You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of our Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We derive the majority of our revenue from Chinese exporters, and factors that adversely affect Chinese exporters or the Chinese export market could have a material adverse effect on our business, financial condition, results of operations and prospects.

We derive the majority of our revenue from Gold Supplier members of our international marketplace, most of which are small and medium enterprises, or SMEs, in China that engage in the export trade. In each of 2006 and the six months ended June 30, 2007, revenue derived from Gold Supplier members of our international marketplace accounted for 71.0% of our revenue. As a result, factors that adversely affect Chinese exporters or the Chinese export market could also materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others:

- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports from China;
- the reduction or elimination of tax rebates or other forms of government subsidies and economic incentives for Chinese export products;
- a decline in demand for, or negative perception of or publicity about, Chinese export products;
- appreciation in the value of the Renminbi against the currencies of other importing countries and regions;
- a downturn in general economic conditions in major importing countries and regions; and
- rising material and labor costs in China.

A slowdown in the Chinese economy could significantly reduce domestic trade in China, which would reduce demand for our services and products.

Our China marketplace is targeted at suppliers and buyers engaged in domestic trade in China, and we expect our China marketplace to continue to be a significant contributor to our future growth. Our China marketplace accounted for 27.3% of our revenue in each of 2006 and the six months ended June 30, 2007, and also accounted for 84.2% and 85.3% of our registered users as of December 31, 2006 and June 30, 2007, respectively. The continued growth in revenue from our China marketplace is highly dependent on the continued expansion of domestic trade in China, which in turn depends on the level of economic activity within China. The Chinese economy has been one of the world's fastest growing economies in recent years. We cannot assure you, however, that the Chinese economy will sustain this rate of growth. In particular, the PRC government has in recent years implemented a number of measures to control the rate of economic growth, including increasing interest rates, adjusting deposit reserve ratios for commercial banks as well as implementing other measures designed to tighten credit. These measures may cause a slowdown of the Chinese economy, which in turn could significantly reduce domestic trade in China as well as demand for our services and products, and our revenue and profitability. See "— Risks Related to China — Changes in PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects" on page 40.

We may not be able to maintain our historical growth rates or profit margins, and our operating results may fluctuate significantly. If our results fall below market expectations, the trading price of our Shares may decline significantly.

We have experienced significant growth in our revenue and profit. We cannot assure you that we will be able to maintain our revenue growth or profit margins at historical levels, or at all. Moreover, our operating results may fluctuate significantly as a result of numerous factors, many of which are outside of our control. These factors include:

- our ability to maintain our existing base of registered users and attract new registered users;
- our ability to develop new paying members and retain existing paying members;
- the success of our marketing and brand building efforts;
- the timing and market acceptance of new services and products by us or our competitors;
- our ability to develop service and product enhancements at a reasonable cost and in a timely manner;
- fluctuations in demand for our services and products as a result of changes in pricing policies by us or our competitors;
- our ability to keep our marketplaces operating without service interruptions;
- continued acceptance of the Internet as a medium for commerce and communication in the face of increasing publicity on fraud, viruses and other risks of conducting business activities over the Internet;
- the amount and timing of capital and other expenditures relating to the maintenance and expansion of our businesses, operations and infrastructure;
- seasonal fluctuations in the sales of our membership packages and value-added services, particularly during the Chinese Lunar New Year public holidays and the week-long public holidays associated with International Labor Day on May 1 and the PRC National Day on October 1;
- general economic conditions in China and elsewhere in the world as well as those economic conditions specific to the Internet, e-commerce and Chinese export industries; and
- public health epidemics or pandemics, terrorist actions or geopolitical events, including war.

These and other factors may result in our revenue and profit growing at lower rates than in the past, or not at all. These factors may also cause our operating results to fluctuate significantly, which may result in substantial volatility in the trading price of our Shares. Furthermore, many of these and other conditions are beyond our control, making our operating results difficult to predict. We also operate in a rapidly changing and evolving industry, and, as a result, you should not rely on our historical operating results as an indication of our future performance.

Our marketplaces will become less attractive to our registered users and our revenue and profit would decrease materially if we are unable to maintain a critical mass of suppliers and buyers in our marketplaces.

Our total registered users increased from approximately 6.0 million as of December 31, 2004 to 11.0 million as of December 31, 2005 and to 19.8 million as of December 31, 2006, and further increased to 24.6 million as of June 30, 2007. We will be attractive to suppliers only if sufficient buyers use our marketplaces to identify and conduct business with suppliers. Furthermore, our marketplaces will be attractive to buyers only if sufficient items of interest are offered by suppliers through our marketplaces. We cannot assure you that there will be continued demand for the type of products and services listed by suppliers using our service, and a decline in the popularity of, or demand for, certain items listed on our marketplaces could reduce the number of buyers using our marketplaces. In addition, suppliers may choose to list their products and services on alternative platforms instead of our marketplaces, which will reduce the range of products and services available to buyers and further depress activity on our marketplaces. Any decline in overall activity on our marketplaces may result in fewer suppliers deciding to become our paying members or renewing their membership. If we are unable to attract and maintain a critical mass of suppliers and buyers for our marketplaces, the perceived usefulness of our service will decline, and our business, profitability and prospects will suffer.

Our continued growth depends on our ability to maintain our reputation as a trusted medium for suppliers and buyers to meet, communicate and facilitate business transactions.

Although our paying members go through certain authentication and verification procedures, fraudulent transactions and sales of counterfeit or pirated, as well as faulty or defective, items by our users may occur. Any of these incidents or perception of such incidents could harm our reputation, impair our ability to attract and retain registered users and paying members and cause us to incur additional costs to respond to any such incidents. If our reputation is harmed, it may be more difficult to maintain and grow our base of registered users and paying members, which would in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Loss of our right to use the "Alibaba" brand names, or unauthorized use of the "Alibaba" brand names by third parties as well as expenses incurred in protecting the value of the "Alibaba" brand names and maintaining and enhancing brand recognition of our company, may significantly reduce our revenue and profitability.

We regard the "Alibaba" and "阿里巴巴" ("Alibaba" in Chinese) brand names, which we refer to collectively as the "Alibaba" brand names, as critical to our success. We and Alibaba Group have successfully registered, in a number of key classes, both in China and in other jurisdictions, a large number of the principal trademarks we use in our business, many of which are based on the "Alibaba" brand names or Alibaba "smiling face" logo or relate to our specific services and products. However, since the launch of our first online marketplace in 1998, we have been unable to obtain registrations in China for 11, and Alibaba Group has been unable to obtain registration in China for two, important marks in certain key trademark classes, including the "Alibaba" mark (in Chinese) in classes 35, 38, 39 and 42, the "Alibaba" mark (in English) in classes 35, 38 and 39, and the "Alibaba (in Chinese and English) & Alibaba" mark in classes 35, 36 and 41, as a result of pending trademark dispute proceedings with Beijing Zhengpu Science and Technology Development Co. Ltd. (北京正普科技發展有限公司), or Zhengpu, a PRC software company. For more details on the history of our trademark applications, see "Our Business — Legal Proceedings" starting on page 97.

