The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

The directors
Alibaba.com Limited
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited

October 23, 2007

Dear Sirs,

We set out below our report on the financial information relating to Alibaba.com Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the years ended December 31, 2004, 2005 and 2006 and six months ended June 30, 2007 (the "Relevant Periods") for inclusion in the prospectus of the Company dated October 23, 2007 (the "Prospectus") in connection with the initial public offering of the shares of the Company and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company was incorporated in the Cayman Islands on September 20, 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganization as detailed in the section headed Group reorganization and basis of presentation below (the "Reorganization"), the Company became the holding company of the subsidiaries now comprising the Group.

As of the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared for the Company as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. Details of the financial statements of the companies now comprising the Group that are subject to audit and the names of the respective auditors are set out in Note 1 below. All companies now comprising the Group have adopted December 31 as their financial year end date.

For the purpose of this report, the directors of the Company have prepared combined financial statements of the Group for each of the years ended December 31, 2004, 2005 and 2006 and six months ended June 30, 2007 in accordance with International Financial Reporting Standards (the "IFRS Combined Financial Statements"). We have audited the IFRS Combined Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

Respective responsibilities of directors and reporting accountants

The financial information as set out below (the "Financial Information") has been prepared based on the audited IFRS Combined Financial Statements and on the basis set out below.

The directors of the respective companies comprising the Group, during the Relevant Periods, are responsible for preparing the respective financial statements which give a true and fair view of the financial condition and results of operations of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are responsible for the Financial Information which gives a true and fair view.

For the financial information for each of the years ended December 31, 2004, 2005 and 2006 and six months ended June 30, 2007, it is our responsibility to express an independent opinion, based on our examination, on the financial information and to report our opinion to you. For the financial information for the six months ended June 30, 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you.

Basis of opinion and review work performed

We examined the audited IFRS Combined Financial Statements for each of the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007 and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the financial information for the six months ended June 30, 2006, we conducted our review on the financial information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of the financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Opinion and review conclusion

In our opinion, the Financial Information, for the purpose of this report, and prepared on the basis set out in Note 1 below, gives a true and fair view of the state of affairs of the Company as of December 31, 2006 and June 30, 2007 and of the combined state of affairs of the Group as of December 31, 2004, 2005 and 2006 and June 30, 2007, and of the Group's combined results and cash flows for the years/period then ended.

Based on our review, for the purpose of this report and on the basis set out in Note 1 below, nothing has come to our attention that causes us to believe that the financial information does not give a true and fair view of the combined financial performance and cash flows of the Group for the six months ended June 30, 2006 in accordance with International Financial Reporting Standards.

I. FINANCIAL INFORMATION

The following are the Financial Information of the Group as of December 31, 2004, 2005 and 2006 and June 30, 2007 and for each of the years ended December 31, 2004, 2005 and 2006 and six months ended June 30, 2007, prepared on the basis set out in Note 1 below:

COMBINED INCOME STATEMENTS

		Year ended December 31,			Six months ended June 30,	
		2004	2005	2006	2006 (Unaudited)	2007
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue						
—International marketplace		254,765	527,227	991,869	431,481	695,398
—China marketplace		104,670	211,070	371,993	162,156	260,965
—Others	32(a)	—	—	—	—	1,353
Total revenue		359,435	738,297	1,363,862	593,637	957,716
Cost of revenue		(62,569)	(126,509)	(237,625)	(109,131)	(122,717)
Gross profit		296,866	611,788	1,126,237	484,506	834,999
Sales and marketing expenses		(194,773)	(393,950)	(610,198)	(299,034)	(307,428)
Product development expenses		(19,151)	(35,678)	(105,486)	(47,256)	(58,278)
General and administrative expenses		(57,639)	(101,082)	(159,969)	(59,820)	(88,432)
Other operating (loss)/income, net	6	(426)	14,465	17,645	800	1,190
Profit from operations	7	24,877	95,543	268,229	79,196	382,051
Interest income		3,591	7,876	23,159	10,340	17,699
Profit before income taxes		28,468	103,419	291,388	89,536	399,750
Income tax credits/(charges)	11	45,393	(32,965)	(71,450)	(28,253)	(104,543)
Profit for the year/period attributable to equity owners of the Group		73,861	70,454	219,938	61,283	295,207
Earnings per share for profit attributable to equity owners (expressed in RMB)	12	N/A	N/A	N/A	N/A	N/A
Dividends declared	13	33,109	—	392,521	196,612	—

COMBINED BALANCE SHEETS

	Notes	As of December 31, 2004 RMB'000	2005 RMB'000	2006 RMB'000	As of June 30, 2007 RMB'000
ASSETS					
Non-current assets					
Property and equipment	14	38,126	84,892	113,304	121,580
Deferred tax assets	28	58,842	127,595	211,875	209,117
Prepayments, deposits and other receivables	16	—	—	—	28,478
Deferred costs	17	2,860	6,350	4,988	8,483
Total non-current assets		99,828	218,837	330,167	367,658
Current assets					
Amounts due from related companies	32(c)	6,025	21,800	25,148	4,982
Prepayments, deposits and other receivables	16	11,068	68,516	36,389	56,083
Deferred costs	17	68,639	133,976	163,392	170,782
Restricted cash		415	807	781	—
Term deposits with original maturities of over three months	18	—	337,000	1,051,000	1,202,000
Cash and cash equivalents	19	441,705	698,335	437,804	560,888
Total current assets		527,852	1,260,434	1,714,514	1,994,735
Total assets		627,680	1,479,271	2,044,681	2,362,393
EQUITY					
Capital and reserves attributable to equity owners of the Company					
Share capital	20	—	—	—	—
Share premium	20	—	—	—	—
Capital reserve	21	230,572	240,629	354,533	(55,787)
Exchange reserve	23	(3)	1,471	3,937	13,224
Statutory reserves	24	25,525	47,304	58,223	57,939
(Accumulated deficit)/Retained earnings		(136,298)	(87,623)	(271,125)	24,366
Total equity		119,796	201,781	145,568	39,742
LIABILITIES					
Non-current liabilities					
Deferred revenue	27	14,046	35,509	37,146	58,519
Current liabilities					
Deferred revenue and customer advances	27	374,606	749,204	1,216,818	1,465,739
Trade payables	25	1,068	14,175	8,698	11,786
Amounts due to related companies	32(c)	61,427	246,319	161,538	594,854
Other payables and accruals	26	48,812	198,792	172,281	162,132
Dividend payable		—	—	195,909	—
Current income tax liabilities		7,925	33,491	106,723	29,621
Total current liabilities		493,838	1,241,981	1,861,967	2,264,132
Total liabilities		507,884	1,277,490	1,899,113	2,322,651
Total equity and liabilities		627,680	1,479,271	2,044,681	2,362,393
Net current assets/(liabilities)		34,014	18,453	(147,453)	(269,397)
Total assets less current liabilities		133,842	237,290	182,714	98,261

BALANCE SHEET OF THE COMPANY

	Notes	As of December 31, 2006 RMB'000	As of June 30, 2007 RMB'000
ASSETS			
Non-current assets			
Interest in a subsidiary	15	—	—
Current assets			
Prepayments, deposits and other receivables	16	395	11,934
Cash and cash equivalents	19	18	161
Total current assets		413	12,095
Total assets		413	12,095
EQUITY			
Capital and reserves attributable to the equity owners of the Company			
Share capital	20	—	—
Accumulated deficit		(22)	(30)
		(22)	(30)
LIABILITIES			
Current liabilities			
Amount due to a subsidiary	15	—	2,723
Amounts due to related companies	32(c)	435	9,181
Other payables and accruals	26	—	221
Total current liabilities		435	12,125
Total equity and liabilities		413	12,095
Net current liabilities		(22)	(30)
Total assets less current liabilities		(22)	(30)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Accumulated deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of January 1, 2004	—	—	98,303	—	4,554	(156,079)	(53,222)
Profit for the year	—	—	—	—	—	73,861	73,861
Currency translation differences	—	—	—	(3)	—	—	(3)
Total recognized income and expense for the year	—	—	—	(3)	—	73,861	73,858
Capital injections to subsidiaries by their then equity owners	—	—	120,854	—	—	—	120,854
Appropriation to statutory reserves	—	—	—	—	20,971	(20,971)	—
Dividend declared	—	—	—	—	—	(33,109)	(33,109)
Value of employee services under equity award plans	—	—	11,415	—	—	—	11,415
Balance as of December 31, 2004	—	—	230,572	(3)	25,525	(136,298)	119,796
Balance as of January 1, 2005	—	—	230,572	(3)	25,525	(136,298)	119,796
Profit for the year	—	—	—	—	—	70,454	70,454
Currency translation differences	—	—	—	1,474	—	—	1,474
Total recognized income and expense for the year	—	—	—	1,474	—	70,454	71,928
Capital injections to subsidiaries by their then equity owners	—	—	5,480	—	—	—	5,480
Reserve arising from business combination	—	—	(44,314)	—	—	—	(44,314)
Appropriation to statutory reserves	—	—	—	—	21,779	(21,779)	—
Value of employee services under equity award plans	—	—	48,891	—	—	—	48,891
Balance as of December 31, 2005	—	—	240,629	1,471	47,304	(87,623)	201,781

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Accumulated deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of January 1, 2006	—	—	240,629	1,471	47,304	(87,623)	201,781
Profit for the year	—	—	—	—	—	219,938	219,938
Currency translation differences	—	—	—	2,466	—	—	2,466
Total recognized income and expense for the year	—	—	—	2,466	—	219,938	222,404
Issue of share capital	—	—	—	—	—	—	—
Appropriation to statutory reserves	—	—	—	—	10,919	(10,919)	—
Dividends declared	—	—	—	—	—	(392,521)	(392,521)
Value of employee services under equity award plans	—	—	113,904	—	—	—	113,904
Balance as of December 31, 2006	—	—	354,533	3,937	58,223	(271,125)	145,568

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	(Accumulated deficit)/ Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as of January 1, 2007	—	—	354,533	3,937	58,223	(271,125)	145,568
Profit for the period	—	—	—	—	—	295,207	295,207
Currency translation differences	—	—	—	9,287	—	—	9,287
Total recognized income and expense for the period	—	—	—	9,287	—	295,207	304,494
Deemed distributions to equity owners (Note 21(c))	—	—	(464,809)	—	—	—	(464,809)
Reclassification arising from deemed disposal of a subsidiary	—	—	—	—	(284)	284	—
Value of employee services under equity award plans	—	—	54,489	—	—	—	54,489
Balance as of June 30, 2007	—	—	(55,787)	13,224	57,939	24,366	39,742
For the six months ended June 30, 2006 (Unaudited)							
Balance as of January 1, 2006	—	—	240,629	1,471	47,304	(87,623)	201,781
Profit for the period	—	—	—	—	—	61,283	61,283
Currency translation differences	—	—	—	626	—	—	626
Total recognized income and expense for the period	—	—	—	626	—	61,283	61,909
Dividends declared	—	—	—	—	—	(196,612)	(196,612)
Value of employee services under equity award plans	—	—	53,402	—	—	—	53,402
Balance as of June 30, 2006	—	—	294,031	2,097	47,304	(222,952)	120,480

