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## 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, 2011

- ❖ Continued effort in improving user experience led to a broader user base as indicated by the healthy growth in the number of registered users and storefronts on our marketplaces.
- ❖ Satisfactory increase in the sale of value-added services contributed to solid growth in total revenue of 16% year-on-year to RMB6,417 million and a more balanced revenue mix.
- ❖ Driven by the revenue growth in value-added services and effective cost control, EBITA improved by 22% year-on-year and basic earnings per share increased 23% to HK\$41 cents.

FINANCIAL HIGHLIGHTS	2010 RMB million	2011 RMB million	Change
Revenue	5,557.6	6,416.9	+15.5%
Earnings before interest, taxes and amortization ("EBITA")	1,587.3	1,935.4	+21.9%
Profit attributable to equity owners	1,469.5	1,712.7	+16.6%
Share-based compensation expense	341.0	336.1	-1.4%
Deferred revenue and customer advances	4,434.4	4,423.1	-0.3%
Recurring free cash flow	2,840.8	1,981.1	-30.3%
EBITA margin (before share-based compensation expense)	34.7%	35.4%	+0.7% pts
Earnings per share, basic (HK\$)	33.4 cents	41.0 cents	+22.8%
Earnings per share, diluted (HK\$)	33.2 cents	40.7 cents	+22.6%
OPERATIONAL HIGHLIGHTS	2010	2011	Change
<b>Registered users</b>	<b>61,801,281</b>	<b>76,332,163</b>	<b>+23.5%</b>
International marketplace	18,024,993	25,517,089	+41.6%
China marketplace	43,776,288	50,815,074	+16.1%
<b>Storefronts</b>	<b>8,544,544</b>	<b>10,023,832</b>	<b>+17.3%</b>
International marketplace	1,696,905	2,235,416	+31.7%
China marketplace	6,847,639	7,788,416	+13.7%
<b>Paying members (Note 1)</b>	<b>809,362</b>	<b>765,363</b>	<b>-5.4%</b>
China Gold Supplier	121,274	99,005	-18.4%
Global Gold Supplier	10,434	7,558	-27.6%
China TrustPass	677,654	658,800	-2.8%

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

## 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, 2011, together with comparative figures for the last financial year, as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

	Notes	2010 RMB'000	2011 RMB'000
<b>Revenue</b>			
International marketplace	4	3,238,243	3,752,616
China marketplace	4	1,893,899	2,217,401
Others	4	425,444	446,877
<b>Total revenue</b>		<u>5,557,586</u>	<u>6,416,894</u>
Cost of revenue		(931,016)	(1,259,979)
<b>Gross profit</b>		<u>4,626,570</u>	<u>5,156,915</u>
Sales and marketing expenses		(2,050,561)	(2,041,846)
Product development expenses		(580,173)	(784,667)
General and administrative expenses		(568,324)	(640,059)
Other operating income, net	5	109,026	126,543
<b>Profit from operations</b>	6	<u>1,536,538</u>	<u>1,816,886</u>
Finance income, net	7	176,398	319,118
Share of (losses)/profits of associated companies and jointly controlled entities, net of tax		(6,479)	730
<b>Profit before income taxes</b>		<u>1,706,457</u>	<u>2,136,734</u>
Income tax charges	8	(236,445)	(427,896)
<b>Profit for the year</b>		<u>1,470,012</u>	<u>1,708,838</u>
<b>Other comprehensive income/(expense)</b>			
Net fair value gains on available-for-sale investments		5,640	2,300
Release of investment revaluation reserve upon disposal of available-for-sale investments		-	(7,500)
Currency translation differences		(21,533)	(33,024)
<b>Total comprehensive income for the year</b>		<u>1,454,119</u>	<u>1,670,614</u>
<b>Profit/(Loss) for the year attributable to</b>			
Equity owners of our Company		1,469,464	1,712,673
Non-controlling interests		548	(3,835)
<b>Profit for the year</b>		<u>1,470,012</u>	<u>1,708,838</u>
<b>Total comprehensive income/(expense) for the year attributable to</b>			
Equity owners of our Company		1,453,571	1,674,449
Non-controlling interests		548	(3,835)
<b>Total comprehensive income for the year</b>		<u>1,454,119</u>	<u>1,670,614</u>
<b>Dividend per share</b>			
Special cash dividend (HK\$)	9	22.0 cents	-
<b>Earnings per share, basic (RMB)</b>	10	<u>29.1 cents</u>	<u>34.0 cents</u>
<b>Earnings per share, diluted (RMB)</b>	10	<u>28.9 cents</u>	<u>33.8 cents</u>
<b>Earnings per share, basic (HK\$) (Note 2)</b>	10	<u>33.4 cents</u>	<u>41.0 cents</u>
<b>Earnings per share, diluted (HK\$) (Note 2)</b>	10	<u>33.2 cents</u>	<u>40.7 cents</u>

Note 2: The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8300 to HK\$1.0000 (2010: RMB0.8714 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, 2011**

	Notes	2010 RMB'000	2011 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Lease prepayments		27,328	62,971
Property and equipment		781,145	732,759
Goodwill		367,787	455,207
Intangible assets		231,535	223,948
Interests in associated companies and jointly controlled entities		12,723	12,970
Deferred tax assets		101,332	150,056
Available-for-sale investments	11	51,340	221,593
Prepayments, deposits and other receivables		46,731	90,257
Direct selling costs	12	45,204	104,610
<b>Total non-current assets</b>		<u>1,665,125</u>	<u>2,054,371</u>
<b>Current assets</b>			
Amounts due from related companies		39,534	47,156
Prepayments, deposits and other receivables		293,749	518,271
Customer accounts		54,162	45,494
Direct selling costs	12	595,718	569,966
Available-for-sale investments	11	305,140	189
Restricted cash and escrow receivables		168,179	408,410
Term deposits with original maturities of over three months	13	6,497,368	8,218,563
Cash and cash equivalents	13	3,086,165	3,433,048
<b>Total current assets</b>		<u>11,040,015</u>	<u>13,241,097</u>
<b>Total assets</b>		<u><u>12,705,140</u></u>	<u><u>15,295,468</u></u>
<b>EQUITY</b>			
Share capital		485	481
Reserves		5,752,764	7,417,299
<b>Equity attributable to equity owners of our Company</b>		<u>5,753,249</u>	<u>7,417,780</u>
<b>Non-controlling interests</b>		49,816	102,392
<b>Total equity</b>		<u>5,803,065</u>	<u>7,520,172</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred revenue	14	332,945	454,014
Other payables	16	53,666	119,989
Deferred tax liabilities		130,855	240,179
<b>Total non-current liabilities</b>		<u>517,466</u>	<u>814,182</u>
<b>Current liabilities</b>			
Deferred revenue and customer advances	14	4,101,442	3,969,117
Trade payables	15	15,981	16,430
Amounts due to customers		220,612	318,319
Amounts due to related companies		45,967	68,549
Other payables and accruals	16	859,261	1,046,593
Dividend payable		943,695	-
Current income tax liabilities		104,933	255,617
Short-term bank borrowings	17	92,718	1,286,489
<b>Total current liabilities</b>		<u>6,384,609</u>	<u>6,961,114</u>
<b>Total liabilities</b>		<u>6,902,075</u>	<u>7,775,296</u>
<b>Total equity and liabilities</b>		<u><u>12,705,140</u></u>	<u><u>15,295,468</u></u>
<b>Net current assets</b>		<u>4,655,406</u>	<u>6,279,983</u>
<b>Total assets less current liabilities</b>		<u><u>6,320,531</u></u>	<u><u>8,334,354</u></u>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2011