If we are unable to obtain registrations for these trademarks or we are unable to adequately protect these trademarks using other available means, the value we and Alibaba Group have built in the "Alibaba" brand names could be damaged or lost. Our revenue and profitability may suffer if we lose the right to use the "Alibaba" brand names, as we would be unable to leverage the "Alibaba" brand names to develop our business and would lose the benefits of brand recognition among Internet users in China.

Furthermore, we have incurred significant advertising and marketing expenditures in recent years. The costs of online and traditional advertising in China have been increasing, and these costs are expected to continue increasing in the foreseeable future. In addition, we anticipate that maintaining and enhancing the brand recognition of our company may become increasingly challenging as the Internet and e-commerce industry in China become more competitive. We may need to devote greater financial and other resources to advertising, marketing and other activities to create and maintain brand loyalty among our users, which may reduce our profitability.

We do not own most of the trademarks for the "Alibaba" brand names and rely on licensing arrangements with Alibaba Group for the use of these brand names. Moreover, upon the occurrence of a "change in control" event, we may be obligated to transfer back to Alibaba Group certain trademarks and domain names assigned to Alibaba Hangzhou by Alibaba Group or make substantial payments to Alibaba Group.

Other than several trademarks registered or to be registered under the name of Alibaba Hangzhou, we do not own the "Alibaba" brand names and, as a result, depend on licensing arrangements with Alibaba Group for the use of these brand names. In connection with our Reorganization, we and Alibaba Group have entered into a house brand head license and management agreement pursuant to which Alibaba Group granted us a license to use at no cost, in connection with the B2B business, all pending and registered "Alibaba" brand names, the Alibaba "smiling face" logo or a combination of such trademarks and domain names and Internet keywords that contain the words "Alibaba" or its Chinese equivalent owned or to be owned by Alibaba Group. This license has an initial term of ten years, and is renewable for further ten-year periods at our sole discretion. However, upon the occurrence of a "change in control" event as defined under the license agreement, which includes, among others, Alibaba Group ceasing to own more than 50% of the voting interest in our company, we may have to pay significant royalties to continue the use of the trademarks and domain names under the license agreement. Moreover, with respect to certain trademarks and domain names that have been or will be assigned to Alibaba Hangzhou from Alibaba Group, we may be obligated under the Trademarks and Domain Names Assignment Agreement to transfer such trademarks and domain names back to Alibaba Group after the occurrence of a "change in control" event unless we make substantial payments to Alibaba Group. See "Connected Transactions — Continuing Connected Transactions — Exempt Continuing Connected Transactions" on page 155 and "Our Business — Intellectual Property – Our Intellectual Property" on page 92. We cannot predict whether we would be able to negotiate new arrangements with Alibaba Group on commercially acceptable terms after the occurrence of a "change of control" event. If the existing license agreement is terminated and we fail to enter into new arrangements with Alibaba Group, we will lose our rights to use the "Alibaba" brand names, the Alibaba logo and the domain names and Internet keywords owned or to be owned by Alibaba Group or assigned to Alibaba Hangzhou, which would cause severe disruption to our B2B business and have a material adverse effect on our business, financial condition, results of operations and prospects.

We have experienced turnover among our paying members in the past. Our business, financial condition and results of operations could be materially and adversely affected if we are unable to replace non-renewing paying members with new paying members.

Substantially all of the membership packages of our international and China marketplaces require renewal on an annual or bi-annual basis. Our paying members may decide not to renew their memberships with us for a number of reasons, including the cessation of their business, a change in their business focus or marketing personnel, reduction of marketing budgets or satisfaction with our services and products. Consequently, decisions by our paying members not to renew their memberships could significantly reduce our revenue, as well as cause us to incur additional costs in attracting new paying members. Any such development could have a material adverse effect on our profitability and future growth. In the past, a significant minority of our paying members did not renew their subscriptions. We cannot assure you that our paying member turnover rates will not increase, or that we will be able to replace non-renewing paying members with new paying members. A significant increase in turnover rates from the current levels or any failure to recruit new paying members would have a material adverse effect on our business, financial condition and results of operations.

Pursuing our growth strategies could strain our management, operational and other resources, which could materially and adversely affect our business and prospects.

Our growth strategy includes expanding our user base, enhancing community features and other applications to further improve user loyalty. We also plan to pursue growth through adding more paying members and increasing sales of value-added services, selectively expanding into international markets and acquiring complementary businesses, assets and technologies. Pursuing these strategies has placed, and will continue to place, substantial demands on our resources. In particular, managing our growth will require, among other things:

- hiring and training of new personnel, including recruiting management talent and expanding our sales force and research and development team;
- maintaining high quality customer care and support services;
- continued enhancement of our research and development capabilities;
- strengthening of financial and management controls and information technology systems; and
- stringent cost controls.

If we are not able to manage our growth successfully, our business and prospects would be materially and adversely affected.

The expansion of our international operations poses complex foreign currency, management, legal, tax and economic risks.

We plan to expand our operations into selected international markets, as our future growth depends not only on our ability to operate effectively in our existing markets, but also on our ability to enter new markets. In 2004, 2005 and 2006 and the six months ended June 30, 2007, International TrustPass paying members accounted for 2.6%, 2.1%, 1.7% and 1.6% of our revenue, respectively. In expanding our operations internationally, we have entered, and intend to continue to selectively enter, markets in which we have limited or no experience and in which our company may be less well-known. To further promote brand recognition and generate demand for our services and products in new markets, we expect to spend significantly more on marketing and promotion than we do in our existing markets. For example, we recently launched our Gold Supplier membership package in Hong Kong. We also intend to significantly upgrade our Japanese language website in late 2007. We may be unable to attract a sufficient number of suppliers and buyers in these new markets. Furthermore, we may fail to anticipate competitive conditions in new markets that are different from those in our existing markets. These competitive conditions may make it difficult or impossible for us to operate effectively in these new markets. If our expansion efforts are unsuccessful, our profitability and prospects may be materially and adversely affected.

Our international expansion strategy will also expose us to risks associated with international operations, including:

- difficulties in managing and staffing international operations;
- limited protection for, or increased costs to protect, intellectual property rights;
- inability to or difficulty in effectively enforcing contractual or legal rights;
- tariffs, export controls and other non-tariff trade barriers;
- adverse tax consequences;
- currency exchange rate fluctuations;
- the burden of complying with a wide variety of foreign laws and regulatory requirements; and
- political instability as well as economic instability and recessions.

Our business is subject to intense competition, which may reduce demand for our services and products.

The Internet and e-commerce industry is highly competitive, and we expect competition to intensify in the future. The competitive factors in our industry include, among others, size of user base, number, quality and "freshness" of listings, community loyalty, ability to facilitate interactivity among users, brand recognition, technology, availability and ease of use of services, customer service and pricing. We cannot assure you that we will be able to compete effectively. In particular, some of our existing and future competitors may have:

- greater financial and other resources;
- larger sales and marketing networks;
- greater knowledge of markets into which we seek to enter;
- more extensive research and development and technical capabilities;
- greater pricing flexibility;
- patent portfolios that may present an obstacle to our conduct of business; and
- strong brand recognition.