COMBINED CASH FLOW STATEMENTS

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities					
Profit before income taxes	28,468	103,419	291,388	89,536	399,750
Adjustments for:					
Depreciation expense	11,535	28,856	54,043	24,084	27,309
Share-based compensation expense	11,415	48,891	113,904	53,402	54,489
Loss on disposals of property and equipment	455	329	483	105	4
Interest income	(3,591)	(7,876)	(23,159)	(10,340)	(17,699)
(Increase)/Decrease in amounts due from related companies	(2,854)	(15,185)	(3,348)	15,092	45,150
(Increase)/Decrease in prepayments, deposits and other receivables	(4,151)	(52,140)	35,470	20,392	(13,347)
Increase in deferred costs	(36,761)	(68,827)	(28,054)	(27,925)	(10,885)
(Increase)/Decrease in restricted cash	—	(415)	—	—	781
Increase in deferred revenue and customer advances	206,630	396,061	469,251	196,562	303,905
(Decrease)/Increase in trade payables	(970)	13,107	(5,477)	661	3,088
Increase/(Decrease) in amounts due to related companies	6,930	139,106	(66,875)	63,605	(44,186)
Increase/(Decrease) in other payables and accruals	23,637	140,920	(24,462)	(83,774)	(5,703)
Net cash provided by operating activities	240,743	726,246	813,164	341,400	742,656
Income tax paid	(4,195)	(76,148)	(82,493)	(41,926)	(178,249)
Net cash generated from operating activities	236,548	650,098	730,671	299,474	564,407
Cash flows from investing activities					
Increase in term deposits with original maturities of over three months	—	(337,000)	(714,000)	(410,000)	(151,000)
Purchase of property and equipment and prepayment for land use rights	(32,306)	(73,742)	(96,690)	(55,769)	(82,368)
Proceeds from disposals of property and equipment	93	528	270	177	226
Interest received	2,432	8,040	16,053	5,783	9,710
Net cash outflow arising from deemed disposals pursuant to the Reorganization	—	—	—	—	(21,947)
Net cash used in investing activities	(29,781)	(402,174)	(794,367)	(459,809)	(245,379)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	—	—	—	—	—
Capital injections to subsidiaries by their then equity owners	87,745	9,090	—	—	—
Dividends paid	—	—	(196,612)	(196,612)	(195,909)
Net cash provided by/(used in) financing activities	87,745	9,090	(196,612)	(196,612)	(195,909)
Net increase/(decrease) in cash and cash equivalents	294,512	257,014	(260,308)	(356,947)	123,119
Cash and cash equivalents at beginning of year/period	147,196	441,705	698,335	698,335	437,804
Effect of exchange rate for the year/period	(3)	(384)	(223)	4	(35)
Cash and cash equivalents at end of year/period	441,705	698,335	437,804	341,392	560,888

II. NOTES TO THE FINANCIAL INFORMATION

1 Group reorganization and basis of presentation

(a) General information

Alibaba.com Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on September 20, 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and reissued) of the Cayman Islands. The Company is an investment holding company, and its registered address is Fourth Floor, One Capital Place. P.O. Box 847, GT, Grand Cayman, Cayman Islands, British West Indies. The subsidiaries of the Group are principally engaged in the provision of software, technology and other services on the online business-to-business marketplaces with the uniform resource locators www.alibaba.com and www.alibaba.com.cn and under the trade name "Alibaba" (the "Business-to-Business Services"). As of the date of this report, the ultimate holding company of the Group is Alibaba.com Corporation.

As of the date of this report, the Company had direct and indirect interests in the following entities:

Name	Place and date of incorporation/ establishment	Principal activities	Particulars of issued share/ registered capital	Effective interest held	Note
Directly held:					
Alibaba.com Investment Holding Limited	British Virgin Islands (the "BVI"), September 20, 2006	Investment holding	US$1	100%	(i)
Indirectly held:					
Alibaba (China) Technology Co., Ltd. 阿里巴巴(中國)網絡技術有限公司	The People's Republic of China (the "PRC"), September 9, 1999	Provision of software and technology services	US$14,000,000	100%	(ii)
Alibaba (China) Software Co., Ltd. 阿里巴巴(中國)軟件有限公司	The PRC, August 23, 2004	Provision of software and technology services	US$6,000,000	100%	(ii)
Alibaba.com China Limited	Hong Kong, October 5, 2006	Investment holding	HK$1	100%	(iii)
Alibaba.com Hong Kong Limited	Hong Kong, September 29, 1999	Business-to-Business Services, provision of Internet content, software and technology services and other group administrative services	HK$3,900,002	100%	(iv)
Alibaba.com, Inc.	Delaware, United States of America, February 25, 2000	Technology maintenance, marketing and administrative services	US$2	100%	(i)
Alibaba.com Japan Holding Limited	The BVI, March 8, 2000	Investment holding	US$1	100%	(i)
Alibaba.com Japan Investment Holding Limited	The Cayman Islands, July 19, 2006	Investment holding	US$1	100%	(i)

1 Group reorganization and basis of presentation (Continued)

Name	Place and date of incorporation/ establishment	Principal activities	Particulars of issued share/ registered capital	Effective interest held	Note
Alibaba.com Taiwan Holding Limited	The BVI, August 2, 2000	Inactive	US$1	100%	(i)
Alibaba (Shanghai) Technology Co., Ltd. 阿里巴巴網絡科技(上海)有限公司	The PRC, October 23, 2003	Inactive	US$140,000	100%	(ii)
Beijing Sinya Online Information Technology Co., Ltd. 北京新雅在綫信息技術有限公司	The PRC, March 16, 2004	Inactive	US$9,000,000	100%	(v)
Hangzhou Alibaba Advertising Co., Ltd. (formerly known as "Hangzhou Alibaba Information Services Co., Ltd.") 杭州阿里巴巴廣告有限公司 (前稱杭州阿里巴巴信息服務有限公司)	The PRC, December 7, 2006	Provision of Internet content and advertising services	RMB10,000,000	100%	(iii)
Inter Network Technology Limited	The BVI, July 1, 2003	Investment holding	US$2	100%	(i)

(i) No audited financial statements have been prepared as these companies are incorporated in jurisdictions which do not have any statutory audit requirements.

(ii) The statutory financial statements of these companies for the years ended December 31, 2004 and December 31, 2006 were audited by Zhejiang Zhonghui Certified Public Accountants Company Limited (浙江中匯會計師事務所有限公司). The statutory financial statements of these companies for the year ended December 31, 2005 were audited by Zhejiang Dongfang Zhonghui Certified Public Accountants Company Limited (浙江東方中匯會計師事務所有限公司). All these audited financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC.

(iii) No audited financial statements have been prepared as the companies were newly incorporated in 2006 and had not engaged in any activities up to the year ended December 31, 2006.

(iv) The statutory financial statements of Alibaba.com Hong Kong Limited for the years ended December 31, 2004, 2005 and 2006 prepared in accordance with Hong Kong Financial Reporting Standards were audited by PricewaterhouseCoopers.

(v) The statutory financial statements of Beijing Sinya Online Information Technology Co., Ltd. for the years ended December 31, 2004 and 2005 were audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所). The statutory financial statements of Beijing Sinya Online Information Technology Co. Ltd. for the year ended December 31, 2006 were audited by LegendHouse CPAs (北京潤衡會計師事務所). All these audited financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC.

(b) Reorganization

Since inception, the Business-to-Business Services were carried out by the companies now comprising the Group, AliPay E-commerce Corp. (formerly known as "Alibaba.com E-commerce Corp.") and Zhejiang Alibaba E-commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司). AliPay E-commerce Corp. is wholly-owned by Alibaba.com Corporation throughout the Relevant Periods. Zhejiang Alibaba E-commerce Co., Ltd is under the control of Alibaba.com Corporation through structure contracts, which enable Alibaba.com Corporation to obtain the substantial majority of benefits of the Zhejiang Alibaba E-commerce Co., Ltd. The arrangements of the structure contracts give the Group control over Zhejiang Alibaba E-commerce Co., Ltd.

1 Group reorganization and basis of presentation (Continued)

Immediately before the Reorganization, the Company had 100% direct interest in Alibaba.com Investment Holding Limited which had 100% direct interest in Alibaba.com China Limited. For the preparation of the listing of the shares of the Company on the Main Board of The Hong Kong Stock Exchange, a reorganization was carried out to transfer the Business-to-Business Services to the Company and its subsidiaries. The steps of the Reorganization are summarized below:

- On January 2, 2007, Alibaba.com Investment Holding Limited acquired the entire equity interest in Alibaba.com, Inc. from the ultimate holding company, for a cash consideration of approximately US$3.2 million (RMB25.0 million), which represented the net asset value of the entity as of December 31, 2006.

- On January 2, 2007, Alibaba.com China Limited acquired the entire equity interest in Inter Network Technology Limited from Alibaba.com China Holding Limited, a fellow subsidiary of the Company, for a consideration of US$1 (RMB8). Inter Network Technology Limited is a holding company and its major asset is the entire equity interest in Alibaba (Shanghai) Technology Co., Ltd. (阿里巴巴網絡科技(上海)有限公司).

- On January 2, 2007, Alibaba.com Investment Holding Limited acquired the entire equity interest in Alibaba.com Hong Kong Limited from the ultimate holding company, for a consideration of US$1 (RMB8).

- On January 2, 2007, Alibaba.com Hong Kong Limited acquired all the assets, liabilities and operations related to the Business-to-Business Services owned by AliPay E-commerce Corp., a fellow subsidiary of the Company, for a cash consideration of US$30.0 million (RMB234.3 million), which represented the fair value of the assets acquired related to the Business-to-Business Services.

- On January 17, 2007, Alibaba.com China Limited acquired the entire equity interests in Alibaba (China) Software Co., Ltd. (阿里巴巴(中國)軟件有限公司) from Alibaba.com China Holding Limited, for a cash consideration of US$6.0 million (RMB46.7 million), which represented the registered capital of the entity at the time of the transfer.

- On April 11, 2007, Alibaba.com China Limited acquired the entire equity interests in Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) from Alibaba.com China Holding Limited, for a cash consideration of US$14.0 million (RMB108.2 million), which represented the registered capital of the entity at the time of the transfer.

- On May 14, 2007, Alibaba.com Investment Holding Limited acquired the entire equity interest in Alibaba.com Taiwan Holding Limited from the ultimate holding company, for a consideration of US$1 (RMB8).

