RELATIONSHIP WITH ALIBABA GROUP

Immediately after the completion of the Global Offering, after giving effect to the transfer of Shares under the Employee Equity Exchange but without giving effect to the exercise of options and RSUs under the Employee Equity Exchange or the exercise of options under the Pre-IPO Share Incentive Scheme, Alibaba.com Corporation, our parent company, will own 75.0% of our outstanding Shares if the Over-Allotment Option is not exercised and 72.8% of our outstanding Shares if the Over-Allotment Option is exercised in full. As a result, Alibaba.com Corporation will continue to be our controlling shareholder immediately after the Global Offering.

Businesses Retained by Alibaba Group

Alibaba Group has retained substantial ownership of the following existing businesses outside of the B2B business of our company, or the Excluded Businesses:

Business	Description
Taobao (淘寶) www.taobao.com Ownership: 100%	Taobao operates an online shopping marketplace for consumers in China under the names "Taobao" and "淘寶" ("Taobao" in Chinese). Taobao facilitates transactions between individual consumers and a wide range of sellers including individuals and retailers. Sellers may post new and used goods for sale on the Taobao marketplace either through a fixed price or negotiated sale or by auction. Consumers may search, shop and transact with sellers on the Taobao marketplace. As Taobao hosts individual sellers and retailers serving consumer buyers' shopping needs, its marketplace is typically referred to as a consumer-to-consumer (C2C, in the case of an individual selling to another individual) or business-to-consumer (B2C, in the case of a retailer selling to an individual) website. Registered users on Taobao as of December 31, 2005, December 31, 2006 and June 30, 2007 were approximately 13.9 million, 31.1 million and 39.9 million, respectively. The value of the consumer transactions conducted on the Taobao marketplace, or gross merchandise value, for the years ended December 31, 2005, December 31, 2006 and for the first six months ended June 30, 2007 were RMB8,022.8 million, RMB16,900.6 million and RMB15,698.8 million. Alibaba Group founded Taobao, headquartered in Hangzhou, in 2003. The information contained at Taobao's website, www.taobao.com, is not a part of this prospectus.
Alipay (支付寶) www.alipay.com Ownership: 100%	Alipay is an online payment services provider operating under the names "Alipay" and "支付寶" ("Alipay" in Chinese). Alipay's service enables individuals and businesses to execute payments online in a safe and secure manner. Alipay's users are primarily buyers and sellers engaging in e-commerce transactions. With a registered user base of approximately 43.5 million as of June 30, 2007, Alipay is an accepted online payment method for many online retail websites and other online goods and service providers in China as well as the designated online payment service provider on our China marketplace and on Taobao. Alipay partners with domestic PRC banks to provide an escrow service for payments, which reduces the settlement risks faced by Alipay's customers in their e-commerce transactions. Alibaba Group founded Alipay, headquartered in Hangzhou, in 2004. The information contained at Alipay's website, www.alipay.com, is not a part of this prospectus.

Business	Description
Yahoo! China (中國雅虎) www.yahoo.com.cn www.yahoo.cn Ownership: 100%	Yahoo! China's website operates Chinese language portal services, such as email and the provision of finance, sports, lifestyle and entertainment information, as well as a web search service that crawls and indexes web pages generally available on the Internet targeted at individual Internet users in China. Yahoo! China's paying customers primarily consist of advertisers that purchase fixed price banner advertisements, text-links or auction-based pay-for-performance marketing services on Yahoo! China's website. In October 2005, Alibaba Group acquired Yahoo! China in a transaction whereby Yahoo! became a substantial shareholder of Alibaba Group. In connection with this transaction, Yahoo! agreed to grant to Alibaba Group the exclusive rights to use in China the "Yahoo!" name and certain technologies owned by Yahoo!, as well as the right to sub-license these rights to other members of Alibaba Group. Yahoo! China is headquartered in Beijing. The information contained at Yahoo! China's website, www.yahoo.com.cn and www.yahoo.cn, is not a part of this prospectus.
Alisoft (阿里軟件) www.alisoft.com Ownership: 100%	Alisoft develops, markets and delivers Internet-based business management software targeting SMEs in China. Alisoft's software provides its customers with various tools, including enterprise management tools, such as email, customer inquiries and information management, and basic financial management tools, such as invoicing and bookkeeping. Alisoft owns the copyright and other proprietary software rights of the "阿里旺旺" ("Aliwangwang" in Chinese) instant messaging communication tool, which is the designated instant messaging communication tool for Taobao and which we offer to our users as "TradeManager" on our international marketplace and as 貿易通 ("TradeManager" in Chinese) on our China marketplace. Alibaba Group founded Alisoft, with operations in Hangzhou and Shanghai, in January 2007. Alisoft's software business is different from the B2B business. Alisoft was transferred to Alibaba Group because it will be operated as a separate business apart from the B2B business. We do not believe Alisoft's software products are part of our core business. Although we currently act as a distributor of "Alisoft Export Edition", this distribution arrangement is not on an exclusive basis. As a result, we could act as a distributor for other software companies and Alisoft could use other distributors to distribute its software products. The information contained at Alisoft's website, www.alisoft.com, is not a part of this prospectus.
Koubei (口碑網) www.koubei.com Ownership: 53%	Koubei, which means "word of mouth" in Chinese, operates a website offering local classified listings and discussion forums for users to share and find information on various topics, including, among others, apartment rentals, restaurants and employment. Koubei's website has channels tailored to a number of individual cities in China and targets primarily individual Internet users in China. Alibaba Group completed its strategic investment in Koubei in January 2007. Koubei was founded in June 2004 and is headquartered in Hangzhou. The information contained at Koubei's website, www.koubei.com, is not a part of this prospectus.
Alimama (阿里媽媽) www.alimama.com Ownership: 100%	Alimama is a marketplace for web publishers and advertisers to trade online advertising inventory. The Alimama website was launched on a trial basis in August 2007. The information contained at Alimama's website, www.alimama.com, is not a part of this prospectus.

Clear Delineation of Businesses

We believe that there is a clear separation between our business and those of Alibaba Group. One of the objectives of our Reorganization was to establish clear delineation between the businesses carried out by our company and Alibaba Group via separate and distinct corporate entities. Currently, our principal business comprises our B2B marketplaces and, although we obtain from Alibaba Group some of the ancillary services that we offer on our marketplaces, we believe that these services are not essential to our core revenue model and, as such, we do not regard them as part of our principal business. We are not aware of any current plan of Alibaba Group to inject any of the Excluded Businesses into our company.

Following completion of our Reorganization, our principal business differs from Alibaba Group's other businesses in the following key respects:

- *Our marketplaces are principally distinguishable by our content, service and user base.*

  Our marketplaces are distinguishable from Taobao's marketplace principally by the nature of their user base. Our users consist mainly of suppliers and buyers that are SMEs engaged in wholesale trade. In contrast, sellers on Taobao's marketplace consist of individuals and retailers, and buyers who use its marketplace are predominantly individual consumers. As Taobao's buyer base is consumers, those suppliers that sell on our marketplaces, who desire to reach business buyers procuring in wholesale volume will not find it useful to sell their products through the Taobao website. Further, Taobao operates only a Chinese language website and therefore does not offer any services for exporters who desire to reach global buyers. Accordingly, Taobao's marketplace, by virtue of its focus on consumer buyers based in China in the consumer-to-consumer and business-to-consumer relationships, will not compete with our B2B marketplaces.

  In addition, while our marketplaces focus on business and trade opportunities and industry information targeted at SMEs engaged in business-to-business trade, Yahoo! China, Koubei and Alimama primarily target a consumer audience. Yahoo! China's website targets the general population by providing portal services and general information, as well as a web search service. Similarly, Koubei's website, which provides classified listings and discussion forums, is targeted primarily at individual consumers in China. Alimama provides a platform for web publishers and advertisers to buy and sell online advertising inventory. Most of the publishers on the Alimama platform are websites primarily targeting individual consumers and the advertisers use the Alimama platform primarily to reach such a consumer audience.