As a result, we may be unable to offer services and products that are more desirable than those offered by our competitors, market our services and products as effectively as our competitors or otherwise respond successfully to competitive pressures. Our competitors may also be able to offer discounts on their service offerings, and we may not be able to profitably match those discounts. Furthermore, our competitors may develop technologies that are more effective than those we currently offer or that render our services and products obsolete or uncompetitive. In addition, the timing of the introduction of competing services into the market could affect the market acceptance and market share of our services and products. Our failure to compete successfully could materially and adversely affect our business, financial condition, results of operations and prospects.

Our international marketplace faces competition from Chinese and foreign online B2B companies. Our China marketplace faces competition from domestic online B2B companies. We compete directly with these competing service providers for international and Chinese suppliers and buyers. Our international and China marketplaces also face indirect competition from other marketing service providers, including Internet search engines and traditional trading channels such as trade show organizers and trade magazine publishers, classified advertisements and outdoor advertising. Failure to compete successfully with these or other competitors could reduce our market share.

We depend on the continued growth of the Internet, e-commerce and online marketing industries.

The business of bringing suppliers and buyers together over the Internet to facilitate business transactions is relatively new and rapidly evolving. The continued growth in our revenue and profit is substantially dependent upon the widespread acceptance and use of the Internet as a medium for commerce by businesses. In particular, rapid growth in the use of and interest in the Internet and other online services is still a relatively recent phenomenon, and we cannot assure you that this acceptance and use will continue to develop or that a sufficiently broad base of suppliers and buyers will adopt, and continue to use, the Internet as a medium of commerce. As a result, growth in our user base is dependent on attracting suppliers and buyers who have historically used traditional channels of commerce to sell and purchase goods. For our company to be successful, these parties must accept and adopt new ways of conducting business and exchanging information.

Moreover, concerns about fraud, privacy, lack of trust and other problems may discourage businesses from adopting the Internet as a medium of commerce. If these concerns are not adequately addressed, they may inhibit the growth of online commerce and communications. In addition, if a well-publicized breach of Internet security or privacy were to occur, general Internet usage could decline, which could reduce the use of our services and products and impede our growth. Our business, financial condition, results of operations and prospects will suffer to the extent the Internet, e-commerce and online marketing industries in general, and uses of the Internet as a medium of commerce in particular, do not continue to grow.

Our corporate culture has contributed to our success, and we cannot assure you that we will be able to maintain this culture as we continue to grow.

We believe that our corporate culture has been an important contributor to our success. Our corporate culture emphasizes entrepreneurship, integrity and passion. We cannot assure you, however, that we will be able to maintain our corporate culture as we continue to expand our business. In particular, continued growth will require that we continue to hire additional staff and implement more complex organizational management structures. The overall increase in the size of our organization, including the continued introduction of new personnel, will pose challenges to our ability to maintain our corporate culture, and we may find it increasingly difficult to maintain the beneficial aspects of our corporate culture. Any failure to maintain our corporate culture may materially and adversely affect our business as well as our future success.

We depend on key personnel, and our business may be severely disrupted if we lose their services and our reputation may be adversely affected if they become the subject of negative publicity.

Our future success is significantly dependent upon the continued service of our key executives and other key employees. In particular, Jack Ma, our lead founder and chairman, is critical to the development of our culture and strategic direction. All of our executives, officers and other key employees are at-will employees. If we lose the services of any member of senior management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and growth. Furthermore, as we expect to continue to expand our operations and develop new services, we will need to continue attracting and retaining experienced management and key personnel.

Competition for personnel in the Internet and e-commerce industry in China is intense, and the availability of suitable and qualified candidates in China is limited. Competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them, which could materially and adversely affect our financial condition and results of operations. We may be unable to attract or retain the personnel required to achieve our business objectives and failure to do so could severely disrupt our business.

In addition, our directors and senior management have been, and continue to be, subject to scrutiny by the media and the public, which may result in unverified, inaccurate or misleading information about them being reported by the press. Negative publicity about our directors or senior management, even if untrue or inaccurate, may have an adverse impact on our reputation and the trading price of our Shares.

If we are unable to attract, motivate and retain employees, our growth may suffer.

Our performance and future success depends on the talents and efforts of our employees. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees. As competition in our industry intensifies, it may be more difficult for us to hire, motivate and retain qualified employees. If we do not succeed in attracting qualified employees or retaining or motivating our existing employees, we may be unable to grow our business effectively.

Moreover, a significant portion of the initial share option grants to many of our employees, which were exchanged from their original share option grants from Alibaba Group, have been vested or exercised. While we typically grant additional share options to our employees based on performance to provide additional incentives for them to remain with us, many of our employees may accumulate a sizeable amount of vested share options. As employees accumulate more individual wealth in their vested option grants, especially if the shares underlying the options have significantly appreciated in value relative to the option exercise price, it may become more challenging for us to motivate and retain qualified employees.

Our business and brand image may be harmed by fraud or intellectual property right infringement committed by our users and substandard or potentially controversial products and services provided by suppliers, and we may be subject to vicarious product liability claims for defective products sold by our users.

We have been subjected to in the past, and we anticipate being subjected to in the future, allegations that certain of our users are committing fraud, that certain items listed on our marketplaces infringe third-party copyrights, trademarks, trade names, patents or other intellectual property rights or that suppliers list products and services that are substandard or potentially controversial. We have limited control over the nature or types of products and services that our users offer on our marketplaces. Public perception that fraud or transactions involving counterfeit or pirated items are common on our marketplaces could damage our reputation and business. In addition, we may be exposed to vicarious product liability claims relating to personal injury, death, property or other damage caused by the products listed on our marketplaces. For example, we may be held vicariously liable under PRC law if we intentionally or negligently participated, abetted or assisted in infringement activities associated with such counterfeit or pirated products listed on our marketplaces. Forms of potential liabilities under the PRC law include, among others, injunctions to cease infringing activities, rectification, compensation and administrative penalties. Allegations of fraud or infringement of intellectual property rights or product liability claims have resulted, and may result in the future, in litigation against us and the potential damages and associated legal expenses could be significant. We cannot assure you that we will be able to successfully defend any such litigation. In addition, litigation may strain management resources, result in significant costs and cause negative publicity.

We may encounter difficulties in protecting our intellectual property rights.

Our intellectual property rights include, among others, the "TRUSTPASS" and "誠信通" trademarks, "www.alibaba.com", "www.alibaba.com.cn" and other domain names and proprietary technologies such as our "iSearch" platform and "smatching" search and match technology. We rely on a combination of trademark, copyright, patent and trade secret laws, fair trade practice laws and non-disclosure agreements and other methods to protect our intellectual property rights. We also rely on trade secret rights to protect our business through confidentiality provisions in the employment agreements with employees. If any of our employees breaches his or her confidentiality obligations, we may not have adequate remedies and our trade secrets may become known to our competitors. In addition, if our competitors independently develop information that is equivalent to our trade secrets or other proprietary information, it will be more difficult for us to enforce our rights and our business and prospects could be harmed.

