Total comprehensive income for the period	**281,666**	**407,491**	**357,043**	**407,491**
Profit/(loss) attributable to				
Equity owners of our Company	281,153	410,440	366,066	410,440
Non-controlling interests	-	804	(349)	804
Profit for the period	**281,153**	**411,244**	**365,717**	**411,244**
Total comprehensive income attributable to				
Equity owners of our Company	281,666	406,687	357,392	406,687
Non-controlling interests	-	804	(349)	804
Total comprehensive income for the period	**281,666**	**407,491**	**357,043**	**407,491**
Dividend per share				
Special cash dividend (HK$)	**-**	**22 cents**	**-**	**22 cents**
Earnings per share, basic (RMB)	**6 cents**	**8 cents**	**7 cents**	**8 cents**
Earnings per share, diluted (RMB)	**6 cents**	**8 cents**	**7 cents**	**8 cents**
Earnings per share, basic (HK$) *(Note 4)*	**6 cents**	**9 cents**	**8 cents**	**9 cents**
Earnings per share, diluted (HK$) *(Note 4)*	**6 cents**	**9 cents**	**8 cents**	**9 cents**

Note 4:
The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8713 and RMB0.8580 to HK$1.0000 for the third and fourth quarter of 2010 respectively (fourth quarter of 2009: RMB0.8809 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.

SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

	Q4 2009 RMB'000	Q4 2010 RMB'000	Q3 2010 RMB'000	Q4 2010 RMB'000
Revenue				
International marketplace				
China Gold Supplier	669,159	856,820	824,094	856,820
Global Gold Supplier	17,943	24,283	23,059	24,283
	687,102	**881,103**	**847,153**	**881,103**
China marketplace				
China TrustPass	379,373	505,841	472,303	505,841
Other revenue *(Note 5)*	22,628	19,006	19,874	19,006
	402,001	**524,847**	**492,177**	**524,847**
Others *(Note 6)*	**16,616**	**115,521**	**109,945**	**115,521**
Total	**1,105,719**	**1,521,471**	**1,449,275**	**1,521,471**
Recurring free cash flow (Non-GAAP)				
Net cash generated from operating activities	986,360	1,212,532	847,562	1,212,532
Purchase of property and equipment, excluding lease prepayment and construction costs of corporate campus project	(62,068)	(25,305)	(38,906)	(25,305)
One-off tax refund and others *(Note 7)*	(231,259)	-	(76,766)	-
Total	**693,033**	**1,187,227**	**731,890**	**1,187,227**
Share-based compensation expense	**57,512**	**101,939**	**108,927**	**101,939**

	As of December 31, 2009 RMB'000	As of December 31, 2010 RMB'000	As of September 30, 2010 RMB'000	As of December 31, 2010 RMB'000
Cash and bank balances	**7,216,445**	**9,583,533**	**8,361,076**	**9,583,533**
Deferred revenue and customer advances	**3,436,975**	**4,434,387**	**3,868,937**	**4,434,387**

Note 5:
Other revenue earned with respect to our China marketplace mainly represents advertising fees paid by third party advertisers.

Note 6:
Other revenue mainly represents revenue earned from the sale of Internet infrastructure and application services and certain software products.

Note 7:
One-off tax refund and others mainly represented a cash refund of prepaid tax received. Pursuant to the New EIT Law and Guoshuihan [2008] No. 875, taxable income should be computed on an accrual basis for EIT purpose. As a result, Alibaba China changed its EIT filing basis from cash basis to accrual basis in 2009 and a cash refund of RMB180 million and RMB76.8 million, being tax prepaid under cash basis, was received in the fourth quarter 2009 and third quarter of 2010, respectively.