- *Our search engine principally facilitates search of our own proprietary database.*

  The search function on our marketplaces is designed principally to search our own proprietary database of storefronts and listings of our registered users. In contrast, the Yahoo! China search engine provides a web search service that crawls and indexes web pages generally available on the Internet. Although Yahoo! China's search engine could be used to find information about business suppliers, its search results display only links to the suppliers' own websites, whereas buyers on our marketplaces have direct access to information in our proprietary database organized by standard business parameters, such as industry classification, product origin, factory size, model number and price. Unlike general search engines, we also provide necessary tools on our marketplaces to facilitate communication between suppliers and buyers, such as trade alerts, inquiry forms and a messaging center.

- *We do not operate an online payment service.*

  Through a commercial arrangement with Alipay, we provide users of our China marketplace with access to the Alipay online payment platform. We do not otherwise provide any proprietary technology or mechanism to enable our users to make and receive payments, and we currently have no plans to develop our own online payment capabilities.

- *We do not focus on providing ancillary software services.*

  We develop only in-house software that we consider essential to the operation of our marketplaces. We act as a distributor of a number of Alisoft's software products that are targeted at SMEs in China. However, we do not regard these products as part of our principal business, as they are not essential to our core revenue model.

Based on the foregoing, we believe that our business is sufficiently delineated from the businesses of Alibaba Group and that the Excluded Businesses do not compete, and are unlikely to compete, with our business.

In order to ensure that direct competition does not develop between us and Alibaba Group's other activities, Alibaba Group has agreed to provide a non-competition undertaking in our favor, which is described below.

Non-Competition Undertaking from Alibaba Group

Non-Competition Undertaking Relating to Restricted Business. We have received a Non-Competition Undertaking dated October 19, 2007 from Alibaba Group, pursuant to which, during the period commencing from the Listing Date and until the earlier of the date that: (i) our Shares are no longer listed on the Hong Kong Stock Exchange; (ii) Alibaba Group no longer directly or indirectly owns 30% or more of our voting rights; or (iii) Alibaba Group is no longer our single largest shareholder (aggregating for this purpose, Shares held directly or indirectly and by persons acting in concert), Alibaba Group has:

(1) confirmed that it does not currently, in any form, engage in, assist or support a third party in the operation of, participate or have any interest in, any business that is substantially similar to our core business of operating online B2B marketplaces primarily for business suppliers and buyers, which are collectively referred to in this section as the Restricted Business; and

(2) undertaken that it will not directly or indirectly, alone or with others, in any form, engage in, assist or support a third party in the operation of, participate or have any interest in, any Restricted Business.

However, the foregoing restrictions do not apply in any of the following circumstances, which are collectively referred to in this section as the Permitted Activities:

(a) Alibaba Group acquiring or holding equity interests in our company; or

(b) Alibaba Group directly or indirectly, alone or with others, in any form, engaging in, assisting or supporting a third party in the operation of, participating or having any interest in, any Restricted Business other than our company, so long as any of the following criteria is fulfilled:

   (i) revenue generated from the Restricted Business conducted or engaged in by the business or company in question accounts for less than: (A) 25% of the consolidated revenue of such business or company, as shown in the latest consolidated audited accounts of such business or company; and (B) 15% of our company's consolidated revenue as shown in our latest consolidated audited accounts;

   (ii) Alibaba Group does not in aggregate own 20% or more of the voting rights of the business or company in question, and Alibaba Group is not entitled to appoint a majority of the directors of that business or company or otherwise exercise board or management control over that business or company; or

(iii) the opportunity to engage in, assist or support a third party in the operation of, participate or have any interest in, such business or company has been made available to us pursuant to the procedures set out in either "— New Opportunity" or "— Option to Acquire" below and we have declined such opportunity.

The Non-Competition Undertaking will remain valid until the earlier of the date that: (i) our Shares are no longer listed on the Hong Kong Stock Exchange; (ii) Alibaba Group no longer directly or indirectly owns 30% or more of our voting rights; or (iii) Alibaba Group is no longer our single largest shareholder (aggregating for this purpose, Shares held directly or indirectly and by persons acting in concert).

New Opportunity. Alibaba Group has further undertaken to use its best efforts to procure that, during the validity period of the Non-Competition Undertaking, any New Opportunity is first offered to us. "New Opportunity" refers to any new opportunity identified by or offered to Alibaba Group to engage in, assist or support a third party in the operation of, participate or have any interest in, a Restricted Business other than our company, which Alibaba Group would not be permitted to do under either of Permitted Activities set out under paragraph (b)(i) or (b)(ii) above.

All New Opportunities must be offered to us in the following manner:

(1) Alibaba Group is required to offer any New Opportunity, or procure that any New Opportunity is offered to us, and shall give us written notice of any New Opportunity containing financial and operating information and a description of the target's business as reasonably necessary for us to consider whether it is in our interest to pursue such New Opportunity.

(2) Alibaba Group will be entitled to pursue a New Opportunity if: (i) Alibaba Group has received a written notice from us declining such New Opportunity; or (ii) Alibaba Group has not received such notice from us within 30 days of our receipt of the offer notice. If there is a material change in the terms and conditions of the New Opportunity pursued by Alibaba Group, Alibaba Group will offer the New Opportunity as so revised to us in the manner as set out in (l) above.

Upon receipt of the offer notice, we will seek a determination of an independent committee of our board of directors, a majority of which shall comprise our independent non-executive directors who do not have a material interest in the matter, as to whether it is in our interest and that of our shareholders as a whole to pursue the New Opportunity, taking into account the valuation of such New Opportunity as may be determined by an independent third-party valuer appointed by us, where necessary.

Option to Acquire. In the event that Alibaba Group's interest in a Restricted Business (other than our company), initially permitted under Permitted Activities (b)(i) and/or (b)(ii), subsequently fails for the first time to fulfil the criteria in Permitted Activities (b)(i) and (b)(ii) for whatever reason, Alibaba Group shall grant us an option to acquire its interest in such Restricted Business at a fair value to be determined by an independent third-party valuer (which shall be an international accounting firm or investment bank), which we refer to as the Acquisition Option, in the following manner:

(1) Alibaba Group is required to give us written notice of the Acquisition Option as soon as practicable after it becomes aware that the criteria in Permitted Activities (b)(i) and (b)(ii) have been exceeded. The Acquisition Option notice shall contain financial and operating information and a description of the target's business, reasonably necessary for us to consider whether it is in our interest to exercise the Acquisition Option.

(2) Alibaba Group will be entitled to retain its interest in the Restricted Business if: (i) Alibaba Group has received a written notice from us declining to exercise the Acquisition Option; or (ii) Alibaba Group has not received such notice from us within 30 days of our receipt of the Acquisition Option notice.

Upon receipt of the option notice, we will seek a determination of an independent committee of our board of directors, a majority of which shall comprise our independent non-executive directors who do not have a material interest in the matter, as to whether it is in our interest and that of our shareholders as a whole to exercise the Acquisition Option. Notwithstanding any election not to exercise the Acquisition Option, the Acquisition Option will be available to us on a continuing basis, exercisable once every 12-month period after the date of our notice declining to exercise the option or the date of expiry of the 30-day period from our receipt of the Acquisition Option notice, whichever is later; provided, however, that on such exercise date, Alibaba Group's aggregate interest in a Restricted Business (other than through our company) exceeds the criteria in Permitted Activities (b)(i) and (b)(ii).