	2010 RMB'000	2011 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,706,457	2,136,734
Adjustments for:		
Share-based compensation expense	340,971	336,137
Depreciation expense of property and equipment (Note 6)	187,190	195,421
Amortization of intangible assets (Note 6)	39,133	57,271
Impairment of intangible assets (Note 6)	-	2,796
Losses on disposals of property and equipment, net (Note 6)	514	2,610
Amortization of lease prepayments (Note 6)	587	1,025
Share of losses/(profits) of associated companies and jointly controlled entities, net of tax	6,479	(730)
Gain on disposal of an associated company (Note 5)	-	(5,601)
Reversal of contingent consideration in relation to an acquisition (Note 5)	-	(10,822)
Exchange gains, net (Note 7)	(18,112)	(55,632)
Interest income, net (Note 7)	(158,286)	(263,486)
Increase in other payables and accruals	127,110	191,038
Increase in amounts due to customers	166,451	106,375
Increase in amounts due to related companies	24,436	28,420
(Decrease)/Increase in trade payables	(7,926)	449
Increase in amounts due from related companies	(1,609)	(7,622)
Increase/(Decrease) in deferred revenue and customer advances	960,621	(11,256)
Increase in direct selling costs	(80,339)	(33,654)
Increase in restricted cash and escrow receivables	(168,179)	(105,015)
Decrease/(Increase) in prepayments, deposits and other receivables	10,677	(160,821)
Net cash provided by operating activities	3,136,175	2,403,637
Income tax paid	(96,782)	(221,648)
<b>Net cash generated from operating activities</b>	3,039,393	2,181,989
<b>Cash flows from investing activities</b>		
Proceeds from maturing term deposits with original maturities of over three months	4,374,328	6,565,121
Proceeds from disposals of available-for-sale investments (Note 11)	1,431,000	1,372,000
Interest received	131,187	204,354
Proceeds from disposals of associated companies	-	6,770
Proceeds from disposals of property and equipment	534	2,670
Acquisition of subsidiaries, net of cash acquired	(261,156)	2,283
Investment in a jointly controlled entity	(14,700)	-
Payment for intangible assets	(6,390)	(11,890)
Employee housing loan granted	-	(37,440)
Purchase of property and equipment and lease prepayments	(288,089)	(160,180)
Payment for available-for-sale investments (Note 11)	(1,709,565)	(1,242,693)
Placing of term deposits with original maturities of over three months	(6,404,124)	(8,286,463)
<b>Net cash used in investing activities</b>	(2,746,975)	(1,585,468)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	93,644	1,426,043
Issue of ordinary shares under share-based incentive schemes	10,328	55,341
Payments for purchase of issued ordinary shares for the Share Award Scheme	(32,254)	(1,372)
Interest paid for bank borrowings	-	(5,291)
Increase in cash pledged for bank borrowings	-	(75,536)
Repayments of borrowings	-	(279,414)
Payments for repurchase of issued ordinary shares	(20,455)	(416,324)
Dividends paid	-	(947,727)
<b>Net cash generated from/(used in) financing activities</b>	51,263	(244,280)
<b>Net increase in cash and cash equivalents</b>	343,681	352,241
Cash and cash equivalents at beginning of year	2,748,690	3,086,165
Effect of exchange rate for the year	(6,206)	(5,358)
<b>Cash and cash equivalents at end of year (Note 13)</b>	3,086,165	3,433,048
	<b>2010</b>	<b>2011</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Analysis of cash and bank balances</b>		
Cash and cash equivalents	3,086,165	3,433,048
Term deposits with original maturities of over three months	6,497,368	8,218,563
	<u>9,583,533</u>	<u>11,651,611</u>

## **1 GENERAL INFORMATION**

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and reissued) of the Cayman Islands. Our Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As of the date of this announcement, our ultimate holding company is Alibaba Group Holding Limited ("Alibaba Group"), 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](http://www.alibaba.com), [www.1688.com](http://www.1688.com) and under the trade name "Alibaba" (the "B2B services"). Our Group also renders transaction-based services and other comprehensive Internet based services such as software applications, domain name registration, website hosting and solutions, email hosting and technology-related consulting services on various marketplaces and platforms.

During 2011, our Group completed the acquisition of a 65% equity interest in Shenzhen 1-Touch Enterprise Service Ltd. ("One-Touch"). One-Touch, a company based in the People's Republic of China ("PRC"), is a provider of one-stop import and export services to small and medium enterprises in the PRC. The acquisition was completed in January 2011 and the first installment of the purchase consideration in cash was paid. The remaining consideration balance will be paid in 2014 and the amounts may be adjusted based on the operating and financial performance of One-Touch in 2013.

The aforesaid transaction was accounted for using the acquisition accounting method and the non-controlling interests were measured at the non-controlling interests' proportionate share of the net assets of One-Touch.

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

The consolidated financial statements of our Group for the year ended December 31, 2011 have been approved for issue by our Board on February 21, 2012.

## **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 adopted the following new/revised IFRS standards and interpretations for accounting periods commencing January 1, 2011:

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

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

The following new standards, interpretations and amendments to the existing standards have been published but have not come into effect for the financial year beginning January 1, 2011:

		<u>Effective for annual periods beginning on or after</u>
IFRS 7 (Amendment)	Disclosure – Transfers of Financial Assets	July 1, 2011
Amendment to IAS 12	Deferred tax: Recovery of Underlying Assets	January 1, 2012
IAS 1 (Amendment)	Presentation of Financial Statements	July 1, 2012
IAS 19 (Amendment)	Employee Benefits	January 1, 2013
IAS 27 (Amendment)	Separate Financial Statements	January 1, 2013
IAS 28 (Amendment)	Investments in Associates and Joint Venture	January 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurements	January 1, 2013
IFRS 9	Financial Instruments	January 1, 2015

Our Group has not early adopted any of the above new standards, interpretations and amendments to the existing standards in 2011. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to our Group's significant accounting policies and presentation of the financial information will result.

## 3 Segment information

We determine our operating segments based on the 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 years presented, we had one single reportable operating segment, namely the provision of the B2B services. Although the B2B services consist of the 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 its businesses in the PRC. In 2011, majority of the revenue from external customers was contributed from the PRC (2010: same).

As of December 31, 2011, majority of the non-current assets other than financial instruments and deferred tax assets were located in the PRC (2010: same).

For the year ended December 31, 2011, there was no revenue derived from a single external customer amounting to 10% or more of our Group's total revenue (2010: same).

### 4 Revenue

	2010 RMB'000	2011 RMB'000
International marketplace		
China Gold Supplier	3,148,498	3,641,321
Global Gold Supplier	89,745	111,295
	<u>3,238,243</u>	<u>3,752,616</u>
China marketplace		
China TrustPass	1,812,991	2,013,301
Other revenue <sup>(i)</sup>	80,908	204,100
	<u>1,893,899</u>	<u>2,217,401</u>
Others <sup>(ii)</sup>	425,444	446,877
Total	<u><u>5,557,586</u></u>	<u><u>6,416,894</u></u>

(i) Other revenue earned with respect to our China marketplace mainly represents advertising fees paid by third party advertisers and service fees charged to our suppliers for supply chain management services that we provided.

(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

	2010 RMB'000	2011 RMB'000
Government grants <sup>(i)</sup>	84,011	79,617
Reimbursements from fellow subsidiaries <sup>(ii)</sup>	11,509	8,402
Gain on disposal of an associated company <sup>(iii)</sup>	-	5,601
Reversal of contingent consideration in relation to an acquisition	-	10,822
Others	13,506	22,101
Total	<u><u>109,026</u></u>	<u><u>126,543</u></u>

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

(iii) In February 2011, our Group disposed its interests in an associated company, Spigot, Inc. and recognized a gain of RMB5,601,000.

## 6 Profit from operations

Profit from operations is stated after charging the following:

	2010 RMB'000	2011 RMB'000
Staff costs	2,371,719	2,834,995
Depreciation expense of property and equipment	187,190	195,421
Operating lease rentals	69,790	86,449
Amortization of intangible assets	39,133	57,271
Auditors' remuneration	6,020	7,135
Amortization of lease prepayments	587	1,025
Impairment of intangible assets	-	2,796
Losses on disposals of property and equipment, net	514	2,610
	<u>          </u>	<u>          </u>

## 7 Finance income, net

	2010 RMB'000	2011 RMB'000
Interest income, net	158,286	263,486
Exchange gains, net	18,112	55,632
	<u>          </u>	<u>          </u>
Total	176,398	319,118
	<u>          </u>	<u>          </u>

## 8 Income tax charges

	2010 RMB'000	2011 RMB'000
Current tax charge	206,014	374,655
Deferred tax charge	26,986	55,564
Under/(Over) provision in previous years	3,445	(2,323)
	<u>          </u>	<u>          </u>
Total	236,445	427,896
	<u>          </u>	<u>          </u>

Current income tax charges primarily 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, the standard corporate income tax rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the PRC Enterprise Income Tax Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises. Alibaba China, our principal operating entity, has been designated as a High and New Technology Enterprise in 2011. As a result, our Group has used 15% to calculate Alibaba China's PRC Enterprise Income Tax for 2011.