In addition, the majority of the "Alibaba" brand names are owned by Alibaba Group, and we have obtained, under a license agreement, a right to use these trade names in connection with our B2B business. The "Alibaba" brand names are also used by Alibaba Group and its other subsidiaries. If Alibaba Group fails to effectively protect the "Alibaba" brand names from inappropriate use by third parties, or Alibaba Group or any of its other subsidiaries uses the brand name of "Alibaba" in ways that adversely affect such brand name, our reputation could suffer damage, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may need to resort to litigation or other proceedings to enforce our intellectual property rights, protect our proprietary technologies or determine the validity and scope of third-party proprietary rights. Since the validity, enforceability and scope of protection of intellectual property rights in China are uncertain, we may not be successful in enforcing these rights. As a result, the degree of protection for our proprietary rights is uncertain and may not be adequate. Any litigation, proceeding or other effort or other proceedings to protect our intellectual property rights could also result in substantial costs and diversion of our resources and could materially harm our business and profitability. If we are unable to protect our trade names, trademarks, trade secrets and other propriety information from infringement, our competitive position may be undermined, and we may suffer material losses.

We have been in the past, and may in the future, be exposed to infringement or misappropriation claims by third parties that, if determined adversely against us, could cause us to pay significant damages.

Our success depends largely on our ability to use and develop our technology, trademarks, copyrights, know-how and other intellectual property without infringing the intellectual property rights of third parties. As we continue to increase our user base and expand our business internationally, and as litigation becomes more common in China, we face a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification relating to other parties' proprietary rights. Our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, may have or may obtain patents that will prevent, limit or interfere with our ability to offer our services and products in either China or other jurisdictions. In addition, certain of the keywords we sell to our paying members as part of our value-added service designed to increase the exposure of their product and service listings on our marketplaces may be protected as trademarks in certain jurisdictions. The validity and scope of any claims relating to our intellectual property rights involve complex legal and factual questions and analyses and, therefore, the outcome may be uncertain. In addition, the defense of these claims would be both costly and time-consuming, and could significantly divert the efforts and resources of our management and technical personnel. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party could cause us to:

- pay damages;

- seek licenses from third parties on unfavorable terms;
- pay ongoing royalties;
- redesign our services and products; or
- be restricted by injunctions.

Any of these factors could prevent or restrict us from pursuing some or all of our business and result in suppliers and buyers limiting their use of our services and products, which could have a material adverse effect on our business, financial condition and results of operations. In addition, as we license from Alibaba Group certain of the intellectual property that we use, including the "Alibaba" brand names, lawsuits or claims relating to such intellectual property rights against Alibaba Group could indirectly affect our rights and negatively affect our business, financial condition and results of operations.

Our operations could be disrupted by unexpected network interruptions caused by system failures and natural disasters as well as unauthorized tampering with or security breaches of our system.

Our success, and in particular our ability to provide high quality customer service, depends on the efficient and uninterrupted operation of our computer and communications hardware systems. Substantially all of our computer hardware for operating our websites is currently located in China and the United States. Despite any precautions we may take, the occurrence of a natural disaster, such as an earthquake or other unanticipated problems at our facilities in China or the United States, could result in interruptions to our services. We cannot assure you that our back-up and disaster recovery measures would effectively address any of the risks outlined above. Moreover, the failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. Any damage to or failure of our systems and any interruption to the availability of our websites could result in reductions in or terminations of our services, and compensation from us to our paying members, which could have a material adverse effect on our business, financial condition and results of operations. In the case of frequent or persistent system failures, our reputation could also be materially damaged.

Our servers are vulnerable to computer viruses, hacking, vandalism, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays, loss of data or the inability to facilitate user communications as well as transactions. In addition, it is impossible to eliminate this risk completely. We cannot assure you that our network security measures will detect or prevent security breaches that could harm our business, and a third party who is able to illicitly obtain a user's password could access the user's profile and listings as well as communicate with other users in our marketplaces using the user's name. Our users, as well as those of other prominent Internet companies, have been and will continue to be targeted by parties using fraudulent "phishing" emails to misappropriate passwords, financial information and other private information or to introduce viruses to our users' computers. Furthermore, our business may be adversely affected by malicious and other third-party software applications that make changes to our users' computers or interfere with the use of our marketplace websites. These software applications, including "spyware" and "pop-ups", may harm user experience by hijacking queries to our marketplace websites, altering or replacing our search results, or otherwise interfering with the ability of our users to use our marketplace websites. The occurrence of any or all of these events could discourage use of our marketplace websites and have a material adverse effect on our business and reputation.

The successful operation of our business depends on the performance and reliability of the Internet infrastructure, and interruptions to Internet access could materially and adversely affect our business, financial condition and results of operations.

The success of our business is dependent on the performance and reliability of the Internet infrastructure worldwide and especially in China. This requires the maintenance of an appropriate Internet infrastructure that includes a network backbone with the necessary speed, data capacity and security, as well as the timely development of complementary products, for providing reliable Internet access and services. The Internet has experienced, and is likely to continue to experience, significant growth in the number of users and amount of traffic. The existing Internet infrastructure may not be able to support such continued growth in users and traffic. In addition, increasing numbers of users, increasing bandwidth requirements, or problems caused by computer viruses and similar programs may harm the performance of the Internet. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and could face additional outages and delays in the future. These outages and delays could reduce the level of Internet usage generally, which could reduce the level of usage of our marketplaces and materially and adversely affect our business, financial condition and results of operations.

In particular, our China marketplace is hosted in China and a substantial majority of our registered users are based in China. Almost all access to the Internet in China is maintained through government-controlled telecommunications operators under the administrative control and regulatory supervision of the Ministry of Information Industry of China. Furthermore, the national networks in China are connected to the Internet outside China through international gateways controlled by the PRC government. These international gateways are the only channels through which a user in China could connect to websites outside China. We cannot assure you that a more technologically sophisticated and reliable Internet infrastructure will develop in China, and there may not be access to alternative networks in the event of disruptions, failures or other problems with China's existing Internet infrastructure.

Rapid technological change or industry developments may have a material adverse effect on our business, financial condition, results of operations and prospects.

The Internet and e-commerce industry is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements and changing customer demands. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies, adapt our service to evolving industry standards and continually improve the performance, features and reliability of our service in response to competitive service and product offerings and evolving demands of the online marketplace. Any of these changes may require us to re-evaluate our business model and adopt significant changes to our growth strategies and business plan. Any inability to adapt to these changes would have a material adverse effect on our business, financial condition and results of operations. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require that we incur substantial expenditures to modify or adapt our services and products or infrastructure, which could significantly reduce our profitability.

We may need additional capital and we may not be able to obtain it, which could adversely affect our liquidity and financial position.

We believe that our current cash and cash equivalents, cash flow from operations and the proceeds from the Global Offering will be sufficient to meet our anticipated cash needs in the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our future financial condition, results of operations and cash flows;

- conditions in the capital markets in which we may seek to raise funds;
- general market conditions for capital raising activities by Internet, e-commerce and related companies; and
- economic, political and other conditions in China and elsewhere.

We may be unable to obtain additional capital in a timely manner or on acceptable terms or at all. Furthermore, the terms and amount of any additional capital raised through issuances of equity securities may result in significant dilution to our shareholders. Moreover, any incurrence of debt would result in increased interest expense and could require us to agree to operating and financial covenants that would restrict our operational flexibility and materially and adversely affect our business.

We may undertake investments, acquisitions, licensing arrangements and partnerships which may not be successful and may have a material adverse effect on our ability to manage our business.

As part of our growth strategy, we intend to selectively identify and acquire businesses, assets and technologies that are complementary to our business through investments, acquisitions, licensing arrangements and partnerships. These transactions could require that our management develop expertise in new areas, manage new business relationships and attract new types of customers. Furthermore, these transactions may require significant attention from our management, and the diversion of our management's attention and resources could have a material adverse effect on our ability to manage our business. We may also experience difficulties integrating any investments, acquisitions, licensing arrangements and/or partnerships into our existing business and operations. Future transactions may also expose us to potential risks, including risks associated with:

- the integration of new operations, services and personnel;
- the diversion of resources from our existing businesses and technologies;
- potential loss of, or harm to, relationships with employees or customers; and
- unforeseen or hidden liabilities.

Any of these risks could significantly disrupt our ability to manage our business and materially and adversely affect our business, financial condition and results of operations.

Evaluating our business and prospects may be difficult because of the limited experience with our company being operated as a stand-alone entity.

Prior to our Reorganization, we were operated as part of Alibaba Group and not as a stand-alone entity. See "Our History and Reorganization" starting on page 57. Our combined financial statements included in Appendix I — "Accountants' Report" have been prepared under IFRS, as if our company and current corporate structure had been in existence since January 1, 2004, and include certain expenses of Alibaba Group not related to our B2B business in connection with our Reorganization. These expenses primarily relate to certain marketing and administrative services provided to other businesses controlled by Alibaba Group. See "Financial Information — Our Reorganization" on page 101 and notes 1(b) and 1(c) to our combined financial statements included in Appendix I — "Accountants' Report". Moreover, as we were operated as part of Alibaba Group and not as a stand-alone company prior to our Reorganization, certain transactions we entered into with Alibaba Group may not have been on normal commercial terms. See Appendix VII — "Statutory and General Information — Further Information about our Directors, Management Staff and Experts — Related Party Transactions". As a result, these financial statements may not reflect what our historical financial condition and results of operations would have been if we had operated on a stand-alone basis, and not as part of Alibaba Group, and they are not necessarily indicative of our future financial condition and results of operations.

We may be named as a co-defendant in claims against Alibaba Group or Yahoo!, which may harm our business and reputation or cause negative publicity that could impact the trading price of our Shares.

Our parent company, Alibaba Group, operates a number of businesses, including Taobao, Alipay, Alisoft and Yahoo! China. Furthermore, one of Alibaba Group's substantial shareholders, Yahoo! Inc., or Yahoo!, also operates a number of websites and businesses. Alibaba Group and Yahoo! have from time to time been subject to litigation, including litigation relating to website content, intellectual property infringement and human rights claims, and we have been and may be named as a co-defendant in such litigation by reason of our relationship with Alibaba Group and Yahoo!. Regardless of whether or not these claims against us are successful, our involvement in litigation could cause us to incur significant expenses as well as divert management and other resources and result in negative publicity, which could harm our business and reputation, as well as affect the trading price of our Shares. In addition, if we were found liable in any such litigation, we could be required to pay significant damages.

RISKS RELATED TO OUR CORPORATE STRUCTURE

Our corporate actions are substantially controlled by our parent company, and the interests of our parent company and its shareholders may not be aligned with the interests of our other shareholders.

Immediately after the Global Offering (including giving effect to the transfer of Shares but not the exercise of options and RSUs under the Employee Equity Exchange or options under the Pre-IPO Share Incentive Scheme) and assuming no exercise of the Over-Allotment Option, Alibaba.com Corporation, our parent company, will own approximately 75.0% of our issued and outstanding Shares. As a result, Alibaba Group and its principal shareholders, including Yahoo! and Softbank, are able to control actions that require majority shareholders' approval and influence or restrict our business through representatives on our board of directors, including with respect to matters relating to:

- our business strategies and policies;
- amendments to our Memorandum and Articles of Association;
- the timing and amount of dividend payments; and
- mergers, acquisitions, divestitures and any other corporate action that require shareholders' approval.

Certain of our directors, including Jack Ma, our lead founder and chairman, also serve as directors and executive officers of Alibaba Group. See "Directors and Senior Management" starting on page 177. Alibaba Group is not obligated to provide us with financial support or to exercise its rights as a shareholder in our best interests or the best interests of our other shareholders, and Alibaba Group may engage in activities that conflict with these interests. Moreover, under the amended shareholders' agreement among Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders, Yahoo!, Softbank and/or the Alibaba.com Corporation Management Shareholders have approval rights over certain actions taken by Alibaba Group with respect to our company. Our understanding of the way in which the shareholders' agreement may be implemented among the parties to that agreement may be different from the way it will be implemented in practice. If the decision of our board of directors is different from the decision of the board of directors of Alibaba.com Corporation, Alibaba.com Corporation has the power to convene a general meeting of our company to remove the directors of our company by ordinary resolution in accordance with our Articles of Association. In addition, there is no assurance that Yahoo!, Softbank and/or the Alibaba.com Corporation Management Shareholders will exercise their approval rights under the shareholders' agreement in the best interests of our company or our other shareholders. If the interests of Alibaba Group or its principal shareholders conflict with the interests of our other shareholders, or if Alibaba Group causes our business to pursue or forego strategic objectives that conflict with the interests of our other shareholders, our other shareholders could be disadvantaged by the actions that Alibaba Group chooses to pursue or forego, which may not be in the best interests of our business. Moreover, the concentration of ownership in our company may discourage, delay or prevent a change in control of our company.

Under the Listing Rules and our Articles of Association, we are required to seek shareholders' approval with respect to certain corporate matters. The vote by Alibaba.com Corporation, our controlling shareholder, may not be the same as the decision of our board of directors on such matters. Moreover, even with respect to corporate matters that are subject only to board approval under the Listing Rules or our Articles of Association, Alibaba.com Corporation, as our controlling shareholder, may override the decision of our board of directors by convening a general meeting to replace or remove our directors and/or pass a resolution to override the resolution of our board of directors and cause our company to take such other course of action as Alibaba.com Corporation may determine. If Alibaba.com Corporation removes or replaces our directors or otherwise overrides decisions of our board of directors, the operation of our business may be disrupted and we may be subject to claims from third parties involved in transactions our board of directors had previously approved. See "Relationship With Alibaba Group — Our Independence from Alibaba Group — Effect of the Alibaba.com Corporation Shareholders' Agreement on Our Company" starting on page 150.

Failure by Alibaba Group to meet its obligations under certain arrangements entered into with us in connection with our Reorganization could have a material adverse effect on our business and prospects.

In connection with our Reorganization, Alibaba Group has entered into certain arrangements with us, including:

- a house brand head license and management agreement pursuant to which Alibaba Group granted us a license to use in connection with our B2B business all pending and registered "Alibaba" brand names, the Alibaba logo or a combination of such trademarks, as well as domain names and Internet keywords owned by Alibaba Group (including those in the process of being transferred to Alibaba Group containing the words "Alibaba" or its Chinese equivalent);

- a technology and intellectual property framework license agreement pursuant to which Alibaba Group: (i) granted to us, to the extent relevant to our B2B business, a license to use all patents, pending patents and related know-how in existence as of the Latest Practicable Date, including a license of any future patents the development of which was undertaken by our company on behalf of Alibaba Group pursuant to the Technology Services Framework Agreement; (ii) agreed to grant to us, immediately upon our request, to the extent relevant to our B2B business, a sub-license to use all technology and intellectual property that Alibaba Group had an existing license to use from a third party and which Alibaba Group is permitted to sub-license to us as of the Latest Practicable Date; and (iii) agreed to grant to us, immediately upon our request, to the extent relevant to our B2B business, an option to use all technology and intellectual property that Alibaba Group may license from third parties in the future, to the extent Alibaba Group has the right to sub-license such rights; and

- a non-competition undertaking pursuant to which Alibaba Group undertook that it will not engage in, assist or support a third party in the operation of, participate or have any interest in any Restricted Business, as defined in "Relationship with Alibaba Group — Non-Competition Undertaking from Alibaba Group" on page 135, so long as our Shares are listed on the Hong Kong Stock Exchange or Alibaba Group directly or indirectly owns 30% or more of our voting rights and remains our single largest shareholder (aggregating for this purpose, Shares held directly or indirectly and by persons acting in concert).

See “Relationship with Alibaba Group” starting on page 132 and “Connected Transactions” starting on page 153. Failure by Alibaba Group to meet its obligations under these agreements could significantly disrupt our operations and materially and adversely affect our business and prospects.

If the PRC government determines that our contractual arrangements with Alibaba Hangzhou do not comply with applicable PRC laws, rules and regulations, or if there are changes in applicable laws, rules and regulations or their interpretation or implementation, our business could be materially and adversely affected.

The PRC government currently restricts foreign investment in the Internet industry. Accordingly, we operate our China marketplace website through Hangzhou Alibaba Advertising Co., Ltd., or Alibaba Hangzhou, a company owned by Jack Ma, our lead founder and chairman, and Simon Xie, one of our founders and directors, both of whom are PRC citizens. We rely on Alibaba Hangzhou’s licenses to operate our China marketplace website in China. We have contractual arrangements with Alibaba Hangzhou and its shareholders that allow us to substantially control Alibaba Hangzhou.

Although we have been advised by our PRC counsel, Fangda Partners, that our arrangements with Alibaba Hangzhou are in compliance with current PRC laws, rules and regulations, we cannot assure you that the PRC government would agree that these arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. There are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations governing foreign investment in Internet businesses.

These PRC laws, rules and regulations are relatively new and may be subject to change, and their official interpretation and enforcement, which may be applied retroactively, involve substantial uncertainty. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our contractual arrangements with Alibaba Hangzhou. For example, the PRC Property Rights Law that was promulgated on March 16, 2007 and became effective on October 1, 2007 may require us to register with the relevant authority the security interest on the equity interests of Alibaba Hangzhou granted under the equity pledge agreement between the shareholders of Alibaba Hangzhou and Alibaba China. If we are required to register such securing interest, failure to complete such registration may result in the equity pledge agreement to be invalid or unenforceable. See “Our History and Reorganization — Structure Contracts — Equity Pledge Agreement” on page 69. The PRC government has broad discretion in dealing with violations of PRC laws, rules and regulations, including levying fines, revoking business and other licenses and requiring actions to ensure compliance. If the PRC government determines that we do not comply with applicable PRC laws, rules or regulations, it could revoke the business and operating licenses of our PRC subsidiaries or Alibaba Hangzhou, require us to discontinue or restrict our operations, restrict our right to collect revenues, block our website, require us to restructure our operations or take other regulatory or enforcement actions against us that could have a material adverse effect on our business, financial condition and results of operations.

Our contractual arrangements with Alibaba Hangzhou and its shareholders may not be as effective in providing control over these entities as direct ownership.

We have no equity ownership interest in Alibaba Hangzhou and rely on contractual arrangements to control and operate our China marketplace website. We cannot assure you, however, that we will be able to enforce these contractual arrangements. Even if we are able to enforce these contracts, these contractual arrangements may not be as effective in providing control over Alibaba Hangzhou as direct ownership since these arrangements will not preserve our control in the occurrence of certain events which may be outside the control of Alibaba Hangzhou’s shareholders or us, including the imposition of statutory liens or the initiation of bankruptcy or criminal proceedings. In the event of an imposition of statutory liens or the initiation of bankruptcy or criminal proceedings against Alibaba Hangzhou or any of its shareholders, third-party creditors may have recourse to the assets of Alibaba

Hangzhou or those of its shareholders, and governmental authorities may impose fines on, or seize, freeze or force the forfeiture of assets of, Alibaba Hangzhou or its shareholders. Furthermore, in extreme circumstances, Alibaba Hangzhou may be ordered to close down. Any of the above may materially and adversely affect the validity, effectiveness and enforceability of the Structure Contracts against Alibaba Hangzhou or its shareholders. If Alibaba Hangzhou or its shareholders fail to perform their respective obligations under their agreements with us, we may have to rely on legal remedies under PRC law, which may not be effective. Any inability, or limitation on our ability, to enforce our contractual arrangements with Alibaba Hangzhou or its shareholders could disrupt our business and have a material adverse effect on our financial condition, results of operations and prospects.

The interests of the shareholders of Alibaba Hangzhou may conflict with our interests.

Jack Ma, our lead founder and chairman, is the principal shareholder of Alibaba Hangzhou, together with Simon Xie, one of our founders and directors. Conflicts of interests between their duties to our company and Alibaba Hangzhou may arise. As Messrs. Ma and Xie are directors of our company, they have a duty of loyalty and care to us under Cayman Islands law when there is any potential conflict of interest between our company and Alibaba Hangzhou. Furthermore, in order to manage potential conflicts, they will abstain from voting when our board of directors is considering any matter with respect to the arrangements or transactions between Alibaba Hangzhou and us. In addition, each of Messrs. Ma and Xie has executed an irrevocable power-of-attorney to appoint the individual designated by us to be his attorney-in-fact to vote on his behalf on all Alibaba Hangzhou matters requiring shareholder approval. We cannot assure you, however, that when conflicts of interest arise, either Mr. Ma or Mr. Xie will act completely in our interests or that any conflict of interest could be effectively managed or will otherwise be resolved in our favor. If we cannot resolve any conflict of interest between us and the shareholders of Alibaba Hangzhou, we would have to rely on legal proceedings, which could result in the disruption of our business.

Contractual or other arrangements among our affiliates may be subject to scrutiny by the PRC tax authorities, and a finding that we or our subsidiaries or affiliates owe additional taxes could substantially reduce our profitability and the value of your investment.