Further Undertakings. Alibaba Group has further undertaken to:

(i) procure that all relevant corporate and financial information in its possession relating to any Restricted Business which Alibaba Group has engaged in, assisted or supported a third party in the operation of, participated or had an interest in, be provided to us from time to time;

(ii) provide us, within 20 days from the receipt of our written request, with a written confirmation certified by an officer of Alibaba Group in respect of its compliance with the Non-Competition Undertaking and consent to the inclusion of such confirmation in our annual report; and

(iii) provide all information as we may request from time to time, necessary for our review and enforcement of the Non-Competition Undertaking.

Alibaba Group has also acknowledged that we may be required by the relevant laws, regulations or rules of the stock exchange(s) on which our Shares may be listed or any relevant regulatory bodies to disclose, from time to time, information on any New Opportunity, including disclosure in public announcements or our annual report or decisions made by us to: (1) pursue any New Opportunity or exercise any Acquisition Option; or (2) decline any New Opportunity or Acquisition Option in relation to any Restricted Business which was subsequently acquired or retained by Alibaba Group, and Alibaba Group has agreed to such disclosure to the extent necessary to comply with any such requirement.

Assessment of Compliance with Non-Competition Undertaking. Our independent non-executive directors will, based on the information and confirmation provided by or obtained from Alibaba Group as described above, review on an annual basis: (i) the compliance of Alibaba Group with the Non-Competition Undertaking and shall confirm such compliance in our annual report; and (ii) all the decisions taken in relation to whether to pursue any New Opportunity or exercise any Acquisition Option which may be offered to us by Alibaba Group pursuant to the Non-Competition Undertaking. In addition, we will in our annual report make such relevant disclosure on how the Non-Competition Undertaking was complied with in accordance with the principle of making voluntary disclosures set out in Appendix 23, Corporate Governance Report, of the Listing Rules.

OUR INDEPENDENCE FROM ALIBABA GROUP

Having considered the following factors, our directors are satisfied that we are able to conduct our business independently from Alibaba Group following completion of the Global Offering.

Our Reorganization

We completed our Reorganization prior to the Global Offering. See "Our History and Reorganization" starting on page 57. Among other things, our Reorganization has helped us formalize our independent management and operations.

Management Independence

We have no executive director overlap with Alibaba Group. Our board of directors comprises 13 directors, 10 of whom do not hold directorships or management roles in Alibaba Group and each of whom possesses relevant management and/or industry-related experience to act as a director of our company. The executive management team is led by David Wei, our chief executive officer, who was the president of B&Q China, a major home improvement retailer, before joining our company. Mr. Wei is supported by Maggie Wu, our chief financial officer, who was previously an audit partner at KPMG. The three remaining executive directors, two of whom are among our founders, have worked in various capacities in our company, and none of the other four members of our senior management holds any position in Alibaba Group. Our independent non-executive directors also have substantial management experience, Long Yong Tu was the lead negotiator for China in its accession to the World Trade Organisation; Niu Gen Sheng is the CEO of China Mengniu Dairy Company Limited, which is listed on the Hong Kong Stock Exchange; and Walter Kwauk is a vice president of Motorola and its director of corporate strategy and tax, Asia Pacific and used to be the managing partner of KPMG Shanghai. We will arrange for the provision of independent advice to our independent non-executive directors, if requested by the independent non-executive directors, to enable them to discharge their duties. Rose Tsou, our non-executive director, is a senior executive of Yahoo!, leading its operations in Korea, Hong Kong, Taiwan and Australia/New Zealand. Satoshi Okada, another of our non-executive directors, has been involved in e-commerce, technology and B2B commerce throughout his career in senior positions with various technology and Internet companies. See "Directors and Senior Management — Directors — Executive Directors" starting on page 177 for details of their management experience. The three directors who hold directorship positions and/or management roles in Alibaba Group, are our non-executive directors and do not hold any executive position in our company. Jack Ma and Joseph Tsai, our non-executive directors who also hold directorship positions and management roles in Alibaba Group, will spend such time as may be necessary in support of the business of our company, taking into account their roles as non-executive directors. Andrew Tsuei, one of our non-executive directors, is also a non-executive director of Taobao.

In connection with their employment with Alibaba Group prior to the Global Offering, most of our executive directors and non-executive directors, together with senior management and employees, have received compensation in the form of options exercisable into Alibaba.com Corporation's shares or our Shares. Many of these people have exercised options and now hold shares in Alibaba.com Corporation. Please see "Appendix VII — Statutory and General Information — Disclosure of Interests" for details of our directors' equity interests in our company and Alibaba.com Corporation. Immediately upon the completion of the Global Offering, none of our three independent non-executive directors, and neither Rose Tsou nor Satoshi Okada (our non-executive directors) will hold any equity interests in Alibaba.com Corporation. A predominance of the value of equity interests held by three of our executive directors, namely David Wei, Maggie Wu and Sabrina Peng, will, upon completion of the Global Offering, be derived from equity interests in our company rather than Alibaba.com Corporation. In the case of two other executive directors, Trudy Dai and Simon Xie, a predominance of the value of equity interests held by them will, upon completion of the Global Offering, be derived from equity interests in Alibaba.com Corporation. On this basis, for so long as the value of the equity interests in Alibaba.com Corporation held by each of Trudy Dai and Simon Xie is higher than that of the equity interests they hold in our company, each of them will abstain from attending and voting at board meetings where there exists a situation of conflict with Alibaba.com Corporation. Even taking into account that Jack Ma, Joseph Tsai and Andrew Tsuei will also abstain from such meetings by virtue of their directorships in Alibaba.com Corporation, there remain eight other board members with substantial B2B e-commerce, Internet-related, and/or management experience to attend and vote at such meetings. Details of the experience of our directors are set out in the section "Directors and Senior Management" starting on page 177. With effect on the Listing Date, substantially all of the share-based compensation to be granted to our executive directors and senior management will be tied to the equity securities of our company. These executive directors and other members of senior management also receive cash compensation and other employee benefits exclusively from our company on an ongoing basis. Therefore, we believe that these individuals have substantial incentives to act in our interest.

In the interest of improving our corporate governance and in order to further enhance the capability of our board of directors to operate independently in the case of potential conflicting situations, we plan to identify an additional independent non-executive director with relevant e-commerce experience for appointment to our board of directors in addition to our current independent non-executive directors. We have commenced a review of potential candidates and we aim to identify a suitable candidate as soon as possible, but in any case within six months, following the completion of the Global Offering. See "Our History and Reorganization — Our Reorganization — The Employee Equity Exchange" starting on page 60, "Directors and Senior Management" starting on page 177 and Appendix VII — "Statutory and General Information — Disclosure of interests".

Operational Independence

We do not rely on Alibaba Group for any significant amount of our revenue, technology infrastructure, product development, staffing or marketing and sales activities.

There is also no potential operational competition between us and Alibaba Group in terms of human and capital resources, technology, intellectual properties, licenses, permits and suppliers for the following reasons:

- We have our own headcount of employees for our operations and our own human resources department headed by a member of our senior management, for managing our work force.
- We do not rely on Alibaba Group for any financing and we have our own treasury functions. We are also not reliant on intra-group funding from our controlling shareholder for our operations.
- In relation to technology, we have our own product development team.
- We have been granted an exclusive license to use, in connection with the 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 in connection with our B2B business.
- We are unlikely to be applying for the same types of licenses and permits, which are limited in numbers and which are material for our operations, as Alibaba Group since there is a clear delineation between our businesses. See "Relationship with Alibaba Group — Clear Delineation of Businesses".
- Due to the nature of our business, our common suppliers with Alibaba Group are mainly telecommunications operators and hardware suppliers. The nature of the services and goods supplied by such common suppliers are generic, non-specialized, available from numerous sources and do not face any shortage in supply.

As a result of our Reorganization and in preparation for the Global Offering, we have entered into a number of agreements with Alibaba Group to regulate our continuing business relationship with Alibaba Group. See "Connected Transactions" starting on page 153. We believe that these arrangements help further establish our ability to operate independently.