- On May 23, 2007, Alibaba.com Investment Holding Limited acquired the entire equity interest in Alibaba.com Japan Investment Holding Limited from the ultimate holding company, for a consideration of US$1 (RMB8).

- On June 4, 2007, Alibaba.com Japan Investment Holding Limited acquired the entire equity interest in Alibaba.com Japan Holding Limited from the ultimate holding company, for a consideration of US$1 (RMB8).

1 Group reorganization and basis of presentation (Continued)

- On June 30, 2007, Hangzhou Alibaba Advertising Co., Ltd. (杭州阿里巴巴廣告有限公司) acquired all the assets, liabilities and operations related to the Business-to-Business Services owned by Zhejiang Alibaba E-Commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) for a consideration of approximately RMB114,000, which represented the net book value of the assets, liabilities and operations transferred.

- On July 10, 2007, Alibaba.com China Limited acquired the entire equity interest in Beijing Sinya Online Information Technology Co., Ltd. (北京新雅在綫信息技術有限公司) from Alibaba.com China Holding Limited, for a consideration of US$1 (RMB8).

In addition, the Group provided certain marketing and administrative services to other businesses controlled by Alibaba.com Corporation during the years ended December 31, 2004, 2005 and 2006 (the function in which the related services were provided is referred to as "Marketing and Administrative Function").

Given the Marketing and Administrative Function was part of business activities of the companies comprising the Group before the Reorganization, the assets, liabilities and expenses related to the Marketing and Administrative Function have been reflected in the financial information during the years ended December 31, 2004, 2005 and 2006 and six months ended June 30, 2006. The analysis of the expenses attributable to the Marketing and Administrative Function during the Relevant Periods is as follows:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales and marketing expenses	—	35,959	83,186	58,661	—
Product development expenses	—	1,414	6,748	3,705	—
General and administrative expenses	9,594	29,972	47,573	18,818	—
Total	9,594	67,345	137,507	81,184	—

The unsettled liabilities of the Marketing and Administrative Function cannot be separately identified from the Group's liabilities and the amount of assets related to the Marketing and Administrative Function is immaterial.

Subsequent to December 31, 2006, the Marketing and Administrative Function was transferred to other subsidiaries of Alibaba.com Corporation not comprising the Group. In connection therewith, employees of the Group who provided marketing and administrative services to Alibaba.com Corporation and its subsidiaries after the Reorganization were transferred to other subsidiaries of Alibaba.com Corporation during the six months ended June 30, 2007.

Upon the completion of the Reorganization, Alibaba.com Corporation in effect had transferred all of its interests in entities, assets and liabilities which are principally engaged in the Business-to-Business Services to the Group.

(c) Basis of presentation

As Alibaba.com Corporation owned or controlled the Business-to-Business Services before the Reorganization and continues to control the Company after the Reorganization, the Reorganization is considered as a business combination under common control in a manner similar to pooling-of-interests and the principles of merger accounting under Hong Kong

1 Group reorganization and basis of presentation (Continued)

Accounting Guideline 5 "Merger Accounting for Common Control Combinations". The Financial Information includes the combined financial position, results and cash flows of the Group as if the existing group structure had been in existence and the Business-to-Business Services were injected into the Group at January 1, 2004 or when the subsidiaries were incorporated/ established or acquired by Alibaba.com Corporation, whichever is the later. For the purpose of this report, AliPay E-commerce Corp. and Zhejiang Alibaba E-commerce Co., Ltd. were deemed to be disposed by the Group upon the completion of the purchase of assets and liabilities subsequent to December 31, 2006, pursuant to the Reorganization. All assets and liabilities transferred to the Group have been stated at Alibaba.com Corporation's historical carrying amounts.

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), under the historical cost convention. Certain new IFRS, amendments and interpretations to the existing IFRS published but are effective for financial years beginning on or after January 1, 2008 have not been early adopted (Note 33). The principal accounting policies applied in the preparation of these combined financial statements are set out in Note 2 below. These policies have been consistently applied to all the years and periods presented. IFRS 1 "First-time adoption of International Financial Reporting Standards" has been applied in preparing the Financial Information.

The preparation of Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined financial statements, are disclosed in Note 4. Actual results may differ from these estimates.

2 Summary of significant accounting policies

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions which qualify as business combinations under common control which are accounted for using merger accounting.

(i) Purchase method of accounting

The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

2 Summary of significant accounting policies (Continued)

(ii) Business combinations under common control

The combined financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognized directly in equity as part of the capital reserve.

The combined income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or business had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is the later.

To comply with PRC laws and regulations that restrict foreign ownership of companies that operate Internet information services and other restricted businesses, the Group operates its websites and provides such restricted services in the PRC through PRC domestic companies whose equity interests are held by certain directors of the Company. The paid-in capital of these entities was funded by the Group, through loans extended to these directors by the Group. These domestic companies have entered into certain business cooperation and technical service agreements with the Group, which make it obligatory for the Group to absorb a substantial majority of the risk of losses from the PRC domestic companies' activities and entitles the Group to receive a substantial majority of their residual returns. In addition, the Group has entered into certain agreements with those directors, including loan agreements for them to contribute paid-in capital to the domestic companies, option agreements for the Group to acquire the equity in the PRC domestic companies subject to compliance with PRC laws, pledge agreements over the equity interests of the PRC domestic companies held by those directors, and proxy agreements irrevocably authorizing individuals designated by the Group to exercise the equity owners' rights over the PRC domestic companies, whichever is applicable. Based on these contractual agreements, the Group believes that, notwithstanding the lack of equity ownership, the contractual arrangements described above give the Group control over the PRC domestic companies in substance. Accordingly, the financial position and operating results of these entities are included in the Group's combined financial statements.

Inter-company transactions, balances and unrealized gains on transactions between the combining entities or businesses are eliminated. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business

2 Summary of significant accounting policies (Continued)

segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The combined financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in exchange reserve as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on disposal.

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 Summary of significant accounting policies (Continued)

Depreciation is calculated using the straight-line method to allocate their cost to their residual amounts over their estimated useful lives, as follows:

	Years
Computer equipment	3
Furniture and office equipment	3
Leasehold improvements	2 - 3 (lower of remaining lease period or the estimated useful life)
Buildings	20

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents buildings under construction, which is stated at actual construction cost less any impairment loss. Construction in progress is transferred to property and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating income/(losses) in the income statement.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the other receivables are impaired. The amount of the provision is the difference between the other receivables' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the other receivables is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When an other receivable is uncollectible, it is written off against the allowance account for other receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

2 Summary of significant accounting policies (Continued)

Deferred costs

Sales commissions and business tax paid in respect of service fees received in advance are deferred and are charged ratably to the income statement over the term of the respective service contracts as the services are rendered.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Staff costs

(a) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

2 Summary of significant accounting policies (Continued)

(b) Pension obligations

The Group participates in various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies, trustee-administered funds or the relevant government authorities. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions on a monthly basis to publicly or privately administered pension insurance plans or government authorities on a mandatory, contractual or voluntary basis. The contributions are expensed as incurred.

(c) Share-based compensation

Alibaba.com Corporation operates equity award plans where employees (including directors) of the Group are granted options or restricted share units ("RSUs") to acquire shares of Alibaba.com Corporation at specified exercise prices. The resulting share-based compensation expense was allocated to the Group accordingly.

Share options or RSUs granted on or before November 7, 2002 or vested before January 1, 2005

No expense is recognized in respect of these options.

Share options or RSUs granted after November 7, 2002 and vested on or after January 1, 2005

The fair value of the employee services received in exchange for the grant of the options or RSUs is recognized as staff costs in the income statement with a corresponding increase in the share premium under equity of companies comprising the Group. The fair value of the options granted is measured at grant date using the Black-Scholes valuation model ("Black-Scholes Model") whereas the fair value of RSUs granted is measured at grant date based on the fair value of each Alibaba.com Corporation's ordinary share, taking into account the terms and conditions upon which the options or RSUs were granted, and amortized over the respective vesting period during which the employees become unconditionally entitled to the options or RSUs. At each balance sheet date, the Group revises its estimates of the number of share options or RSUs that are expected to become vested. The impact of the revision of original estimates, if any, is recognized in the income statement over the remaining vesting period. On vesting date, the amount recognized as employee benefit expense is adjusted to reflect the actual number of share options or RSUs that vest.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and, the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 Summary of significant accounting policies (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

The Group principally derives its revenue from the provision of the Business-to-Business Services.

(a) Business-to-Business Services

The Group's online business-to-business marketplaces facilitate e-commerce between suppliers and buyers. The Group earns its revenues from suppliers who purchase services rendered ("paying members") while buyers may use the marketplaces to conduct business at no charge. Service fees are received by the Group in respect of the sales of membership packages which provide priority placement of paying members' storefronts and listings in the industry directory and search results on the Group's marketplaces. Additional revenue is generated from service fees from paying members in respect of the sales of value-added services, including sales of additional keywords to improve the paying member's rankings in search results on the Group's marketplaces and sales of premium placements on the web pages to increase the paying member's exposure to potential buyers.

Service fees are paid in advance in respect of the above services for a specific contracted service period. All service fees are initially deferred when received and revenue is recognized ratably over the term of the respective service contracts as the services are rendered.

Value-added services are normally purchased by paying members together with the membership packages within its contracted service period. In the event the fair value of the respective membership package and the value-added services cannot be objectively measured, the aggregate service fees are recognized as revenue ratably over the term of the membership package.

In the event the fair value of the value-added services can be objectively measured, service fees from such value-added services are recognized as revenue ratably over the contracted service period.

(b) Barter transactions

When services are exchanged or swapped for services which are of a similar nature and value, the exchange is not regarded as a revenue generating transaction.

When services are rendered in exchange for dissimilar services, the exchange is regarded as a revenue generating transaction. The revenue is measured at the fair value of the services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the services received cannot be measured reliably, the revenue is measured at the fair value of

2 Summary of significant accounting policies (Continued)

the services provided in a barter transaction, by reference to non-barter transaction involving similar services, adjusted by the amount of any cash or cash equivalents transferred.

Interest income is recognized on a time-proportion basis using the effective interest method.

The Group is subject to business tax and related surcharges on the revenue earned for services provided in the PRC. The applicable rate of business tax is 5%. In the income statement, business tax and related surcharges for revenue earned by the Group are included in cost of revenue.

Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all conditions to the grant.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Product development costs

Product development expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(b) management intends to complete the intangible asset and use or sell it;

(c) there is an ability to use or sell the intangible asset;

(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other product development expenditures that do not meet these criteria are recognized as expense as incurred. Product development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized product development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life.

Product development assets are tested for impairment annually.

2 Summary of significant accounting policies (Continued)

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend distribution

Dividend distribution to the shareholders or equity owners of the Group is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders or equity owners of the Company or the Group's subsidiaries.