The tax regime in China is rapidly evolving and there is significant uncertainty for taxpayers in China as various PRC tax laws may be interpreted in significantly different ways. We cannot assure you that the PRC tax authorities would not in the future assert that we owe additional taxes. In particular, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. For example, we could face material and adverse tax consequences if the PRC tax authorities determine that any of the contractual arrangements among our subsidiaries and affiliates were not entered into on an arm's-length basis and subsequently adjust the income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could result in a reduction of tax deductible costs and expenses of our subsidiaries and affiliates in China for PRC tax purposes, without reducing the taxable income of the related parties, and thus increase the PRC tax liabilities of such subsidiaries and affiliates, including Alibaba Hangzhou, which could in turn increase our overall tax liabilities. In addition, the PRC tax authorities may impose significant late payment fees and other penalties on our subsidiaries or affiliates in China in connection with any such transfer pricing adjustment.

We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund cash and financing requirements, and limitations on the ability of our principal operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries Alibaba (China) Technology Co., Ltd., or Alibaba China, and Alibaba (China) Software Co., Ltd., or Alibaba Software, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our expenses. If Alibaba China or Alibaba Software incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Furthermore, relevant PRC laws, rules and regulations permit payments of dividends by each of Alibaba China or Alibaba Software only out of its retained earnings, if any, determined in accordance with PRC accounting standards and regulations.

Under PRC laws, rules and regulations, each of the entities incorporated in China is required to set aside a portion of its net income each year to fund certain statutory reserves. These reserves, together with the registered equity, are not distributable as cash dividends. As a result of these PRC laws, rules and regulations, our subsidiaries and consolidated affiliates incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends. In addition, certain recent PRC regulations may also limit our PRC subsidiaries' ability to pay dividends to us. See "— Risks Related to China — PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to us" on page 44. Limitations on the ability of our subsidiaries and consolidated affiliates incorporated in China, including Alibaba China or Alibaba Software, to pay dividends to us could limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders, or otherwise fund and conduct our business.

RISKS RELATED TO CHINA

Changes in PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects.

A significant portion of our business and operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decade, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial results may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC government has also recently implemented certain measures, including recent interest rate increases, in an attempt to control the rate of economic growth. These measures may decrease economic activity in the PRC, including significantly slowing the Chinese export as well as domestic trade markets, which in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations are primarily conducted in China and governed by PRC laws, rules and regulations. Our PRC subsidiaries are generally subject to laws, rules and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign owned enterprises. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Regulation of the Internet and e-commerce industry by the PRC government may significantly disrupt our business and subject us to liability for information listed on our China marketplace website.

The Internet and e-commerce industry in China, including the operation of online activities, is extensively regulated by the PRC government. Various PRC government authorities, including the State Council, the Ministry of Information Industry, the State Administration for Industry and Commerce, the General Administration of Press and Publication and the Ministry of Public Security are empowered to issue and implement regulations governing various aspects of the Internet and online activities. The PRC government has adopted regulations governing Internet access and the distribution of news and other information over the Internet. In addition, the Ministry of Information Industry has published regulations that subject website operators to potential liability for content displayed on their websites and the actions of users and others using their systems, including liability for violations of PRC laws and regulations prohibiting the dissemination of content deemed to be socially destabilizing. Substantial uncertainties exist regarding the potential impact of current and future PRC laws and regulations on Internet operators. Moreover, there is currently no specific law, or regulation at the national level regulating e-commerce business activities in China. As a result, there is uncertainty concerning the legal obligations and potential liabilities that an e-commerce marketplace operator may assume. We may be subject to penalties for violations of these regulations arising from user postings on our China marketplace website, and we may not be able to maintain the effectiveness of our licenses, approvals, or permits necessary for our business. Furthermore, if the interpretation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional licenses, permits or approvals, we cannot assure you that we will successfully obtain such licenses, permits or approvals in a timely manner, or at all. In addition, some of our businesses are currently conducted in cooperation with independent third-party partners who hold licenses necessary for providing these services, such as short message service and online audio-video broadcasting services, to our users. If any of these partners are not able to maintain the effectiveness or sufficiency of their corresponding licenses, our relevant business may be harmed and our revenue and profitability could be materially reduced.

The discontinuation of any of the preferential tax treatments or the financial incentives currently available to our subsidiaries in the PRC or any change to their tax status could reduce our profitability.

As a High- and New-Technology Enterprise incorporated and operated in a designated high- and new-technology development zone, each of Alibaba China and Alibaba Software is entitled to a preferential national enterprise income tax rate of 15%. Alibaba China and Alibaba Software, however, must continue to meet a number of financial and non-financial criteria in order to continue to qualify for this preferential income tax rate for High- and New-Technology Enterprises.

On March 16, 2007, the PRC National People's Congress adopted the PRC Enterprise Income Tax Law, which will become effective on January 1, 2008. This new tax law imposes a tax rate of 25% on all enterprises incorporated in China, including foreign-invested enterprises, and eliminates many of the tax exemptions, reductions and preferential treatment available under current tax laws and regulations. Although the PRC Enterprise Income Tax Law establishes the principle that High- and New- Technology Enterprises are entitled to a preferential income tax rate, the government could issue new regulations or interpretations to the criteria for qualifying for such preferential tax rate under the PRC Enterprise Income Tax Law from time to time. See "Financial Information — Income Taxes" on page 110. Any increase in the Enterprise Income Tax rate of Alibaba China or Alibaba Software could have a material adverse effect on our financial condition and results of operations.

The implementation of the PRC Enterprise Income Tax Law may significantly increase our income tax expenses and materially decrease our profitability or otherwise adversely affect the value of your investment.

Under currently applicable PRC tax laws, we are exempt from withholding tax on the dividends received from our subsidiaries in China. Under the PRC Enterprise Income Tax Law that will be effective from January 1, 2008, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC territory are considered as "resident enterprises" and thus will normally be subject to Enterprise Income Tax at the rate of 25% on global income. In particular, non-resident enterprises with an institution or establishment in China must pay Enterprise Income Tax at the rate of 25% on taxable income derived by such institution or establishment within China as well as on taxable income earned outside China but which has a "de facto" connection with such institution or establishment. Non-resident enterprises without any institution or establishment within China, or non-resident enterprises whose income has no connection to its institution or establishment inside China must pay a withholding income tax at the rate of 20% on taxable income derived from inside China, unless otherwise exempted pursuant to applicable tax treaties or tax arrangements between the PRC government and the government of other jurisdictions or applicable implementation regulations to be promulgated by the State Council of the PRC. Under the PRC Enterprise Income Tax Law, dividends, bonuses and other equity investment proceeds received by an enterprise are exempted from Enterprise Income Tax if distributed between qualified resident enterprises or if obtained by a non-resident enterprise with institutions or establishments in China from a resident enterprise and having a "de facto" connection with such institutions or establishments.