Administrative, Office Sharing and Technology Services. We do not rely on Alibaba Group for these services and in fact, we share part of our rental office space with and provide certain administrative and technology services to Alibaba Group. See "Connected Transactions" starting on page 153. The main benefit we receive for providing these services is the increased economies of scale to help us reduce the per-unit cost of these services for our own use.

Website Cross-Marketing Services. We have arrangements with Alibaba Group for each party to promote and market its services on the websites of the other party on a barter basis. The barter exchange is based on the fair value of the website inventory being exchanged, and the website inventory each offers to the other consists only of web page space that has not otherwise been purchased by customers. This exchange is not regarded as a revenue generation transaction under our accounting policy as it involves an exchange or a swap of services which are of a similar nature and value. We also engage in substantial marketing activities with unrelated third parties. See "Our Business — Marketing and Branding" on page 90. Consequently, our directors are of the view that our business and growth are not dependent on the continuation of these cross-marketing arrangements with Alibaba Group.

House Brand Head License and Management Agreement. Alibaba Group has granted us a royalty-free license to use a number of trademarks, in particular, "Alibaba", "阿里巴巴" ("Alibaba" in Chinese) and the Alibaba logo, domain names and Internet keywords that contain the words "Alibaba" or "阿里巴巴" ("Alibaba" in Chinese), for use in connection with our B2B business. We also pay a fixed fee of RMB2.0 million per year to Alibaba Group to cover a portion of its costs of maintaining, enforcing and managing the house brand trademarks and domain names which are licensed to us, including promoting the house brand, supervising the use of the house brand and developing the house brand. The license under this agreement has an initial term of ten years, and is renewable for further periods of ten years at our sole discretion. Since the license is renewable and royalty-free, we believe we do not unduly rely on Alibaba Group in this regard. However, if we undergo a "change in control", Alibaba Group will continue to grant us the license upon payment of an annual license fee equivalent to 1% of our revenue or US$5.0 million (RMB37.6 million), whichever is higher, for a period of three years following the date of such change in control. After the three-year period following the date of change of control, Alibaba Group will continue to grant us the license to use the trademarks, domain names and Internet keywords under the House Brand Head License and Management Agreement subject to the payment of an amount equivalent to the fair market value of a license for the use of the relevant trademarks, domain names and Internet keywords pursuant to the binding determination of an internationally recognized brand consultant appointed by mutual agreement between us (as our independent non-executive directors may determine) and Alibaba Group or, in the absence of such agreement, an amount equal to the average of the fair market values of such license as determined by (i) an internationally recognized brand consultant appointed by us (as our independent non-executive directors may determine) and (ii) an internationally recognized brand consultant appointed by Alibaba Group. See "Connected Transactions — Continuing Connected Transactions — Exempt Continuing Connected Transactions — 3. House Brand Head License and Management Agreement" starting on page 157 and "Risk Factors — Risks Related to Our Business and Industry — 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" on page 27.

Assignment of Trademarks and Domain Names. Alibaba Group has assigned or has initiated the process of assigning certain trademarks and domain names relating to the "Alibaba" brand name to Alibaba Hangzhou as required for Alibaba Hangzhou to maintain its license to operate as a value-added telecommunication service provider. See "Supervision and Regulation — Regulations Relating to Foreign Investments in Value-Added Telecommunications Industry" starting on page 172 and "Connected Transactions — Connected Transactions Pursuant to Our Reorganization — Trademarks and Domain Names Assignment Agreement" starting on page 154.

Except as described below, registrations of the “Alibaba” brand names, the Alibaba logo, and associated domain names have been retained by Alibaba Group for the purpose of development as a global franchise for the benefit of Alibaba Group (including our company). All of the companies in the Alibaba Group including our company refer to themselves as belonging to the Alibaba Group of companies and two of our existing fellow subsidiaries, Alipay and Alisoft, use derivatives of “Alibaba” or “阿里巴巴” (“Alibaba” in Chinese) in their own names. We believe that Alibaba Group has built significant brand recognition and a set of core values associated with the “Alibaba” brand names, and therefore it is essential that Alibaba Group maintains control over the future development of the “Alibaba” brand names to ensure consistent use of the brand so that no confusion arises in the market and to maintain these core values in a coordinated manner.

In addition to the license for “Alibaba”-related trademarks, domain names and Internet keywords described above, we are the registered owner of a number of trademarks and domain names that are critical and specific to our business. In particular, we own and will own certain “Alibaba”-related trademarks in Classes 38 and 35 for ICP-related services in China. We are also the registered owner of the domain names “alibaba.com.cn” and “alibaba.cn”.

We have also registered or applied for registration of all trademarks specific to our services and products that are used exclusively by our business, including “TRUSTPASS”, “诚信通” (“TRUSTPASS” in Chinese), “A&V”, “商机直通车”, “Gold Supplier”, “中国供应商” (name in Chinese for “China Supplier”), “以商会友” and the TRUSTPASS logo in China and/or a number of relevant jurisdictions.

Since we either own or have a renewable and royalty-free license to use the “Alibaba” trademarks and domain names that are critical to our business, we believe we do not unduly rely on Alibaba Group in this regard. See “Connected Transactions” starting on page 153 and Appendix VII — “Statutory and General Information — Intellectual property rights”.

Ancillary Services. We outsource the provision of certain non-core services on our marketplaces to Alibaba Group, including online payment and instant messaging services, and sourcing and management of resellers. These services are not essential to our core revenue model and our directors are of the view that these services are readily available from other sources.

We also purchase keywords on websites operated by Alibaba Group for the promotion of our marketplaces. The fees we pay in consideration are not more than market rates and our directors are of the view that there are comparable marketing channels available to us.

Based on the foregoing, we believe that we do not unduly rely on Alibaba Group for the provision of these ancillary services.

Cross-Selling Services. We provide cross-selling services to Alibaba Group and also receive cross-selling services from them.

We provide cross-selling services to Alibaba Group as a means to leverage our sales force and thereby generate additional revenue. However, our core business and revenue growth strategy do not depend on the generation of commission revenue from selling services and products developed by Alibaba Group. In the six months ended June 30, 2007, our commission revenue from providing cross-selling services to Alibaba Group was approximately RMB1.4 million, which represented only 0.1% of our total revenue.

Alibaba Group provides cross-selling services to us by selling the website inventory on our marketplaces to third-party advertisers. The revenue we generate as a result of such services is not significant relative to our revenue generated from own sales activities. In particular, we have our own sales force who are primarily responsible for selling our services and products, and we also have access to third-party distribution channels. See “Our Business — Sales Force and Customer Service” on page 88. In the six months ended June 30, 2007, our additional revenue arising from cross-selling services provided by Alibaba Group to us was approximately RMB1.8 million, which represented only 0.2% of our total revenue.

Consequently, our directors are of the view that our business and growth are not dependent on the continuation of these cross-selling arrangements.

Technology and Intellectual Property Framework License. We have entered into a license agreement with Alibaba Group whereby:

- we have been granted, to the extent relevant to our B2B business, a renewable 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;

- we have the right to be granted, to the extent relevant to our B2B business, a renewable sub-license to use all technology and intellectual property that Alibaba Group has 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 subject to the other terms of the third party license to Alibaba Group; and

- we have the right to be granted, 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 do so.

The license agreement will expire on December 31, 2009 and is subject to the restrictions in the agreement between Alibaba Group and any third party in respect of the third party's intellectual property. The license agreement is renewable for further periods of three years at our sole discretion by giving Alibaba Group three months' prior written notice before the end of the relevant term.

All patents developed by members of Alibaba Group are owned by Alibaba Group because the technologies covered by the patents are or may be of application to other businesses outside of our business, and it would therefore not be expedient for them to be transferred only to us. Concentrating the patent portfolio in the hands of Alibaba Group will allow Alibaba Group (including our company) to develop a more consistent and effective patent protection policy and facilitate the assertion of intellectual property rights where necessary.