3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks, mainly foreign currency exchange risk and interest rate risk. These risks are limited by the Group's financial management policies and practices described below.

(a) Foreign currency exchange risk

The Group operates the Business-to-Business Services in different countries. However, significant revenue-generating operations of the Group are transacted in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions continue to take place either through the People's Bank of China (the "PBOC") or other institutions authorized to buy and sell foreign currencies. Approval of foreign currency payments, including remittances of dividends, by the PBOC or other institutions, requires submitting a payment application together with relevant supporting documents.

(b) Interest rate risk

The Group has no interest-bearing borrowings. The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing assets including term deposits with original maturities of over three months and cash and cash equivalents, details of which have been disclosed in Notes 18 and 19 to the Financial Information. Other financial assets and liabilities do not have material interest rate risk.

(c) Credit risk

The Group has no concentrations of credit risk. Cash transactions are limited to institutions of sound credit quality. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank and other receivables.

(d) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents to meet the Group's working capital requirements.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Recognition of share-based compensation expense

Since the inception of business, the Group's employees have participated in equity award plans of its ultimate holding company. Management of the Group have used the Black-Scholes Model to determine the total fair value of the options granted, which is based on fair value and various attributes of the underlying shares of Alibaba.com Corporation. Significant estimates and assumptions are required to be made in determining the parameters for applying the Black-Scholes Model, including estimates and assumptions regarding the risk-free rate of return, expected dividend yield and volatility of the underlying shares and the expected life of the options. The total fair value of RSUs granted is measured on the grant date based on the fair value of the underlying shares of Alibaba.com Corporation. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group at the end of the vesting period. The Group only recognizes an expense for those options or RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to the options or RSUs. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and RSUs and the amount of such equity awards expected to vest, which may in turn significantly impact the determination of the share-based compensation expense.

The fair value of options and RSUs at the time of grant is to be expensed over the vesting period of the options and RSUs based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share option or RSUs grant, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

Based on the fair value of options and RSUs granted by the ultimate holding company to the Group's employees and the expected turnover rate of grantees, the share-based compensation expense recognized by the Group in respect of their services rendered for the years ended December 31, 2004, 2005 and 2006 and six months ended June 30, 2006 and 2007 was approximately RMB11,415,000, RMB48,891,000, RMB113,904,000, RMB53,402,000 and RMB54,489,000, respectively.

(b) Recognition of income taxes and deferred tax assets

The Group is mainly subject to income tax in the PRC. In the ordinary course of business there are many transactions (including entitlement to preferential tax treatment and deductibility of expenses) where the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Critical accounting estimates and judgments (Continued)

Deferred tax assets are recognized for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilized. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax charge in the period in which such estimate has been changed.

On March 16, 2007, the PRC National People's Congress adopted the PRC Enterprise Income Tax Law, which will become effective from January 1, 2008. Under the PRC Enterprise Income Tax Law, as is the case under current law, companies designated as High- and New-Technology Enterprises may enjoy a reduced national enterprise income tax rate of 15%. However, the PRC Enterprise Income Tax Law does not define which type of companies would qualify as High- and New-Technology Enterprises and regulations governing the requirements of such qualification have not been issued under the PRC Enterprise Income Tax Law. As a result, judgement is required to be exercised to analyze and interpret the new tax law and determine its effects on the deferred tax assets.

(c) Depreciation

The costs of property and equipment are charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates.

Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

5 Segment information

During the Relevant Periods, the Group has one single business segment, namely the provision of the Business-to-Business Services. Although the Business-to-Business Services consists of the operations of the International marketplace and the China marketplace, management considers that these underlying marketplaces are subject to similar risks and returns. Historically, management only relies on the reported revenue associated from these underlying marketplaces in making financial decisions and allocating resources, and significant costs incurred associated with the revenue generated cannot be separately identified by marketplaces. In addition, substantially all of the Group's revenue was generated in the PRC. Accordingly, no business or geographical segment information is presented.

6 Other operating (loss)/income, net

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Government grants (i)	—	8,000	13,500	—	—
Exchange (losses)/gains	(160)	(2,029)	(267)	(141)	499
Others	(266)	8,494	4,412	941	691
	(426)	14,465	17,645	800	1,190

(i) Alibaba (China) Technology Co., Ltd., a subsidiary of the Company, has received grants from certain government authorities in the PRC of RMB8,000,000 and RMB13,500,000 for the years ended December 31, 2005 and 2006, respectively, relating to technology development in the PRC.

7 Profit from operations

Profit from operations is stated after charging the following:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Staff costs (Note 8)	168,472	325,040	561,058	247,476	332,335
Operating lease rentals	11,881	15,965	28,884	12,376	18,342
Depreciation expense of property and equipment	11,535	28,856	54,043	24,084	27,309
Auditors remuneration (i)	221	867	—	—	965

(i) Auditor's remuneration was borne by the ultimate holding company for the year ended December 31, 2006 and for the six months ended June 30, 2006.

8 Staff costs (including directors' emoluments)

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonuses and sales commission	129,988	227,240	368,172	155,659	231,452
Contributions to defined contribution benefit plans (i)	17,892	31,567	53,025	24,832	34,497
Discretionary employee benefits	9,177	17,342	25,957	13,583	11,897
Share-based compensation expense allocated from the ultimate holding company (Note 22)	11,415	48,891	113,904	53,402	54,489
	168,472	325,040	561,058	247,476	332,335
Number of employees (at year/period end)	1,774	2,409	3,572	2,911	4,437

(i) All local employees of the subsidiaries in the PRC participate in mandatory employee social security plans pursuant to the regulations enacted in the PRC, which cover pension, medical and other welfare benefits. The plans are organized and administered by the government authorities. Except for welfare benefits provided by these social security plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the portion of premium and welfare benefit contributions that should be borne by the companies within the Group as required by the above social security plans are principally determined based on a percentage of the monthly compensation of employees, subject to certain ceilings, and are paid to the respective labour and social welfare authorities. Contributions to the plans are expensed as incurred.

9 Directors' emoluments

The aggregate amounts of emoluments — paid and payable by the Company to directors of the Company for the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2006 and 2007 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind	6,759	7,401	5,179	2,399	1,746
Contributions to defined contribution benefit plans	95	109	197	113	103
	6,854	7,510	5,376	2,512	1,849
Employee share-based compensation benefits (i)	445	1,227	5,277	1,472	8,062
	7,299	8,737	10,653	3,984	9,911

(i) Employee share-based compensation benefits represent fair value of share options issued under the equity award plans of Alibaba.com Corporation allocated to the income statements of the Group during the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2006 and 2007 disregarding whether the options have been vested/exercised or not.

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
Number of directors					
—with emoluments	6	6	6	5	6
—without emoluments	7	7	7	8	7
Number of directors	13	13	13	13	13

9 Directors' emoluments (Continued)

The remuneration of the Company's directors is set out below:

For the year ended December 31, 2004

Name of director	Fees	Salaries, bonuses, allowance and benefits in kind	Contribution to defined contribution benefit plans	Subtotal	Employee share-based compensation benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
WEI Zhe, David	—	—	—	—	—	—
WU Wei, Maggie	—	—	—	—	—	—
DAI Shan, Trudy	—	654	22	676	53	729
PENG Yi Jie, Sabrina	—	418	15	433	50	483
XIE Shi Huang, Simon	—	438	22	460	64	524
Non-executive directors						
MA Yun, Jack	—	2,904	23	2,927	—	2,927
TSAI Chung, Joseph	—	2,179	13	2,192	278	2,470
TSUEI, Andrew Tien Yuan	—	166	—	166	—	166
OKADA, Satoshi	—	—	—	—	—	—
TSOU Kai-Lien, Rose	—	—	—	—	—	—
Independent non-executive directors						
LONG Yong Tu	—	—	—	—	—	—
NIU Gen Sheng	—	—	—	—	—	—
KWAUK Teh Ming, Walter	—	—	—	—	—	—
	—	6,759	95	6,854	445	7,299

For the year ended December 31, 2005

Name of director	Fees	Salaries, bonuses, allowance and benefits in kind	Contribution to defined contribution benefit plans	Subtotal	Employee share-based compensation benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
WEI Zhe, David	—	—	—	—	—	—
WU Wei, Maggie	—	—	—	—	—	—
DAI Shan, Trudy	—	950	24	974	190	1,164
PENG Yi Jie, Sabrina	—	430	24	454	208	662
XIE Shi Huang, Simon	—	432	24	456	188	644
Non-executive directors						
MA Yun, Jack	—	3,110	24	3,134	318	3,452
TSAI Chung, Joseph	—	2,315	13	2,328	323	2,651
TSUEI, Andrew Tien Yuan	—	164	—	164	—	164
OKADA, Satoshi	—	—	—	—	—	—
TSOU Kai-Lien, Rose	—	—	—	—	—	—
Independent non-executive directors						
LONG Yong Tu	—	—	—	—	—	—
NIU Gen Sheng	—	—	—	—	—	—
KWAUK Teh Ming, Walter	—	—	—	—	—	—
	—	7,401	109	7,510	1,227	8,737

9 Directors' emoluments (Continued)

For the year ended December 31, 2006

Name of director	Fees	Salaries, bonuses, allowance and benefits in kind	Contribution to defined contribution benefit plans	Subtotal	Employee share-based compensation benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
WEI Zhe, David	—	291	10	301	1,511	1,812
WU Wei, Maggie	—	—	—	—	—	—
DAI Shan, Trudy	—	1,088	77	1,165	665	1,830
PENG Yi Jie, Sabrina	—	540	20	560	603	1,163
XIE Shi Huang, Simon	—	438	53	491	430	921
Non-executive directors						
MA Yun, Jack	—	1,530	25	1,555	1,036	2,591
TSAI Chung, Joseph	—	1,292	12	1,304	1,032	2,336
TSUEI, Andrew Tien Yuan	—	—	—	—	—	—
OKADA, Satoshi	—	—	—	—	—	—
TSOU Kai-Lien, Rose	—	—	—	—	—	—
Independent non-executive directors						
LONG Yong Tu	—	—	—	—	—	—
NIU Gen Sheng	—	—	—	—	—	—
KWAUK Teh Ming, Walter	—	—	—	—	—	—
	—	5,179	197	5,376	5,277	10,653

For the six months ended June 30, 2006 (unaudited)