Pursuant to Caishui [2008] No.1 under the PRC Enterprise Income Tax Law, a duly recognized Key Software Enterprise within China's National Plan can enjoy a preferential PRC Enterprise Income Tax rate of 10%. Alibaba China was recognized in 2010 as a Key Software Enterprise by four ministries including the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Commerce and the State Administration for Taxation. As a result, our Group has used 10% to calculate Alibaba China's PRC Enterprise income Tax for 2010. The relevant authorities have not started accepting applications for Key software Enterprise status in 2011. Should Alibaba China obtain the Key Software Enterprise status in 2012, the resulting adjustment for 2011 income tax expense to reflect the change of tax rate from 15% to 10% will be included in 2012 financial results.



## 8 Income tax charges (Continued)

Furthermore, 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 the first two years and 50% reduction in subsequent three years, starting from the company’s first profit-making year. Since 2008 was its first profit-making year, Alibaba Software was subject to PRC Enterprise Income Tax at 12.5% for 2011 (2010: 12.5%).

Most of our remaining PRC entities are subject to the standard PRC Enterprise Income Tax at 25% for 2011 (2010: 25%).

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax will be levied on dividends declared by 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 and meets the conditions or requirements pursuant to the arrangement between mainland China and Hong Kong. Since Alibaba China’s only equity holder is a Hong Kong incorporated company, the Group has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed.

## 9 Dividend per share

On December 10, 2010, the Company declared a special cash dividend of 22 Hong Kong cents per ordinary share, or HK\$1,110,000,000 (equivalent to RMB950,538,000) in aggregate. An amount of RMB518,000 dividends attributable to the ordinary shares held by the Share Award Scheme was offset against the reserves in the consolidated balance sheet. The special cash dividend declared in 2010 was paid in January 2011.

Our Board did not recommend the payment of a final dividend for the year ended December 31, 2011 (2010: 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.

	2010	2011
Profit attributable to equity owners of our Company (RMB'000)	1,469,464	1,712,673
Weighted average number of ordinary shares in issue (thousand shares)	5,043,800	5,040,224
Earnings per share, basic (RMB)	29.1 cents	34.0 cents
Earnings per share, basic (HK\$) <sup>(i)</sup>	33.4 cents	41.0 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 restricted share units (“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.

## 10 Earnings per share (Continued)

	2010	2011
Profit attributable to equity owners of our Company (RMB'000)	1,469,464	1,712,673
Weighted average number of ordinary shares in issue (thousand shares)	5,043,800	5,040,224
Adjustments for share options and RSUs (thousand shares)	35,020	32,039
	<hr/>	<hr/>
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	5,078,820	5,072,263
Earnings per share, diluted (RMB)	28.9 cents	33.8 cents
	<hr/>	<hr/>
Earnings per share, diluted (HK\$) <sup>(i)</sup>	33.2 cents	40.7 cents
	<hr/>	<hr/>

(i) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8300 to HK\$1.0000 (2010: RMB0.8714 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 Available-for-sale investments

	2010 RMB'000	2011 RMB'000
As of January 1	72,386	356,480
Additions	1,709,565	1,242,693
Disposals	(1,431,000)	(1,379,500)
Net gains transferred to equity	5,640	2,300
Exchange differences	(111)	(191)
	<hr/>	<hr/>
As of December 31	356,480	221,782
Less: Current portion	(305,140)	(189)
	<hr/>	<hr/>
Non-current portion	51,340	221,593
	<hr/>	<hr/>
Available-for-sale investments include the following:		
	2010 RMB'000	2011 RMB'000
Unlisted securities:		
Debt securities in the PRC, at fair value	325,862	20,851
Equity securities in Cayman Islands, at cost	-	169,527
Equity securities in the PRC, at cost	27,000	27,000
Equity securities in Japan, at cost	2,099	1,997
Equity securities in Hong Kong, at cost	1,519	2,407
	<hr/>	<hr/>
	356,480	221,782
Less: Current portion	(305,140)	(189)
	<hr/>	<hr/>
Non-current portion	51,340	221,593
	<hr/>	<hr/>

## 11 Available-for-sale investments (Continued)

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

	2010 RMB'000	2011 RMB'000
Renminbi	352,862	217,378
Japanese Yen	2,099	1,997
Hong Kong Dollars	1,519	2,407
Total	<u>356,480</u>	<u>221,782</u>

Although our Group has over 20% equity interest in Sinosoft Technology Group Ltd. ("Sinosoft"), our Group has accounted Sinosoft not as an associated company but an investment available-for-sale at cost on the basis that our Group is not in a position to exercise any significant influence over its operations.

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

## 12 Direct selling costs

Direct selling costs represent certain costs we obliged to pay upon the receipt of service fees from our customers which primarily comprise sales commissions and domain name acquisition costs. The membership and domain name registration service fees are initially deferred and recognized in the consolidated statement of comprehensive income in the period in which the services are rendered (Note 14). 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.

## 13 Cash and bank balances

	2010 RMB'000	2011 RMB'000
Cash at banks and on hand	1,446,233	2,169,455
Term deposits and short-term highly liquid investments with original maturities of three months or less	<u>1,639,932</u>	<u>1,263,593</u>
Cash and cash equivalents	3,086,165	3,433,048
Term deposits with original maturities of over three months	<u>6,497,368</u>	<u>8,218,563</u>
Total	<u>9,583,533</u>	<u>11,651,611</u>

## 14 Deferred revenue and customer advances

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

	2010 RMB'000	2011 RMB'000
Deferred revenue	3,071,663	3,346,118
Customer advances	1,362,724	1,077,013
	<u>4,434,387</u>	<u>4,423,131</u>
Less: Current portion	(4,101,442)	(3,969,117)
Non-current portion	<u>332,945</u>	<u>454,014</u>

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.

## 15 Trade payables

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

	2010 RMB'000	2011 RMB'000
0 - 30 days	14,266	11,467
31 days - 60 days	333	3,102
61 days - 90 days	188	420
Over 90 days	1,194	1,441
Total	<u>15,981</u>	<u>16,430</u>

## 16 Other payables and accruals

	2010 RMB'000	2011 RMB'000
Non-current portion		
Put liability and compensatory liability in relation to the acquisition of equity interest in HiChina	53,666	29,418
Contingent consideration in relation to the acquisition of a 65% equity interest in One-Touch	-	90,571
	<u>53,666</u>	<u>119,989</u>
Current portion		
Accrued salaries, bonuses, sales commissions and staff benefits	389,338	467,376
Accrued advertising and promotion expenses, professional fees and others	296,137	317,140
Accrued purchases of property and equipment	57,705	45,269
Put liability and compensatory liability in relation to the acquisition of equity interest in HiChina	31,191	-
Other taxes payable <sup>(i)</sup>	84,890	216,808
	<u>859,261</u>	<u>1,046,593</u>
Total	<u>912,927</u>	<u>1,166,582</u>

(i) Other taxes payable mainly represent PRC individual income tax of employees withheld by our Group.

## 17 Short-term bank borrowings

(a) Short-term loans are analyzed as follows:

	2010 RMB'000	2011 RMB'000
On demand or wholly repayable within one year	92,718	1,286,489

(b) Movements in borrowings is analyzed as follows:

	2010 RMB'000	2011 RMB'000
As of January 1	-	92,718
Arising from the acquisition of One-Touch	-	76,560
Additions	92,718	1,426,043
Repayments	-	(279,414)
Exchange differences	-	(29,418)
As of December 31	92,718	1,286,489

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

	2010 RMB'000	2011 RMB'000
Hong Kong Dollars <sup>(i)</sup>	-	344,172
United States Dollars <sup>(i)</sup>	92,718	663,791
Renminbi <sup>(ii)</sup>	-	278,526
	92,718	1,286,489

(i) These bank borrowings are unsecured, at floating interest rates and repayable within one year.