Under the license agreement, the fees payable by us for third-party technology and intellectual property sub-licensed to us from Alibaba Group will be no more than the fees payable by Alibaba Group for the license of such technology and intellectual property. In addition, the patents we license from Alibaba Group are at rates not more than the prevailing market rates for comparable licenses. The caps we have adopted pursuant to the license agreement will ensure that we continue to enjoy a low effective royalty rate.

Although we already derive considerable benefit from the license from Alibaba Group, we believe that we do not unduly rely on this arrangement with Alibaba Group for the following reasons:

- the Technology and Intellectual Property Framework License Agreement is automatically renewable and may not be terminated by Alibaba Group at its discretion;

- we believe that technology comparable to that which we are currently licensed to use under the Technology and Intellectual Property License Framework Agreement is readily available in the market; and

- the fees we pay under the license are low compared to third-party benchmarks.

While the technology currently licensed to us by Alibaba Group is readily available in the market, this technology is not something that can be easily bought "off the shelf" and our continuing cooperation with Alibaba Group allows us to benefit from the competitive pricing Alibaba Group enjoys and avoid the necessity of having to source and negotiate a similar license from a third party. Similarly, the degree of testing required for and complexity of implementing and integrating a similar license from a third-party licensor are also minimized through our cooperation with Alibaba Group.

See Appendix VII — "Statutory and General Information — Intellectual property rights".

Financial Independence

Alibaba Group does not provide us with any direct or indirect financing for our operations. The Company has its own treasury function which reports to the chief financial officer of the Company. Although the staff of the treasury function is shared with Alibaba Group, the Company maintains financial independence because the staff report to the chief financial officer of the Company with respect to the treasury matters of our company.

Corporate Governance

We are committed to the view that the board of directors should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board of directors, which can effectively exercise independent judgment. Our independent non-executive directors, details of whom are set out in the section headed "Directors and Senior Management", together possess the requisite business knowledge and experience for their views to carry weight. Two out of three of our independent non-executive directors have experience as directors of listed companies and the third independent director is an executive with a multinational corporation and served as a senior audit partner in a "big four" accounting firm, and therefore they will be able to provide impartial and professional advice to protect the interests of our minority shareholders. In the interest of improving our corporate governance and in order to further enhance the capability of our board of directors to operate independently in the case of potential conflicting situations, we plan to appoint an additional independent non-executive director with relevant e-commerce experience. We have commenced a review of potential candidates and aim to identify a suitable candidate for appointment to our board of directors as soon as practicable, but in any event within six months following the completion of the Global Offering.

We have adopted the following corporate governance measures to further strengthen the protection of our shareholders' interests:

- Any conflicted director, meaning any director of our company who is also a director or member of the senior management of Alibaba Group or the value of whose equity interest in Alibaba.com Corporation is higher than the value of his or her equity interest in our company, will abstain from participation in any meeting of the board of directors or part thereof when matters relating to the exercise of any rights with respect to any New Opportunities or Acquisition Options granted in favor of our company or any other connected transactions pursuant to contractual arrangements with Alibaba Group are discussed, unless his attendance is requested by a majority of the independent non-executive directors. See "Relationship With Alibaba Group — Our Independence from Alibaba Group — Management Independence" starting on page 138. Notwithstanding his attendance, he shall not vote at, nor be counted in the quorum in, any board meeting convened in respect of such matters.

- An independent board committee of our board of directors, a majority of which shall comprise our independent non-executive directors, will decide whether or not to pursue a New Opportunity and/or to exercise an Acquisition Option. When considering whether or not to pursue a New Opportunity and/or exercise an Acquisition Option, our independent board committee will consider, among other things, whether the relevant business opportunities are expected to present a sustainable level of profitability, accord with our then current development strategy, and in other respects would be in the best interests of our shareholders as a whole. The independent board committee may appoint an independent financial advisor or other professional advisors to advise it. Alibaba Group has agreed that it will provide all information reasonably required by such independent board committee and/or independent financial advisor to assist the committee in its assessment of a New Opportunity and/or an Acquisition Option.

- The measures referred to in the preceding two paragraphs will be incorporated in the terms of reference of our board or the relevant committee of our board established for this purpose.

- Our independent board committee will review, on an annual basis, all decisions made in the year in relation to whether to exercise an Acquisition Option and/or pursue a New Opportunity, and the compliance and enforcement of the Non-Competition Undertaking by Alibaba Group.

- The exercise or non-exercise of an Acquisition Option under the Non-Competition Undertaking and any transfer thereunder will constitute a connected transaction under the Listing Rules. We will have to comply with applicable reporting, announcement and/or independent shareholders' approval requirements under the Listing Rules at the relevant time. We will announce any decision to exercise or not to exercise any Acquisition Option.

- We have appointed N M Rothschild & Sons (Hong Kong) Limited as our compliance adviser, who shall provide us with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws.

Relationship with Yahoo! and Softbank

Alibaba.com Corporation, our controlling shareholder, has two major corporate shareholders: As of the Latest Practicable Date, Yahoo! (directly and through subsidiaries) had an interest of 39.0% and Softbank had an interest of 29.3%, on a fully diluted basis, in Alibaba.com Corporation. See "Substantial Shareholders — Corporate Structure of Alibaba.com Corporation" starting on page 187. Neither Yahoo! nor Softbank individually or collectively controls Alibaba.com Corporation.

Yahoo! became a shareholder in Alibaba.com Corporation as a result of its investment in October 2005, whereby, among other things, Alibaba.com Corporation acquired the Yahoo! China business from Yahoo!. Yahoo! operates a network of online properties and services, including search and display advertising offerings some of which operate or formerly operated under the business name of Overture. Yahoo!'s properties provide news, information, entertainment, communications and internet search and navigation services to consumers. Yahoo!'s search services enable users to search for public information on the internet through the input of keywords and the search results display the information relevant to the keyword entered. Yahoo!'s search and display advertising services allow advertisers to display graphical advertisements and text based links to their websites on Yahoo! properties and on websites of Yahoo! affiliates. Our B2B marketplace business offers different services and targets different users than Yahoo!. Unlike Yahoo!'s search and display advertising services, we host storefronts comprised of company and product information of our suppliers on our marketplaces. Together with the full-suite of e-commerce products our marketplaces offer, we facilitate trade between buyers and sellers.

Yahoo! targets predominantly consumer users, whereas we target business users engaged in wholesale trade. Our marketplace enables suppliers to reach business buyers, whereas Yahoo! enables consumers to utilize internet services and allows advertisers to provide advertising to those consumers as they use such internet services. We believe that Yahoo! does not offer a competing service to our offering because of the difference in the nature of services offered and target user base.

Furthermore, Yahoo! has also entered into an agreement with us which restricts its activities that may be potentially competitive with us in China, which is the focus of our China marketplace. See "— Agreement with Yahoo!" starting on page 152.

Softbank is involved in a broad range of businesses, including broadband, mobile and fixed-line telecommunications services, e-commerce, Internet portal services through its shareholding in Yahoo! Japan, magazine and book publishing and fund management. Softbank's telecommunication services business is its largest by revenue contributing over 78.9% of its net sales for the year ended March 31, 2007, its latest financial year. The type of services and users targeted by Softbank's consumer Internet portal and search engine services are similar to those offered by Yahoo!. Softbank's e-commerce business includes distribution of hardware and software, application service provider (ASP) business and other commerce related businesses on the Internet and this business segment of Softbank contributes 10.3% by revenue. Softbank is one of Japan's largest distributors of IT-related products. These businesses are primarily in Japan, and Softbank does not currently have business operations in China other than investing and fund management activities. None of these businesses currently competes with our B2B e-commerce marketplaces in China. We are in discussions with Softbank to form a joint venture to operate our Japanese website business, under which Softbank would own a majority interest in the venture and we would enter into a revenue sharing arrangement pursuant to which, among other things, we would share revenue generated from sales to our Gold Supplier members equally with the joint venture entity.