Notwithstanding the above, the PRC Enterprise Income Tax Law does not define the term "de facto management bodies" or clarify the scope of eligibility for exemptions or reductions from the withholding tax. The State Council of the PRC is authorized to formulate implementation rules for this new tax law, but so far the contemplated implementation rules have not been promulgated. Therefore, we cannot assure you that we will not be considered a "resident enterprise" under the PRC Enterprise Income Tax Law and therefore not be subject to the Enterprise Income Tax rate of 25% on our global taxable income. We also cannot assure you that the withholding Enterprise Income Tax on the dividends we receive from our PRC subsidiaries will be exempted or reduced. If our company or any of our subsidiaries registered outside PRC is treated as a "resident enterprise" under the PRC

Enterprise Income Tax Law, our income tax expenses may increase significantly, and our profitability could decrease materially. Moreover, the dividends we pay to our foreign shareholders and the capital gains realized by our foreign shareholders upon the sale of our Shares may be deemed as income derived in China and subject to PRC withholding tax, and the value of your investment in our Shares may be materially and adversely affected.

Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on your investment.

The exchange rates between the Renminbi and the Hong Kong dollar, the U.S. dollar and other foreign currencies is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 0.5% each day. This change in policy has resulted in the value of the Renminbi appreciating against the U.S. dollar by approximately 6.7% between July 21, 2005 and August 21, 2007.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currency. As we rely on dividends paid to us by our operating subsidiaries, any significant revaluation of the Renminbi may have a material adverse effect on the value of dividends payable in foreign currency terms. To the extent that we need to convert the proceeds from the Global Offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Moreover, following the completion of the Global Offering, we expect a significant portion of our cash and cash equivalents to be denominated in currencies other than Renminbi. As our functional currency is Renminbi, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the Renminbi against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the Renminbi against these foreign currencies may result in significant exchange loss to be recorded in our income statement.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in China to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to us.

SAFE issued a public notice in October 2005, or SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an "offshore special purpose company". PRC residents that are shareholders of offshore special purpose companies established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. In addition, any PRC resident that is a shareholder of an offshore special purpose company is required to amend its SAFE registration with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment, creation of any security interest over any assets located in China or any other material change in share capital. In May 2007, SAFE issued relevant guidance to its local branches with respect to the operational process for SAFE registration, which standardized more specific and stringent supervision on the registration relating to SAFE Circular No. 75 and imposed obligations on onshore subsidiaries of offshare special purpose companies to coordinate with and supervise the beneficial owners of the offshore entity who are PRC residents to complete the SAFE registration process. We may not be fully informed of the identities of all our beneficial owners who are PRC residents. Moreover, we do not have control over our beneficial owners and cannot assure you that all of our PRC resident beneficial owners will comply with SAFE Circular No. 75. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular No. 75 or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular No. 75 may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to contribute additional capital to our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to our company or otherwise materially and adversely affect our business. See "Supervision and Regulation — Regulations Relating to Foreign Exchange" on page 175.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外匯管理辦法實施細則), or the Individual Foreign Exchange Rules, issued on January 5, 2007 by SAFE and relevant guidance issued by SAFE in March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to register with SAFE and complete certain other procedures related to the share option or other share incentive plan. Foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into China. In addition, the overseas listed company or its PRC subsidiary or other qualified PRC agent is required to appoint an asset manager or administrator and a custodian bank, as well as open foreign currency accounts to handle transactions relating to the share option or other share incentive plan. We and our PRC citizen employees who have been granted share options or RSUs, or PRC option holders, will be subject to these rules upon the listing of our Shares on the Hong Kong Stock Exchange. If we or our PRC option holders fail to comply with these rules, we or our PRC option holders may be subject to fines and legal or administrative sanctions. See "Supervision and Regulation — Regulations Relating to Employee Share Options" on page 176.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on foreign laws against us and our directors and senior management.

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, the substantial majority of our directors and senior management reside within China. As a result, it may not be possible to effect service of process outside China upon the substantial majority of our directors and senior management. Moreover, our PRC counsel, Fangda Partners, has advised us that the PRC does not have treaties with the United States or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. As a result, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult.

Adverse public health developments in the future may severely disrupt our business and operations.

Adverse public health epidemics or pandemics could disrupt business and the economies of China and other countries where we do business. From December 2002 to June 2003, China and other countries experienced an outbreak of a highly contagious form of atypical pneumonia now known as severe acute respiratory syndrome, or SARS. On July 5, 2003, the World Health Organization declared that the SARS outbreak had been contained. However, a number of isolated cases of SARS were subsequently reported, most recently in central China in April 2004. During May and June of 2003, many businesses in China were closed by the PRC government to prevent transmission of SARS, and our operations were also severely disrupted. In addition, some Asian countries, including China, have recently encountered incidents of the H5N1 strain of bird flu, or avian flu. We are unable to predict the effect, if any, that avian flu may have on our business. Any future outbreak of SARS, avian flu or other similar adverse public developments may, among other things, significantly disrupt our business and the businesses of our users. Furthermore, an outbreak may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our financial condition and results of operations. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian flu, SARS or any other epidemic.

RISKS RELATED TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market on which our Shares are listed. We cannot assure you that an active public trading market for our Shares will develop. In addition, our Shares may trade in the public market subsequent to the Global Offering below the Offer Price. The Offer Price will be determined by agreement among us, the Selling Shareholder and the Joint Bookrunners, on behalf of the Hong Kong Underwriters and the International Underwriters, and may differ significantly from the market price of our Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenues, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

In connection with the Global Offering, we, each of our directors and executive officers and Alibaba.com Corporation have agreed, among other things, not to sell our Shares for 180 days after the Listing Date without the written consent of the Joint Bookrunners. However, the Joint Bookrunners may release these securities from these restrictions at any time. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

As the initial public offering price is substantially higher than the pro forma net tangible book value per Share, you will incur immediate and substantial dilution. In addition, you will experience further dilution to the extent that our Shares are issued upon the exercise of share options or pursuant to our RSU Scheme.

If you purchase Shares in the Global Offering, you will pay more for your Shares than our net book value on a per share basis. As a result, you will experience immediate and substantial dilution of approximately HK$12.19 per share, representing the difference between our pro forma net tangible book value per Share as of June 30, 2007, after giving effect to the Global Offering and the assumed initial public offering price of HK$12.75 per Share (the mid-point of the estimated Offer Price range of HK$12.00 to HK$13.50 per Offer Share). In addition, you will experience further dilution to the extent that our Shares are issued upon the exercise of share options or vesting of RSUs pursuant to our Share Option Scheme and our RSU Scheme, respectively. As of the Latest Practicable Date, an aggregate of 135,100,000 Shares may be issued upon exercise of the share options and vesting of RSUs conditionally approved to be granted under the Share Option Scheme and the RSU Scheme, respectively, representing approximately 2.6% of our issued share capital on a fully diluted basis upon completion of the Global Offering.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. Prior to the date of this prospectus, there has been press and media coverage regarding us and the Global Offering, including in the South China

Morning Post, Hong Kong Economic Times, Hong Kong Economic Journal, Ming Pao Daily and ET Net, which included certain financial information, financial projections, valuations and other information about us that do not appear in the prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, you should not rely on any such information.