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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 UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED MARCH 31, 2012

- ❖ Total revenue for the period was RMB1,589 million, 4% increase year-on-year and 4% decrease quarter-on-quarter.
- ❖ Profit attributable to equity owners dropped 25% year-on-year and 12% quarter-on-quarter to RMB339 million.
- ❖ Continue to invest in the upgrades and evolvement of our business model for long-term benefits of our members.

FINANCIAL HIGHLIGHTS (UNAUDITED)	Q1 2011 RMB million	Q1 2012 RMB million	YoY Change	Q4 2011 RMB million	QoQ Change	
Revenue	1,531.7	1,589.1	+3.7%	1,659.0	-4.2%	
Earnings before interest, taxes and amortization ("EBITA")	509.8	374.8	-26.5%	529.0	-29.1%	
Profit attributable to equity owners	452.5	339.2	-25.0%	385.9	-12.1%	
Share-based compensation expense	85.2	65.5	-23.1%	67.1	-2.4%	
Deferred revenue and customer advances	4,210.2	4,285.3	+1.8%	4,423.1	-3.1%	
Recurring free cash flow	158.6	19.2	-87.9%	957.7	-98.0%	
EBITA margin (before share-based compensation) (%)	38.8%	27.7%	-11.1% pts	35.9%	-8.2%pts	
Earnings per share, basic (HK\$) (Notes 1 and 3)	10.6 cents	8.4 cents	-20.8%	9.4 cents	-10.6%	
Earnings per share, diluted (HK\$) (Notes 1 and 3)	10.5 cents	8.4 cents	-20.0%	9.4 cents	-10.6%	
OPERATIONAL HIGHLIGHTS	March 31, 2011	March 31, 2012	YoY Change	December 31, 2011	QoQ Change	Q1 2012 Net change
Registered users	65,034,254	79,786,659	+22.7%	76,332,163	+4.5%	3,454,496
International marketplace	19,723,404	27,341,926	+38.6%	25,517,089	+7.2%	1,824,837
China marketplace	45,310,850	52,444,733	+15.7%	50,815,074	+3.2%	1,629,659
Storefronts	8,847,072	10,314,802	+16.6%	10,023,832	+2.9%	290,970
International marketplace	1,777,292	2,354,756	+32.5%	2,235,416	+5.3%	119,340
China marketplace	7,069,780	7,960,046	+12.6%	7,788,416	+2.2%	171,630
Paying members (Note 2)	832,469	753,955	-9.4%	765,363	-1.5%	-11,408
China Gold Supplier	116,454	87,544	-24.8%	99,005	-11.6%	-11,461
Global Gold Supplier	9,549	7,641	-20.0%	7,558	+1.1%	83
China TrustPass	706,466	658,770	-6.8%	658,800	+0.0%	-30

Note 1:

The weighted average number of ordinary shares in issue during the first quarter of 2012 for the calculation of basic earnings per share is 5,000,319,000 (first and fourth quarter of 2011: 5,048,138,000 and 4,996,890,000 respectively). The weighted average number of ordinary shares in issue during the first quarter of 2012 for the calculation of diluted earnings per share is 5,027,395,000 (first and fourth quarter of 2011: 5,079,821,000 and 5,012,284,000, respectively).

Note 2:

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.

Note 3:

The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8129 to HK\$1.0000 for the first quarter of 2012 (first and fourth quarter of 2011: RMB0.8455 and RMB0.8153 to HK\$1.0000 respectively). We make no representation 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.

RESULTS

The board of directors (our "Board") of Alibaba.com Limited (our "Company" or "Alibaba.com") is pleased to announce the unaudited consolidated results of our Company and its subsidiaries ("we" or our "Group") for the quarter ended March 31, 2012, together with comparative figures for the corresponding period in 2011 and the quarter ended December 31, 2011, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED MARCH 31, 2012