Name of director	Fees	Salaries, bonuses, allowance and benefits in kind	Contribution to defined contribution benefit plans	Subtotal	Employee share-based compensation benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
WEI Zhe, David	—	—	—	—	—	—
WU Wei, Maggie	—	—	—	—	—	—
DAI Shan, Trudy	—	467	39	506	241	747
PENG Yi Jie, Sabrina	—	270	28	298	293	591
XIE Shi Huang, Simon	—	206	27	233	202	435
Non-executive directors						
MA Yun, Jack	—	805	13	818	369	1,187
TSAI Chung, Joseph	—	651	6	657	367	1,024
TSUEI, Andrew Tien Yuan	—	—	—	—	—	—
OKADA, Satoshi	—	—	—	—	—	—
TSOU Kai-Lien, Rose	—	—	—	—	—	—
Independent non-executive directors						
LONG Yong Tu	—	—	—	—	—	—
NIU Gen Sheng	—	—	—	—	—	—
KWAUK Teh Ming, Walter	—	—	—	—	—	—
	—	2,399	113	2,512	1,472	3,984

9 Directors' emoluments (Continued)

For the six months ended June 30, 2007

Name of director	Fees	Salaries, bonuses, allowance and benefits in kind (i)	Contribution to defined contribution benefit plans	Subtotal	Employee share-based compensation benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
WEI Zhe, David	—	780	58	838	6,364	7,202
WU Wei, Maggie	—	—	—	—	—	—
DAI Shan, Trudy	—	390	15	405	301	706
PENG Yi Jie, Sabrina	—	288	15	303	247	550
XIE Shi Huang, Simon	—	288	15	303	179	482
Non-executive directors						
MA Yun, Jack	—	—	—	—	487	487
TSAI Chung, Joseph	—	—	—	—	484	484
TSUEI, Andrew Tien Yuan	—	—	—	—	—	—
OKADA, Satoshi	—	—	—	—	—	—
TSOU Kai-Lien, Rose	—	—	—	—	—	—
Independent non-executive directors						
LONG Yong Tu	—	—	—	—	—	—
NIU Gen Sheng	—	—	—	—	—	—
KWAUK Teh Ming, Walter	—	—	—	—	—	—
	—	1,746	103	1,849	8,062	9,911

(i) Executive directors of the Company are entitled to the discretionary bonus payments at year end which are determined with reference to certain performance conditions. No discretionary bonus was paid or payable as of and during the six months ended June 30, 2007.

9 Directors' emoluments (Continued)

The number and weighted average exercise price of share options granted by Alibaba.com Corporation to the directors in respect of their services rendered to the Group are as follows:

	Year ended December 31,						Six months ended June 30,	
	2004		2005		2006		2007	
	Weighted average exercise price (i)	Number of options '000 (ii)	Weighted average exercise price (i)	Number of options '000 (ii)	Weighted average exercise price (i)	Number of options '000 (ii)	Weighted average exercise price (i)	Number of options '000 (ii)
	US$		US$		US$		US$	
Outstanding at January 1	0.0500	6,297	0.0822	2,625	0.1700	3,389	0.9460	8,673
Granted	0.1250	1,128	0.4716	764	1.4438	5,284	1.6486	716
Exercised	0.0500	(4,800)	—	—	—	—	—	—
Outstanding at December 31/ June 30	0.0822	2,625	0.1700	3,389	0.9460	8,673	0.9996	9,389
Exercisable at December 31/ June 30	0.0608	913	0.0757	1,496	0.1384	3,170	0.2567	3,944

(i) Exercise price is expressed in the currency in which the ordinary shares of Alibaba.com Corporation is denominated.
(ii) Number of options outstanding represent the number of ordinary shares in Alibaba.com Corporation into which the options are exercisable.

No director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007. No director waived or has agreed to waive any emoluments during the same period.

10 Individuals with highest emoluments

The five individuals whose emoluments were the highest in the Group during the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2006 and 2007 included two, two, two, two and one directors, respectively whose details have been reflected in the analysis presented in Note 9. The emoluments payable to the remaining three, three, three, three and four individuals respectively during the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2006 and 2007 are as follows:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, bonuses, allowances and benefits in kind (i)	5,101	5,788	3,633	1,857	1,697
Contribution to defined contribution benefit plans	58	48	212	106	90
Share-based compensation expense allocated from the ultimate holding company	1,702	3,452	6,540	3,305	1,825
	6,861	9,288	10,385	5,268	3,612

(i) These individuals are entitled to the discretionary bonus payments at year end which are determined with reference to certain performance conditions. No discretionary bonus was paid or payable as of and during the six months ended June 30, 2007.

The emoluments payable to these three, three, three, three and four individuals are within the following bands:

	Number of individuals Year ended December 31,			Number of individuals Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
RMB500,001 — RMB1,000,000	—	—	—	—	4
RMB1,000,001 — RMB1,500,000	2	—	—	1	—
RMB1,500,001 — RMB2,000,000	—	1	—	1	—
RMB2,000,001 — RMB2,500,000	—	1	—	1	—
RMB2,500,001 — RMB3,000,000	—	—	2	—	—
RMB4,000,001 — RMB4,500,000	1	—	—	—	—
RMB5,000,001 — RMB5,500,000	—	—	1	—	—
RMB5,500,001 — RMB6,000,000	—	1	—	—	—
	3	3	3	3	4

None of the above individuals received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office during the years ended December 31, 2004, 2005 and 2006 and the six months ended June 30, 2007.

11 Income tax credits/(charges)

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC current tax	(9,048)	(101,718)	(155,730)	(65,281)	(101,785)
Deferred tax (Note 28)	54,441	68,753	84,280	37,028	(2,758)
	45,393	(32,965)	(71,450)	(28,253)	(104,543)

(a) Cayman Islands and British Virgin Islands Profits Tax

Under the current laws of the Cayman Islands and the British Virgin Islands, the Company is not subject to tax on its income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands or British Virgin Islands withholding tax will be imposed.

(b) Hong Kong Profits Tax

The Company's subsidiaries that carry on business in Hong Kong are subject to the Hong Kong profits tax rate at 17.5% for all the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2006 and 2007. No provision for Hong Kong profits tax has been made as the subsidiaries have no estimated assessable profit for the year/period.

(c) PRC Enterprise Income Tax ("EIT")

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

Pursuant to the such tax laws and regulations, entities incorporated in the PRC are subject to EIT at a statutory rate of 33% (30% national enterprise income tax plus 3% local income tax) or reduced national EIT rates for certain High and New Technology Enterprises ("HNTE") or software development companies, on PRC taxable income. During the years ended December 31, 2004, 2005 and 2006, Alibaba (China) Technology Co., Ltd., the major operating entity of the Group, is qualified for the 15% statutory rate on national enterprise income tax as a HNTE and accordingly, its applicable tax rate, together with the local income tax of 3%, was 18%. For the year ending December 31, 2007, the local tax rate of 3% was exempted, and accordingly, the applicable income tax rate of Alibaba (China) Technology Co., Ltd. was 15%.

Further, Alibaba (China) Technology Co., Ltd. enjoyed a preferential tax treatment whereby it was exempted from national enterprise income tax for a period of 2 years and the year ended December 31, 2004 was the final year for such tax holiday.

11 Income tax credits/(charges) (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the combined entities as follows:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	28,468	103,419	291,388	89,536	399,750
Tax calculated at a tax rate of 33%	9,394	34,128	96,158	29,547	131,917
Effect of different tax rates available to different companies of the Group	(5,919)	(22,765)	(56,094)	(19,653)	(82,653)
Effects of tax holiday on assessable profits of subsidiaries incorporated in the PRC	(59,298)	—	—	—	—
Income not taxable for tax purposes	(993)	(1,937)	(3,333)	(1,359)	(9)
Expenses not deductible for tax purposes (i)	4,083	16,777	37,650	17,615	17,613
Utilization of previously unrecognized tax assets/deferred tax assets not recognized	(2,935)	(602)	(10,058)	(3,055)	(555)
Unrecognized tax losses	10,275	7,364	7,127	5,158	2,917
Effect on deferred tax assets resulting from the exemption of local income tax (ii)	—	—	—	—	35,313
Income tax (credits)/charges	(45,393)	32,965	71,450	28,253	104,543

(i) Expenses not deductible for tax purposes primarily represent share-based compensation expense allocated from the ultimate holding company.

(ii) During the six months ended June 30, 2007, a preferential treatment was approved by the relevant tax authority relating to the exemption of local income tax of 3% applicable to the one of the Group's major operating subsidiaries in the PRC for the year ending December 31, 2007. The preferential treatment resulted in a reduction of deferred tax assets previously recognized and a charge to the income statement during the six months ended June 30, 2007.

On March 16, 2007, the National People's Congress approved the PRC Enterprise Income Tax Law. The PRC Enterprise Income Tax Law will unify the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25% with effect from January 1, 2008. The PRC Enterprise Income Tax Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. The change in tax rate does not have any impact on the Financial Information, as the PRC Enterprise Income Tax Law is not effective until the year ending December 31, 2008.

12 Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the presentation of the results for the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2006 and 2007 on combined basis as disclosed in Note 1.

13 Dividends

The following dividends were declared by the companies now comprising the Group to their then equity owners throughout the years/periods:

	As of December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dividends	33,109	—	392,521	196,612	—

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this report.

Dividends declared by the Company's subsidiaries established in the PRC are based on the distributable profits as reported in the statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises in the PRC. The distributable profits of the subsidiaries are different from the accumulated deficit/retained earnings of the subsidiaries reported under IFRS.

14 Property and equipment

Group

	Computer equipment	Furniture and office equipment	Leasehold improvements	Buildings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2004						
Cost	24,586	8,279	3,438	—	—	36,303
Accumulated depreciation	(12,482)	(4,147)	(1,947)	—	—	(18,576)
At January 1, 2004	12,104	4,132	1,491	—	—	17,727
Year ended December 31, 2004						
Opening net book amount	12,104	4,132	1,491	—	—	17,727
Additions	19,798	5,541	7,323	—	—	32,662
Disposals	(173)	(241)	(314)	—	—	(728)
Depreciation	(7,878)	(2,211)	(1,446)	—	—	(11,535)
Exchange differences	—	—	—	—	—	—
Closing net book amount	23,851	7,221	7,054	—	—	38,126
At December 31, 2004						
Cost	42,189	13,258	8,777	—	—	64,224
Accumulated depreciation	(18,338)	(6,037)	(1,723)	—	—	(26,098)
At December 31, 2004	23,851	7,221	7,054	—	—	38,126
Year ended December 31, 2005						
Opening net book amount	23,851	7,221	7,054	—	—	38,126
Additions	62,178	11,026	3,462	—	—	76,666
Disposals	(648)	(226)	(20)	—	—	(894)
Depreciation	(20,500)	(4,847)	(3,509)	—	—	(28,856)
Exchange differences	(134)	(5)	(11)	—	—	(150)
Closing net book amount	64,747	13,169	6,976	—	—	84,892
At December 31, 2005						
Cost	99,315	22,730	11,989	—	—	134,034
Accumulated depreciation	(34,568)	(9,561)	(5,013)	—	—	(49,142)
At December 31, 2005	64,747	13,169	6,976	—	—	84,892