Shareholders' Agreement relating to Alibaba.com Corporation

In connection with Yahoo!'s investment in Alibaba.com Corporation in October 2005, a shareholders' agreement was entered into among Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders with Alibaba.com Corporation to govern the relationship of these shareholders in respect of Alibaba.com Corporation. This agreement was subsequently amended on October 21, 2007 to clarify certain provisions in light of the proposed listing of our company.

The key terms of the shareholders' agreement applicable to Alibaba.com Corporation, as amended, are as follows:

- *Board composition of Alibaba.com Corporation*. The board of directors of Alibaba.com Corporation currently comprises four directors, being one director appointed by each of Yahoo! and Softbank and two directors appointed by the Alibaba.com Corporation Management Shareholders. Yahoo! will be entitled to appoint an additional director if Softbank loses its right of appointment upon its shareholding falling below the agreed threshold and, with effect from October 2010, the total number of directors Yahoo! may appoint will be the greater of the number of directors it is entitled to appoint at such date and the number of directors which the Alibaba.com Corporation Management Shareholders are entitled to appoint at such date. Each of Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders will also be entitled to approve the formation of any committees of the board of directors of Alibaba.com Corporation and to appoint one member to each such committee. Each shareholder's right to appoint a director and committee member will cease if its shareholding in Alibaba.com Corporation falls below certain agreed thresholds. The Alibaba.com Corporation Management Shareholders will continue to have the right to appoint at least one director as long as Jack Ma owns one share of Alibaba.com Corporation.

- *Quorum for board meetings of Alibaba.com Corporation*. The quorum for meetings of the board of directors of Alibaba.com Corporation is at least a majority of all the directors and must include at least one director appointed by each of Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders.

- *Matters at the level of Alibaba.com Corporation requiring the approval of the board or the shareholders*. Certain matters relating to Alibaba Group, including our company, are subject to the approval of the board of directors or shareholders of Alibaba.com Corporation. In view of Yahoo!'s substantial shareholding in Alibaba.com Corporation, Yahoo! has a right to veto certain matters relating to Alibaba Group, including our company, as set out in paragraphs (b), (c) and (d) below. A summary of those material matters subject to the approval of the board of directors or the shareholders of Alibaba.com Corporation that may influence the decision of Alibaba.com Corporation as the controlling shareholder of our company is set out below:

(a) *Matters at the level of Alibaba.com Corporation requiring the approval of the majority of the board*. These matters include the following:

(i) the entry into of any transaction or series of related transactions involving the disposition, sale or other transfer of the assets, in the case of our company and our subsidiaries, exceeding US$25 million (RMB187.9 million) in a single transaction or series of related transactions or US$100 million (RMB751.6 million) on an aggregate basis, within any 12-month period;

(ii) the entry into of any transaction or series of transactions involving the purchase or acquisition of assets (including securities of the subsidiaries of Alibaba.com Corporation) or properties in an amount exceeding, in the case of our company and our subsidiaries, US$50 million (RMB375.8 million) in a single transaction or series of related transactions or US$100 million (RMB751.6 million) on an aggregate basis, within any 12-month period, provided that with respect to any approval of our company or any of our subsidiaries entering into any such proposed transaction or series of related transactions, the respective maximum amounts for our company and our subsidiaries shall be the higher of the amounts specified above and an amount equal to 1% of the market capitalization of our company calculated on the basis of the average closing price of the Shares for the 20 trading days immediately preceding the date of our board meeting called to consider the transaction or series of related transactions;

(iii) the incurrence of any indebtedness or provision of guarantees in an amount exceeding, in the case of our company and our subsidiaries, US$50 million (RMB375.8 million) in a single transaction or US$100 million (RMB751.6 million) on an aggregate basis, within any 12-month period (exclusive of the indebtedness and guarantees that have been included in the budget approved by the board of directors of Alibaba.com Corporation);

(iv) the approval of the issuance of any Shares, except as specified in paragraphs (b)(vi) and (vii) below;

(v) subject to the paragraph below regarding appointment of our directors, the nomination or voting for any candidate for election to our board;

(vi) the approval of the declaration or payment of any dividend or distribution by our company on or with respect to the Shares;

(vii) the approval of any material change of the scope of business of our company or any of our subsidiaries as such business exists on the Listing Date; and

(viii) the approval of any notifiable transaction (as defined under the Listing Rules) by our company or our subsidiaries that requires the approval of our shareholders under the Listing Rules.

(b) *Matters at the level of Alibaba.com Corporation requiring the approval of the majority of the board including the director appointed by Yahoo!*. These matters include the following:

(i) the incurrence of any indebtedness or provision of guarantees in an amount exceeding, in the case of our company and our subsidiaries, US$150 million (RMB1,127.3 million) in a single transaction or US$300 million (RMB2,254.7 million) on an aggregate basis, within any 12-month period;

(ii) the approval of the amendment or modification of the Memorandum and Articles of Association of our company (except where such amendments or modifications are required to comply with any law, regulation or rule applicable to our company);

(iii) the approval of a merger, scheme of arrangement, consolidation or other reorganization involving our company or all or substantially all of the assets of our company, alone or with another person or direct or indirect subsidiary of such person, if such merger, scheme of arrangement, consolidation or other reorganization is subject to the vote of our shareholders under any applicable law, regulation or listing rule;

(iv) the approval of (A) any action that would result directly or indirectly in Alibaba.com Corporation holding less than 55% of the outstanding voting shares of our company on a fully diluted basis (less such percentage of our shares held by Yahoo! and any of its controlled affiliates), (B) any transfer of our shares by Alibaba.com Corporation that would result directly or indirectly in Alibaba.com Corporation holding less than 60% of the outstanding voting shares of our company on a fully diluted basis (less such percentage of our shares held by Yahoo! and any of its controlled affiliates) or (C) any transfer of our shares by Alibaba.com Corporation at any time that Alibaba.com Corporation owns less than 60% of the outstanding voting shares of our company on a fully diluted basis (less such percentage of our shares held by Yahoo! and any of its controlled affiliates);

(v) the approval of any filing for the appointment of a receiver or administrator for (A) the bankruptcy or insolvency of our company or any of our subsidiaries or (B) the winding up or liquidation of our company, or otherwise permit our company or any of our subsidiaries to pursue bankruptcy or insolvency proceedings, unless required by applicable law;

(vi) the approval of any general mandate granted by our shareholders in general meeting to our board as contemplated by Rule 13.36(2)(b) of the Listing Rules (including any refreshing of such general mandate) if (A) after giving effect to the issuance of securities under any partial or full exercise of such general mandate (calculated at the time of any such proposed grant by our shareholders), Alibaba.com Corporation would hold less than 55% of the outstanding voting shares of our company on a fully diluted basis (less such percentage of our shares held by Yahoo! and any of its controlled affiliates) or (B) such general mandate would grant to our board the right to approve the issuance of securities in excess of 10% of the then outstanding number of our shares within any 12-month period; and

(vii) the approval of any share-based compensation plan for our employees, officers, directors or consultants or the refreshment of any such plan (all of which are subject to the approval of our shareholders in general meeting) if, after giving effect to the issuance of our shares thereunder (calculated at the time of any such approval by our shareholders), Alibaba.com Corporation would hold less than 55% of our outstanding shares on a fully diluted basis (less such percentage of our shares held by Yahoo! and any of its controlled affiliates).

(c) *Matters at the level of Alibaba.com Corporation requiring the approval of Yahoo!*. These matters include the following:

(i) the expansion or entry into a new line of business outside of China, which new line of business is (A) outside the scope of the existing scope of business of Alibaba.com Corporation as such business existed in October 2005 or (B) an Internet-based consumer business (other than peer-to-peer payments business and auctions businesses); and

(ii) the approval of any notifiable transaction (as defined under the Listing Rules) with certain Yahoo! competitors (as specified in the shareholders' agreement) by our company or our subsidiaries that requires the approval of our shareholders under the Listing Rules.

Yahoo!'s veto rights in respect of the above matters will terminate if its shareholding in Alibaba.com Corporation falls below certain agreed thresholds. Yahoo! has not exercised its veto rights in the past.

(d) *Matters at the level of Alibaba.com Corporation requiring the approval of Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders*. These matters include the following:

(i) the entry into of any disposition transaction relating to any of Alibaba.com Corporation's core businesses (that is, search, portal, consumer e-commerce, B2B and online payment services); and

(ii) the entry into of any transaction involving the disposition, sale or other transfer of assets (including securities of subsidiaries of Alibaba.com Corporation) or properties of Alibaba.com Corporation or its subsidiaries principally related to Alipay, Taobao or Yahoo! China to our company.

An Alibaba.com Corporation shareholder's veto rights in respect of the above matters will terminate if its shareholding in Alibaba.com Corporation falls below certain agreed thresholds. None of Yahoo!, Softbank or the Alibaba.com Corporation Management Shareholders has ever exercised its veto rights in the past.

- *Appointment of our directors*. Each of Yahoo! and Softbank is entitled to nominate a person for appointment as a director of our company and Alibaba.com Corporation will cause such persons to be appointed as directors of our company. Such nomination right will terminate if Yahoo! or Softbank (as the case may be) ceases to be entitled to appoint at least one director to the board of directors of Alibaba.com Corporation. Each of the directors nominated by Yahoo! and Softbank will abstain from voting in connection with any board decisions of our company relating to transactions between the Company and Yahoo! or Softbank, respectively.

- *Appointment of certain officers of Alibaba.com Corporation*. Certain legal and finance compliance personnel of Alibaba.com Corporation are appointed by mutual agreement of Alibaba.com Corporation and Yahoo!. Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders have agreed that Jack Ma will not be removed as the chief executive officer of Alibaba.com Corporation, unless he is removed earlier for cause, prior to the earliest of (a) the listing of Alibaba.com Corporation, (b) October 2010 and (c) his resignation, retirement, death or incapacity. The shareholders' agreement does not contain any provisions relating to the appointment of the officers of our company.

- *Standstill*. No shareholder of Alibaba.com Corporation may acquire any equity securities in Alibaba.com Corporation if, immediately following such acquisition, such shareholder will own, in aggregate, 50% or more of the outstanding voting power or economic benefit of Alibaba.com Corporation without the prior approval of Jack Ma (or, in the case of, any Management Shareholder, without the approval of Yahoo! and Softbank) until the earliest of (a) the second anniversary of the listing of Alibaba.com Corporation, (b) October 2010, (c) Jack Ma ceasing to be both the chief executive officer and a director of Alibaba.com Corporation and (d) Jack Ma ceasing to own at least 1% of the outstanding shares in Alibaba.com Corporation on a fully diluted basis.

- *Transfer of shares in Alibaba.com Corporation*. The shareholders' agreement contains provisions governing the transfer of shares in Alibaba.com Corporation by Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders, including provisions relating to rights of first offer and tag-along rights in the event a shareholder wishes to sell its shares in Alibaba.com Corporation.

- *Voting agreement relating to shares in Alibaba.com Corporation*. Yahoo! has agreed to vote such of its shareholding interest in Alibaba.com Corporation which is above 35% (subject to certain adjustments) (the "Voting Agreement Shares") in the manner as directed by the Alibaba.com Corporation Management Shareholders at any shareholders' meetings of Alibaba.com Corporation until the earliest of (a) the date on which Alibaba.com Corporation or Jack Ma waives the standstill provisions in the shareholders' agreement referred to above, (b) the listing of Alibaba.com Corporation, (c) October 2010, (d) Jack Ma ceasing to be the chief executive officer or comparable officer of Alibaba.com Corporation, (e) the number of Voting Agreement Shares is reduced to or below zero and (f) the Alibaba.com Corporation Management Shareholders notify Yahoo! and Alibaba.com Corporation of their election to terminate the voting agreement. The voting agreement functions to prevent any of the three main shareholder groups, namely Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders, from individually having control over Alibaba.com Corporation by ensuring that each of the three shareholder groups has roughly equal shareholder voting rights and no single shareholder group dominates shareholder proceedings. Thus, under this provision, in the event that Yahoo! and the Alibaba.com Corporation Management Shareholders decide to vote differently on any particular shareholders' resolution of Alibaba.com Corporation (as they are free to do so), the Alibaba.com Corporation Management Shareholders shall have the right to require Yahoo! to vote the Voting Agreement Shares (i.e., the shares above the 35% threshold only) in accordance with the Alibaba.com Corporation Management Shareholders' instructions regardless of how Yahoo! votes its other shares.

- *Information rights*. Alibaba.com Corporation is required to provide to Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders quarterly consolidated management accounts of Alibaba Group (including our company) within 60 days after the end of each quarter. The purpose of such information disclosure is to enable each of Yahoo! and Softbank to comply with its respective reporting obligations as a company listed on Nasdaq and the Tokyo Stock Exchange, respectively. In order for Alibaba.com Corporation to prepare such quarterly consolidated management accounts, we will be providing quarterly consolidated management accounts to Alibaba.com Corporation subject to compliance with the relevant provisions of the Listing Rules and on the basis that Alibaba.com Corporation has undertaken (i) not to deal, and to procure that each of its employees and senior management involved in the review and preparation of the relevant financial information concerning the Company not to deal, in any Shares and (ii) to keep such information strictly confidential from the time of receipt of such information to such time when we publish the financial information in our results announcements. In addition, both our company and Alibaba.com Corporation will implement internal control procedures to ensure that all parties involved in the review and preparation of the relevant quarterly financial information is apprised of and are bound by the relevant confidentiality undertakings as necessary and appropriate. In order to ensure that our shareholders are treated equally with respect to access to financial information, we plan to publish quarterly financial reports beginning with the quarter ending March 31, 2008 on a voluntary basis. In this way, any financial information we provide to Alibaba.com Corporation as a result of its obligations to provide quarterly information to its shareholders will also be made available on a timely basis to all shareholders of our company.

- *Termination.* The shareholders' agreement will terminate (a) in respect of a shareholder if that shareholder ceases to own any shares in Alibaba.com Corporation and (b) if our company becomes a wholly owned subsidiary of Alibaba.com Corporation, in which event the original shareholders' agreement entered into by the parties in October 2005 will be reinstated.

Effect of the Alibaba.com Corporation Shareholders' Agreement on Our Company

As our company is not a party to the Alibaba.com Corporation shareholders' agreement, the arrangements among the shareholders of Alibaba.com Corporation in terms of approval and/or veto rights in respect of the matters described above are not legally binding on our company or our board of directors. Accordingly, our board will not be under any legal obligation to seek the direction of Alibaba.com Corporation in advance of any board meetings of our company at which such matters are discussed and considered. Neither our company nor our board has any obligation to ensure the implementation of the shareholders' agreement.

Our directors owe fiduciary duties and duties of skill, care and diligence to our company and our shareholders, including those directors who are also directors of Alibaba Group or representative directors of Yahoo! and Softbank. These duties cannot be qualified by any directorships they may have in Alibaba Group. Our directors will need to have regard to any conflict of interests which they might have and, if such conflict exists, abstain from voting and not be counted in a quorum present at any meeting where such matters are discussed, as required by the Listing Rules and the Articles of Association. We also have in place requirements for conflicted directors to abstain from voting in situations of conflict. Furthermore the service contracts entered into by each of our directors require them to act in good faith in our interests at all times and to act at all times for the purposes of our company.

As a listed company, our board proceedings will be conducted in accordance with the Listing Rules, our Articles of Association and all applicable laws and regulations. Our board will function independently of Alibaba.com Corporation in the consideration of all matters put before it. By way of illustration, if any matter is put before our board which under the shareholders' agreement only requires the approval of the majority of the board of Alibaba.com Corporation (and not Alibaba.com Corporation and the other shareholders of our company), our company is not under any legal obligation to comply with the terms of the shareholders' agreement as we are not a party to the agreement and we will have full power to reach our own decision in relation to such matter. These matters include the payment of an interim dividend, entering into any notifiable transaction and the incurring of any loans by our company.

For matters that are subject to the approval of our shareholders under the Listing Rules or by applicable law, the decision-making process at the board and shareholder level of Alibaba.com Corporation will have an effect on such matters in the sense that Alibaba.com Corporation's vote, as our controlling shareholder, may determine the outcome of such matters. By way of illustration, even if our board has approved a proposal to enter into a notifiable transaction (as defined under Chapter 14 of the Listing Rules), if such notifiable transaction requires shareholders' approval under the Listing Rules, the approval of Alibaba.com Corporation will be required before any such transaction can proceed (for so long as it remains the majority shareholder of our company and provided that the transaction is not a connected transaction between our company and the Alibaba Group). From the perspective of the independent shareholders of our company, this position is no different from that of other companies with a corporate controlling shareholder. See "Risk Factors — Risks Related to Our Corporate Structure — Our corporate actions are substantially controlled by our parent company, and the interest of our parent company and its shareholders may not be aligned with the interests of our other shareholders" starting on page 36.

The proceedings of the shareholders' meetings and board meetings of Alibaba.com Corporation are subject to its articles of association and the relevant provisions of the shareholders' agreement among Alibaba.com Corporation, Yahoo!, Softbank and the Alibaba.com Corporation Management Shareholders. As our company is not a party to the Alibaba.com shareholders' agreement, our company would not be privy to how the shareholders' agreement would be enforced or implemented in practice.

For matters of our company that require our shareholders' approval under the Listing Rules or our Articles of Association, we will have to seek the requisite shareholders' approval in accordance with the Listing Rules and our Articles of Association. If any decision of our board on such matters is different from the decision of Alibaba.com Corporation (whether determined at its board or shareholders level), Alibaba.com Corporation will be entitled to cast its vote in accordance with its decision, which may not be in support of the decision taken by our board. In the case of connected transactions between our Company and Alibaba Group that are subject to independent shareholders' approval, Alibaba.com Corporation will be precluded from voting. This position is no different from other listed companies in Hong Kong with majority controlling shareholders.

For matters of our company that are subject to board approval only, if it comes to the attention of Alibaba.com Corporation, and Alibaba.com Corporation takes a different position from the decision of our board on any such matters, Alibaba.com Corporation will have the right, for so long as it holds a majority of our shares, to override such decisions by our board by convening a general meeting to (i) remove the board members of our company and appoint new directors and/or (ii) pass a resolution to override such prior board approval and cause our company to take such other course of action as it may determine. This position is also no different from other listed companies in Hong Kong with majority controlling shareholders. Please see "Risk Factors — 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" starting on page 36.

As our board is not legally obligated to seek the direction of Alibaba.com Corporation in relation to matters requiring approval of the board of our company, no price-sensitive information will be released by our company to Alibaba.com Corporation in connection with the decision-making process of our board on any such matters. Insofar as any matter requiring shareholders' approval of our company is concerned, Alibaba.com Corporation will receive the same information necessary to consider such matter at the same time as all other shareholders of our company, as required by and in accordance with the Listing Rules and applicable laws and regulations.

The right of Yahoo! and Softbank to nominate one representative director each to our board may be effected through the vote of Alibaba.com Corporation through its majority shareholding in our company at general meetings. Our Articles of Association contains no provision for any shareholder or class of shareholders to appoint directors to our board save for the usual provisions providing for ordinary resolutions to be passed to approve the appointment of candidates nominated by our board (at the recommendation of our nomination committee). Our board, acting upon the nomination of our nomination committee, will nominate for re-election any directors who are subject to retirement on a rotational basis and will nominate for election any new nominee to be appointed to the board. Alibaba.com Corporation may vote for or against these nominees as it deems fit and so long as it holds a majority of our shares, it will be able to pass the necessary ordinary resolutions to appoint or remove directors. This position is no different from other listed companies in Hong Kong with majority controlling shareholders.

Agreement With Yahoo!

Yahoo! became a major shareholder of Alibaba.com Corporation, our controlling shareholder, as a result of its investment in October 2005. In connection with the investment by Yahoo!, Alibaba.com Corporation and its shareholders entered into a number of agreements. Among other things, the parties agreed that Alibaba.com Corporation would require majority board approval to engage (directly or through its subsidiaries) in businesses outside of China and outside the then current scope of business of the Alibaba Group and that the majority approving any such action must include a director designated by Yahoo!. In addition, Yahoo! agreed to certain non-competition undertakings to the benefit of Alibaba.com Corporation.

In connection with the Global Offering, we have entered into an agreement with Yahoo! directly binding our company and Yahoo! similar to the non-competition undertakings previously agreed by Alibaba.com Corporation and Yahoo!. This agreement provides, in particular, that we and our subsidiaries may not, without Yahoo!'s consent, expand into or enter a new line of business outside of China, if the line of business is (i) outside the existing scope of business of Alibaba Group, including our company, as such business existed in October 2005; or (ii) an Internet-based consumer business (other than a peer-to-peer payments business (such as Alipay's business) or an auction business). We currently do not have any plans to enter into an Internet-based consumer business, and we expect that our plans for expansion outside China in the foreseeable future would relate to geographic expansion of our current B2B e-commerce business. This restriction will terminate on the earlier of (i) the date when Yahoo! ceases to own at least one-third of the number of the equity securities of Alibaba.com Corporation owned by Yahoo! on October 24, 2005 and (ii) the date when Alibaba.com Corporation ceases to own fifty percent (50%) or more of our outstanding Shares on a fully diluted basis (less such percentage of our Shares held by Yahoo! and its controlled affiliates on a fully diluted basis).

In turn, Yahoo! has agreed that, without our consent, neither it nor any of its majority owned or controlled subsidiaries may (i) acquire a "controlling interest" in a "China operating company" if such person has generated revenues in China from the B2B e-commerce business equal to 25% or more of the annual revenues generated in China by our company in the B2B e-commerce business or (ii) form a "China operating company" engaging in the B2B e-commerce business in China. "Controlling interest" for the purposes of this agreement means, as to any person: (i) the beneficial ownership of 25% or more of the voting equity securities of such person; or (ii) the possession of the right to elect or appoint, by contract or otherwise, a majority of the members of the board of directors or other equivalent governing body of such person. "China operating company" for the purposes of this agreement is defined as a company located in China (including an offshore company whose operations, through subsidiaries, are predominantly in China). Yahoo!'s obligations under this agreement will terminate when the technology and intellectual property agreement between Alibaba.com Corporation and Yahoo! terminates or upon a change of control of Yahoo!.

Our directors consider that the agreement with Yahoo! is in the best interests of our shareholders as a whole. This is because the agreement would protect us from competition by Yahoo! in China, which is currently our main market, and would ensure that we can enforce the restrictions against Yahoo! directly without having to rely on Alibaba Group to do so on our behalf. Our directors do not consider the restrictions on us to have a material adverse effect on our future development as we would still have the freedom to conduct any business inside of China as such business exists immediately before the Global Offering. While we are restricted from conducting an Internet-based consumer business (other than a peer-to-peer payments business or an auction business) outside of China under the terms of the agreement, our directors do not consider these restrictions to have a material adverse effect on our international expansion plans as we currently have no plans to enter into an Internet-based consumer business outside of China.