(ii) The interest rates are fixed at 3.38% to 6.57% per annum. Part of the bank borrowings are secured by a pledge of bank deposits of RMB135,216,000 which are included in restricted cash and escrow receivables.

The carrying amounts of short-term bank borrowings approximate their fair values, as the impact of discounting is not significant.

## Management Discussion and Analysis

### BUSINESS ENVIRONMENT

The global economy was sluggish in 2011 due to lackluster economic conditions in the major developed markets. Downside risks have been increasing as the Eurozone crisis unfolds without solution and the U.S. recovery falters. Cautious sentiment is restraining consumption in developed economies, which is negatively impacting emerging economies and developing nations. China is unlikely to prove immune to the global slowdown. China's economic performance was hurt by a greater-than-expected dampening of export growth, which declined from 31% in 2010 to 20% in 2011. In addition to falling global demand, small businesses struggled with surging production costs, high labor costs and a stronger Chinese currency. A credit squeeze caused by China's tightened monetary policy also added pressures to small businesses. Nevertheless, many small businesses have remained competitive by tapping China's fast-growing domestic market and other regions through geographical expansion, thus diversifying their customer base. More businesses also appear to be leveraging e-commerce to become more flexible, efficient and competitive.

Another phenomenon that we have observed is the increasing demand by small businesses for online sales and marketing services. Small businesses usually prefer variable, performance-based services as they aim to maximize their return on investment for the marketing dollars they spent. This trend supports our view that e-commerce is becoming indispensable for small businesses. Going forward, we will continue to serve our customers by developing additional performance-driven and online transaction-based services.

## BUSINESS OVERVIEW

Since early 2011, we have reiterated our focus on our long-term strategies of 1) building a trustworthy e-commerce platform by enhancing user quality and user experience, as well as strengthening the depth and the breadth of user information captured on our platform; and 2) evolving our business model by developing the performance-based and transaction-based services. Although we are faced with a complex economic environment, we remain focused on the execution of our strategies to build a scalable and sustainable business model, driving long-term growth by increasing online activities between buyers and sellers.

We have made significant progress in enhancing user quality in 2011. During the year, we stepped up our efforts to combat fraud, strengthen the authenticity of user information and improve trust and safety measures. Although our efforts resulted in decrease in paying members, as expected, we saw material improvement in increased traffic and reduced disputes in our both International and China marketplaces. In 2011, we added 14.5 million registered users and more than 1.4 million storefronts in the two marketplaces. As of December 31, 2011, we had a total of 76.3 million registered users, 10.0 million storefronts and 765,363 paying members in both marketplaces. In addition, we mobilized more resources to develop performance-based and transaction-based services in order to expedite our business model upgrade. We also streamlined our service offering and made our value proposition clearer to our users. Although new business lines associated with these initiatives are still in early stage and require continued investment, we are pleased with their growth momentum.

In 2011, we saw solid revenue growth despite a decline in membership base. Our total GAAP revenue grew by 15.5% year-over-year to RMB6.42 billion. Profit attributable to equity owners grew 16.1% year-over-year to RMB1.71 billion. We strongly believe that attracting higher-quality traffic will drive usage of performance-driven VAS and online transactions, resulting in a more balanced revenue mix in the long run.

### International marketplace

In 2011, the number of registered users on our international marketplace increased by 41.6% year-over-year, reaching 25.5 million as of December 31, 2011. The number of storefronts grew by 31.7% to 2.2 million. It is encouraging to see that our strategy to improve the quality of suppliers on our platforms is paying off. For example, the number of complaints lodged against our paying members in December was down by about 70% year-over-year compared with December 2010. The increased user base contributed to increasing user traffic and buyer activities. In December, our overseas daily average traffic in terms of unique visitor saw a year-on-year growth of 58%.

#### *International marketplace operational data*

	As of December 31				
	2007	2008	2009	2010	2011
Registered users	4,405,557	7,914,630	11,578,247	18,024,993	25,517,089
Storefronts	697,563	965,747	1,400,326	1,696,905	2,235,416
Paying members <sup>(1)</sup>	39,536	59,164	113,896	131,708	106,563
China Gold Supplier	27,384	43,028	96,110	121,274	99,005
Global Gold Supplier	12,152	16,136	17,786	10,434	7,558

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

*International marketplace – Geographical distribution of registered users (other than China) as of December 31, 2011*

<b>Country or region</b>	<b>Number of registered users in country or region</b>	<b>Percentage of total registered users of our international marketplace</b>
1. United States	4,251,910	16.7%
2. European Union <sup>(1)</sup>	2,773,748	10.9%
3. India	2,573,350	10.1%
4. United Kingdom	1,306,708	5.1%
5. Australia	754,526	3.0%

(1) Exclude the United Kingdom

**Gold Supplier**

In 2011, we intentionally slowed down the pace of membership acquisition while we boosted the quality of suppliers. As of December 31, 2011, we had 99,005 China Gold Supplier members, representing an 18% reduction in the membership base from 2010. In the fourth quarter, we continued to see a sequential decline in China Gold Supplier membership. This decline was expected as our strategy shifted away from aggressive customer acquisition, and also partially due to our ongoing tight quality control of suppliers and the higher membership fee of RMB 29,800 which applied to all renewing members beginning in the fourth quarter of 2011. The renewal rate in the fourth quarter was slightly lower compared with previous quarters.

As of December 31, 2011, we had 7,558 Global Gold Supplier members. During the year, we continued to stay focus on a few countries including India, Japan, South Korea and Turkey. In addition, we reviewed our overall strategy and operation for overseas markets as well as the business model so as to prepare ourselves to further tap the extensive supplier base outside the Greater China region in a more cost-effective manner going forward.

From supplier’s perspective, we initiated rigorous measures to enhance the level of trust and safety of the Gold Supplier program. In early 2011, we set up a special task force to examine the nature of buyers’ complaints and our internal quality systems to address the systemic nature of fraud issues that were reported in February 2011. The following steps were taken, among others: 1) Prevented risk-prone suppliers from joining; 2) Strengthened predictive methodologies through data monitoring to detect and track high-risk accounts; 3) Strengthened enforcement of take-down policies; 4) Revamped our internal sales-incentive scheme and the structure of our sales force. In October 2011, we started to roll out the “on-site inspection” program. This physical verification process conducted by Alibaba.com personnel represents a second level of verification that members are in valid existence in addition to the basic third-party authentication and verification that occurs when a supplier has to undergo when it joins Alibaba.com or renews as a paying member. This program has received a positive response from our suppliers; some paying members requested on-site inspections before their memberships were due for renewal to highlight their credibility as the “on-site check” logo is clearly shown on product search results and storefronts of verified suppliers. Similarly, a paid service for in-depth verification, “Factory Audit”, also gained traction.

From buyer’s perspective, since the second quarter of 2011 we have been collecting more user feedback, helping us to better monitor customer satisfaction and enhance user experience. To provide more protection for overseas buyers, we beta-launched a platform-wide escrow service and introduced an online service allowing buyers to hire third-party inspectors to ensure orders are filled correctly before being shipped from China. To facilitate online sourcing, we added a multi-lingual system to present product information in several languages, and added multiple-location search that allows buyers to more easily find products and suppliers in targeted locations around the world. All in all, these features helped to attract more buyers and overseas traffic to our international marketplace as indicated by the buoyant growth in registered users and overseas unique visitors.

Our ongoing development of value-added services remained on track in 2011. We continued to see growth in VAS revenue contribution and VAS penetration. VAS revenue contributed around 30% of China Gold Supplier revenue in 2011. Among our VAS offerings, marketing-related VAS, including keyword and Product Showcase, were still the major drivers of VAS revenue. While retaining our fixed-fee keyword model, in the first quarter of 2011 we introduced Ali-ADvance, which is a “pay-for-performance” model for keyword search. During the year, the adoption and usage of Ali-ADvance gained steadily.

Going forward, we remain focused on strengthening trust and safety, growing overseas traffic and enhancing the user experience.

## AliExpress

Overall, the growth momentum of AliExpress remained strong in 2011. We achieved significant progress in AliExpress on all fronts including supplier base, buyer traffic, user experience and transaction volume. According to Alexa.com, as of the end of December, AliExpress continued to rank highest among all international business online transaction platforms. Although there was a temporary impact on GMV growth in the third quarter due to the August termination of Paypal as a payment option on AliExpress, the impact was much smaller than expected and the friction was removed in the fourth quarter.

During the year, we spent most of our effort on fundamentals: ensuring supplier and product quality, transaction security, improving logistics and enhancing online payment convenience. We launched a fulfillment service to reduce the cost of international shipment. We also strengthened the trust and safety level of AliExpress by tightening control of counterfeit products and enhanced buyer protection by providing payment protection and a refund program. In addition, we continued to streamline the online payment process. These efforts started to bear fruit as the number of disputes over product quality and supplier quality trended down while the payment success rate was satisfactory in 2011.

In the third quarter, we launched the Assurance Plus program, not only making the buying experience on AliExpress safe and easy but also raising our sellers' trustworthiness. Assurance Plus status is available only to qualified suppliers who are able to meet our requirements for rapid order dispatch, accurate product descriptions and free return shipping in cases where buyers are dissatisfied with product quality. The "Assurance Plus" logo is clearly shown on storefronts of qualified suppliers.

In 2012, we will focus on attracting more quality suppliers, expanding the range of products, streamlining the online payment process and optimizing logistics. For suppliers, we look to shorten the payment collection period in order to reduce their working capital requirements and to encourage the completion of more transactions entirely online.

## China Marketplace

Anticipating that China's export markets would become increasingly challenging and volatile over time, in recent years, we have allocated more resources to grow our China marketplace. Today our 1688.com platform offers compelling advantages to suppliers and buyers who focus on China's domestic trade. Therefore, it can play a major role in this development of China's domestic market.

Our China marketplace maintained steady growth in 2011. As of December 31, 2011, we had 50.8 million registered users and 7.8 million storefronts, representing growth of 16.1% and 13.7%, respectively from the previous year. Our small businesses customer base is by far the largest in China, providing a strong foundation for long-term growth as well as a wellspring of market information and buying behavior that we believe are important resources for further development.

### China marketplace operational data

	As of December 31				
	2007	2008	2009	2010	2011
Registered users	23,194,402	30,160,705	36,154,669	43,776,288	50,815,074
Storefronts	2,259,283	3,648,503	5,419,658	6,847,639	7,788,416
Paying members <sup>(1)</sup>	266,009	372,867	501,316	677,654	658,800

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

## China TrustPass

By the end of 2011, we had 658,800 China TrustPass members. The number of members declined from the end of 2010 and also sequentially from the third quarter of 2011. The reduction in members was mainly due to the slower membership acquisition following our decision not to sell the China TrustPass individual edition in the second quarter of 2011. The renewal rate has been steady.

In 2011, most of the improvements made to the China marketplace were fundamental yet crucial. We focused on areas such as enhancing user quality and authenticity; growing buyer traffic; and improving user experience. To enhance user authenticity on 1688.com and create a more extensive user database, we required all China marketplace users to register in their real names since September 2011. We are also building a dynamic rating and feedback system not only to develop a "trust profile" for users but also to facilitate more online activities between buyers and sellers as the trust issue can be addressed through this proven mechanism. In December 2011, we kick-started a third-party on-site inspection program. We



designed this additional check as a new VAS for Chinese domestic suppliers to further enhance their authenticity on 1688.com. Although it is voluntary, we believe on-site inspection program will attract reasonable user interest as the business environment becomes more competitive and individual suppliers seek ways to highlight their credibility and quality.

On the VAS front, growth was gradual and modest over 2011. The VAS revenue contributed around 25% of China TrustPass revenue in 2011. Marketing-related VAS such as Ali-ADvance and Premium Placement continued to be the main sources of VAS revenue.

### ***1688.com***

To enhance user experience, we overhauled the website structure and layout of 1688.com and added more transaction features in order to make it more buyer-oriented and user-friendly. For some sectors like apparel, home decorations and small consumer items, we provided exclusive channels with transaction features. In the third quarter, we added features targeted at bringing large wholesale transactions online. This helped to reinforce 1688.com's positioning as the online wholesale platform for Chinese domestic suppliers and buyers. The GMV of online transactions on 1688.com gathered pace throughout 2011.

We will continue to enhance user experience by improving website navigation, design and search mechanisms as well as customizing the process of placing orders and paying online. In 2012, we will gradually introduce more third-party applications and services to further address our users' needs and increase stickiness of the platform.

### ***Liang Wu Xian***

In January 2011, we embarked on a new initiative, Wu Ming Liang Pin which was initially designed as a B2C transaction platform. Since the launch, we reviewed and modified the business model and its value proposition. In August, we renamed the service as Liang Wu Xian, and repositioned it as a supply chain service for Chinese manufacturers that involves four key areas including 1) quality control of manufacturers and products, 2) product quality certification, 3) logistics and inventory management and 4) distribution channels management. Along this supply chain, we partner with independent experts and operators in different areas to leverage their skills and knowledge and aim to create the greatest supply-chain efficiency.

The value proposition of Liang Wu Xian has advanced beyond that of a pure transaction platform. Instead, this is an Internet-enabled supply chain service. With our strong capability in e-commerce and understanding of small business needs, we are able to operate the supply chain service in efficient and cost-saving ways. In 2012, we are focusing on developing and investing in the aforementioned four areas rather than on monetization. We started trial monetization in 2011 and will explore the monetization model that best fits our service. As more well-established manufacturers turn to the domestic consumer market, they will need assistance in managing regional supply chains. We believe Liang Wu Xian is uniquely positioned to meet the rising demand for supply chain services.

## HiChina

In 2011, HiChina's membership and its revenue steadily grew year-on-year. HiChina's core businesses such as domain-name services remained strong in 2011. New cloud-related services such as cloud hosting and cloud email also progressed well. The revenue contributions from these cloud-related services increased significantly in 2011.

In September 2011, we announced the proposed spin-off and separate listing of HiChina. Further announcement will be made when we have more information to share.

In 2012, HiChina's focus on driving the growth of core businesses and new cloud-related services will remain unchanged.

## Sales and customer service

In 2011, we had about 3,480 Gold Supplier field sales staff and about 2,160 telephone sales representatives for China TrustPass. In addition to our sales team, we also had about 840 people in our customer service team, who are dedicated to handling customer inquiries.

## Employees

As of December 31, 2011, Alibaba.com had 12,878 employees (13,674 employees as of December 31, 2010), including employees in the companies we acquired. Out of the total, about 2,284 employees were dedicated to product development. Related staff costs, including directors' emoluments, were RMB 2,835.0 million (2010: RMB2,371.7 million) for 2011. We review our employees' performance on a quarterly basis and adjust compensation annually based on performance and with reference to market rates.

## FINANCIAL REVIEW

Despite the challenges in global economy, we continued to report solid financial performance in 2011. As of December 31, 2011, we had 765,363 paying members in our international and China marketplaces, representing a 5.4% decrease year-on-year. This decrease is due to tightened requirements for membership acquisition and renewal, a proactive measure that we undertook during the year to enhance trust and safety on our platforms. Despite the decrease in the number of paying members, total revenue increased 15.5% from RMB5,557.6 million in 2010 to RMB6,416.9 million in 2011 due to the increase in revenue generated from the sale of value-added services in both marketplaces as well as higher revenue from AliExpress and HiChina. As a result of the increase in revenue, profit attributable to equity owners increased 16.6% from RMB1,469.5 million in 2010 to RMB1,712.7 million in 2011. Basic earnings per share increased 22.8% from 33.4 Hong Kong cents in 2010 to 41.0 Hong Kong cents in 2011.

## **Revenue**

We generate revenue primarily by selling membership packages and value-added services to paying members on our international and China marketplaces. In addition, we also generate revenue from fees collected via transaction services as well as from other comprehensive Internet based services such as domain name registration, website hosting and solutions, email hosting and technology related consulting services.

### International marketplace

Revenue from our international marketplace primarily consists of:

- Membership fees from the sale of China Gold Supplier and Global Gold Supplier membership packages;
- Revenue from the sale of value-added services, such as keywords, Ali-ADvance and Product Showcase to our paying members;
- Transaction fees earned from buyers and sellers; and
- Revenue from the provision of other comprehensive export-related services, which include sourcing, customs clearance, logistics and cargo insurance to our members.

Revenue from our international marketplace was RMB3,752.6 million in 2011, representing a 15.9% increase from RMB3,238.2 million in 2010, primarily due to the increase in revenue from sales of value-added services like Product Showcase and Ali-ADvance. In addition, revenue from AliExpress also increased significantly because 2011 is the first-full year operation of the platform and the transaction volume also continued to gain traction. Furthermore, contribution from Vendio and Auctiva increased as 2011 was the first full-year consolidation of these two subsidiaries. The total number of paying members declined to 106,563 as of December 31, 2011, compared with 131,708 as of December 31, 2010.

### China marketplace

Revenue from our China marketplace primarily consists of:

- Membership fees from the sale of China TrustPass packages;
- Revenue from the sale of value-added services comprising Ali-ADvance and Premium Placement to paying members;
- Online branded advertisements on our China marketplace; and
- Revenue from Liang Wu Xian, a supply chain service for Chinese manufacturers, which provides manufacturing control, product quality certification, logistics and inventory management and distribution channels management services.

Revenue from our China marketplace was RMB2,217.4 million in 2011, representing a 17.1% increase from RMB1,893.9 million in 2010. The growth was largely attributable to the increase in revenue from Ali-ADvance and Premium Placement. The total number of paying members declined to 658,800 as of December 31, 2011, compared to 677,654 as of December 31, 2010.

### Other revenue

Other revenue, which mainly represents revenue from HiChina was RMB446.9 million in 2011, represents a 5.0% increase from RMB425.4 million in 2010.

## **Cost of revenue and gross profit**

Our cost of revenue increased to RMB1,260.0 million in 2011, representing a 35.3% increase from RMB931.0 million in 2010. Included in the cost of revenue was share-based compensation expense of RMB26.4 million and RMB36.4 million in 2010 and 2011, respectively. Cost of revenue, including staff cost, traffic acquisition cost and business taxes expense increased as our revenue grew. Staff costs increased in 2011 mainly as a result of salary adjustment and various employee subsidy programs that were introduced for our general staff in the PRC. These programs include one-time living allowance and child education subsidy, payable in cash, to help our general staff to combat the high inflationary environment. We also introduced a housing loan program to help qualified staff to buy their first own-use property. In addition, we invested more in traffic acquisition cost as we put more focus on performance-based services like Ali-ADvance.

Gross profit increased to RMB5,156.9 million in 2011, up 11.5% from RMB4,626.6 million in 2010. Gross profit margin declined to 80.4% in 2011, as compared with 83.2% in 2010. The decline was primarily a result of the higher cost of revenue due to higher traffic acquisition costs as a percentage of revenue and the higher revenue contribution by AliExpress, Vendio and Auctiva which have relatively lower gross profit margins.

### ***Sales and marketing expenses***

Our sales and marketing expenses were RMB2,041.8 million in 2011, flat from RMB2,050.6 million in 2010. Included in sales and marketing expenses was share-based compensation expense of RMB95.1 million and RMB93.3 million in 2010 and 2011 respectively. Our sales and marketing expenses remained flat in 2011 because of lower marketing costs partially offset by the increase in staff costs. In 2011, we invested more on traffic acquisition cost (included in cost of revenue) to help our performance-based transactions while in 2010 we spent more on advertising and promotion to build the brand awareness of our China marketplace. The increase in staff costs was mainly due to a change in the compensation structure of our sales team which increases the basic salary as well as employee subsidy programs as mentioned under "cost of revenue and gross profit" introduced to general staff during the year. As a result of the foregoing, sales and marketing expenses as a percentage of revenue decreased to 31.8% in 2011, as compared to 36.9% in 2010.

### ***Product development expenses***

Our product development expenses were RMB784.7 million in 2011, representing a 35.2% increase from RMB580.2 million in 2010. Included in product development expenses was share-based compensation expense of RMB71.5 million and RMB85.7 million in 2010 and 2011 respectively. Our product development expenses increased mainly because of increased staff costs as we hired more engineers to enhance our platform performance and to develop new initiatives to improve user experience and trust and safety measures. The salary adjustment and the staff subsidy program also contributed to the increase in staff cost. Consequently, product development expenses, as a percentage of revenue, increased to 12.2% in 2011, as compared with 10.4% in 2010.

### ***General and administrative expenses***

Our general and administrative expenses were RMB640.1 million in 2011, representing a 12.6% increase from RMB568.3 million in 2010. Included in general and administrative expenses was share-based compensation expense of RMB148.0 million and RMB120.7 million in 2010 and 2011 respectively. Our general and administrative expenses increased year-on-year mainly due to increased staff costs, which was attributable to salary adjustment and the subsidy program introduced during the year. General and administrative expenses as a percentage of revenue remained flat at 10.0% in 2011, compared with 10.2% in 2010.

### ***Finance income, net***

Finance income, which consists of interest income and foreign currency exchange differences, was RMB319.1 million in 2011, representing an 80.9% increase from RMB176.4 million in 2010. The increase was principally due to a higher interest income from higher average cash balance and effective interest rate and increased exchange gains during the year.

### ***Income tax charges***

Current income tax charges primarily represented 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, the standard corporate income tax rate for domestic enterprises and foreign invested enterprises is 25%. In addition, the PRC Enterprise Income Tax Law provides for, among other things, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises. Alibaba China, our principal operating entity, has been designated as a High and New Technology Enterprise in 2011. As a result, our Group has used 15% to calculate Alibaba China's PRC Enterprise Income Tax for 2011.

Pursuant to Caishui [2008] No.1 under the PRC Enterprise Income Tax Law, a duly recognized Key Software Enterprise within China's National Plan can enjoy a preferential PRC Enterprise Income Tax rate of 10%. Alibaba China was recognized in 2010 as a Key Software Enterprise by four ministries including the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Commerce and the State Administration for Taxation. As a result, our Group has used 10% to calculate Alibaba China's PRC Enterprise Income Tax for 2010.

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 the first two years and 50% reduction in subsequent three years, starting from the company's first profit-making year. Since 2008 was its first profit-making year, Alibaba Software was subject to PRC Enterprise Income Tax at 12.5% for 2011 (2010: 12.5%).

Most of our remaining PRC entities are subject to the standard PRC Enterprise Income Tax at 25% for 2011 (2010: 25%).

Income tax charges were RMB427.9 million in 2011, representing an 81.0% increase from RMB236.4 million in 2010. Our effective tax rate was 20.0% in 2011, which was higher than 13.9% in 2010. It is mainly because the relevant authorities have not started accepting applications for Key Software Enterprise status in 2011, and therefore, our Group has used 15% to calculate Alibaba China's PRC Enterprise Income Tax for 2011, comparing with 10% in 2010. In addition, our Group has recorded withholding tax provision on the undistributed earnings retained by PRC subsidiaries in 2011.

### ***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 also operates share-based award schemes pursuant to which some of our employees and employees of Alibaba Group and its subsidiaries have been granted options to purchase shares of Alibaba Group or our shares (as held by Alibaba Group). In our consolidated financial statements, share-based compensation expense arising from the grant of share-based awards by us and Alibaba Group to our employees is allocated to and included as part of our expenses. In 2011, total share-based compensation expense was RMB336.1 million, a slight decrease of 1.4% compared with RMB341.0 million in 2010. As a result, share-based compensation expense as percentage of revenue also decreased to 5.2% in 2011, compared with 6.1% in 2010.

### ***Earnings before interest, taxes and amortization ("EBITA")***

Our earnings before interest, taxes and amortization ("EBITA") (non-GAAP) was RMB1,935.4 million for the year, an increase from RMB1,587.3 million in 2010. Despite a lower gross profit margin, EBITA margin before share-based compensation expense (non-GAAP) slightly increased to 35.4% in 2011 as we enjoyed a higher exchange gain and lower operating expense as a percentage of revenue in 2011.

### ***Profit attributable to equity owners***

We recorded a profit attributable to equity owners of RMB1,712.7 million in 2011, representing a 16.6% increase from RMB1,469.5 million in 2010. The increase was a result of the growth in our revenue driven by increased sales of value-added services and contributions from our new businesses.

## ***Earnings per share***

Earnings per share, basic and diluted, were 41.0 Hong Kong cents and 40.7 Hong Kong cents, respectively, in 2011, compared with 33.4 Hong Kong cents and 33.2 Hong Kong cents, for basic and diluted, respectively, in 2010. Diluted earnings per share before share-based compensation expense (non-GAAP), was 48.7 Hong Kong cents in 2011, compared with 40.9 Hong Kong cents in 2010.

## **LIQUIDITY AND CAPITAL RESOURCES**

### ***Treasury management***

Our Treasury department, which reports to our Chief Financial Officer, monitors our current and expected liquidity requirements in accordance with policies and procedures approved by our Board. We have adopted prudent treasury management objectives, which include maintaining sufficient liquidity to meet our various funding requirements in accordance with our strategic plans while aiming to achieve a better return on our cash and hedging against foreign currency exchange risk. It is not our policy to invest our cash in financial products with significant underlying leverage or derivative exposure.

### ***Foreign currency exchange exposure***

Currency risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Although we operate businesses in different countries, substantially all of our revenue-generating and expense-related transactions are denominated in Renminbi, which is the functional currency of our key operating subsidiaries. Renminbi is not freely convertible into other foreign currencies. All foreign currency exchange transactions in the PRC must be effected through the State Administration of Foreign Exchange. As of December 31, 2011, 98.2% 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 and liabilities, including all cash and cash equivalents, term deposits with original maturities of over three months and short-term bank borrowings obtained and shown on our consolidated balance sheet.

### ***Credit risk exposure***

We consider our credit risk to be minimal as a substantial part of our income is prepaid by a diversified group of customers. The extent of our credit risk exposure is represented by the aggregate of cash and other investments we hold at banks and at other financial institutions. All of our cash and other investments are placed with financial institutions of sound credit quality and most of which bears maximum original maturities of less than 12 months.

### ***Capital structure***

We continue to maintain a strong financial position as demonstrated by our solid 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, 2011, we had cash and bank balances of RMB11,651.6 million, which was RMB2,068.1 million or 21.6% higher than that as of December 31, 2010. As of December 31, 2011, 98.2% of our cash and bank balances were in Renminbi (2010: 98.6%). The weighted average annual return on our cash and bank balances was 2.6% in 2011 (2010: 2.0%).

We further strengthened our balance sheet during the year. As of December 31, 2011, our total assets were RMB15,295.5 million (2010: RMB12,705.1 million), which were financed by shareholders' funds of RMB7,520.2 million (2010: RMB5,803.0 million), current liabilities of RMB6,961.1 million (2010: RMB6,384.6 million) and non-current liabilities of RMB814.2 million (2010: RMB517.5 million). Of the total liabilities, RMB1,286.5 million (2010: RMB92.7 million) was funded from short-term bank borrowings. The increase in short-term bank borrowings was mainly used to fund various corporate actions carried out during the year. As of December 31, 2011, 78.3% of our short-term bank borrowings were at floating interest rate at an average annual cost of 0.9%. The remaining short-term bank borrowings which bear interest at fixed rates at 3.38% to 6.57% were added by One-Touch to finance its import and export services.

As of December 31, 2011, our deferred revenue and customer advances amounted to RMB4,423.1 million, which is flat from that as of December 31, 2010. 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, 2011, our reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB3,132.5 million (2010: RMB3,340.1 million).

## **Cash flow**

### Net cash generated from operating activities

Net cash generated from operating activities was RMB2,182.0 million in 2011, representing a 28.2% decrease from RMB3,039.4 million in 2010. The decrease in net cash generated from operating activities was principally because of the decrease in upfront collection of membership fee (reflected in "deferred revenue and customer advances" in our balance sheet) as a result of the slowdown in member acquisition. In addition, payment for income tax also increased along with our revenue growth for the year and there is a one-off tax refund of RMB76.8 million in 2010.

### Net cash used in investing activities

Net cash used in investing activities was RMB1,585.5 million in 2011 compared with RMB2,747.0 million in 2010. Net cash used in investing activities during the year primarily represented placement of cash in time deposits with original maturities of over three months of RMB1,721.3 million and capital expenditures of RMB172.1 million.

In 2011, our capital expenditures decreased by 41.6% to RMB172.1 million (2010: RMB294.5 million). The decrease in capital expenditures was primarily due to the increased usage of server capacity held by our sister company AliCloud and therefore we reduced our fixed asset spending on computer hardware.

### Net cash generated from financing activities

Net cash used in financing activities was RMB244.3 million in 2011, compared with cash inflow of RMB51.3 million in 2010. The cash outflow in 2011 mainly represented payment of special dividends declared in December 2010 of RMB947.7 million and the payments for repurchase of issued ordinary shares in the latter half of the year as part of our continuing share buy-back program amounting to RMB416.3 million, partially offset by a RMB1,146.6 million drawdown on bank facilities.

### 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 RMB1,981.1 million in 2011, representing a 30.3% decrease from RMB2,840.8 million in 2010. The decrease in recurring free cash flow was mainly due to the decrease in the cash flow generated from operating activities due to the decrease in paid membership.

## **DIVIDEND**

Our Board did not recommend the payment of a final dividend for the year ended December 31, 2011 (2010: nil).

## **OFF-BALANCE SHEET ARRANGEMENTS**

As of December 31, 2011, we did not have any material off-balance sheet arrangements.

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

As of December 31, 2011, restricted cash amounting to RMB135 million of one of our subsidiaries was pledged to secure its short-term bank borrowings. Except for such charge, none of our assets were pledged and we did not have any material contingent liabilities or guarantees.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF ASSETS**

During 2011, our Group completed the acquisition of a 65% equity interest in One-Touch. One-Touch, a company based in the PRC, is a provider of one-stop import and export services to small and medium enterprises in the PRC. The acquisition was completed in January 2011 and the first installment of the purchase consideration in cash was paid. The remaining consideration balance will be paid in 2014 and the amounts may be adjusted based on the operating and financial performance of One-Touch in 2013.

## **OUTLOOK**

Looking ahead, we remain cautious on the global economic environment. Uncertainties in the global economy are expected to be elevated in 2012. The Eurozone's lingering sovereign debt crisis may dent economic growth. A mild recession in Europe and further deleveraging in the U.S. loom large this year and impose further downside risks on China's exports. In China, we expect core inflation pressures will remain subdued while economic growth may slip alongside the slowdown in international trade and the cooling off of the real estate market. Under current complex macro conditions, we believe that challenges to worldwide and domestic China economy will remain.

Despite the challenging background we foresee in 2012, we will continue to implement our strategies we set forth for the company's evolution and investment. We will stay focused on upgrading our business model and building quality and trustworthy e-commerce platforms. In particular, we continue to invest in new businesses such as AliExpress, Liang Wu Xian and performance-based services where we expect to see the upside potential in the future. It is also worth reiterating that we will continue to enhance the quality of users and e-commerce platforms. Going forward, we will uphold our high standards for trust and safety and user experience. We have set clear goals and priorities for 2012: 1) true and credible information quality on the platform, 2) better buyer and seller experience, and 3) more transactions online. All these initiatives will contribute to growth in website traffic and online activities. We envisage a more balanced, multi-revenue stream model in the long run. In the near term, we will depend less on membership growth.