	Q1 2011 RMB'000	Q1 2012 RMB'000	Q4 2011 RMB'000	Q1 2012 RMB'000
Revenue				
International marketplace	910,530	916,254	945,643	916,254
China marketplace	515,157	545,366	589,142	545,366
Others	106,050	127,502	124,170	127,502
Total revenue	1,531,737	1,589,122	1,658,955	1,589,122
Cost of revenue	(277,072)	(344,174)	(359,245)	(344,174)
Gross profit	1,254,665	1,244,948	1,299,710	1,244,948
Sales and marketing expenses	(481,037)	(471,838)	(522,936)	(471,838)
Product development expenses	(171,355)	(232,971)	(218,828)	(232,971)
General and administrative expenses	(168,568)	(183,400)	(115,297)	(183,400)
Other operating income, net	49,214	2,630	61,151	2,630
Profit from operations	482,919	359,369	503,800	359,369
Finance income, net	56,776	72,426	83,975	72,426
Share of (losses)/ profits of associated companies and a jointly controlled entity, net of tax	(692)	311	1,591	311
Profit before income taxes	539,003	432,106	589,366	432,106
Income tax charges	(87,676)	(93,843)	(201,859)	(93,843)
Profit for the period	451,327	338,263	387,507	338,263
Other comprehensive income/(expense)				
Net fair value gains on available-for-sale investments	2,418	140	8,180	140
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	-	(7,500)	-
Currency translation differences	(5,581)	(1,041)	(5,038)	(1,041)
Total comprehensive income for the period	448,164	337,362	383,149	337,362
Profit/(loss) attributable to				
Equity owners of our Company	452,501	339,229	385,947	339,229
Non-controlling interests	(1,174)	(966)	1,560	(966)
Profit for the period	451,327	338,263	387,507	338,263
Total comprehensive income/(expense) attributable to				
Equity owners of our Company	449,338	338,328	381,589	338,328
Non-controlling interests	(1,174)	(966)	1,560	(966)
Total comprehensive income for the period	448,164	337,362	383,149	337,362
Earnings per share, basic (RMB)	9.0 cents	6.8 cents	7.7 cents	6.8 cents
Earnings per share, diluted (RMB)	8.9 cents	6.8 cents	7.7 cents	6.8 cents
Earnings per share, basic (HK\$) (Note 3)	10.6 cents	8.4 cents	9.4 cents	8.4 cents
Earnings per share, diluted (HK\$) (Note 3)	10.5 cents	8.4 cents	9.4 cents	8.4 cents

ADDITIONAL FINANCIAL INFORMATION (UNAUDITED)

	Q1 2011 RMB'000	Q1 2012 RMB'000	Q4 2011 RMB'000	Q1 2012 RMB'000
Revenue				
International marketplace				
China Gold Supplier	884,554	888,278	916,991	888,278
Global Gold Supplier	25,976	27,976	28,652	27,976
	910,530	916,254	945,643	916,254
China marketplace				
China TrustPass	480,862	493,158	515,513	493,158
Other revenue (Note 4)	34,295	52,208	73,629	52,208
	515,157	545,366	589,142	545,366
Others (Note 5)	106,050	127,502	124,170	127,502
Total	1,531,737	1,589,122	1,658,955	1,589,122
Recurring free cash flow (Non-GAAP)				
Net cash generated from operating activities	200,545	(83,030)	1,081,357	(83,030)
Purchase of property and equipment, excluding lease prepayment and construction costs of corporate campus project	(41,932)	(23,645)	(31,156)	(23,645)
Others	-	125,857	(92,501)	125,857
Total	158,613	19,182	957,700	19,182
Share-based compensation expense	85,159	65,524	67,115	65,524
Amortization of intangible assets and lease prepayment	14,458	13,420	14,813	13,420
	As of March 31, 2011 RMB'000	As of March 31, 2012 RMB'000	As of December 31, 2011 RMB'000	As of March 31, 2012 RMB'000
Cash and bank balances	9,414,917	11,698,718	11,651,611	11,698,718
Deferred revenue and customer advances	4,210,187	4,285,251	4,423,131	4,285,251

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.

Management Discussion and Analysis

BUSINESS REVIEW

Despite the challenging global economic environment and concerns about slow economic growth in China, we remain focused on implementing our evolutionary strategies that center around 1) true and credible information quality on the e-commerce platform, 2) better buyer and seller experience, and 3) more transactions online. Therefore, we continue to step up our efforts to upgrade the trustworthiness of suppliers and enhance the user experience. Given our strategies for our business model upgrades and the necessary investments for long-term growth, as expected, we saw a slight decline in revenue and the membership base in the first quarter of 2012.

During the first quarter of 2012, we added 3.5 million registered users and more than 290,000 storefronts in both the international and China marketplaces. Our perseverance in focusing on enhancing the fundamentals and quality of the platform led to continued improvement in user traffic and reduced disputes in both marketplaces. As of March 31, 2012, we had a total of 79.8 million registered users, 10.3 million storefronts and 753,955 paying members (compared with 76.3 million registered users, 10.0 million storefronts and 765,363 paying members as of December 31, 2011).

We started to see a softening of financial performance in the first quarter of 2012, which reflected the lower earnings visibility that we cautioned about in relation to the business model upgrade as well as the strategic shift to focus on the quality of our marketplaces and buyer experience. Our total GAAP revenue in the first quarter of 2012 was RMB1.59 billion. This represented growth of 3.7% year-over-year but a decrease of 4.2% quarter-over-quarter. As of March 31, 2012, deferred revenue and customer advances slightly increased 1.8% year-on-year to RMB4.3 billion while profit attributable to equity owners was down 25.0% year-on-year to RMB339.2 million. Recurring free cash flow (non-GAAP) was RMB19.2 million.

On February 21, 2012, Alibaba Group and Alibaba.com jointly announced the proposed privatization of Alibaba.com. Further details will be provided in the Scheme Document, which will be dispatched to shareholders on April 24, 2012.

International marketplace

In the first quarter of 2012, the number of registered users in our international marketplace increased by 7.2% to 27.3 million and the number of storefronts grew by 5.3% to 2.4 million as of March 31. The measures we have taken to improve buyer experience and supplier quality continued to reinforce growth in our user base, which in turn contributed to increasing user traffic and buyer activities in our marketplace. In March, our overseas daily average traffic in terms of unique visitors saw year-on-year growth of 31%.

Gold Supplier

As of March 31, 2012, we had 87,544 China Gold Supplier members, representing a decline of 11,461 members quarter-over-quarter, and we had 7,641 Global Gold Supplier members. We expected the sequential decline in the China Gold Supplier membership number as we continue to implement our strategy of shifting away from aggressive membership acquisition to focus on strengthening trust and safety, growing overseas traffic and enhancing the user experience.

In the first quarter, to help our quality China Gold Supplier members highlight their trustworthiness to buyers, we enhanced the existing paid verification service, Factory Audit, to encompass a deeper and wider scope of inspection. In addition to providing reports on the production and trading capability of suppliers, this upgraded paid service also includes supplier's core product certification and video clips of manufacturing plants showing the production process and the actual environment. Verified information will be presented in supplier assessment reports, which are available to buyers for free through supplier storefronts. Suppliers who pass all levels of verification can further highlight their credibility by prominently displaying not only the "Onsite Check" logo but also the "Assessed Supplier" logo in product search results. These features allow buyers to source with greater confidence on our platform. As of March 31, 2012, more than 30% of our China Gold Suppliers had passed the Onsite Check.

In VAS development, we continued to make steady progress in the first quarter. VAS revenue contribution to China Gold Supplier revenue remained at around 30%. We are glad to see that Ali-ADvance's adoption and usage started to gain momentum.

AliExpress

In the first quarter, AliExpress continued with the strategic direction established in 2011, including attracting more quality suppliers, expanding the range of products, streamlining the online payment process and optimizing logistics. Traffic and gross merchandise value (GMV) both saw reasonable growth and the payment success rate remained satisfactory. We continue to invest in AliExpress and still consider it to be in start-up mode.

China marketplace

As of March 31, 2012, we had 52.4 million registered users and 8.0 million storefronts. In the first quarter, the number of registered users increased by 1.6 million and the number of storefronts increased by 171,630. By the end of first quarter, we had 658,770 China TrustPass members, which remained relatively stable compared with the fourth quarter of 2011.

In 2012, we continued our emphasis on enhancing user quality and authenticity, growing buyer traffic and improving the user experience. Therefore, during the first quarter, the key task was to ensure smooth and thorough execution of our plan set forth last year. Various campaigns to promote online transactions on 1688.com, notably the one-day “3-21” marketing campaign, were held in the first quarter to attract domestic wholesalers to source and complete transactions online. In addition, with our ongoing enhancement of the user experience on 1688.com, the growth of GMV of online transactions was on track during the quarter.

On the VAS front, we continued to see healthy growth in revenue, which contributed around 30% of China TrustPass revenue in the first quarter.

Liang Wu Xian

To provide in-depth supply chain services for suppliers, we continued to develop and invest in 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. Liang Wu Xian has been steadily growing in all these aspects. While we believe that these services are valuable for B2C e-commerce, it will take time and investment to grow and establish a business that can generate meaningful revenue.

Sales & customer service

As of March 31, 2012, we had about 3,265 China Gold Supplier field sales staff and about 1,895 telephone sales representatives for China TrustPass and Global Gold Supplier. In addition to our sales team, we also had about 745 people in our customer service team, who are dedicated to handling customer inquiries.

Employees

As of March 31, 2012, we had 12,255 employees (13,241 employees as of March 31, 2011), including employees in companies we acquired. Out of the total, about 2,370 employees were dedicated to product development. Related staff costs, including directors' emoluments, were RMB742.5 million (first quarter of 2011: RMB 658.3 million).

FINANCIAL REVIEW

As of March 31, 2012, we had 753,955 paying members on our international and China marketplaces, representing a 1.5% decrease from December 31, 2011. Total revenue for the period was RMB1,589.1 million, 3.7% increase year-on-year and 4.2% decrease quarter-on-quarter. The slight increase year-on-year was due to the increase in non-membership revenue, partially offset by the decrease in membership revenue. The quarter-on-quarter decrease was due to the drop in in-service customers and the seasonality effect on non-membership revenue due to the Chinese New Year holidays.

Revenue from our international marketplace was RMB916.2 million in the period, which remained flat year-on-year and decreased 3.1% quarter-on-quarter mainly as a result of a lower paying membership base. Our China Gold Supplier members was 87,544 as of March 31, 2012, representing a decrease of 28,910 from March 31, 2011 and a decrease of 11,461 from December 31, 2011. The number of Global Gold Supplier members was 7,641 as of March 31, 2012, representing a decrease of 1,908 year-on-year and a slight increase of 83 quarter-on-quarter.

Revenue from our China marketplace was RMB545.4 million in the period, a 5.9% increase year-on-year and a 7.4% decrease quarter-on-quarter. The increase year-on-year was mainly due to the surge in revenue from value-added services. The decrease quarter-on-quarter was due to lower membership base as well as the effect of Chinese New Year holidays during which the usage of value-added services was lower. Our China TrustPass membership was 658,770 as of March 31, 2012, a decrease of 47,696 from March 31, 2011 and a slight decrease of 30 from December 31, 2011.

Other revenue, mainly comprised of revenue from HiChina, was RMB127.5 million in the period, representing a 20.2% increase year-on-year and a 2.7% increase quarter-on-quarter.

Gross profit was RMB1,244.9 million in the period, flat year-on-year and down 4.2% compared to the fourth quarter of 2011. Gross profit margin declined to 78.3% in the first quarter of 2012, compared with 81.9% in the same period last year and remained flat from 78.3% in the previous quarter. The decline year-on-year was primarily due to higher traffic acquisition costs as a percentage of revenue as well as a higher proportion of revenue contributed by Aliexpress and HiChina, which both have lower gross profit margin.

Total operating expenses were RMB888.2 million in the period, representing an 8.2% increase year-on-year and a 3.6% increase quarter-on-quarter. The increase in operating expenses year-on-year was mainly due to the increase in staff cost as a result of annual salary review and our increased investment in personnel for product development for the upgrades of our business. The increase in operating expense quarter-on-quarter was mainly due to the increase in professional fees. As a result, total operating expenses as a percentage of revenue was 55.9% for the period, higher than the 53.6% in the same period last year and the 51.7% in the fourth quarter of 2011.

Total other operating income (net) was RMB2.6 million in the period, 94.7% and 95.7% decrease year-on-year and quarter-on-quarter, respectively, mainly as a result of lower government subsidies received.

Our earnings before interest, taxes and amortization ("EBITA") (non-GAAP) was RMB374.8 million for the period, a 26.5% decrease from the same period of 2011 and a 29.1% decrease from the fourth quarter of 2011. EBITA margin before share-based compensation expense (non-GAAP) was 27.7% for the period, as compared with 38.8% in the first quarter of 2011 and 35.9% in the fourth quarter of 2011. The year-on-year decrease was mainly due to the lower gross profit margin, higher staff costs and lower other income as a percentage of revenue. The quarter-on-quarter decrease was mainly due to higher staff costs and operating expenses, and lower other income as a percentage of revenue.

Net finance income was RMB72.4 million, an increase of 27.6% year-on-year and a decrease of 13.8% quarter-on-quarter. The increase year-on-year was mainly attributable to higher interest income earned as a result of increased average bank deposits. The decrease quarter-on-quarter was mainly due to lower exchange gains as the Renminbi appreciation rate is comparatively lower.

Income tax charges were RMB93.8 million, an increase of 7.0% from the same period of 2011 and a decrease of 53.5% quarter-on-quarter. In the fourth quarter of 2011 and the first quarter of 2012, we have provided withholding tax on the full amount of undistributed earnings retained by PRC subsidiaries. Excluding the effect of such provision as well as that of the share-based compensation which is not tax deductible, our effective tax rates would have been 14.3% for the period (first quarter of 2011: 14.0%; fourth quarter of 2011: 13.3%).

Profit attributable to equity owners was RMB339.2 million in the period, a decrease of 25.0% from the same period in 2011 and 12.1% from the fourth quarter of 2011.

Earnings per share for the first quarter of 2012, basic and diluted were both 8.4 Hong Kong cents, compared to

10.6 Hong Kong cents and 10.5 Hong Kong cents (basic and diluted, respectively) in the first quarter of 2011 and 9.4 Hong Kong cents (for both basic and diluted) in the fourth quarter of 2011.

Deferred revenue and customer advances was RMB4,285.3 million as of March 31, 2012, representing an 1.8% increase from RMB4,210.2 million as of March 31, 2011 and a 3.1% decrease from RMB4,423.1 million as of December 31, 2011.

Recurring free cash flow (non-GAAP) in the period was RMB19.2 million, representing an 87.9% decrease year-on-year and a 98.0% decrease quarter-on-quarter. The significant decrease quarter-on-quarter was mainly attributable to the decrease in cash revenue generated from our customers, reflecting the effect from strategic shift to less focus on aggressive membership growth but to value creation services and from seasonality as well as the scheduled payment of 2011 year-ended bonus and taxes in the first quarter of 2012.

Cash and bank balances as of March 31, 2012 was RMB11,698.7 million, representing a 24.3% increase year-on-year and flat from December 31, 2011.

OUTLOOK

Looking ahead, we are dedicated to carrying out a complete transformation and upgrade of our business model. We remain focused on developing the quality of our platforms and new businesses associated with business model upgrades. In particular, we have shifted away from aggressive membership acquisition to concentrate on providing a higher quality user experience. We will continue to invest in new businesses, performance-based and transaction-based services where we expect to realize the upside potential in the longer term. While these initiatives may continue to adversely affect our revenue growth and limit earnings visibility for the foreseeable future, we strongly believe that only a complete transformation can help us deliver long-term value for our customers.

REVIEW OF FINANCIAL STATEMENTS

Our results for the first quarter ended March 31, 2012 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 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 FIRST QUARTER RESULTS ANNOUNCEMENT

This announcement is published on our website at <http://ir.alibaba.com> and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

On behalf of the Board
LU Zhaoxi, Jonathan
*Executive Director and
Chief Executive Officer*

Hong Kong, April 23, 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
YE Peng

Non-executive Directors
TSAI Chung, Joseph
TSOU Kai-Lien, Rose
OKADA, Satoshi
PENG Yi Jie, Sabrina

Independent Non-executive Directors
NIU Gen Sheng
KWAUK Teh Ming, Walter
TSUEI, Andrew Tien Yuan
KWAN Ming Sang, Savio