14 Property and equipment (Continued)

Group

	Computer equipment	Furniture and office equipment	Leasehold improvements	Buildings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2006						
Opening net book amount	64,747	13,169	6,976	—	—	84,892
Additions	60,560	11,489	20,300	2,850	6,975	102,174
Disposals	(15,392)	(644)	(3,349)	—	—	(19,385)
Depreciation	(38,819)	(7,954)	(7,270)	—	—	(54,043)
Exchange differences	(301)	(21)	(12)	—	—	(334)
Closing net book amount	70,795	16,039	16,645	2,850	6,975	113,304
At December 31, 2006						
Cost	132,180	32,073	27,688	2,850	6,975	201,766
Accumulated depreciation	(61,385)	(16,034)	(11,043)	—	—	(88,462)
At December 31, 2006	70,795	16,039	16,645	2,850	6,975	113,304
Period ended June 30, 2007						
Opening net book amount	70,795	16,039	16,645	2,850	6,975	113,304
Additions	42,049	2,749	1,728	—	6,886	53,412
Disposals	(17,001)	(427)	(145)	—	—	(17,573)
Depreciation	(18,085)	(4,544)	(4,609)	(71)	—	(27,309)
Exchange differences	(233)	(8)	(13)	—	—	(254)
Closing net book amount	77,525	13,809	13,606	2,779	13,861	121,580
At June 30, 2007						
Cost	157,198	33,624	28,573	2,850	13,861	236,106
Accumulated depreciation	(79,673)	(19,815)	(14,967)	(71)	—	(114,526)
At June 30, 2007	77,525	13,809	13,606	2,779	13,861	121,580

15 Interest in a subsidiary

Company

	As of December 31, 2006	As of June 30, 2007
	RMB'000	RMB'000
Unlisted shares, at cost	—	—
Amount due to a subsidiary	—	(2,723)
	—	(2,723)

The amount due to a subsidiary is unsecured, interest-free and expected to be settled within one year. Particulars of the subsidiaries are set out in Note 1(a).

16 Prepayments, deposits and other receivables

Group

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion				
Prepayment for land use rights (Note 31a(ii))	—	—	—	28,478
Current portion				
Prepaid advertising and promotion expenses	2,781	51,098	13,453	5,785
Deposits for purchases of property and equipment	346	8,614	2,055	4,158
Rental and other deposits	1,255	2,955	4,150	5,010
Prepaid rentals	1,450	2,199	3,844	7,930
Interest income receivable	1,389	1,225	8,331	16,320
Advances to staff	1,047	509	1,568	2,470
Expenses incurred for the proposed initial public offering of securities of the Company	—	—	—	11,932
Others	2,800	1,916	2,988	2,478
	11,068	68,516	36,389	56,083
Total	11,068	68,516	36,389	84,561

Company

	As of December 31,	As of June 30,
	2006	2007
	RMB'000	RMB'000
Expenses incurred for the proposed initial public offering of securities of the Company	—	11,932
Others	395	2
	395	11,934

17 Deferred costs

Upon the receipt of service fees from paying members, the Group is obligated to pay certain costs related to the receipt of such service fees which primarily comprise sales commissions and business tax. The service fees are initially deferred and recognized in the income statements in the period in which the services are rendered (Note 27), as such, the related costs are also initially deferred and recognized in the income statements in the period the related service fees are recognized.

18 Term deposits with original maturities of over three months

The effective interest rates of the term deposits of the Group with original maturities of over three months for the years ended December 31, 2005, 2006 and for the six months ended June 30, 2007 were 2.11%, 2.14% and 2.50%, respectively.

19 Cash and cash equivalents

Group

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	105,041	129,732	204,854	390,400
Term deposits with original maturities of three months or less	336,664	568,603	232,950	170,488
	441,705	698,335	437,804	560,888

Company

	As of December 31,	As of June 30,
	2006	2007
	RMB'000	RMB'000
Cash at bank and on hand	18	161

As of December 31, 2004, 2005 and 2006 and June 30, 2007, substantially all of the cash and cash equivalents are denominated in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

The effective interest rates of the term deposits of the Group with original maturities of three months or less for the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2007 were 1.61%, 1.61%, 1.64% and 1.60%, respectively.

20 Share capital and share premium

The Company was incorporated in the Cayman Islands on September 20, 2006 with an authorized share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the same date, the Company issued and allotted one share, credited as fully paid at par, to Alibaba.com Corporation.

On October 12, 2007, Alibaba.com Corporation passed a resolution to approve various matters, the net result of which was to:

- change the denomination of the par value of the Company's shares from U.S. dollars to Hong Kong dollars;
- increase the Company's authorized share capital from US$50,000 divided into 50,000 shares of par value of US$1.00 each to HK$800,000 divided into 8,000,000,000 shares of par value of HK$0.0001 each; and
- increase the Company's issued share capital from US$1.00 comprising one share of par value of US$1.00 to HK$482,500 divided into 4,825,000,000 ordinary shares of par value of HK$0.0001 each.

Since the Company had not been legally incorporated as of December 31, 2004 and 2005, there was no share capital presented as of December 31, 2004 and 2005.

21 Capital reserve

(a) Capital reserve as of December 31, 2004, 2005 and 2006

The Company was incorporated during the year ended December 31, 2006 and the Reorganization was not completed prior to December 31, 2006. For the purpose of the combined financial statements, the capital reserve in the combined balance sheets as of December 31, 2004, 2005 and 2006 represents the combined share capital and share premium of the companies comprising the Group.

(b) Capital reserve as of June 30, 2007

Capital reserve as of June 30, 2007 primarily represents the difference between (i) the aggregate of the consideration for the acquisitions under common control upon the Reorganization as detailed in Note 1(b); and (ii) the aggregate of the share capital and share premium of the entities transferred to the Group pursuant to the Reorganization.

(c) Deemed distributions to equity owners

For the purpose of this report, deemed distributions to equity owners represent the amounts paid by the Group to its ultimate holding company and fellow subsidiaries in exchange for the interests in subsidiaries and assets and liabilities related to the Business-to-Business Services transferred to the Group pursuant to the Reorganization (Note 1(b)).

22 Share-based compensation

The Group's employees participate in equity award plans of Alibaba.com Corporation. In general, such share options and RSUs are subject to a four-year vesting schedule whereby the share options and RSUs vest 25% upon the first anniversary of the vesting commencement date, and ratably monthly or annually thereafter. The exercisable period of the share options and RSUs ranges from 6 years to 10 years from the date of grant. Alibaba.com Corporation has no legal or constructive obligation to repurchase or settle the options and RSUs in cash.

For the purpose of financial reporting of the Group, the share-based compensation expense arising from the granting of options and RSUs by Alibaba.com Corporation to the Group's employees is deemed to have been allocated to the Group as its expense with the corresponding increase in the share premium under equity in the relevant companies comprising the Group.

22 Share-based compensation (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices attributable to the employees of the Group as grantees of the share option scheme operated by Alibaba.com Corporation are as follows:

	Year ended December 31,						Six months ended June 30,	
	2004		2005		2006		2007	
	Weighted average exercise price (i)	Number of options ('000) (ii)	Weighted average exercise price (i)	Number of options ('000) (ii)	Weighted average exercise price (i)	Number of options ('000) (ii)	Weighted average exercise price (i)	Number of options ('000) (ii)
	US$		US$		US$		US$	
Outstanding at January 1	0.0482	34,375	0.0773	75,259	0.2794	78,275	0.5568	101,509
Granted	0.0952	49,532	0.5005	38,026	1.4381	25,339	1.9015	9,271
Transfer-in (iii)	0.0500	8,944	0.1000	206	0.2939	8,894	0.6011	2,108
Exercised	0.0499	(10,308)	0.0669	(24,671)	0.1755	(1,375)	0.2898	(1,555)
Transfer-out (iii)	0.0612	(1,367)	0.1250	(8,426)	0.3057	(7,094)	0.3391	(11,474)
Cancelled/forfeited/ expired	0.0681	(5,917)	0.1416	(2,119)	0.7877	(2,530)	1.5142	(3,442)
Outstanding at December 31/ June 30	0.0773	75,259	0.2794	78,275	0.5568	101,509	0.6831	96,417
Exercisable at December 31/ June 30	0.0601	32,491	0.1520	23,977	0.2322	49,702	0.3500	56,960

(i) Exercise price is expressed in the currency in which the ordinary shares of Alibaba.com Corporation are denominated.
(ii) Number of options represent the number of ordinary shares in Alibaba.com Corporation into which the options are exercisable.
(iii) Transfer-in and transfer-out represent movement of options owned by grantees who transferred from other subsidiaries of Alibaba.com Corporation to the Company, or vice versa.

The above share options outstanding as of the dates indicated have the following remaining contractual lives and exercise prices:

	As of December 31,						As of June 30,	
	2004		2005		2006		2007	
Exercise price (US$) (i)	Number of options outstanding ('000) (ii)	Weighted average remaining contractual life	Number of options outstanding ('000) (ii)	Weighted average remaining contractual life	Number of options outstanding ('000) (ii)	Weighted average remaining contractual life	Number of options outstanding ('000) (ii)	Weighted average remaining contractual life
0.0125	1,600	5.1	1,200	4.1	1,200	3.1	1,506	3.5
0.0500	45,428	8.0	23,515	7.4	21,030	6.4	19,336	6.0
0.1250	28,231	9.4	16,960	8.3	17,672	7.3	14,592	6.9
0.3125	—	—	23,942	5.2	25,848	4.2	19,904	3.7
0.8750	—	—	12,658	6.0	11,328	4.9	11,038	4.5
1.2500	—	—	—	—	11,851	5.4	11,208	4.9
1.6250	—	—	—	—	12,580	5.7	10,442	5.2
1.8500	—	—	—	—	—	—	4,169	5.7
2.0000	—	—	—	—	—	—	4,222	6.0
	75,259	8.5	78,275	6.6	101,509	5.6	96,417	5.2

(i) Exercise price is expressed in the currency in which the ordinary shares of Alibaba.com Corporation are denominated.
(ii) Number of options represent the number of ordinary shares in Alibaba.com Corporation into which the options are exercisable.

22 Share-based compensation (Continued)

The significant inputs into the Black-Scholes Model in determining the fair value of the share options granted by Alibaba.com Corporation during the years/periods presented are as follows:

	Year ended December 31, 2004	Year ended December 31, 2005	Year ended December 31, 2006	Six months ended June 30, 2007
Risk-free annual interest rate	3.57% to 4.24%	3.54% to 4.63%	4.42% to 5.08%	4.46% to 5.01%
Dividend yield	0%	0%	0%	0%
Expected life (years)	6	4	4	4
Expected volatility (i)	79.4% to 82.4%	53.9% to 68.5%	50.4% to 51.1%	47.5% to 47.6%
Weighted average fair value of each share option granted by Alibaba.com Corporation	US$0.0696	US$0.4541	US$0.8622	US$0.8040

(i) Expected volatility is assumed based on the historical volatility of the comparable companies in the period that has the same length of the expected life of each grant.