We will concentrate on developing the quality of our platforms and new businesses associated with business model upgrades, which will take time and require continuous investment. Although these may adversely affect our membership growth, financial performance and limit earnings visibility in the near term, we are confident that the shift away from aggressive membership acquisition to focus on strengthening buyer's trust on Alibaba.com will benefit our customers and our long-term business growth.



## 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 safe and trusted 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, senior management and employees. Any conduct that compromises or attempts to compromise our culture and values will not be accepted or tolerated. We abide strictly by the laws and regulations of China and 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 2011, we have applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, and where appropriate, adopted the recommended best practices. We will set out further information on our corporate governance practices in the Corporate Governance Report contained in our 2011 Annual Report.

## PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

During the year ended December 31, 2011, our Company purchased 67,833,500 ordinary shares of HK\$0.0001 each in the capital of our Company at prices ranging from HK\$6.45 to HK\$8.95 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 are as follows:

<b>Date (MM/YYYY)</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share (HK\$)</b>	<b>Lowest price paid per share (HK\$)</b>	<b>Aggregate consideration paid (excluding expenses) (HK\$)</b>
09/2011	23,971,000	7.30	6.45	171,132,665
10/2011	43,862,500	8.95	7.02	336,798,622
<b>Total</b>	<b>67,833,500</b>			<b>507,931,287</b>

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, 2011.

## REVIEW OF FINANCIAL STATEMENTS

Our annual results for the year ended December 31, 2011 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). Our audit committee 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. Our audit committee meets regularly with management, external auditors and internal audit personnel to discuss the accounting principles and practices adopted by Alibaba.com and other internal control and financial reporting matters.

## 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.hkexnews.hk](http://www.hkexnews.hk). Our 2011 annual report will be available on the websites of our Company and the Stock Exchange and it will be dispatched to our shareholders in or about mid-March, 2012.

On behalf of the Board  
**MA Yun, Jack**  
Chairman

Hong Kong, February 21, 2012

*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

PENG Yi Jie, Sabrina

YE Peng

**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 2010 RMB'000	Q4 2011 RMB'000	Q3 2011 RMB'000	Q4 2011 RMB'000
<b>Revenue</b>				
International marketplace	881,103	945,643	947,470	945,643
China marketplace	524,847	589,142	560,741	589,142
Others	115,521	124,170	94,227	124,170
<b>Total revenue</b>	<b>1,521,471</b>	<b>1,658,955</b>	<b>1,602,438</b>	<b>1,658,955</b>
Cost of revenue	(267,401)	(359,245)	(304,652)	(359,245)
<b>Gross profit</b>	<b>1,254,070</b>	<b>1,299,710</b>	<b>1,297,786</b>	<b>1,299,710</b>
Sales and marketing expenses	(560,019)	(522,936)	(529,780)	(522,936)
Product development expenses	(170,269)	(218,828)	(208,246)	(218,828)
General and administrative expenses	(177,878)	(115,297)	(198,453)	(115,297)
Other operating income, net	31,133	61,151	8,700	61,151
<b>Profit from operations</b>	<b>377,037</b>	<b>503,800</b>	<b>370,007</b>	<b>503,800</b>
Finance income, net	51,779	83,975	94,044	83,975
Share of (losses)/profits of associated companies and jointly controlled entities, net of tax	(937)	1,591	249	1,591
<b>Profit before income taxes</b>	<b>427,879</b>	<b>589,366</b>	<b>464,300</b>	<b>589,366</b>
Income tax charges	(16,635)	(201,859)	(58,915)	(201,859)
<b>Profit for the period</b>	<b>411,244</b>	<b>387,507</b>	<b>405,385</b>	<b>387,507</b>
<b>Other comprehensive income/(expense)</b>				
Net fair value gains/(losses) on available-for-sale investments	5,080	8,180	(940)	8,180
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	(7,500)	-	(7,500)
Currency translation differences	(8,833)	(5,038)	(14,810)	(5,038)
<b>Total comprehensive income for the period</b>	<b>407,491</b>	<b>383,149</b>	<b>389,635</b>	<b>383,149</b>
<b>Profit/(Loss) attributable to</b>				
Equity owners of our Company	410,440	385,947	409,680	385,947
Non-controlling interests	804	1,560	(4,295)	1,560
<b>Profit for the period</b>	<b>411,244</b>	<b>387,507</b>	<b>405,385</b>	<b>387,507</b>
<b>Total comprehensive income/(expense) attributable to</b>				
Equity owners of our Company	406,687	381,589	393,930	381,589
Non-controlling interests	804	1,560	(4,295)	1,560
<b>Total comprehensive income for the period</b>	<b>407,491</b>	<b>383,149</b>	<b>389,635</b>	<b>383,149</b>
<b>Dividend per share</b>				
Special cash dividend (HK\$)	<b>22.0 cents</b>	-	-	-
<b>Earnings per share, basic (RMB)</b>	<b>8.1 cents</b>	<b>7.7 cents</b>	<b>8.1 cents</b>	<b>7.7 cents</b>
<b>Earnings per share, diluted (RMB)</b>	<b>8.1 cents</b>	<b>7.7 cents</b>	<b>8.1 cents</b>	<b>7.7 cents</b>
<b>Earnings per share, basic (HK\$) (Note 3)</b>	<b>9.5 cents</b>	<b>9.4 cents</b>	<b>9.8 cents</b>	<b>9.4 cents</b>
<b>Earnings per share, diluted (HK\$) (Note 3)</b>	<b>9.4 cents</b>	<b>9.4 cents</b>	<b>9.8 cents</b>	<b>9.4 cents</b>

Note 3: The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8235 and RMB0.8153 to HK\$1.0000 for the third and fourth quarter of 2011 respectively (fourth quarter of 2010: RMB0.8580 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 2010 RMB'000	Q4 2011 RMB'000	Q3 2011 RMB'000	Q4 2011 RMB'000
<b>Revenue</b>				
<b>International marketplace</b>				
China Gold Supplier	856,820	916,991	918,591	916,991
Global Gold Supplier	24,283	28,652	28,879	28,652
	<b>881,103</b>	<b>945,643</b>	<b>947,470</b>	<b>945,643</b>
<b>China marketplace</b>				
China TrustPass	505,841	515,513	512,133	515,513
Other revenue (Note 4)	19,006	73,629	48,608	73,629
	<b>524,847</b>	<b>589,142</b>	<b>560,741</b>	<b>589,142</b>
<b>Others (Note 5)</b>	<b>115,521</b>	<b>124,170</b>	<b>94,227</b>	<b>124,170</b>
<b>Total</b>	<b>1,521,471</b>	<b>1,658,955</b>	<b>1,602,438</b>	<b>1,658,955</b>
<b>Recurring free cash flow (Non-GAAP)</b>				
Net cash generated from operating activities	1,212,532	1,081,357	423,306	1,081,357
Purchase of property and equipment, excluding lease prepayments and construction costs of corporate campus project	(25,305)	(31,156)	(9,919)	(31,156)
Others	-	(92,501)	-	(92,501)
<b>Total</b>	<b>1,187,227</b>	<b>957,700</b>	<b>413,387</b>	<b>957,700</b>
<b>Share-based compensation expense</b>	<b>101,939</b>	<b>67,115</b>	<b>93,179</b>	<b>67,115</b>
<b>Amortization of intangible assets and lease prepayment</b>	<b>11,744</b>	<b>14,813</b>	<b>14,822</b>	<b>14,813</b>
	<b>As of December 31, 2010 RMB'000</b>	<b>As of December 31, 2011 RMB'000</b>	<b>As of September 30, 2011 RMB'000</b>	<b>As of December 31, 2011 RMB'000</b>
<b>Cash and bank balances</b>	<b>9,583,533</b>	<b>11,651,611</b>	<b>10,513,982</b>	<b>11,651,611</b>
<b>Deferred revenue and customer advances</b>	<b>4,434,387</b>	<b>4,423,131</b>	<b>4,141,660</b>	<b>4,423,131</b>

Note 4: Other revenue earned with respect to our China marketplace mainly represents advertising fees paid by third party advertisers and service fees charged to our suppliers for supply chain management services that we provided.

Note 5: Other revenue mainly represents revenue earned from the sale of Internet infrastructure and application services and certain software products.