Movements in the number of RSUs outstanding and the respective weighted average grant date fair value attributable to the employees of the Group as grantees of the RSUs granted by Alibaba.com Corporation are as follows:

	Year end December 31,						Six months ended June 30,	
	2004		2005		2006		2007	
	Weighted average grant date fair value (i)	Number of RSUs ('000) (ii)	Weighted average grant date fair value (i)	Number of RSUs ('000) (ii)	Weighted average grant date fair value (i)	Number of RSUs ('000) (ii)	Weighted average grant date fair value (i)	Number of RSUs ('000) (ii)
	US$		US$		US$		US$	
Outstanding at January 1	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	2.0000	3,024
Cancelled/forfeited	—	—	—	—	—	—	2.0000	(5)
Outstanding at December 31/ June 30	—	—	—	—	—	—	2.0000	3,019

(i) Grant date fair value represents the fair value of the ordinary shares of Alibaba.com Corporation.
(ii) Number of RSUs outstanding represents the number of ordinary shares in Alibaba.com Corporation into which the RSUs are exercisable.

None of the above RSUs were vested as of June 30, 2007.

22 Share-based compensation (Continued)

Share-based compensation expense by function is analyzed as follows:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of revenue	1,936	8,766	23,335	13,258	6,207
Sales and marketing expenses	5,259	26,920	50,068	21,975	21,517
Product development expenses	1,382	5,126	16,344	7,727	6,582
General and administrative expenses	2,838	8,079	24,157	10,442	20,183
	11,415	48,891	113,904	53,402	54,489

23 Exchange reserve

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in Note 2.

24 Statutory reserves

In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in the PRC are required to allocate at least 10% of their after-tax profit according to PRC accounting standards and regulations to the general statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. These reserves can only be used for specific purposes and are not distributable or transferable in the form of loans, advances, or cash dividends. During the years ended December 31, 2004, 2005 and 2006, appropriations to the general statutory reserve amounted to RMB20,971,000, RMB21,779,000 and RMB10,919,000. During the six months ended June 30, 2006 and 2007, no appropriations were made to the statutory reserves.

25 Trade payables

Group

The aging analysis of trade payables is as follows:

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
0 - 30 days	1,038	6,470	6,394	7,951
31 days - 60 days	10	6,918	2,218	311
61 days - 90 days	—	527	79	1,900
Over 90 days	20	260	7	1,624
	1,068	14,175	8,698	11,786

26 Other payables and accruals

Group

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued salaries, bonuses, welfare expenses and sales commissions	40,424	88,090	127,764	103,389
Other taxes payable	2,509	90,525	20,737	26,426
Accrued advertising and promotion expenses	1,854	9,614	9,339	12,297
Accrued professional fees	256	1,467	54	4,951
Accrued purchases of property and equipment	476	1,062	2,559	4,489
Accrued office expenses and others	3,293	8,034	11,828	10,580
	48,812	198,792	172,281	162,132

Company

	As of December 31,	As of June 30,
	2006	2007
	RMB'000	RMB'000
Accrued professional fees	—	188
Accrued office expenses and others	—	33
	—	221

27 Deferred revenue and customer advances

Group

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

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Customer advances	90,818	152,723	291,290	290,544
Deferred revenue	297,834	631,990	962,674	1,233,714
	388,652	784,713	1,253,964	1,524,258
Less: current portion	(374,606)	(749,204)	(1,216,818)	(1,465,739)
Non-current portion	14,046	35,509	37,146	58,519

All service fees received in advance are initially recorded as customer advances. Such amounts are transferred to deferred revenue upon the commencement of the rendering of services by the Group. In general, service fees received in advance are non-refundable after such amounts are transferred to deferred revenue.

28 Deferred tax assets

Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The offset amounts are as follows:

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets:				
—Deferred tax assets to be recovered after more than 12 months	2,332	5,964	6,515	8,511
—Deferred tax assets to be recovered within 12 months	68,770	145,902	245,962	238,198
	71,102	151,866	252,477	246,709
Deferred tax liabilities:				
—Deferred tax liabilities to be settled after more than 12 months	(443)	(1,098)	(1,203)	(1,443)
—Deferred tax liabilities to be settled within 12 months	(11,817)	(23,173)	(39,399)	(36,149)
	(12,260)	(24,271)	(40,602)	(37,592)
Deferred tax assets (net)	58,842	127,595	211,875	209,117

The movement of deferred tax assets (net) is as follows:

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	4,401	58,842	127,595	211,875
Transfer to income statement (Note 11)	54,441	68,753	84,280	(2,758)
End of the year/period	58,842	127,595	211,875	209,117

The movement in deferred tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Deferred revenue and customer advances	Depreciation	Others (i)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2004	5,258	186	—	5,444
Credited to the income statement	59,259	1,295	5,104	65,658
As of December 31, 2004	64,517	1,481	5,104	71,102
Credited to the income statement	67,269	1,618	11,877	80,764
As of December 31, 2005	131,786	3,099	16,981	151,866
Credited to the income statement	88,160	3,762	8,689	100,611
As of December 31, 2006	219,946	6,861	25,670	252,477
Credited/(charged) to the income statement	1,737	500	(8,005)	(5,768)
As of June 30, 2007	221,683	7,361	17,665	246,709

(i) Others primarily represent accrued expenses which are not deductible under PRC tax laws.

28 Deferred tax assets (Continued)

Deferred tax liabilities

	Deferred costs
	RMB'000
As of January 1, 2004	(1,043)
Charged to the income statement	(11,217)
As of December 31, 2004	(12,260)
Charged to the income statement	(12,011)
As of December 31, 2005	(24,271)
Charged to the income statement	(16,331)
As of December 31, 2006	(40,602)
Credited to the income statement	3,010
As of June 30, 2007	(37,592)

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of related tax benefits through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB24,788,000, RMB28,553,000, RMB33,422,000 and RMB34,958,000 in respect of the accumulated tax losses of subsidiaries incorporated in Hong Kong and the United States, subject to the agreement of the relevant tax authorities, amounting to RMB108,481,000, RMB131,167,000, RMB161,020,000 and RMB162,929,000 as of December 31, 2004, 2005 and 2006 and June 30, 2007, respectively. These tax losses are allowed to be carried forward to offset against future taxable profits. Carry forward of tax losses in Hong Kong has no time limit, while the tax losses in United States will expire, if unused, in the years ending December 31, 2020 through 2021.

The Group did not recognize deferred income tax assets of RMB315,000, RMB35,871,000, RMB36,802,000 and RMB36,093,000 as of December 31, 2004, 2005 and 2006 and June 30, 2007, respectively in respect of the accumulated tax losses of subsidiaries incorporated in the PRC, subject to the agreement of the PRC tax authorities, amounting to RMB953,000, RMB108,700,000, RMB111,520,000 and RMB114,106,000 as of December 31, 2004, 2005 and 2006 and June 30, 2007, respectively. Carry forward of these tax losses will expire, if unused, in the years ending December 31, 2009 through 2011.

29 Supplemental information on combined cash flow statements

(a) In the cash flow statement, proceeds from disposals of property and equipment comprise:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount (Note 14)	728	894	19,385	878	17,573
Proceeds from disposals of property and equipment					
—Third parties	(93)	(528)	(270)	(177)	(226)
—Related companies	(180)	(37)	(18,632)	(596)	(17,343)
Loss on disposals of property and equipment	455	329	483	105	4

29 Supplemental information on combined cash flow statements (Continued)

(b) Major non-cash transactions

During the year ended December 31, 2004, Alibaba (China) Technology Co. Ltd. declared a dividend of RMB33,109,000 to its then equity owner. Such dividend was reinvested in the registered capital of Alibaba (China) Technology Co. Ltd. in the same year.

30 Contingencies

In the ordinary course of business, the Group becomes involved in legal claims and litigation from time to time. In the opinion of management, an accrual of a loss contingency during the Relevant Periods is not required because material unfavorable outcomes are not considered probable.

31 Commitments

Group

(a) Capital commitments

(i) Capital expenditures contracted for as of the dates indicated are as follows:

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted:				
Purchase of property and equipment	607	2,362	5,214	19,221
Construction of a corporate campus	—	—	—	5,320
	607	2,362	5,214	24,541

(ii) Pursuant to the agreements signed between Alibaba (China) Technology Co., Ltd. and The Bureau of State Land and Resources of Hangzhou Municipality, Binjing Branch on June 26, 2006, Alibaba (China) Technology Co., Ltd. paid approximately RMB28,478,000 in connection with the prepayment of an operating lease for land use rights in the PRC for a period of 50 years for the corporate campus to be constructed. Alibaba (China) Technology Co., Ltd. has committed that the total investment for the construction would not be less than RMB300 million by June 26, 2009.

(b) Operating lease commitments

The Group leases offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	12,308	17,796	19,463	36,928
Later than 1 year and no later than 5 years	10,401	8,349	18,769	33,091
	22,709	26,145	38,232	70,019

(c) Other commitments — sales and marketing expenses

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	7,633	6,284	4,633	8,397
Later than 1 year and no later than 5 years	—	—	—	34
	7,633	6,284	4,633	8,431

32 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Except as disclosed elsewhere in the combined financial statements, the following transactions were carried out with related parties:

(a) Recurring transactions

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Royalty fee expense paid or payable to ultimate holding company (Note i):					
—Alibaba.com Corporation	—	—	25,762	11,288	18,095
Sales of promotion and related services to a fellow subsidiary (Note ii):					
—Beijing Alibaba Information Technology Co., Ltd.	—	—	800	400	1,771
Purchase of advertising and promotion services from:					
a fellow subsidiary (Note ii):					
—Beijing Alibaba Information Technology Co., Ltd.	—	190	1,632	274	1,415
a substantial shareholder, and its subsidiary, of the ultimate holding company (Note ii):					
—Yahoo! Inc.	—	—	—	—	576
—Overture Service, Inc.	—	1,614	1,327	373	899
	—	1,804	2,959	647	2,890
Commission income received from a fellow subsidiary (Note iii):					
—Alibaba Software (Shanghai) Co., Ltd.	—	—	—	—	1,353

32 Related-party transactions (Continued)

(b) Non-recurring transactions

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006 (unaudited)	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of advertising and promotion service from a company related to certain directors of the Group (Note iv):					
—Beijing Huayi Brothers Advertising Co. Ltd. (北京華誼兄弟廣告有限公司)	—	—	30,000	30,000	—
Purchase of property and equipment from fellow subsidiaries (Note v):					
—Tao Bao (China) Network Technology Co., Ltd.	—	512	—	—	—
—Weyell (Hangzhou) Network Information Technology Co., Ltd.	—	—	698	698	—
—Others	—	43	95	—	37
	—	555	793	698	37
Sales of property and equipment to fellow subsidiaries (Note v):					
—Tao Bao (China) Network Technology Co., Ltd.	180	—	—	—	—
—Tao Bao Hong Kong Limited	—	37	—	—	—
—3721 Network Software Company Limited	—	—	468	468	—
—Tao Bao (China) Software Co., Ltd.	—	—	2,714	128	—
—Zhejiang Alipay Network Technology Co., Ltd.	—	—	15,450	—	—
—Alibaba Group Services Limited	—	—	—	—	612
—Weyell (Hangzhou) Network Information Technology Co., Ltd.	—	—	—	—	14,272
—Alibaba Software (Shanghai) Co., Ltd.	—	—	—	—	694
—Others	—	—	—	—	1,765
	180	37	18,632	596	17,343
Service fee received from a fellow subsidiary (Note vi):					
—Beijing Alibaba Information Technology Co., Ltd.	—	8,000	—	—	—
Technology consultation and advisory services fees paid to a fellow subsidiary (Note vii):					
—Zhejiang Alipay Network Technology Co., Ltd.	—	—	30,000	15,000	—
Removal and compensation expenses charged by a fellow subsidiary (Note viii):					
—Tao Bao (China) Software Co., Ltd.	—	—	—	—	1,995

32 Related-party transactions (Continued)

(i) According to an agreement entered into between the Group and Alibaba.com Corporation during the year ended December 31, 2006, a royalty fee expense charged on a mutually agreed basis of approximately RMB25,762,000 and RMB18,095,000, plus the relevant withholding tax of RMB4,441,000 and RMB3,091,000, was paid by the Group for the use of certain technology and intellectual property of Alibaba.com Corporation during the year ended December 31, 2006 and the six months ended June 30, 2007, respectively.

(ii) These transactions were conducted with various fellow subsidiaries and related companies based on the market rates of the related services provided.

(iii) This transaction was conducted with a fellow subsidiary under which the Group provided cross-selling services to sell certain software products to its paying members. The commission income received by the Group for such services was determined based on a pre-determined percentage of the underlying transaction amount.

(iv) Pursuant to an agreement entered into between the Group and an advertising agency, the Group prepaid RMB30,000,000 during the year ended December 31, 2005 for the production of certain advertisements and marketing activities. The production was completed and the prepayment was charged to the income statement as expenses during the year ended December 31, 2006. The Company considers this transaction as a related party transaction as two directors of the Company own certain minority interests in this service provider and one of them is also a non-executive director of this service provider.

(v) These transactions were conducted with various fellow subsidiaries based on the net book value of the property and equipment transferred.

(vi) This transaction was conducted with a fellow subsidiary based on a fee mutually agreed for the related services period (Note 6).

(vii) Pursuant to an agreement entered into between the Company and a fellow subsidiary during the year ended December 31, 2006, a non-recurring technical consultation and advisory fees relating to the installation of an online payment platform of RMB30,000,000 was paid to this fellow subsidiary.

(viii) Removal and compensation expenses of RMB1,995,000 was charged by a fellow subsidiary, with reference to the costs incurred, to rationalize the office premises between the Company and the fellow subsidiary.

Except as disclosed above, the Group also exchanged certain advertising, promotion and related services, such as hyperlinks on respective websites, with fellow subsidiaries. As such reciprocal services provided by the Group and such fellow subsidiaries to each other are considered to have similar nature and value, such transactions are not regarded as a revenue generating transaction and thus no revenue or expense were recognized during the years ended December 31, 2004, 2005 and 2006 and for the six months ended June 30, 2006 and 2007. In addition, the Group provided certain administrative and technology services to the ultimate holding company, and the ultimate holding company provided certain ancillary services to the Group and allowed its use of trademark and domain names at no charge during the years ended December 31, 2004, 2005, 2006 and six months ended June 30, 2006 and 2007.

Subsequent to June 30, 2007, the Group transferred certain residential apartment units to a fellow subsidiary at a consideration of approximately RMB2,775,000, representing the net book value of the premises transferred.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

32 Related-party transactions (Continued)

(c) Balances with related parties

Group

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related companies:				
Ultimate holding company				
—Alibaba.com Corporation	3,111	—	976	—
Fellow subsidiaries				
—Alibaba.com China Holding Ltd.	2,890	9	9	450
—Zhejiang Alipay Network Technology Co., Ltd.	19	3,994	5,657	198
—Alibaba Software (Shanghai) Co., Ltd.	—	—	—	1,595
—Alibaba Technology (Beijing) Co., Ltd.	—	—	—	1,771
—Inter China Software (Beijing) Co., Ltd.	—	17,637	17,092	—
—Others	5	160	1,414	968
	2,914	21,800	24,172	4,982
	6,025	21,800	25,148	4,982

	As of December 31,			As of June 30,
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related companies:				
Ultimate holding company				
—Alibaba.com Corporation	51,941	76,836	93,528	272,910
Fellow subsidiaries				
—Alibaba.com China Holding Ltd.	9,486	11,432	11,574	8,336
—Tao Bao (China) Software Co., Ltd.	—	111,384	10,113	71
—China Online Auctions Limited	—	38,361	38,303	38,191
—AliPay E-Commerce Corp.	—	—	—	273,548
—Beijing Alibaba Information Technology Co., Ltd.	—	6,907	7,142	459
—Others	—	—	67	832
	9,486	168,084	67,199	321,437
Subsidiaries of a substantial shareholder of the ultimate holding company				
—Overture Service, Inc.	—	1,399	811	507
	61,427	246,319	161,538	594,854

Company

	As of December 31,	As of June 30,
	2006	2007
	RMB'000	RMB'000
Amounts due to related companies:		
Ultimate holding company		
—Alibaba.com Corporation	435	9,177
Fellow Subsidiary		
—Alibaba Group Service Limited	—	4
	435	9,181

32 Related-party transactions (Continued)

Amounts due from/(to) ultimate holding company, fellow subsidiaries and other related parties are unsecured, interest-free and expected to be recovered within one year. The carrying amounts of the balances approximate to their fair value. The directors have confirmed that the above balances with related parties will be settled prior to the listing of the Company's shares on the Hong Kong Stock Exchange.

(d) Key management personnel compensation

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in Note 9.

33 Possible impact of amendments, new standards and interpretations issued but are effective for the accounting period beginning on or after January 1, 2008

Up to the date of issue of these combined financial statements, the following amendments, new standards and interpretations have been issued and are effective for accounting periods beginning on or after January 1, 2008 but have not been adopted in these combined financial statements. Of these developments, the following relate to matters that may be relevant to the Group's combined results and cash flows.

	Effective for accounting period beginning on or after January 1, 2008
IFRIC 11 — IFRS 2 — Group and Treasury Share Transactions	March 1, 2007
IFRIC 13 — Customer Loyalty Programmes	July 1, 2008
IFRS 8 — Operating Segments	January 1, 2009
IAS 23 (Revised) —Borrowing Costs	January 1, 2009

IFRIC 11 clarifies that certain types of transaction are accounted for as equity-settled or cash-settled transactions under IFRS 2. It also addresses the accounting for share-based payment transactions involving two or more entities within one group.

IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. It also explains the accounting requirements for the obligations of the entities arising from providing free or discounted goods or services to customers who redeem award credits.

IFRS 8 supersedes IAS 14, under which segments were identified and reported on risk and return analysis. Items were reported on the accounting policies used for external reporting.

Under IFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting.

IAS 23 (Revised), under which the option to expense borrowing costs on qualifying assets was removed. Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset form part of the cost of that asset.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far, the Group has concluded that while the adoption of these amendments, standards and interpretations may result in new or amended disclosures, they are unlikely to have a significant impact on the Group's results of operations and financial position.

34 Events after the balance sheet date

Subsequent to June 30, 2007, the following events occurred:

(a) In connection with the Reorganization and in preparation for the listing of the shares of the Company on the Hong Kong Stock Exchange, Alibaba.com Corporation, the ultimate holding company of the Company, restructured its equity based awards to allow a certain proportion of the existing options and RSUs relating to Alibaba.com Corporation's shares to be exchanged for options issued by Alibaba.com Corporation to purchase and RSUs relating to the Company's shares held by Alibaba.com Corporation, and a certain number of Alibaba.com Corporation's shares to be exchanged into shares of the Company held by Alibaba.com Corporation ("Employee Equity Exchange").

The number of the shares of the Company and the options and RSUs exercisable for the shares of the Company under Employee Equity Exchange was derived by applying an exchange ratio that was determined based on the relative values of Alibaba.com Corporation and the Company having considered analysis provided by an independent consultant. The exercise price of the options exercisable for the shares of the Company was also adjusted in accordance with the same ratio while vesting schedules and other terms applicable to the original options and RSUs of Alibaba.com Corporation remained the same.

As a result of the Employee Equity Exchange, the aggregate shares of the Company transferable by Alibaba.com Corporation to the participants and shares of the Company underlying options and RSUs to be exchanged by Alibaba.com Corporation in connection with the Employee Equity Exchange represent approximately 8.8% of the outstanding shares immediately following the listing of the shares of the Company on the Hong Kong Stock Exchange.

(b) The ultimate holding company entered into a deed of indemnity in favour of the Group. Under the deed of indemnity, the ultimate holding company has undertaken to the Company that it will indemnify and at all times keep the Company fully indemnified on demand in connection with, among others, (i) any taxation falling on the Group prior to the listing of the shares of the Company on the Hong Kong Stock Exchange to the extent that specific provision has not been made nor disclosed and/or other conditions as specified in the deed of indemnity; (ii) all losses, damages, costs, expenses of any nature arising out of or related to liabilities not expressly assumed by the Group upon the transfer of the assets and liabilities of the B2B business from AliPay E-commerce Corp. and Zhejiang Alibaba E-commerce Co., Ltd. to the Group pursuant to the Reorganization (Note 1(b)); and (iii) all losses, damages, costs, expenses and liabilities of any nature, in excess in aggregate of US$2.0 million (RMB15.0 million), related to legal proceedings arising at any time relating to the conduct of a fellow subsidiary's business prior to the listing date of the shares of the Company on the Hong Kong Stock Exchange.

35 Loss attributable to equity owners of the Company

The loss attributable to equity owners of the Company is dealt with in the financial statements of the Company to the extent of RMB22,000 and RMB8,000 for the period from September 20, 2006 (date of incorporation) to December 31, 2006 and for the six months ended June 30, 2007, respectively.

36 Subsequent Financial Statements

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2007. Except as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or companies now comprising the Group in respect of any period subsequent to June 30, 2007.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong