Alibaba.com Limited
阿里巴巴網絡有限公司
Incorporated in the Cayman Islands with limited liability
Stock Code: 1688

Global Trade Starts Here

ANNUAL REPORT 2008

Alibaba.com
阿里巴巴

Alibaba.com Limited is a global leader in business-to-business (B2B) e-commerce. It connects millions of buyers and suppliers from around the world every day through three marketplaces: an English-language marketplace (www.alibaba.com) for global importers and exporters, a Chinese-language marketplace (www.alibaba.com.cn) for domestic trade in Mainland China, and, through an associated company, a Japanese-language marketplace (www.alibaba.co.jp) facilitating trade to and from Japan. Together, its marketplaces form a community of more than 38 million registered users from over 240 countries and regions. Headquartered in Hangzhou, Alibaba.com has offices in 40 cities across Mainland China as well as in Taiwan, Hong Kong, Europe and the United States.

The Global Leader in B2B e-Commerce

Mission

- To Make It Easy To Do Business Anywhere

Values

- Customer First
- Teamwork
- Embrace Change
- Integrity
- Passion
- Commitment

CONTENTS

Financial and Operational Highlights

Strong growth of revenue to RMB3,001 million

▲ 39%

Profit attributable to equity owners increased to RMB1,205 million

▲ 25%

Basic earnings per share reached HK$26.74 cents

▲ 31%

Over 38 million registered users

▲ 38%

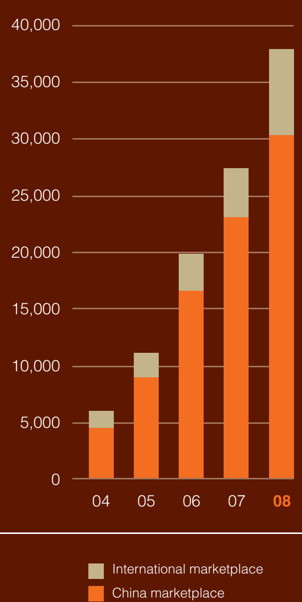
Over 4.6 million storefronts

▲ 56%

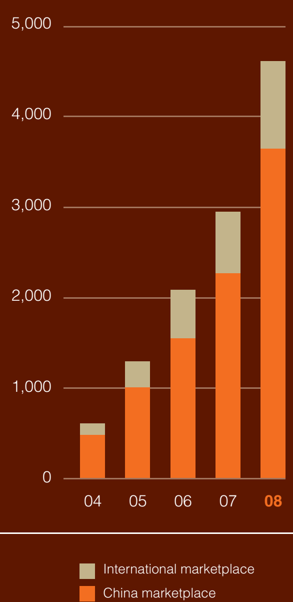
Over 432,000 paying members

▲ 41%

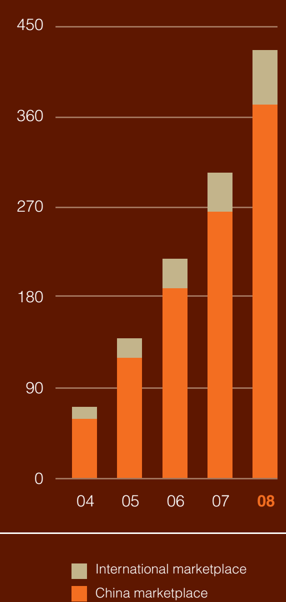
Total registered users
('000)



Total storefronts
('000)

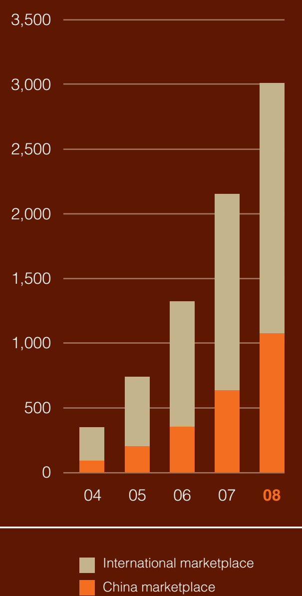


Total paying members
('000)

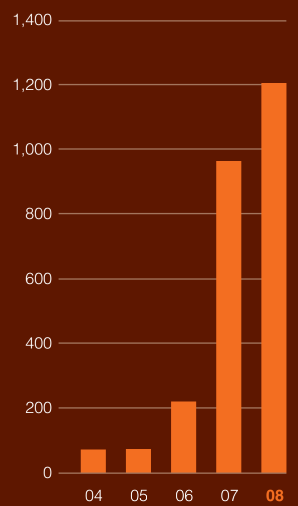


	2008	2007	Change
Revenue (RMB'000)	3,001,194	2,162,757	+39%
Profit attributable to equity owners (RMB'000)	1,205,186	967,795	+25%
Earnings per share, basic (HK$)	26.74 cents	20.41 cents	+31%
Earnings per share, diluted (HK$)	26.71 cents	20.41 cents	+31%
Registered users	38,075,335	27,599,959	+38%
International marketplace	7,914,630	4,405,557	+80%
China marketplace	30,160,705	23,194,402	+30%
Storefronts	4,614,250	2,956,846	+56%
International marketplace	965,747	697,563	+38%
China marketplace	3,648,503	2,259,283	+61%
Paying members	432,031	305,545	+41%
Gold Supplier members	43,028	27,384	+57%
International TrustPass members	16,136	12,152	+33%
China TrustPass members	372,867	266,009	+40%

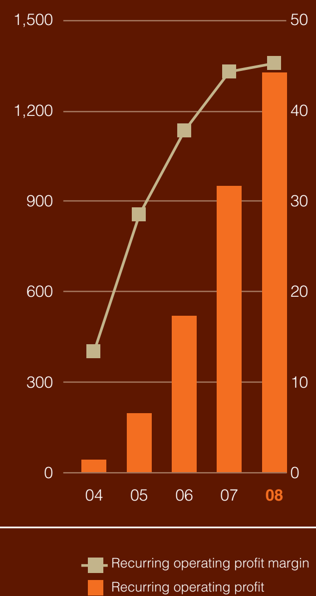
Revenue
(RMB'000)



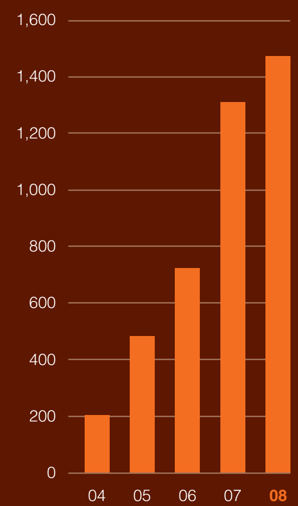
Profit attributable to equity owners
(RMB'000)



Recurring operating profit (1)
(RMB'000) (%)



Recurring free cash flow (2)
(RMB'000)



Note:

1 Recurring operating profit represents profit from operations as presented in our consolidated income statement excluding share-based compensation for all years and excluding expenses relating to non-B2B business in 2004 to 2006. This financial metric is not a measure of financial performance under International Financial Reporting Standards ("IFRS") but we consider it an important financial measure.

2 Recurring free cash flow represents net cash flow generated from operating activities as presented in our consolidated cash flow statement less purchase of property and equipment and excludes one-off payments. This financial metric is not a measure of financial performance under IFRS but we consider it an important financial measure.

Anywhere

Members from
over 240 countries
and regions

ANYWHERE

Anytime


http://www.alibaba.com/
Alibaba.com
Global trade starts here.
Products
Selling Leads
Search Products
Popular Searches: electric scooter, digital photo frame, air conditioner,
Browse by Category
Agriculture
Apparel
Automobiles & Motorcycles
Business Services
Chemicals
Computer Hardware & Software
Construction & Real Estate
Consumer Electronics
Electrical Equipment & Supplies
Electronic Components
Hot News
"Sell"
"Buy"
Trade with the World
Latest Buying Leads
MDF DOOR
buy lanyard,trap
Wine Equipment
Centella Asiatica...
SuperDeals
Wholesale
Electric Motorcycles
US$420
Min. Order: 1 pc
Electric Bicycles
US$400
Min. Order: 100 pcs

ANYTIME

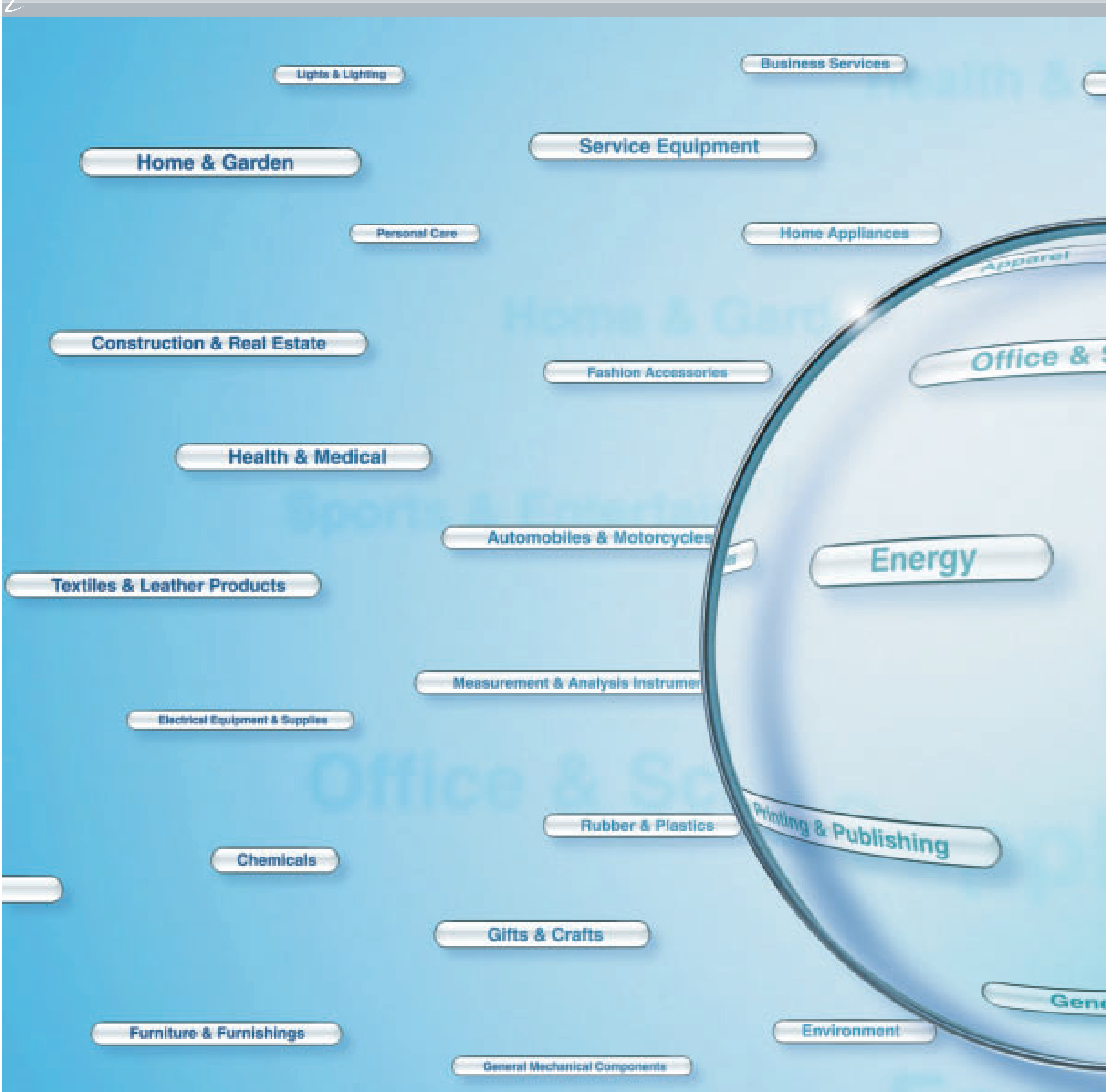
24 hours a day
7 days a week
365 days a year

Anyone

ANYONE

More than 38 million members, from entrepreneurs to small businesses, e-tailers to the world's retail giants

Anything


Lights & Lighting
Business Services
Home & Garden
Service Equipment
Personal Care
Home Appliances
Apparel
Construction & Real Estate
Fashion Accessories
Health & Medical
Automobiles & Motorcycles
Energy
Textiles & Leather Products
Electrical Equipment & Supplies
Rubber & Plastics
Printing & Publishing
Chemicals
Gifts & Crafts
Furniture & Furnishings
Environment
General Mechanical Components

ANYTHING

6,000 product categories across 40 industries

Key Business Events in 2008

3

MARCH

- Became a constituent of Hang Seng Composite Index and Hang Seng Freefloat Composite Index
- Co-organized the first Open Sesame member event in London with the China-Britain Business Council

4

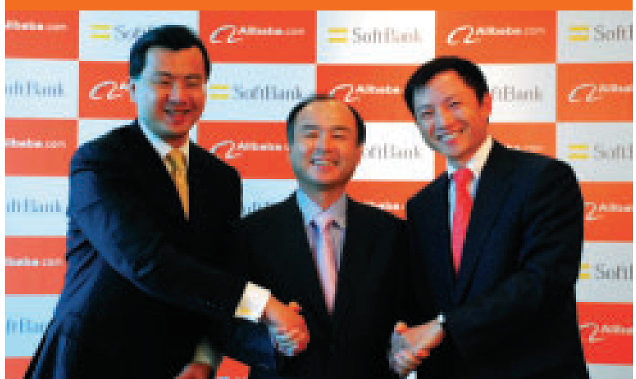
APRIL

- Partnered with Tradelink Electronic Commerce Limited to reach out to more Hong Kong SMEs
- Formed a strategic partnership with Infomedia, one of India's leading B2B media networks, to offer Indian SMEs a one-stop solution for global and domestic trade

5

MAY

- Formed a strategic partnership with Intel to promote e-commerce in Mainland China
- Formed an associated company with SOFTBANK CORP., Alibaba Japan, which took over the operation of Alibaba.com's existing Japanese-language website



6

JUNE

- Launched a new membership package called "China TrustPass for Individuals" on the China marketplace

7

JULY

- Extended the partnership with Intel to include Lenovo
- Opened a Taiwan office to bring better customer services to Taiwan SMEs

AUGUST 8

- Hosted the 2nd APEC Business Advisory Council SME Summit together with our annual e-commerce summit, Alifest, in Hangzhou, China. The event culminated in the 5th Global e-Business Champions of the Year award ceremony

- Beta launched the “Export-to-China” service to help SMEs sell direct to China

SEPTEMBER 9

- Organized the first Open Sesame member event in New Delhi, India

NOVEMBER 11

- Launched a new entry-level membership package, the Gold Supplier Starter Pack, on our international marketplace
- Announced VeriSign as an additional authentication and verification partner as part of our Quality Supplier Program

DECEMBER 12

- Formed a reseller partnership with Melbourne IT Limited in Australia
- Organized the first Open Sesame member event in Istanbul, Turkey

- Opened a London office to expand our presence in Europe

Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director
MA Yun, Jack

Executive Directors
WEI Zhe, David *(Chief Executive Officer)*
WU Wei, Maggie *(Chief Financial Officer)*
DAI Shan, Trudy
PENG Yi Jie, Sabrina

Non-executive Directors
TSAI Chung, Joseph
TSOU Kai-Lien, Rose
OKADA, Satoshi

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

BOARD COMMITTEES

Audit Committee
KWAUK Teh Ming, Walter *(Chairman)*
TSAI Chung, Joseph
KWAN Ming Sang, Savio

Remuneration Committee
NIU Gen Sheng *(Chairman)*
KWAUK Teh Ming, Walter
TSAI Chung, Joseph

Nomination Committee
MA Yun, Jack *(Chairman)*
NIU Gen Sheng
KWAN Ming Sang, Savio

Investment Management Committee
TSAI Chung, Joseph *(Chairman)*
MA Yun, Jack
WEI Zhe, David
WU Wei, Maggie
TSUEI, Andrew Tien Yuan

AUTHORIZED REPRESENTATIVES
WU Wei, Maggie
CHOW LOK Mei Ki, Cindy

QUALIFIED ACCOUNTANT
CHOW LOK Mei Ki, Cindy *CPA (Hong Kong), CPA (USA)*

COMPANY SECRETARY
WONG Lai Kin, Elsa *Solicitor (Hong Kong)*

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants

COMPLIANCE ADVISER
N M Rothschild & Sons (Hong Kong) Limited

LEGAL ADVISERS
Freshfields Bruckhaus Deringer *(as to Hong Kong law)*
Fangda Partners *(as to PRC law)*
Maples and Calder *(as to Cayman Islands law)*

PRINCIPAL BANKERS IN CHINA (IN ALPHABETICAL ORDER)
Bank of China Limited
China Merchants Bank
Industrial and Commercial Bank of China Ltd.

PRINCIPAL BANKER IN HONG KONG
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE
Trident Trust Company (Cayman) Limited
Fourth Floor, One Capital Place
P.O. Box 847GT
Grand Cayman
Cayman Islands

CORPORATE HEADQUARTERS
6th Floor, Chuangye Mansion
East Software Park
99 Huaxing Road
Hangzhou 310099
China

PLACE OF BUSINESS IN HONG KONG

20th Floor, Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513, Strathvale House
North Church Street, George Town
Grand Cayman KY1-1106
Cayman Islands

STOCK CODE

Hong Kong Stock Exchange	1688
Bloomberg	1688 HK
Reuters	1688.HK

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE ADDRESS

www.alibaba.com *(international marketplace)*
www.alibaba.com.cn *(China marketplace)*
www.alibaba.co.jp *(Japan marketplace)*

Chairman's Statement

"In 2008, we continued to rigorously uphold our Customer First principle while carrying out the strategy of fixing a leaky roof while the sun is shining."

Jack Ma
Chairman

"In 2009, we see even more opportunities ahead."

Dear Alibaba.com shareholders,

Happy 2009!

2008 was a trying and difficult year, but I believe Alibaba.com has delivered a fairly satisfying set of results. Driven by our forecast of global economic conditions in early 2008, our board of directors made a strategic decision to focus on becoming a better and stronger, rather than larger, company during 2008. The decision was guided by the company's longstanding principle to stand firm in doing what is right, rather than being swayed by what is popular or expedient. In 2008, we continued to rigorously uphold our "Customer First" principle while carrying out the strategy of "fixing a leaky roof while the sun is shining". This approach entailed implementing a series of pre-emptive measures that allowed us to quickly adapt and respond at the first sign of economic distress. When the financial crisis broke out in September, our commitment to SME customers did not waver, and we launched a series of well-prepared measures to safeguard their interests. It remains our firm belief that the welfare of our company is deeply intertwined with the welfare of our customers – only if e-commerce can successfully help our SME customers triumph against the hardships will Alibaba.com emerge triumphant as well.

While 2008 has been a trying year across many firms and industries, it was an exciting year for Alibaba.com. The excitement came from our preparedness against the advent of the economic crisis. It also came from the confidence we had in ourselves and in e-commerce. We discovered that SMEs using e-commerce demonstrated a significantly higher survival rate compared to their counterparts. Of even greater interest is the revelation that more and more businesses showed strong vital signs due to the use of e-commerce amidst the economic crisis.

As discussed during our pre-IPO road show, there remains a long road ahead for e-commerce in China. The economic climate will present many challenges in the coming three years, but we foresee e-commerce playing a greater role in the China economy moving forward. The growing domination of e-commerce is evidenced by the rapid proliferation and expansion of the other businesses within Alibaba Group, namely Taobao, Alipay, Alisoft and Yahoo! Koubei. We firmly believe the advantages of our group synergy will be fully realized in three to five years and will facilitate the establishment of the future e-commerce ecosystem that is only possible in China.

In 2009, we see even more opportunities ahead.

We believe the darkest hour of the current global economic crisis has passed. The real disaster is failing to realize when a disaster has already arrived. While the world has placed an unprecedented priority on addressing the global economic crisis, we believe the possibility of another unimaginable disaster of the same magnitude has become very slim, but the recovery of the economy to a truly healthy status will require three to five years – or possibly even longer. Given the situation today, it is no longer meaningful to try and determine where the trough lies. The decisive test today is whether you can adapt to this brand new economic environment and new business model, and whether you can capitalize on the opportunities presented.

We believe this financial crisis represents the growing pain of true globalization. It marks the real commencement of the "knowledge economy" and is a rite of passage as we forge into this new era. It may be a catalyst for reshaping the global economic landscape, with substantial implications for China. As a young and dynamic company, Alibaba.com is fortunate to be in a position to contribute to the revitalization and reconstruction of the world economy. Should we fail to help our customers and grow our own company, it will be the biggest regret of our lives.

In 2009, we will be expanding our investments in e-commerce very conscientiously and devoting ourselves fully to creating innovative approaches to support SMEs through these economic difficulties as a testament of our confidence in China, our confidence in e-commerce and our confidence in our team, our products and our services. We believe that this is beyond a business opportunity – it is the raison d'être for Alibaba.com and our company mission.

Lastly, I would like to express my appreciation and respect to all our shareholders for their trust and support, particularly for their unwavering conviction in Alibaba.com amidst this economic environment. The endurance of a horse is tested in a long journey, and I believe Alibaba.com is a true thoroughbred. Alibaba.com will keep its promises. Regardless of the external environment, Alibaba.com will remain forever committed to upholding the long-term best interests of our shareholders and ensure our joint success in the future. Step by step, Alibaba.com will steadily move towards the goal of prospering for at least 102 years.

Jack Ma
Chairman

CEO's Statement

"We are extremely focused on working together to take care of our customers and help them survive the economic winter."

David Wei
Chief Executive Officer

> "We remain dedicated to providing more solutions to help our SME customers around the world."

Dear Alibaba.com shareholders,

As many of you know, the first three of Alibaba.com's six employee values are: putting customers first, maximizing our teamwork, and embracing change. Little did we know the extent to which these three values would be tested in 2008. History will undoubtedly confirm 2008 presented one of the most challenging environments for businesses all around the world. 2008 was also remarkable for us specifically as it was our first full year as a publicly traded company. I firmly believe every employee at Alibaba.com is prepared to take on the pressure and challenges that 2009 may bring, and we are extremely focused on working together to take care of our customers and help them survive the economic winter.

As a result of our focus on customers, we are fortunate to have close insight into the operations of hundreds of thousands of SMEs around the world. Because of that insight, we foresaw the economic crisis early last year and began to make plans and took actions in order to mitigate risks and seize opportunities. In the midst of this, we also paid great attention to all our stakeholders, especially our customers, employees and shareholders. At a time when most companies were thinking about what they should stop doing in order to survive winter themselves, we were focused on what to do first to help our SME customers overcome the winter.

In 2008, we took the following key actions:

- Diversified our global buyer base for our exporter customers by establishing new operations in Japan and the United Kingdom
- Commenced a US$30 million global marketing effort, which will continue through 2009, to drive greater awareness for Alibaba.com in major buyer markets, principally the United Kingdom and the United States
- Upgraded our existing products and launched the Gold Supplier Starter Pack, designed to open our platform to a new and larger tier of SME exporters in China that might not have previously considered international e-commerce due to budget reasons
- Increased the authentication and verification of paying members on our international platform, providing buyers with an added sense of confidence and security
- Enhanced the level of customer service while not sacrificing growth by creating separate sales teams dedicated to new customer acquisition and customer service and retention
- Introduced "Winport" on the China marketplace in order to lower the entry barriers to e-commerce for SMEs
- Enhanced our SME loan facilitation program in partnership with banks in China. Through supporting banks, we helped our SME customers obtain more than RMB1 billion (equivalent to US$150 million) in loans last year. We will continue to support the development of this program and project to help SMEs obtain close to RMB6 billion (equivalent to US$900 million) in loans in 2009.

We are encouraged to see that these actions have been well received by our customers. But that is not enough. We remain dedicated to providing more solutions to help our SME customers around the world, whether in Asia, North America or Europe. "Customer First" is not just a slogan at Alibaba.com: it is truly our number one priority, and in today's global financial environment, it is an absolute imperative for us.

2008 FINANCIAL HIGHLIGHTS

Despite the tough conditions in 2008, particularly in the second half of the year, we achieved strong financial results in 2008. Our total revenue grew by 38.8% to RMB3,001 million, driven by strong growth in paying members and increased sales of value-added services. Profit from operations grew by 48.2% to RMB1,192 million. Profit attributable to equity owners increased by 24.5% to RMB1,205 million. If interest income from the IPO over-subscription proceeds in 2007 were excluded, the increase in net profit would have been 95.2%. Our subscription-based business model has continued to generate substantial recurring free cash flow, which increased by 11.4% to RMB1,466 million. Deferred revenue and customer advances on our balance sheet reached RMB2,257 million at the end of 2008.

USER BASE EXPANSION

In 2008, we continued to strengthen our position as the world's leading marketplace for international trade, and the growth of our China marketplace has been even more prominent compared to last year. As of the end of 2008, the number of registered users on our international marketplace reached 7.9 million, which is 3.5 million more than that of 2007. We experienced an accelerated growth in users on our international marketplace in the second half of 2008, adding 2.3 million users to our community. This not only reflected the results of our global marketing campaign but also indicated that global buyers are turning to e-commerce to reduce costs and improve efficiency during this difficult

CEO's Statement

economic climate. The number of registered users on our China marketplace grew to 30.2 million at the end of 2008, resulting principally from a combination of further Internet penetration and stronger domestic economic demand. Our ongoing relationship with Infomedia in India is delivering impressive results as measured by the number of SMEs who have joined Alibaba.com in the past year. At the same time, our community of buyers and suppliers in Japan has grown steadily. We remain fully committed to attracting users from all over the world to experience the benefits of B2B e-commerce through our platform.

MEMBERSHIP BASE EXPANSION

In 2008, we opened new sales and customer service offices in 10 new cities in Mainland China and one in Taiwan, extending our Gold Supplier service coverage to more potential customers. The number of Gold Supplier members continued to grow, reaching 43,028 by the end of 2008, representing a 57.1% increase over 2007. Our membership growth has accelerated significantly since we introduced the Gold Supplier Starter Pack in November. Following our success in Hong Kong, which is the first region where international paying members were offered our Gold Supplier package in lieu of the International TrustPass service, we rolled out our Gold Supplier package for customers in Taiwan in July 2008. With regard to domestic customer acquisition, the number of China TrustPass members grew to 372,867 with a net increase of 106,858 members, or a 40.2% increase over 2007. This is a combination of continued elevation of efficiency in our telemarketing and online sales efforts, as well as an expanded network of resellers in remote cities in China where there are large numbers of SMEs but low Internet penetration rates.

SERVICES ENHANCEMENT

In the first quarter of 2008, we began to reorganize our Gold Supplier sales team into separate teams, with one focusing on customer acquisition and the other on customer retention and service. This restructuring allowed us to acquire more new customers while simultaneously maintaining stability in our customer retention level during the year. The features of our Gold Supplier packages have been improved remarkably for both existing and new Starter Pack members. For China TrustPass, display functions on "Winport" were enhanced and corporate email accounts and "Traffic Analyzer™" are now offered.

VALUE-ADDED SERVICES

We have continued to refine the pricing for different keywords and results rankings. With the growth in Gold Supplier Starter Pack members, we believe we have a solid foundation for revenue growth in our value-added services (VAS) business. To enable our sales and customer service team to remain focused on our core products, we decided to revert the distribution of Alisoft's export-oriented customer relations management (CRM) software solution to our sister company Alisoft.

Extending keyword bidding from the top three positions to the top five positions in search results and selling premium placement positions have helped raise average customer spending among China TrustPass members. In the second half of 2008, we piloted our "Ali-ADvance™" program, a pay-for-performance model in our online business community. Under the "Ali-ADvance™" program, Alibaba.com paying members bid for keyword placement on a cost-per-click basis. The product listings in search results are driven by the relevance of the customer's product to a search as well as the amount of bid for the keyword. We officially launched "Ali-ADvance™" on our China marketplace in March 2009. We expect this VAS mechanism to help drive our business towards a more performance-based revenue model.

The powerful network and community we have built continued to attract a growing number of corporate advertisers to promote their brands on our China marketplace in 2008. Revenue from branded advertisements continued to grow steadily.

PEOPLE DEVELOPMENT

In 2008, we increased the size of our team by 2,700 people, spreading proportionately across sales, customer services, marketplace operations and engineering, as well as other support functions. As a result of our ongoing training programs, the productivity of our new sales force has been steadily improving. Our retention and career development initiatives have helped maintain an employee turnover rate lower than the industry and market average. We have also strengthened our management team by promoting talent from within, while attracting experienced talent externally. In late 2008, we started a new initiative to invest in our team members as part of our overall plan to mitigate the impact of the economic crisis. This included investing in training and development as well as other initiatives. We believe that now

"2009 is a year of investment and expansion for Alibaba.com."

is the right time to invest so that Alibaba.com will be best positioned to capitalize on the opportunities when the crisis is over. In 2009, we plan to grow substantially in order to meet the anticipated demands on our business globally. We will be recruiting more sales staff, engineers and website operations team members.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is fundamentally embedded within the Alibaba.com corporate mission and business model. Our corporate mission is to be fully committed to helping SMEs around the world.

This mission starts with creating trade opportunities to help SMEs survive and prosper, and helping to create millions of related jobs in the process. We further plan to provide free e-commerce related training to thousands of SMEs and students to help them acquire the necessary skills for engaging in e-commerce. As mentioned earlier, in addition to facilitating efficient online trading, in 2008 we helped SMEs in China obtain much needed financing. We also raised awareness on environmental protection issues among our employees and SME members by pioneering a number of environmentally friendly campaigns.

Soon after the tragic Sichuan earthquake in May 2008, we swiftly contributed to the rescue efforts by securing online a variety of urgently needed resources and materials. We also launched a donation campaign among our members and employees. Additionally, membership fees for suppliers in the earthquake areas were waived in the aim of assisting with the rehabilitation of their businesses, supporting job creation and returning economic stability to their communities. We will continue our rebuilding programs in the earthquake area. For a full report of our initiatives in regards to this important mission, please refer to our Corporate Social Responsibility Report on pages 38 to 40 of this Annual Report.

2009 OUTLOOK

2009 is a year of investment and expansion for Alibaba.com. We will invest in our customers, technology infrastructure, new product applications and, always the most pivotal, our people.

Why invest during the economic downturn?

Because we have confidence in China's economy – we believe that China will be among the first economies in the world to recover from this crisis.

Because we have confidence in e-commerce – we see that e-commerce is resilient to the economic downturn and ever more important to SMEs around the world, as proved by an acceleration in new user registration and paying member sign-ups on our marketplaces.

Because we have confidence in our people – our team is ready to seize any opportunity to accelerate user and customer acquisition.

Because now is the best time to invest – it is more cost effective to invest in marketing and infrastructure projects during an economic downturn, and in talent because they have become more accessible.

How will we invest?

While we make investments we will remain cost conscious and move to save money in ways that support growth. For example, we recently announced a salary freeze for senior management at the vice-president level and above, as we believe the focus of our compensation efforts should go to general employees who are delivering our growth promises. Also, we are reducing average travel costs by at least 10%. These are but the first of the many prudent steps we will take to reduce operating costs in 2009.

As mentioned before, we plan to recruit 2,000 to 3,000 employees in 2009. In addition to sales and customer services, we will add engineers and website operation staff in order to enhance the scalability of our business. We continue to offer competitive salaries and performance-based incentives accompanied by regular salary reviews to attract and retain talent.

We are going to invest in technology infrastructure to accommodate millions of new users. Moreover, we are going to invest in developing our network infrastructure to further improve our user experience and bring potential revenue growth.

CEO's Statement

"Now is the best time to invest so that we can be best positioned to capitalize on the opportunities when the crisis is over."

We are investing in our customers by keeping the entry price competitive and providing them with a diverse selection of value-added services options. To support our customers' growth, we are going to invest in marketing both domestically and internationally to reach out to buyers and sellers, making our marketplaces a more vibrant and interactive platform for business people to leverage on.

We will cautiously evaluate the progress and output of our investments at every step and make adjustments as and when necessary.

Where and when will our shareholders expect to see a return from such investment?

We expect our shareholders to see returns from:

- Accelerated paying member growth;
- Increased revenue driven by more paying members and more value-added services in the future; and
- Expanded economies of scale and margin enhancement.

If we succeed, paying member growth will be the first external indicator of success, followed by revenue and margin growth over the next few years. We are focused on building the largest online community of buyers and sellers possible, and that will require us to make additional investment. Given our deferred recognition of revenue, revenues generated from increased paying members will show up steadily over the coming years as they have traditionally. The key, as we have always said, is that if we can build a relevant and large-scale user base, revenue and profit will follow. Nothing we have experienced in the past year has changed that view.

THANK YOU!

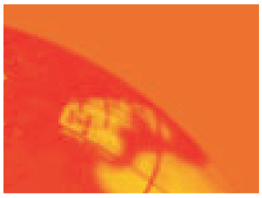
I wish to take this opportunity to express my heartfelt gratitude to our loyal users and members, our talented and passionate employees, and our supportive fellow directors and shareholders. Your confidence, patience, understanding and support are critical not just to our business but also to our millions of SME users. 2009 is about having faith in ourselves and in our fellow citizens. At Alibaba.com, we will stay focused on the values that have made us successful: putting customers first, maximizing our teamwork, and embracing change.

David Wei
Chief Executive Officer

Management Discussion and Analysis

We remain focused on building the largest online community of buyers and sellers possible, and our mission "To Make It Easy To Do Business Anywhere" has never changed.

Management Discussion and Analysis


BUSINESS ENVIRONMENT

Economic environment

The emergence of the US sub-prime mortgages crisis at the beginning of 2008 had a cascading effect on financial markets around the world, and eventually led to a global economic crisis as the year drew to a close. The slow-down in consumption posed challenges to both export-oriented as well as China domestic manufacturers and trading companies. In early 2008, we identified the impending global economic issues and assessed their impact on our customers and on our own business. Analysis revealed that the situation presented a prime opportunity to help SMEs move online and introduce greater efficiency to their business through our e-commerce platform. Following months of detailed planning and preparation, we launched several new initiatives at the end of 2008 to help SMEs weather the economic winter.

A challenging export landscape but a good opportunity for e-commerce

The global economic slowdown, coupled with an appreciation of the Renminbi against the US dollars, rising raw material and labor costs, and reduced value-added tax rebates, created strong headwind for SME exporters in China. In November 2008, China reported its first negative growth in exports in seven years and the decline continued in the subsequent months. Though risk of further contraction in Chinese exports and a sustained period of lackluster growth remain apparent, we continue to be confident in China's position as the world's top exporter. Looking beyond the current economic crisis, we believe that the fundamentals for our business remain strong. New SMEs are born every day as others close down. We see the current climate as an opportune time to expand our market presence, as more buyers around the world leverage e-commerce to reduce cost and improve efficiency. At the same time, suppliers tend to be more receptive to new ideas to combat challenges in traditional marketing channels. These views are supported by healthy growth in our registered users and traffic since the economic downturn began.

Relatively robust domestic market but not immune to the global economic downturn

China's domestic economy held up reasonably well in 2008. However, in a world of globalization, China was not immune to the worldwide economic downturn. In the fourth quarter of 2008, China's economic growth slid to 6.8% year-on-year and full-year GDP growth was down to 9.0%. In view of the slowdown, the Chinese government launched a massive RMB4 trillion stimulus package accompanied by industry-specific policies to encourage investment and spur domestic consumption. While we are optimistic on the impact of the timely fiscal stimulus, it may not have a direct and immediate impact on our target customer base of SMEs since most of the allocation is for infrastructure projects. Nonetheless, we expect the measures to help the Chinese economy regain its growth momentum and lay a solid foundation for a robust rebound in the near future.

Internet penetration and e-commerce development

One of the most remarkable developments in 2008 was China surpassing the United States in the number of Internet users to become the world's largest Internet market. According to China Internet Network Information Center, the number of Internet users in China grew by 41.9% year-on-year to reach 298 million by the end of 2008. However, Internet penetration rate remains at 22.6%. This low Internet penetration rate, in conjunction with pervasive broadband usage of 90.6%, bodes well for the growth of China's e-commerce industry.

The percentage of SMEs using B2B e-commerce platforms in China is still very low. We believe that as SMEs become more cost and value conscious, they will shift a greater percentage of their marketing budget online to improve efficiency. Meanwhile, we see more provincial and local governments in China demonstrating appreciation for the power of e-commerce to drive sustainable economic growth and boost exports. In line with the China central government's directive to support SMEs during the economic downturn, over 10 provincial and local government organizations have partnered with Alibaba.com to promote B2B e-commerce and will subsidize membership fees for SMEs that become our paying members.

Alibaba.com opened a new sales office in Taiwan in July 2008. The President of Taiwan National Association of Small & Medium Enterprises, the General Manager of UPS Taiwan and the Senior Manager of Alibaba Taiwan participated in the opening ceremony and the e-commerce forum.

We have confidence in about the long-term potential of the industry and view this downturn as an unprecedented opportunity to expand market leadership. We plan to prepare ourselves to emerge even stronger when the market recovers.

BUSINESS REVIEW

Against this macro-economic backdrop, our business continued to grow in 2008 and we delivered solid operating and financial results. While our SME customers are facing a challenging environment, we believe Alibaba.com continues to offer them a compelling value proposition in the form of cost-effective online marketing and e-commerce infrastructure services.

In 2008, we expanded our market leadership by adding 10.5 million registered users, 1.7 million storefronts and over 126,000 paying members to our marketplaces. This growth provides evidence that our network effect continues to strengthen as we cement our position as the world's leading e-commerce marketplace for both global trade and China domestic trade. As of December 31, 2008, our combined marketplaces had in aggregate 38.1 million registered users, 4.6 million storefronts and 432,031 paying members.

International marketplace

In 2008, registered users on our international marketplace increased by 3,509,073 to reach 7,914,630 as of December 31, 2008. The number of storefronts increased by 268,184 during the year to reach 965,747. The steady growth in users and storefronts demonstrated that more buyers and sellers around the world were seeing the benefits of our e-commerce platform, especially during tough times and with limited budgets.

International marketplace operating data

	As of December 31,			
	2005	2006	2007	**2008**
Registered users	1,949,741	3,115,153	4,405,557	**7,914,630**
Storefronts	292,414	514,891	697,563	**965,747**
Paying members [(1)]	19,983	29,525	39,536	**59,164**
Gold Supplier members	12,192	18,682	27,384	**43,028**
International TrustPass members	7,791	10,843	12,152	**16,136**

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

Management Discussion and Analysis

Geographic distribution of registered users (other than China) of our international marketplace as of December 31, 2008

	Country or region	Number of registered users	Percentage of total on our international marketplace
1	United States	1,261,962	15.9%
2	India	874,934	11.1%
3	European Union[(1)]	711,416	9.0%
4	United Kingdom	392,155	5.0%
5	Canada	186,591	2.4%

(1) Excludes the United Kingdom.

Gold Supplier

During a year when macro-economic challenges intensified, our SME customers were faced with reduced visibility in their business prospects. This uncertainty led them to reduce their budgets and delay making significant marketing commitments. In the first quarter of 2008, we restructured our sales force in order to achieve a higher level of customer satisfaction and sales productivity in the long term. As a consequence, the number of new customer acquisitions slowed down and our customer retention process was lengthened during the first and second quarters. The combined impact meant that customer acquisition slowed in the first three quarters of 2008 to an average of 1,150 net additions of Gold Supplier members per quarter. Nonetheless, registered user and storefront growth on our international marketplace continued to be strong. In view of all of these factors, in November 2008 we initiated improvements to our international marketplace, upgraded our existing Gold Supplier membership and launched the Gold Supplier Starter Pack, a new entry-level product for export suppliers in Mainland China, Hong Kong and Taiwan. These new initiatives were aimed at providing better and more affordable online marketing services to our customers when they needed them the most.

The Gold Supplier Starter Pack, priced at RMB19,800 per year, is designed for exporters with limited budgets that plan to shift their business online to achieve efficiencies in the current economic environment. It is bundled with some basic value-added services and appeals to a wide range of potential new customers. Our existing Gold Supplier membership, which remains priced at RMB50,000 per year, was upgraded to incorporate a premium value-added services package that enables suppliers to substantially increase the visibility of their key products. The improved service offering also includes corporate email accounts, virtual factory tours as well as storefront management tools such as "Traffic Analyzer™" and "Buyer GPS™" that help suppliers maximize the effectiveness of their online marketing programs.

The Gold Supplier Starter Pack proved to be the right product at the right time. We have seen a sharp growth in Gold Supplier members since the launch of this new product. Sales efficiency has also improved since the completion of our sales force restructuring. In the fourth quarter of 2008, we had net additions of 12,192 Gold Supplier members, bringing the total number of Gold Supplier members to 43,028 as of December 31, 2008. This is especially significant at a time when China's export sector experienced its first negative growth in seven years in November 2008.

In November 2008, we also launched our Quality Supplier Program which is aimed at improving the buyer experience on our international marketplace. As part of the program, we have teamed up with a trusted provider of online authentication and verification services to verify the identity of suppliers displayed on our website. We also enforced stricter policies towards the protection of intellectual property and promoted a safer online trading environment by aggressively taking down listings that are the subject of infringement complaints. Furthermore, we continued to ban members with a history of violating the rules and policies of our marketplace.

International TrustPass and overseas expansion

International TrustPass membership growth was in line with our expectations for 2008. The number of International TrustPass members reached 16,136 as of December 31, 2008, a net increase of 3,984 from 2007. Our ongoing relationship with Infomedia 18 (formerly known as "Infomedia India") delivered impressive results in India last year in both registered user and paying member growth. During the second half of 2008, our associated company, Alibaba.com Japan Co., Ltd. ("Alibaba Japan"), launched various buyer-marketing events to raise brand awareness and continued to lay the foundation for user and customer acquisition in Japan. We also opened a new sales office in Taiwan in July 2008 and began offering Gold Supplier membership to meet the more sophisticated demand of Taiwanese suppliers. In December 2008, we opened an office in London to serve as our marketing, customer support and buyer services hub in Europe. Our presence in Europe will make it easier for SMEs in the region and beyond to conduct international trade through Alibaba.com. We continued to pursue our overseas expansion strategy by identifying countries with a large SME supplier base and e-commerce potential. We have started to identify resellers or local partners in Korea, Malaysia and countries with a good manufacturing base in continental Europe. These globalization initiatives have just started, and are all strategic projects expected to generate financial returns over the long term.

In the third quarter of 2008, we piloted a new product called "Export-to-China". Its product features have since been refined for better user experience. We believe that "Export-to-China" will help SMEs worldwide gain access to the enormous domestic China market.

Value-added services and new features

Value-added services (VAS) remain one of our key sources of revenue. In 2008, we continued to drive our revenue model towards a more performance-related base with "low upfront fee plus more VAS". To help our paying members optimize the benefits of our marketplace, we added a new and more affordable VAS called "Virtual Showroom™" in December 2008.

In addition to an expanded range of value-added services, we also introduced more sophisticated back-office storefront management features for paying members. Features like "Traffic Analyzer™" and "Buyer GPS™" help suppliers monitor the effectiveness of their online marketing programs with ease. These new features will help our members better appreciate the value of our VAS in the long run. Looking ahead into 2009, VAS revenue may take time to grow because new members need to acclimate to basic functionalities and e-commerce operations first before investing in additional services. Our efforts will help establish a good foundation for the future growth of VAS usage.

In the fourth quarter of 2008, we decided to return distribution of Alisoft Export Edition, an export-oriented customer relations management (CRM) software solution to our sister company, Alisoft in order to focus our efforts on the sales and customer service of our own products.

Community

We believe that enhancing user experience and putting our customers first are fundamental to our success. In tandem to the growth of our marketplace, we have also emphasized community development on our platform. Throughout the year, we continued to carry out a wide variety of online and offline marketing and community events for buyers and sellers to improve user stickiness. To raise awareness of these enhancements to the international buyer's experience, we launched a US$30 million marketing campaign in 2008. The campaign will continue over the course of 2009 in key buyer markets such as the United States and Europe, as well as in emerging markets with meaningful buyer growth potential. This campaign represents a long-term investment in the loyalty of our user base and global brand recognition for Alibaba.com.

China marketplace

Our China marketplace continued to experience robust growth in 2008 and has contributed a greater proportion to our total revenue as China domestic trade outpaced exports. China marketplace revenue as a percentage of our total revenue went up from 28.4% in 2007 to 36.5% in 2008. Notwithstanding the larger revenue base that we have built up over the years, in 2008 we saw accelerated growth of revenue from China TrustPass membership compared to 2007. This growth supported our view that e-commerce in China remains in its infancy and, more importantly, we have the relevant products and services, and a strong team to convert this opportunity into profits. The strong growth of Internet users in China is promising for the growth of B2B e-commerce in China. Registered users on our China marketplace increased by 6,966,303 during the year to 30,160,705 as of December 31, 2008. The number of storefronts increased by 1,389,220 to 3,648,503 in the same period.

China TrustPass

By December 31, 2008, our China TrustPass members reached 372,867, a net increase of 106,858 members, or 40.2%, from the end of 2007. The growth of China TrustPass members has been driven by the network effect of our China marketplace, strong execution by our extensive sales team and the launch of our "China TrustPass for Individuals" in the second quarter of 2008. The "China TrustPass for Individuals" product helped us tap into a new market segment of sole proprietors and smaller businesses. As of the end of 2008, we had approximately 28,000 "China TrustPass for Individuals" members.

Management Discussion and Analysis

China marketplace operating data

	As of December 31,			
	2005	2006	2007	**2008**
Registered users	9,019,214	16,649,073	23,194,402	**30,160,705**
Storefronts	1,002,768	1,557,874	2,259,283	**3,648,503**
China TrustPass members (1)	121,631	189,573	266,009	**372,867**

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

Value-added services and new features

In 2008, significant progress was achieved in value-added services development on our China marketplace. VAS revenue contribution to overall average customer spending increased steadily over the reporting period. The expansion of keyword bidding from three to five positions, in conjunction with the launch of premium placement at the end of 2007, helped drive VAS revenue growth. Also, the powerful network and community on our China marketplace continued to attract a growing number of corporate advertisers to market their brands through our platform. Revenue from branded advertisements continued to demonstrate solid growth.

In support of our plan to build and improve the Internet infrastructure for SMEs in China, we launched the strategic product "Winport" on our China marketplace in April 2008. "Winport" lowered the entry barriers for SMEs to conduct business online. We have made firm progress in growing the user base and augmenting the activity level of "Winport" user accounts on our marketplace.

The SME loan program we launched in the second half of 2007 in partnership with two major banks in China has been very well-received by our customers. In the current economic climate, our SME financing program is an invaluable resource because access to affordable capital is often critical to a SME's survival. Last year, we helped over 600 SMEs in Zhejiang province acquire more than RMB1 billion in loans from two partnering banks. In 2009, this program will be expanded to more major manufacturing and trading cities in China in partnership with more banks to offer much needed financing to SMEs.

The launch of our new "Ali-ADvance™" program was perhaps the most profound VAS enhancement on our China marketplace. We initiated the trial of this pay-for-performance model in our online business community during the second half of 2008 and received positive feedback. The "Ali-ADvance™" program was officially launched in March 2009 and has replaced the existing keyword bidding mechanism in the listing page of keyword search. Paying members can now bid for keyword placement on a cost-per-click basis, and product listings in search results will be driven by both the relevance of the customer's product to the search and the keyword bid amount. This should help improve efficiency of supplier's marketing efforts, and at the same time allow us to better monetize the ever-increasing user traffic.

Technology

During the year, we continued to upgrade and enhance our technology platform through infrastructure enhancement and innovation. We established a new data center in Hong Kong to further improve our website recoverability and business continuity. In addition, we invested in our core network infrastructure and significantly strengthened our network capacity to ensure scalability for future business growth. Our technology platform was upgraded with several innovative features, including advanced machine-learning technology and image-based search that improve user experience. Our architecture has also been improved with enhanced scalability and reduced hardware cost.

Sales and customer service

In the first quarter of 2008, we began to restructure the Gold Supplier sales force into two teams, one focused on customer acquisition and the other on customer retention and service. This restructuring was implemented to achieve a higher level of customer satisfaction and sales productivity over the long term. The arrangement also complimented our subsequent launch of the Gold Supplier Starter Pack so the "hunters" and "farmers" in our sales force can focus on their respective role of selling the Starter Pack or retaining customers and upselling VAS, thereby directly contributing to the scalability and future growth of our business.

In 2008, we opened new sales and customer service offices in 10 new cities in Mainland China and one in Taiwan, extending our Gold Supplier service coverage to more potential customers. As of December 31, 2008, we had over 3,000 field sales staff for Gold Supplier, over 1,300 telephone sales people for China TrustPass and around 1,000 customer service staff. We have strengthened our sales team in preparation for an accelerated member acquisition plan in 2009, along with the launch of the Gold Supplier Starter Pack.

FINANCIAL REVIEW

We experienced significant growth in the number of paying members of our combined marketplaces in 2008. As of December 31, 2008, we had 432,031 paying members, representing a 41.4% increase from the beginning of the year.

As a result of the higher number of paying members, total revenue grew by 38.8% to RMB3,001.2 million (2007: RMB2,162.8 million). Profit from operations increased by 48.2% to RMB1,192.4 million (2007: RMB804.3 million).

Profit attributable to equity owners increased by 24.5% to RMB1,205.2 million (2007: RMB967.8 million). Profit attributable to equity owners in 2007 included non-recurring interest income of RMB350.5 million generated from the over-subscription proceeds retained during our initial public offering in Hong Kong in November 2007. Excluding this non-recurring item, our profit attributable to equity owners in 2008 would have been increased by 95.2%. Basic earnings per share increased 31.0% from HK$20.41 cents to HK$26.74 cents.

	Year ended December 31,			
	2008 RMB'000	2007 RMB'000	Variance RMB'000	%
Revenue	**3,001,194**	2,162,757	**838,437**	**38.8%**
Cost of revenue	**(387,368)**	(280,113)	**(107,255)**	**38.3%**
Operating expenses	**(1,598,743)**	(1,098,176)	**(500,567)**	**45.6%**
Other operating income, net	**177,300**	19,877	**157,423**	**792.0%**
Profit from operations	**1,192,383**	804,345	**388,038**	**48.2%**
Finance income, net	**239,207**	345,099	**(105,892)**	**(30.7%)**
Share of losses of associated companies, net of tax	**(16,087)**	–	**(16,087)**	**–**
Income tax charges	**(210,317)**	(181,649)	**(28,668)**	**15.8%**
Profit attributable to equity owners	**1,205,186**	967,795	**237,391**	**24.5%**
Share-based compensation expense	**178,815**	152,077	**26,738**	**17.6%**
Profit attributable to equity owners before share-based compensation expense	**1,384,001**	1,119,872	**264,129**	**23.6%**
Earnings per share, basic (HK$)	**26.74 cents**	20.41 cents	**6.33 cents**	**31.0%**
Earnings per share, diluted (HK$)	**26.71 cents**	20.41 cents	**6.30 cents**	**30.9%**

Management Discussion and Analysis

Revenue

The following table and chart present, for the years indicated, a breakdown of revenue and its components as a percentage of revenue:

	2008 RMB'000	2007 RMB'000	Change RMB'000	% of total revenue
International marketplace				
Gold Supplier	**1,842,884**	1,503,331	339,553	**61.4%** 69.5%
International TrustPass	**41,082**	32,825	8,257	**1.4%** 1.5%
Other revenue	**23,169**	11,539	11,630	**0.7%** 0.6%
Sub-total	**1,907,135**	1,547,695	359,440	**63.5%** 71.6%
China marketplace				
China TrustPass	**1,026,883**	594,098	432,785	**34.3%** 27.5%
Other revenue	**67,176**	20,964	46,212	**2.2%** 0.9%
Sub-total	**1,094,059**	615,062	478,997	**36.5%** 28.4%
Total	**3,001,194**	2,162,757	838,437	

2008
2007

We generate revenue primarily by selling membership packages and value-added services to suppliers on our international and China marketplaces.

Our total revenue increased from RMB2,162.8 million in 2007 to RMB3,001.2 million in 2008, representing a growth of 38.8%, mainly due to the increase in the number of paying members on both of our marketplaces. We are pleased that our efforts to invest in the growth of China domestic trade are paying off as the significance of our China marketplace increased, contributing 36.5% of the total revenue in 2008, compared to 28.4% in 2007.

International marketplace

Revenue from our international marketplace primarily consists of:

- Revenue from the sale of Gold Supplier membership packages and value-added services, mainly comprising the sale of keywords and premium placements to Gold Supplier members;
- Revenue from the sale of International TrustPass membership packages; and
- Other revenue, which represents commission income we received from Alisoft, a wholly-owned subsidiary of Alibaba Group Holding Limited ("Alibaba Group"), for cross-selling the Alisoft Export Edition developed by Alisoft to our Gold Supplier members. In November 2008, we handed back this re-selling function to Alisoft and focused our sales efforts on our newly launched products.

Revenue from our international marketplace increased by 23.2% from RMB1,547.7 million in 2007 to RMB1,907.1 million in 2008, primarily due to increases in the number of Gold Supplier members and the sales of value-added services. It also included other revenue of RMB23.2 million from cross-selling Alisoft Export Edition in 2008 before we handed back this re-selling function in November (2007: RMB11.5 million).

China marketplace

Revenue from our China marketplace primarily consists of:

- Revenue from the sale of China TrustPass membership packages and value-added services, mainly comprising keyword bidding and premium placements to China TrustPass members; and
- Other revenue, principally comprising online placement services that allow companies to display online branded advertisements on our China marketplace.

Revenue from our China marketplace increased by 77.9% from RMB615.1 million in 2007 to RMB1,094.1 million in 2008. The growth was largely due to an increase in the number of China TrustPass members as a result of the network effect of our marketplace, growth of the domestic economy in China as well as our in-house sales and re-sellers' efforts. In addition, the sale of value-added services such as keyword bidding and branded advertisements also grew strongly during the year.

Cost of revenue and gross profit

The following table and chart present, for the years indicated, a breakdown of cost of revenue and its components as a percentage of revenue:

	2008 RMB'000	2007 RMB'000	Change RMB'000	% of total revenue 2008	% of total revenue 2007
Business taxes and related surcharges	**153,860**	110,545	43,315	5.1%	5.1%
Staff costs and other expenses	**149,864**	110,766	39,098	5.0%	5.1%
Bandwidth and depreciation expenses	**61,446**	38,771	22,675	2.0%	1.8%
Authentication and verification expenses	**22,198**	20,031	2,167	0.8%	1.0%
Total	**387,368**	280,113	107,255	12.9%	13.0%

Our cost of revenue increased by 38.3% from RMB280.1 million in 2007 to RMB387.4 million in 2008. Included in the cost of revenue was share-based compensation expense of RMB9.6 million and RMB13.7 million in 2008 and 2007, respectively. Our cost of revenue increased mainly as a result of the continued expansion of our business. In particular:

- Business taxes and related surcharges, as well as authentication and verification expenses, were higher as a result of the increase in revenue;
- Staff costs were higher mainly because we expanded our website operations and our customer support services as our customer number grew; and
- Bandwidth and depreciation expenses were higher mainly because of an increase in user traffic on our websites (which required us to pay higher bandwidth and co-location fees) and additional servers and related computer equipment acquired by us.

As a percentage of revenue, cost of revenue was in line with that in 2007, rendering a flat gross profit margin year-on-year at 87.1% (2007: 87.0%).

Profit from operations

Our profit from operations (which represents profit from operations after deducting share-based compensation expense) increased from RMB804.3 million in 2007 to RMB1,192.4 million in 2008, a growth of 48.2%. Our operating profit margin increased to 39.7% in 2008 from 37.2% in 2007. The growth in margin was mainly attributable to the growth of other operating income and effective cost control during the year.

Management Discussion and Analysis

The following table and chart present, for the years indicated, a breakdown of operating expenses and its components as a percentage of revenue:

	2008 RMB'000	2007 RMB'000	Change RMB'000	% of total revenue 2008	% of total revenue 2007
Sales and marketing expenses	**1,092,086**	736,813	355,273	**36.4%**	34.0%
Product development expenses	**186,513**	131,495	55,018	**6.2%**	6.1%
General and administrative expenses	**320,144**	229,868	90,276	**10.7%**	10.6%
Total	**1,598,743**	1,098,176	500,567	**53.3%**	50.7%

Sales and marketing expenses

Our sales and marketing expenses increased by 48.2% from RMB736.8 million in 2007 to RMB1,092.1 million in 2008. Included in the sales and marketing expenses was share-based compensation expense of RMB57.7 million and RMB49.7 million in 2008 and 2007, respectively. Our sales and marketing expenses increased mainly as a result of increased staff costs, sales commission and advertising and promotional expenses. Staff costs increased mainly as a result of the expansion of our sales force so we can better serve and secure our larger customer base. The increase in sales commission expense was mainly due to the growth in our reported revenue. Advertising and promotional expenses increased, particularly in the fourth quarter of 2008, due to the launch of our new products as well as our investments in enhancing our brand awareness. As a result of the foregoing, sales and marketing expenses as a percentage of revenue increased to 36.4% in 2008 (2007: 34.0%).

Product development expenses

Our product development expenses increased by 41.8% from RMB131.5 million in 2007 to RMB186.5 million in 2008. Included in the product development expenses was share-based compensation expense of RMB18.0 million and RMB15.0 million in 2008 and 2007, respectively.

Product development expenses increased mainly due to higher staff costs and professional fees as our business expands and we need to hire more engineers or use external professionals as required. Furthermore, expenses paid to Alibaba Group for certain technology, intellectual property and related know-how provided by Alibaba Group (which is based on a certain percentage of our revenue) increased as our revenue grew. Product development expenses, as a percentage of revenue, remained flat at 6.2% in 2008 (2007: 6.1%).

General and administrative expenses

Our general and administrative expenses increased by 39.3% from RMB229.9 million in 2007 to RMB320.1 million in 2008. Included in the general and administrative expenses was share-based compensation expense of RMB93.5 million and RMB73.7 million in 2008 and 2007, respectively. Our general and administrative expenses increased mainly as a result of the full-year effect of the increase in staff costs, including share-based compensation expense, as we had significant recruitment throughout 2007. In addition, professional expenses also increased during the year as we engaged certain professionals in accordance with the compliance requirements applicable to us following our listing in 2007. General and administrative expenses, as a percentage of revenue, remained in line with last year at 10.7% (2007: 10.6%).

Other operating income, net

Other operating income (net), which mainly consisted of government grants received, increased by 792.0% from RMB19.9 million in 2007 to RMB177.3 million in 2008. In 2008, we received grants of RMB102.8 million (2007: RMB17.2 million) from government authorities in the PRC. In addition, in May 2008 we entered into an agreement with SOFTBANK under which SOFTBANK made cash investment into Alibaba Japan for a 64.7% interest. As a result of this transaction, a one-off gain, net of related expenses, of RMB41.3 million was recognized in other operating income (net). We will continue to develop our Japanese B2B marketplace via Alibaba Japan.

Finance income, net

Net finance income mainly consisted of interest income and foreign currency exchange losses arising from appreciation of Renminbi against our non-Renminbi bank deposits. Interest income decreased by 39.7% from RMB406.3 million in 2007 to RMB245.1 million in 2008, principally due to the non-recurring interest income of RMB350.5 million from the over-subscription proceeds retained by us during our initial public offering in Hong Kong in November 2007. In addition, we incurred a foreign exchange loss of RMB5.8 million (2007: RMB61.2 million), primarily due to the revaluation of our non-Renminbi bank deposits to Renminbi which is our functional currency.

Share of loss of associated companies, net of tax

During the year, we shared a start-up loss of Alibaba Japan of RMB16.1 million.

Income tax charges

Substantially all of our income tax expenses in 2007 and 2008 were related to PRC enterprise income tax ("EIT") incurred by our principal operating subsidiary, Alibaba (China) Technology Co., Ltd. ("Alibaba China"). In 2007, Alibaba China, our principal operating entity, was qualified for the 15% reduced statutory rate on national EIT as a high and new technology enterprise. In addition, pursuant to the PRC Income Tax Law on Foreign Invested Enterprises and Foreign Enterprises, the relevant PRC tax authorities exempted Alibaba China from the 3% local income tax for the year ended December 31, 2007, reducing the applicable tax rate of Alibaba China in 2007 to 15%.

On March 16, 2007, the National People's Congress approved the PRC Enterprise Income Tax Law (the "New EIT Law"). The New EIT Law, which became effective from January 1, 2008, unifies the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25%. In addition, the New EIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprise ("HNTE"). In December 2007, our management conducted research and relevant due diligence to confirm that Alibaba China will obtain its HNTE designation in 2008 under the New EIT Law upon completion of certain perfunctory administrative procedures. Consequently Alibaba China applied a rate of 15% in the computation of current and deferred taxes in 2007. This position was officially confirmed during 2008 when Alibaba China obtained its formal designation as HNTE under the New EIT Law. As a result, Alibaba China applied the 15% rate for computation of current and deferred taxes in 2007 and 2008.

In addition, Alibaba China Software Co., Ltd. ("Alibaba Software"), our PRC operating subsidiary, has been recognized as a "Software Enterprise" pursuant to Caishui [2008] No.1 under the New EIT Law. Under such tax circular, a "Software Enterprise" can enjoy a tax holiday of full exemption from EIT for the first two years and fifty percent reduction in EIT thereafter for three years starting from the company's first profit-making year. Since 2008 was the first profit-making year of Alibaba Software, it enjoyed full exemption from EIT for the year.

All our other PRC entities are subject to EIT at 25% in 2008 in accordance with the New EIT Law.

Income tax charges increased by 15.8% from RMB181.6 million in 2007 to RMB210.3 million in 2008, This increase was primarily due to the increase in taxable profit from our operations in China. In 2007 and 2008, our effective tax rates were 15.8% and 14.9%, respectively.

Management Discussion and Analysis

Share-based compensation expense

The following table and chart present, for the years indicated, the allocation of share-based compensation expense and such expense as a percentage of revenue:

	2008 RMB'000	2007 RMB'000	Change RMB'000	% of total revenue 2008	% of total revenue 2007
Cost of revenue	**9,573**	13,718	(4,145)	**0.3%**	0.6%
Sales and marketing expenses	**57,712**	49,668	8,044	**2.0%**	2.3%
Product development expenses	**17,996**	14,999	2,997	**0.6%**	0.7%
General and administrative expenses	**93,534**	73,692	19,842	**3.1%**	3.4%
Total	**178,815**	152,077	26,738	**6.0%**	7.0%

2008
2007

We seek to structure our employee compensation packages to allow our employees to share in the success of our business. Therefore, a large number of our employees have been granted certain equity awards. Alibaba Group also operates equity award plans under which our employees and the employees of Alibaba Group have been granted options to purchase shares of Alibaba Group or our shares as held by Alibaba Group. In our consolidated financial statements, share-based compensation expense arising from the grant of equity-based awards by us and Alibaba Group to our employees was allocated to and included as part of our expenses. In 2007 and 2008, total share-based compensation expense was RMB152.1 million and RMB178.8 million, respectively. As a percentage of revenue, share-based compensation expense decreased from 7.0% in 2007 to 6.0% in 2008.

Profit attributable to equity owners

We recorded a profit attributable to equity owners of RMB1,205.2 million in 2008, representing a 24.5% increase from RMB967.8 million in 2007. Basic earnings per share in 2008 was HK$26.74 cents, an increase of 31.0% from HK$20.41 cents in 2007. Diluted earnings per share in 2008 was HK$26.71 cents, an increase of 30.9% from HK$20.41 cents in 2007.

Deferred revenue and customer advances

As of December 31, 2008, deferred revenue and customer advances amounted to RMB2,256.9 million, representing a 17.6% increase from RMB1,919.8 million as of December 31, 2007. The increase was mainly due to the strong growth in the number of paying members in the fourth quarter of 2008 as we launched the Gold Supplier Starter Pack and upgraded our existing Gold Supplier service in November 2008.

LIQUIDITY AND CAPITAL RESOURCES

Treasury management

Our treasury department, which reports to our chief financial officer, monitors our current and expected liquidity requirements in accordance with the policies and procedures approved by our board. We have adopted prudent treasury management objectives, which include principal protection and maintaining sufficient liquidity to meet our various funding requirements in accordance with our strategic plans. In addition, we also aim to achieve a better return on our cash and to hedge against any foreign currency exchange risk.

Foreign currency exchange exposure

Foreign currency exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Although we operate our businesses in different countries, substantially all of our revenue-generating and expense-related transactions are denominated in Renminbi which is our functional currency and that of most of our subsidiaries. Renminbi is not freely convertible into other foreign currencies. All foreign currency exchange transactions in China must be effected through either the People's Bank of China (the "PBOC") or other institutions authorized by the PBOC to buy and sell foreign currencies. We hold a significant amount of our cash and bank balances in currencies other than Renminbi. Such foreign currency-denominated cash and bank balances are exposed to fluctuations in the value of Renminbi against the currencies in which these cash and bank balances are denominated. Any significant appreciation of Renminbi against these foreign currencies may result in significant exchange loss which would be recorded in our income statement. In 2008, we prudently managed our foreign exchange risk and recorded an exchange loss of RMB5.8 million, an improvement of 90.4% when compared to a loss of RMB61.2 million in 2007.

Interest rate exposure

We have no interest-bearing borrowings. Our exposure to changes in interest rates is mainly attributable to our interest-bearing assets, including term deposits with original maturities of over three months and cash and cash equivalents.

Credit risk exposure

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

Capital structure

We continue to maintain a strong financial position from healthy growth in recurring free cash flow from operations. In addition, as mentioned previously, we have been cautiously managing our cash to maintain a favorable return and to minimize any foreign exchange risk. As of December 31, 2008, we had cash and bank balances of RMB6,612.3 million, which was RMB1,338.8 million or 25.4% higher than that as of December 31, 2007. As of December 31, 2008, our cash and bank balances comprised 75.2% (2007: 66.3%) Renminbi; 24.3% (2007: 0.3%) United States dollars; 0.4% (2007: 21.2%) Hong Kong dollars; and 0.1% (2007: 12.2%) other currencies. The weighted average annual return on our cash and bank balances was 4.2% in 2008 (2007: 2.5%).

As of December 31, 2008, our total assets were RMB7,892.9 million (2007: RMB6,053.5 million), which were financed by shareholders' funds of RMB4,968.4 million (2007: RMB3,613.1 million), current liabilities of RMB2,818.2 million (2007: RMB2,370.2 million) and non-current liabilities of RMB106.3 million (2007: RMB70.2 million). Of the total liabilities, RMB2,256.9 million (2007: RMB1,919.8 million) represented deferred revenue and customer advances that we collected upfront from our customers. These upfront payments are included as liabilities because we have not yet provided services to earn the related revenue. Therefore, instead of imposing any obligations on us to pay customers, these liabilities provide an assured base for our future reported revenue. As of December 31, 2008, our deferred revenue and customer advances amounted to RMB2,256.9 million which was RMB337.0 million or 17.6% more than that as of December 31, 2007.

As of December 31, 2008, our Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB3,165.5 million (2007: RMB3,107.9 million).

Cash flow

Net cash generated from operating activities

Net cash generated from operating activities was RMB1,580.9 million in 2008, representing a 12.2% increase from RMB1,409.2 million in 2007. The increase in net cash generated from operating activities was principally the result of an increase in our profit from operations, partially offset by a slower increase of deferred revenue and customer advances as compared to 2007 and an increase in tax paid.

Net cash used in investing activities

Net cash used in investing activities was RMB3,101.8 million in 2008 compared to RMB101.9 million in 2007. Net cash used in investing activities during the year primarily represented an increased placement of cash in time deposits with original maturities of over three months of RMB2,971.0 million.

In 2008, our capital expenditures increased by 90.6% to RMB266.5 million (2007: RMB139.8 million). The increase in capital expenditures was primarily due to the addition of computer equipment to meet our business growth, and payment of construction costs of RMB151.5 million (2007: RMB46.9 million) for our new corporate campus in Binjiang, Hangzhou which is expected to complete in late 2009 as scheduled.

Net cash used in financing activities

Net cash used in financing activities was RMB78.9 million in 2008, compared to a net inflow (mainly from the initial public offering proceeds) of RMB2,626.9 million in 2007. The outflow in 2008 mainly represented payments for accrued listing expenses and the buy-back of our ordinary shares. In November 2008, we announced a share buy-back plan of up to HK$2 billion (approximately US$258 million) of our ordinary shares through the end of 2009, subject to market conditions and at the discretion of our directors. In 2008, RMB12.4 million was paid for buying back our shares on the market.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2008, we did not have any material off-balance sheet arrangements.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As of December 31, 2008, none of our assets were pledged and we did not have any material contingent liabilities or guarantees.

Employee Relations

One of the most valuable assets of Alibaba.com is our people – we call them "Aliren". In order to support sustainable business growth and fulfil our mission, we strive to build a human resources process and environment that is respected by the industry and loved by our employees, and one that creates greater social value.

THE TEAM

As of December 31, 2008, Alibaba.com had a total of 7,992 employees, representing a net increase of 2,700 employees during the year, with around 140 employees based in Hong Kong, Taiwan, Korea, the United States and Europe.

REMUNERATION

We strongly believe in rewarding performance and sharing success with our employees. In addition to providing a competitive base salary, commission, comprehensive benefits and a retirement program, an annual performance-based bonus and a long-term share-based incentive plan are also key components of our total compensation mix. Our total employee costs for the year amounted to approximately RMB1,041.7 million. In early 2009, we announced a salary freeze for senior management at the vice president level or above while maintaining a pay rise for other staff, as we believe that the focus of our compensation efforts should go to general employees who are delivering on our growth promises, especially during difficult times. The employees of Alibaba.com are the solid foundation for our continuous business development, but the sense of urgency in a difficult period should first come from our senior management.

TRAINING AND DEVELOPMENT

Alibaba.com places no less emphasis on personnel development than on business development. Through our open learning platform, we are committed to helping our employees grow and develop together with our Company, in order to strengthen our competitive advantage in the market.

Staff training at Alibaba.com falls broadly into three major categories: management training, professional training and general training. Management training is classified into three levels, each of which consists of three to four core courses; professional training helps staff enhance the skills used in their positions, and is designed to make them "professional in their respective domains"; general training consists of core courses and basic courses to help staff enhance their vocational competence.

At Alibaba.com, we believe sharing is the best way of learning. Both the general staff and the management team actively participate in knowledge accumulation and sharing. With the help of our training system and a learning atmosphere that advocates "teaching benefits both teachers and students", we expect our fellow staff to achieve self-growth in this open learning platform, and progress with Alibaba.com.

DEVELOPMENT OF COMPANY CULTURE

Alibaba.com has a very strong company culture that is built on six core values: Customers First, Teamwork, Embrace Change, Integrity, Passion and Commitment. These values are key criteria for our annual performance evaluations of employees and help secure the Company's core competitiveness. We

Alibaba.com organized a variety of staff activities in 2008.

hope that staff who have grown up under these six core values will help drive our future corporate success and be good citizens in the community. Based on our core values and in line with our Company's stage of development and organization capabilities, we advocated "open and simple" communication in 2008. Openness, simplicity, transparency and mutual trust are the cultural foundations for our continuous progress.

The flow of information within Alibaba.com is based on open and simple communication. Specifically, our communication channels include direct communication, round-table meetings, CEO mailbox, "free talk" message board on the intranet, internal publications and staff satisfaction surveys. These channels promote open and timely two-way internal communication, helping to convey the ideas of the management team to staff, ensuring follow-up of feedback and suggestions, and facilitating the resolution of problems.

We encourage "Work with Fun and Live with Seriousness!" We organize a variety of activities for the staff every year, and their active participation has improved communication between staff members and reinforced team cohesion, while the activities themselves have also enhanced employee job satisfaction and general quality of life. Major activities organized by our Company in 2008 included the Spring Festival Evening Party, Ali-day Celebration, the 9th Anniversary Parade with the Alibaba mascot, Children's Day, Mid-autumn Festival Concert and Party for the Single. Furthermore, smaller events organized by the staff club and "阿里十派", an employee organization, have also enriched the cultural lives of our employees.

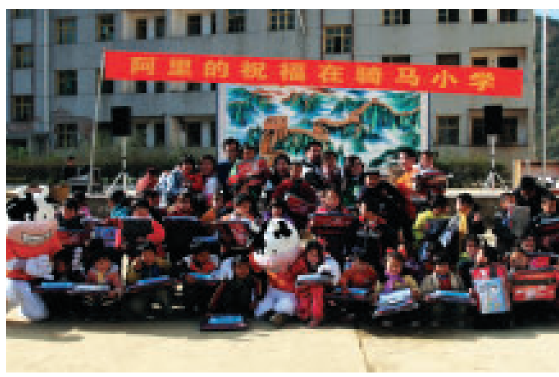
At the same time, our employees also actively participated in social welfare undertakings. For instance, after the Sichuan earthquake in May 2008, Alibaba.com created a joint effort with the "Alibaba Rehabilitation Team" of Alibaba Group to carry out several fund-raising activities, such as "Sharing Love with Our Beloved Children" held on June 1, 2008, where toys and books were donated to children in Qingchuan, and the "Full Moon at Heart" (心語心月) activity held at the Mid-autumn Festival, where 674 staff members donated the money that they would otherwise have spent on moon-cakes to buy stationery for the children. In November, seven volunteers from Alibaba.com visited the disaster area. They distributed stationery to nearly 1,000 children from three primary schools in Qingchuan, taught the children drawing and played games with them. Our employees strived to contribute simple but important things to society, giving back to the community little by little.

Alibaba.com wants to be an employer of choice, and has received a number of "Best Employer" awards, including The Best Employer by China Central Television in 2005 and the Outstanding Employer of China from CRF in the Netherlands in 2006. In addition, we were voted a top employer for two successive years in 2007 and 2008 in the "Best Employer Survey of University Students in China" organized by ChinaHR.com. We share Alibaba Group's vision to become one of the best employers in the world.

Our core values, open and simple communication channels, rich and colorful staff activities and strong sense of social responsibility, all contribute to our employee satisfaction and sustainable development.

In September 2008, staff members and the Ali-mascot celebrated Alibaba.com's 9th anniversary.

In November 2008, volunteers from Alibaba.com visited the disaster area and donated stationery to children in Qingchuan, Sichuan.



Corporate Social Responsibility Report

The kick-off ceremony of the "Road to e-Commerce Project"

Giving back to society is an important part of Alibaba.com's corporate culture. As in previous years, we participated in a number of different initiatives in 2008 to help better our community and promote a sense of social responsibility to our staff.

HELPING SMEs WEATHER THE ECONOMIC WINTER

In a time of global economic turmoil when SMEs around the world are suffering, Alibaba.com is shouldering the responsibility of assisting our customers to weather the economic winter so that they have the opportunity to thrive when the spring comes.

In 2008, we continued our cooperation with two leading banks in China to help SMEs in Zhejiang province obtain business loans and financial consulting services. This loan-assistance scheme has enabled Chinese companies to overcome past barriers to bank financing, including their lack of significant levels of tangible assets that they can use as security and non-existing credit ratings, to secure loans to expand their businesses. The arrangement helps banks make lending decisions by leveraging an SME's online transaction history and trust rating provided by Alibaba.com. During the year, we aided more than 600 SMEs in Zhejiang province to secure an aggregate of more than RMB1 billion worth of loans. The program has also demonstrated the emergence of an entirely new financing environment built around e-commerce, which will provide long-term and far-reaching benefits for SMEs. In 2009, we are broadening this program and plan to help SMEs in eight provinces and major cities across China secure more than RMB6 billion of additional financing.

We also intend to invest US$30 million in a global marketing and advertising campaign in 2009, primarily targeted in the United States and Europe, to drive additional awareness of Alibaba.com in order to help connect millions of suppliers on our marketplaces with global customers. In November 2008, we opened our platform up to an entirely new tier of SMEs that may not have considered e-commerce because of cost by launching our new Gold Supplier Starter Pack program. The Starter Pack will help our smaller potential customers enjoy the same benefits of e-commerce that larger companies receive, obtain better international trade results and, most importantly, survive through the economic winter. The Starter Pack was well received by the market after its launch.

Government support is crucial to help SMEs cope with challenging economies. We aligned with various provincial and municipal governments in Zhejiang, Guangdong, Jiangsu, Sichuan, Shandong, Tianjin and Fujian provinces and established support funds to lower entry barriers to e-commerce for SMEs, helping them increase operating efficiencies. We also cooperated with the Zhejiang provincial government to put in place the "Road to E-Commerce Project" ("萬家企業電子商務工程") to encourage SMEs in the region to conduct business online. We also designed a special e-commerce channel on our China marketplace for certain cities, which effectively enhanced the exposure and click rates of the locally based SMEs. In addition, we offered our new China TrustPass members a free trial of our Winport product to improve their user experience, as well as free training seminars to enhance the understanding and application of e-commerce.

A free training session provided to our customers in China

Alibaba.com booth at the 2008 Autumn Fair in Birmingham

A free training session on sales skill conducted in Dongguan, China

Alibaba.com booth at the 2008 International Manufacturing Technology Show in Chicago

PROVIDING FREE TRAINING PROGRAMS AND COMMUNITY SHARING CHANNELS

As an industry pioneer, Alibaba.com is committed to investing in the promotion of e-commerce by providing our customers with a large number of quality training programs and experience sharing channels. During the year, we organized more than 2,000 free training sessions for our customers in China. We also launched online training seminars starting in October 2008 for those customers in cities where SMEs are less concentrated. During the year, we held "Open Sesame" events in New Delhi, London and Istanbul to promote our platform to our international members while sharing successful member stories. These efforts are designed to help SMEs and entrepreneurs grasp the importance and relative ease of e-commerce through companies like Alibaba.com.

Every year, Alibaba Group co-hosts our annual e-commerce summit, Alifest, with the Hangzhou municipal government and the China e-Commerce Association in Hangzhou. In 2008, Alifest was jointly organized with the APEC Business Advisory Council SME Summit. The annual two-day event brought together over 40,000 participants, including SMEs from China and abroad as well as government officials and trade associations from around the world. As always, the event culminated in an award ceremony in which 10 e-businessmen from Asia, Europe and America were recognized for their contributions to e-commerce and the community.

ENVIRONMENTAL PROTECTION

Environmental protection is one of our most important corporate social responsibility initiatives. We are raising environmental protection awareness among our employees and SME members by pioneering a number of environmentally friendly campaigns. We promote environmental issues from within the organization by promoting an environmental protection day on the 11th day of every month, when employees are encouraged not to use disposable chopsticks and paper cups, and to conserve energy and other resources. Internally, we adopt various environmentally friendly measures including, for instance, recycling paper, collecting used batteries and reminding staff to turn off lights and computers when not in use. Externally, we will also act as a responsible platform operator and take action where appropriate, such as the recent separate and simultaneous decisions by Alibaba.com and our sister company, Taobao.com, in late 2008 to ban all postings relating to shark fin products on our marketplaces as of January 1, 2009.

Corporate Social Responsibility Report

Alibaba.com Sichuan earthquake relief team

CONTRIBUTING TO THE SICHUAN EARTHQUAKE RELIEF

After the tragic Sichuan earthquake in May 2008, we reacted immediately by sourcing urgently needed goods that were key to the rescue efforts. Joining hands with China Charity Federation, Alibaba.com launched an online campaign for donations from our employees and members of our websites. In addition, we also formed a relief team made up of our employees and volunteers from outside the company. The team made a number of trips to Sichuan to provide first-hand earthquake relief and delivered a large shipment of stationery supplies donated by our employees which benefited nearly 1,000 local students. As winter approached, the team organized a clothing donation drive for the earthquake victims, sharing the warmth with the less fortunate in Sichuan.

Alibaba.com waived the membership fees for supplier members based in the earthquake areas, in order to help them get back into the business of providing jobs and economic stability to their communities. Re-establishment of the affected regions will undoubtedly take time; and Alibaba.com will continue to contribute to the rebuilding efforts.

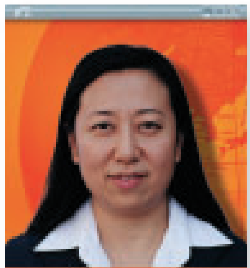
LOOKING AHEAD

Alibaba.com will continue to shoulder the responsibility of helping SMEs around the world survive through this tough time and thrive in the long-term. And our employees will be encouraged to incorporate the spirit of corporate social responsibility into their daily lives.

Biographical Details of Directors and Senior Management


MA Yun, Jack


WEI Zhe, David


WU Wei, Maggie


DAI Shan, Trudy

CHAIRMAN

MA Yun, Jack, 44, is our chairman and a non-executive director. Mr. Ma is the lead founder and a director of Alibaba Group Holding Limited ("Alibaba Group"), our holding company. He has been Alibaba Group's chairman and chief executive officer since its inception in 1999. Mr. Ma is responsible for the overall strategy and focus of Alibaba Group and our company. He is also a director of a number of our PRC subsidiaries. Mr. Ma is a pioneer in the Chinese Internet industry, founding China Pages, one of the first Internet-based directories in China, in 1995. From 1998 to 1999, Mr. Ma headed an information technology company established by the China International Electronic Commerce Center, a department of the Ministry of Foreign Trade and Economic Cooperation. Mr. Ma currently serves on the board of SOFTBANK CORP., a leading digital information company that is publicly traded on the Tokyo Stock Exchange. As a respected business leader, Mr. Ma was chosen by the World Economic Forum as a "Young Global Leader" in 2001, selected by China Central Television and its viewers as one of the "Top 10 Business Leaders of the Year" in 2004, and selected as one of the "25 Most Powerful Businesspeople in Asia" by Fortune Magazine in 2005. Mr. Ma is also a member of APEC Business Advisory Council, which was established by the Asia-Pacific Economic Cooperation, or APEC, in 1995 as the vehicle for formalizing private sector participation in APEC. Mr. Ma holds a Bachelor's degree in English from Hangzhou Teacher's Institute.

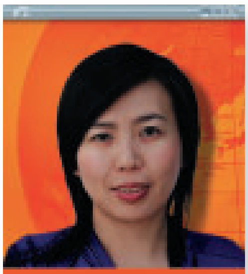
EXECUTIVE DIRECTORS

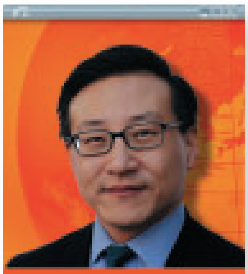
WEI Zhe, David, 38, is an executive director and our chief executive officer. He is also a director of a number of our subsidiaries. Mr. Wei joined Alibaba Group in November 2006 as the president of the B2B business division and as an executive vice-president of Alibaba Group. Mr. Wei was the president, from 2002 to 2006, and chief financial officer, from 2000 to 2002, of B&Q China, a subsidiary of Kingfisher plc, a leading home improvement retailer in Europe and Asia. Under Mr. Wei's leadership, B&Q China grew to become China's largest home improvement retailer. From 2003 to 2006, Mr. Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Ltd. Mr. Wei served as the managing director and head of Investment Banking for Orient Securities Co. from 1998 to 2000, and as a corporate finance manager at Coopers & Lybrand, now part of PricewaterhouseCoopers, from 1995 to 1998. Mr. Wei holds non-executive directorship positions in HSBC Bank (China) Company Limited and the China Advisory Board of IMI plc, a FTSE 250 company. He was appointed as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited on January 1, 2008. Mr. Wei holds a Bachelor's degree in International Business Management from Shanghai International Studies University.

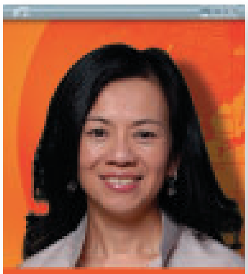
WU Wei, Maggie, 40, is an executive director and our chief financial officer since July 2007. She is also a director of a number of our subsidiaries. Prior to joining our company, Ms. Wu was an audit partner at KPMG's Beijing Office. In her 15 years with KPMG, Ms. Wu was the lead audit partner on audits for the initial public offerings and annual audits of several Chinese companies listed overseas and provided audit, accountancy and advisory services to many multinational corporations. She is a member of the Association of Chartered Certified Accountants (ACCA) and a member of the Chinese Institute of Certified Public Accountants. Ms. Wu holds a Bachelor's degree in Accounting from Capital University of Economics and Business.

DAI Shan, Trudy, 32, is an executive director and senior vice president of business operations of our company and is responsible for managing sales, customer service and marketing. Ms. Dai is one of the founders of Alibaba Group and has been involved in our operations since our inception. She has an intricate knowledge of our business, having held numerous management positions in our customer service, sales and user interface departments from 1999 to 2001. From 2002 to 2005, Ms. Dai served as senior sales director of China Trustpass in our China marketplace division, building up our China telephone sales teams. She was eventually promoted to general manager of our Guangdong branch in 2005, in charge of both field and telephone sales, marketing and human resources in Guangdong Province. Ms. Dai holds a Bachelor's degree in Engineering from Hangzhou Institute of Electrical Engineering.

Biographical Details of Directors and Senior Management


PENG Yi Jie, Sabrina


TSAI Chung, Joseph


TSOU Kai-Lien, Rose


OKADA, Satoshi

PENG Yi Jie, Sabrina, 30, is an executive director and vice president of our company and is responsible for the management of our website operation and development organizations. Ms. Peng has been with our company since 2000 and was the architect behind our China Trustpass product, having successfully led a team which marketed the product to hundreds of thousands of SMEs in China. Prior to her current position, Ms. Peng served as the director of the customer service department in our China marketplace division from 2004 to 2005, and as head of our China web operation department from March 2006 to February 2007. Ms. Peng holds a Bachelor's degree in English for Special Purpose and a Bachelor's degree in International Trading from Xi'an Jiaotong University.

NON-EXECUTIVE DIRECTORS

TSAI Chung, Joseph, 45, is a non-executive director. He is also a director of a number of our PRC subsidiaries. Mr. Tsai is one of the founders, as well as a director and the chief financial officer of Alibaba Group. He has been responsible for many milestones of Alibaba Group, including spearheading the establishment of Alibaba Group's Hong Kong operations in 1999 and leading the negotiations for acquisition of Yahoo! China and Yahoo!'s investment in Alibaba Group in 2005. He held the position of chief operating officer of Alibaba Group from 1999 to 2000 before assuming his current role. Prior to joining Alibaba Group, Mr. Tsai was a vice president and senior investment manager focused on Asian private equity from 1995 to 1999 at Investor Asia Limited, a subsidiary of Investor AB, the largest industrial holding company in the Nordic region. From 1994 to 1995, Mr. Tsai served as a vice president and the general counsel of Rosecliff, Inc., a New York-based buy-out firm, and from 1990 to 1993 practiced tax law as an associate with Sullivan & Cromwell LLP in New York. Mr. Tsai is a member of the New York State Bar. He holds a Bachelor's degree in Economics and East Asian Studies from Yale University and a Juris Doctor degree from Yale Law School.

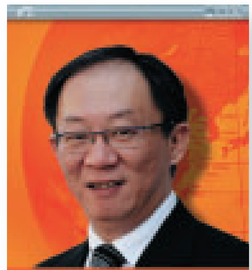
TSOU Kai-Lien, Rose, 43, is a non-executive director. Ms. Tsou is currently senior vice president of Yahoo! Asia where she is responsible for operations in Korea, Hong Kong, Taiwan, Australia and New Zealand as well as facilitating Yahoo!'s relationship with Alibaba Group and joint venture operations in Japan. She joined Yahoo! Taiwan in 2000 and held the position of managing director from 2001 to 2007 during which period she led the acquisition of Kimo, a portal site in Taiwan, which made Yahoo! the largest Internet business in Taiwan after the successful integration of the two companies. In 2007, she led another acquisition of Wretch, a leading blog and photo site in Taiwan, further fortifying Yahoo!'s leading position in Taiwan. Ms. Tsou has 17 years of experience in management, marketing and mass communication. Prior to joining Yahoo!, Ms. Tsou was the general manager of MTV Taiwan for over two years. Ms. Tsou holds an MBA degree from J.L. Kellogg School of Business, Northwestern University and a Master's degree in Mass Communication from Boston University.

OKADA, Satoshi, 50, is a non-executive director. He is also a director of an associated company of our company. Mr. Okada has been the executive vice president of the SOFTBANK Group's eCommerce Business Planning in Japan since April 2000. Prior to that, he held various management positions within the SOFTBANK Group. Mr. Okada also previously held directorship in Ariba Japan and Deecorp Limited, companies engaging in the businesses of technology and software, respectively. In May 2007, he was appointed to serve on the board of Beijing Digital China BB Limited. Prior to joining the SOFTBANK Group, Mr. Okada was the chief executive officer and president of NetIQ KK, the Japanese subsidiary of NetIQ Corporation, a provider of e-business infrastructure management software. Mr. Okada oversaw the networking management service business and was responsible for establishing Original Equipment Manufacture (OEM) businesses with major Japanese companies such as NEC, Fujitsu and Hitachi. He is also renowned in the storage management industry for his success in establishing Cheyenne Software KK and Computer Associates Japan as industry leaders in the Japanese market.


LONG Yong Tu


NIU Gen Sheng


KWAUK Teh Ming, Walter


TSUEI, Andrew Tien Yuan

INDEPENDENT NON-EXECUTIVE DIRECTORS

LONG Yong Tu, 65, is an independent non-executive director. Mr. Long is the secretary-general of Boao Forum for Asia, a non-profit organization committed to promoting economic integration among Asian countries, since January 2003. Mr. Long held several positions with PRC Ministry of Foreign Trade and Economic Cooperation (MOFTEC) from 1992 to 2003, including director-general of the Department of International Relations and vice minister and the chief representative for Trade Negotiations. During his tenure at MOFTEC, Mr. Long led the negotiation for China's accession to the World Trade Organization. He also served as deputy director-general at China International Center for Economic and Technical Exchanges (CICETE) from 1986 to 1991 and as a diplomat in the United Nations from 1978 to 1986. Mr. Long is currently Dean of the School of International Relations and Public Affairs at Fudan University and an independent non-executive director of China Life Insurance Company Limited, a company with its shares listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange. In addition, Mr. Long is a director of China Nepstar Chain Drugstore Ltd., a company listed on the New York Stock Exchange, and a non-executive director of HSBC Bank (China) Company Limited. Mr. Long holds a Bachelor's degree in British and American Literature from Guizhou University and an honorary degree of Doctor of Science (Economics) from the London School of Economics and Political Science.

NIU Gen Sheng, 51, is an independent non-executive director. He is an executive director and the chief executive officer of China Mengniu Dairy Company Limited ("China Mengniu"), one of China's leading dairy companies which is listed on The Stock Exchange of Hong Kong Limited. Mr. Niu is also the chairman and one of the founders of Inner Mongolia Mengniu Dairy (Group) Company Limited, a subsidiary of China Mengniu. Mr. Niu is also an independent director of Shanghai Metersbonwe Fashion & Accessories Co., Ltd., a company listed on the Shenzhen Stock Exchange. With his extensive experience and insights in China's dairy industry, Mr. Niu receives high reputation in the industry. In 2007, Mr. Niu was elected as one of the "China's Most Influential Business Leaders" for the fifth consecutive year, honored as "2007 Hong Kong Bauhinia Awards". Mr. Niu is devoted to charity and was ranked third in the 2007 Hurun Top 10 for Charity. Mr. Niu currently serves as the deputy chairman of Dairy Association of China, China Dairy Industry Association, and the Second China National Committee of International Dairy Federation. Mr. Niu graduated from Inner Mongolia University with a Bachelor's degree in Administration and Management and obtained a Master's degree in Enterprise Management at Chinese Academy of Social Sciences Graduate School.

KWAUK Teh Ming, Walter, 56, is an independent non-executive director. Mr. Kwauk is currently a vice president of Motorola and its director of Corporate Strategic Finance and Tax, Asia Pacific. He joined Motorola in January 2003 after 25 years of professional services with KPMG in Vancouver, Hong Kong, Beijing and Shanghai. Between 1987 and 2002, Mr. Kwauk held a number of senior positions in KPMG, including general manager of KPMG's joint accounting firm, managing partner in KPMG's Shanghai office and partner in KPMG's Hong Kong office. He is a member of the Canadian Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwauk holds a Bachelor's degree in Science and a Licentiate in Accounting from the University of British Columbia.

TSUEI, Andrew Tien Yuan, 48, is an independent non-executive director (previously a non-executive director and was re-designated on December 20, 2008). He is also an independent non-executive director of Tao Bao Holding Limited, a wholly-owned subsidiary of Alibaba Group. Mr. Tsuei was formerly senior vice-president of Wal-Mart Stores, Inc. From 2001 to 2007, he was managing director of Wal-Mart's Global Procurement Division, where he oversaw the global procurement operations of Wal-Mart, which has a presence in over 30 countries. In 2004, Wal-Mart awarded him the Sam M. Walton Hero Award for his accomplishments. Mr. Tsuei has more than 20 years of

Biographical Details of Directors and Senior Management

KWAN Ming Sang, Savio

management experience working across a wide range of industries, including procurement, manufacturing, store retailing and direct marketing. Throughout his career, Mr. Tsuei has held several executive positions, including chairman and chief executive officer of Mecox Lane International Mailorder Co. Ltd. (one of China's first direct marketing businesses with online presence) and chief operating officer of China Everbright Holdings Ltd.

KWAN Ming Sang, Savio, 61, is an independent non-executive director. Mr. Kwan was the president and chief operating officer of Alibaba Group from 2001 to 2003 and served as the chief people officer of Alibaba Group in 2004. He is currently a partner and chief executive officer of A&K Consulting Co., Limited, a company co-founded by him in 2005 focusing on helping small and medium enterprises and start-ups in China. He has over 30 years of global management experience, including 17 years at the Medical Systems Division of General Electric Company, during which he was responsible for sales, marketing, operations, business development and establishment of joint venture companies in Asia region. He also served as the managing director of the China operations of BTR plc, a United Kingdom based Fortune 500 company for four years. Mr. Kwan was a board member of the Asia Pacific advisory board of York International Corporation, a leading global air conditioning system provider and a unit of Johnson Controls, Inc., a company listed on the New York Stock Exchange. He is also a visiting executive professor of Henley Management College in United Kingdom. Mr. Kwan received a Higher National Diploma from Cambridgeshire College of Technology in United Kingdom and holds a Master's degrees in Science from Loughborough University of Technology and London Graduate School of Business Studies in the United Kingdom.

SENIOR MANAGEMENT

LEE Shi-Huei, 49, has served as our chief operating officer since February 2009. He is primarily responsible for leading the Gold Supplier, global sales and buyer services and development teams. Mr. Lee has been employed by Alibaba Group since 2000, spending most of this time at our company. Previously, he served as our vice president and senior vice president, making important contributions to the development of our Gold Supplier sales and our international website business in general. Mr. Lee has more than 17 years' experience in sales, including 10 years with a leading trade media company and his e-commerce experience with Alibaba Group. Mr. Lee holds a Bachelor's degree in Marine Engineering from National Taiwan Ocean University.

DENG Kang Ming, 43, is our senior vice president of human resources and administration. Mr. Deng joined our company in July 2004 as vice president of human resources, and has held various positions within Alibaba Group, including vice president of human resources and administration for Yahoo! China, vice president of channel sales and marketing of Yahoo! China, and vice president of strategic business development for Alibaba Group. Mr. Deng has more than 17 years of experience in human resources and administration. Prior to joining Alibaba Group, he served as the human resources director for several multinational companies including Microsoft China, Oracle China, Danone China, and Janssen Pharmaceutical, a subsidiary of Johnson & Johnson. Mr. Deng holds a Bachelor's degree in Law from Fudan University.

LI Ang, Andy, 41, is our vice president of technology. Mr. Li joined Alibaba Group in November 2004 as senior director of the research center, where he was responsible for directing Alibaba Group's and our company's technology development, architecture and platform, and web site system operations and backend business systems. Mr. Li has more than a decade of experience in Internet development and engineering management. Prior to joining Alibaba Group, Mr. Li was an independent technology consultant from 1997 and founded Angilon, Inc. (a technology consultancy business in Silicon Valley) in 2000 and managed the company for four years. Mr. Li holds a Bachelor's degree in Electrical Engineering from the University of Science and Technology of China and a Master's degree in Electrical Engineering from the University of Arizona.

CHOW LOK Mei Ki, Cindy, 38, has been our qualified accountant since July 2007. Prior to joining our company, Mrs. Chow served various management positions in listed and multinational companies in Hong Kong. Mrs. Chow is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. She holds a Bachelor's degree in Business Administration from The Chinese University of Hong Kong and a Master's degree in Business Administration from The Hong Kong University of Science and Technology.

Directors' Report

Our directors are pleased to present the annual report and the audited consolidated financial statements of Alibaba.com Limited (our "Company") together with its subsidiaries (collectively, our "Group") for the year ended December 31, 2008.

PRINCIPAL ACTIVITIES

Our Company is an investment holding company. Our subsidiaries are principally engaged in the provision of software, technology and other services on our online business-to-business ("B2B") marketplaces with the uniform resource locators www.alibaba.com, and www.alibaba.com.cn and under the trade name "Alibaba". Details of the activities of our subsidiaries are set out in note 17 to our consolidated financial statements on pages 114 to 115 of this Annual Report. There were no significant changes in the nature of our Group's principal activities during the year.

RESULTS AND APPROPRIATIONS

Our results for the year ended December 31, 2008 and the state of our affairs as of that date are set out in our consolidated financial statements on pages 82 to 84 of this Annual Report.

Our directors do not recommend the payment of a final dividend for the year ended December 31, 2008 (2007: Nil).

PROPERTY AND EQUIPMENT

Details of movements in our property and equipment during the year are set out in note 16 to our consolidated financial statements on page 113 of this Annual Report.

BANK LOANS AND OTHER BORROWINGS

As of December 31, 2008, we had no borrowings.

RETIREMENT SCHEME

We participate in government and other mandatory pension schemes for our employees in Mainland China and overseas. Particulars of these schemes are set out in note 10 to our consolidated financial statements on page 105 of this Annual Report.

CHARITABLE DONATIONS

During the year ended December 31, 2008, we contributed a total of RMB254,000 as charitable donations.

SHARE CAPITAL

Details of our share capital during the year are set out in note 22 to our consolidated financial statements on pages 119 to 120 of this Annual Report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of our Company or the laws of the Cayman Islands, which would oblige our Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of our results and of the assets and liabilities for the last five financial years, as extracted from our audited consolidated financial statements, is set out on page 140 of this Annual Report. This summary does not form part of our audited consolidated financial statements.

RESERVES

Details of movements in the reserves of our Group and our Company during the year are set out in the consolidated statement of changes in equity on pages 86 to 87 of this Annual Report and in note 26 to our consolidated financial statements on page 129 of this Annual Report, respectively.

Directors' Report

DISTRIBUTABLE RESERVES

As of December 31, 2008, our reserves available for distribution, calculated in accordance with the Companies Law (2007 Revision) of the Cayman Islands, amounted to RMB3,165.5 million.

USE OF PROCEEDS

The application of proceeds from our initial public offering has not materially changed from the proposed allocation as outlined in our prospectus dated October 23, 2007.

DIRECTORS

Our directors during the year and up to the date of this Annual Report were:

Chairman and Non-executive Director

MA Yun, Jack

Executive Directors

WEI Zhe, David	
WU Wei, Maggie	
DAI Shan, Trudy	
PENG Yi Jie, Sabrina	
XIE Shi Huang, Simon	(resigned on December 20, 2008)

Non-executive Directors

TSAI Chung, Joseph
TSOU Kai-Lien, Rose
OKADA, Satoshi

Independent Non-executive Directors

LONG Yong Tu	
NIU Gen Sheng	
KWAUK Teh Ming, Walter	
TSUEI, Andrew Tien Yuan	(re-designated on December 20, 2008)
KWAN Ming Sang, Savio	(appointed on December 20, 2008)

In accordance with article 114 of our articles of association, KWAN Ming Sang, Savio, being appointed by our board during the year, will retire from office at our forthcoming annual general meeting. Mr. Kwan is eligible and will offer himself for re-election at such meeting.

In accordance with article 130 of our articles of association, WEI Zhe, David, DAI Shan, Trudy, TSAI Chung, Joseph, OKADA, Satoshi and LONG Yong Tu will retire from office by rotation at our forthcoming annual general meeting. Both LONG Yong Tu, who has reached the retiring age of 65 years old, and DAI Shan, Trudy, who will take up other executive responsibilities with our ultimate holding company, Alibaba Group Holding Limited ("Alibaba Group"), will not seek for re-election at such meeting. All other retiring directors as aforesaid, being eligible, will offer themselves for re-election, and all other remaining directors will continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive directors, namely LONG Yong Tu, NIU Gen Sheng, KWAUK Teh Ming, Walter, TSUEI, Andrew Tien Yuan and KWAN Ming Sang, Savio an annual confirmation of their respective independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). Our nomination committee has duly reviewed the annual confirmation of independence of each of these directors. We consider that our independent non-executive directors have been independent from the date of their appointment to December 31, 2008 and remain so as of the date of this Annual Report.

Although TSUEI, Andrew Tien Yuan was our non-executive director at the time of his re-designation as an independent non-executive director, our board was of the view that he was qualified to serve as our independent non-executive director for the following reasons:

(a) At the time of our Company's listing, we originally planned that Mr. Tsuei would be appointed as an independent non-executive director and at that time he in fact already met all the independence requirements. This plan was later changed because we had at that time commenced preliminary discussions with Mr. Tsuei on a potential business relationship which could have included an investment by our Company in a business invested by Mr. Tsuei. Therefore, in the interest of good corporate governance, we eventually decided to designate and appoint Mr. Tsuei as a non-executive director instead. However, these preliminary business discussions ended shortly after our initial public offering, and they have not materialized into any investment or cooperation between Mr. Tsuei and our Company.

(b) Since becoming a non-executive director of our Company, Mr. Tsuei has not undertaken executive responsibilities with our Company or any of its associates and he has not developed any other relationships with our Company or its associates which would affect his independence. Thus, in substance he has remained independent just as if he had been originally designated as an independent non-executive director at the time of our listing.

(c) Mr. Tsuei reaffirmed in his confirmation of independence letter delivered to our Company at the time of his re-designation that he met the independence requirements of the Listing Rules.

DIRECTORS' BIOGRAPHIES

Biographical details of our directors are set out on pages 41 to 44 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with us which is not determinable by us within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

Our directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by our remuneration committee with reference to the directors' duties, responsibilities and our performance and results.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of December 31, 2008, the interests and short positions of our directors and chief executives in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO, or as otherwise notified to our Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules ("Model Code for Securities Transactions"), were as follows:

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

1. Long positions in ordinary shares of HK$0.0001 each of our Company ("Shares"):

Name of Director	Capacity/ nature of interest	Number of Shares/ underlying Shares held	Total	Note	Approximate percentage of our Company's issued share capital
WEI Zhe, David	Beneficial owner Interest of controlled corporation	512,000 48,250,000	48,762,000	(1)	0.97%
WU Wei, Maggie	Beneficial owner Interest of controlled corporation	74,000 9,650,000	9,724,000	(2)	0.19%
DAI Shan, Trudy	Beneficial owner Interest of spouse Interest of controlled corporation	870,000 240,000 3,760,000	4,870,000	(3)	0.10%
PENG Yi Jie, Sabrina	Beneficial owner Interest of controlled corporation	1,400,000 1,000,000	2,400,000	(4)	0.05%
MA Yun, Jack	Beneficial owner	28,369,053	28,369,053		0.56%
TSAI Chung, Joseph	Interest of spouse Interest of controlled corporation	120,000 11,401,560	11,521,560	(5)	0.23%
TSOU Kai-Lien, Rose	Beneficial owner	94,000	94,000		0.00%
LONG Yong Tu	Beneficial owner	100,000	100,000		0.00%
NIU Gen Sheng	Beneficial owner	100,000	100,000		0.00%
KWAUK Teh Ming, Walter	Beneficial owner	100,000	100,000		0.00%
TSUEI, Andrew Tien Yuan	Beneficial owner	940,000	940,000		0.02%
KWAN Ming Sang, Savio	Interest of controlled corporation	9,600,000	9,600,000	(6)	0.20%

Notes:

(1) These securities represent (a) relevant interests in respect of 48,250,000 underlying Shares held by Direct Solutions Management Limited, which were owned by Maimex Company Limited for the benefit of Mr. Wei pursuant to the pre-IPO share incentive scheme of Alibaba Group; and (b) share options in respect of 512,000 underlying Shares granted by our Company to Mr. Wei on February 1, 2008.

(2) These securities represent (a) relevant interests in respect of 9,650,000 underlying Shares held by Direct Solutions Management Limited, which were owned by Sheenson Development Limited for the benefit of Ms. Wu pursuant to the pre-IPO share incentive scheme of Alibaba Group; and (b) share options in respect of 74,000 underlying Shares granted by our Company to Ms. Wu on February 1, 2008.

(3) These securities represent (a) 600,000 Shares held by Ms. Dai, 240,000 Shares held by Sheng Yi Fei (Ms. Dai's spouse), 2,400,000 Shares held by Able Island Assets Corp. (a company ultimately owned by Ms. Dai and her spouse) and 360,000 Shares held by Nationbright Investment Limited (a company ultimately owned by a trust established by Sheng Yi Fei for the benefit of his family); (b) relevant interests in respect of 1,000,000 underlying Shares held by Direct Solutions Management Limited, which were owned by Golden Jade Investment Limited (a company ultimately owned by a trust established by Ms. Dai for the benefit of her family) pursuant to the pre-IPO share incentive scheme of Alibaba Group; and (c) share options in respect of 270,000 underlying Shares granted by our Company to Ms. Dai on February 1, 2008.

(4) These securities represent (a) 1,175,000 Shares held by Ms. Peng; (b) relevant interests in respect of 1,000,000 underlying Shares held by Direct Solutions Management Limited, which were owned by Netyan Enterprises Ltd. for the benefit of Ms. Peng pursuant to the pre-IPO share incentive scheme of Alibaba Group; and (c) share options in respect of 225,000 underlying Shares granted by our Company to Ms. Peng on February 1, 2008.

(5) These securities represent 120,000 Shares held by Clara Wu Ming-Hua (Mr. Tsai's spouse), 3,000,000 Shares held by Parufam Limited (a company ultimately owned by a trust established by a family member in which Mr. Tsai is a beneficiary), 6,297,258 Shares held by MFG Limited (a company ultimately owned by a trust established by Mr. Tsai for the benefit of his family) and 2,104,302 Shares held by MFG II Ltd. (a company ultimately owned by Mr. Tsai).

(6) These securities represent 9,600,000 Shares held by CSS Development Limited (a company controlled by Mr. Kwan and ultimately owned by a trust established by Mr. Kwan for the benefit of his family).

2. Long positions in shares and underlying shares of associated corporations:

(a) Alibaba Group

Name of Director	Interests in shares/ underlying shares	Capacity/ nature of interest	Number of shares/underlying shares held	Total	Note	Approximate percentage of Alibaba Group's issued share capital
WEI Zhe, David	Share options	Beneficial owner	3,400,000	3,400,000	(1)	0.14%
WU Wei, Maggie	Share options	Beneficial owner	600,000	600,000	(2)	0.03%
DAI Shan, Trudy	Ordinary shares	Beneficial owner	125,000			
		Interest of spouse	387,500			
		Interest of controlled corporation	11,135,250			
	Share options	Beneficial owner	401,260			
		Interest of spouse	36,250	12,085,260	(3)	0.51%
PENG Yi Jie, Sabrina	Ordinary shares	Interest of controlled corporation	52,249			
	Share options	Beneficial owner	422,751	475,000	(4)	0.02%
MA Yun, Jack	Ordinary shares	Beneficial owner	34,726,510			
		Interest of spouse	144,028,496			
	Share options	Beneficial owner	2,046,667			
		Interest of spouse	69,000	180,870,673	(5)	7.64%
TSAI Chung, Joseph	Ordinary shares	Beneficial owner	2,522,964			
		Interest of spouse	160,000			
		Interest of controlled corporation	69,426,932			
	Share options	Beneficial owner	3,220,000	75,329,896	(6)	3.18%
TSUEI, Andrew Tien Yuan	Ordinary shares	Beneficial owner	320,000			
	Share options	Beneficial owner	800,000	1,120,000	(7)	0.05%
KWAN Ming Sang, Savio	Ordinary shares	Interest of controlled corporation	5,600,000			
	Share options	Interest of controlled corporation	7,200,000	12,800,000	(8)	0.54%

Notes:

(1) These securities represent outstanding options to purchase shares of Alibaba Group directly owned by Mr. Wei.

(2) These securities represent outstanding options to purchase shares of Alibaba Group directly owned by Ms. Wu.

(3) These securities represent: (a) 125,000 issued shares of Alibaba Group directly owned by Ms. Dai; (b) 401,260 outstanding options to purchase shares of Alibaba Group directly issued to Ms. Dai; (c) 387,500 issued shares of Alibaba Group directly owned by Sheng Yi Fei (Ms. Dai's spouse); (d) 36,250 outstanding options to purchase shares of Alibaba Group issued to Ms. Dai's spouse; (e) 1,000,000 issued shares of Alibaba Group held by Able Island Assets Corp. (a company ultimately owned by Ms. Dai and her spouse); (f) 4,900,900 issued shares of Alibaba Group held by Golden Jade Investment Limited (a company ultimately owned by a trust established by Ms. Dai for the benefit of her family); and (g) 5,234,350 issued shares of Alibaba Group held by Nationbright Investment Limited (a company ultimately owned by a trust established by Ms. Dai's spouse for the benefit of his family).

(4) These securities represent: (a) 422,751 outstanding options to purchase shares of Alibaba Group directly owned by Ms. Peng; and (b) 52,249 issued shares of Alibaba Group held by Netyan Enterprises Ltd. (a company ultimately owned by Ms. Peng).

(5) These securities represent: (a) 34,726,510 issued shares of Alibaba Group directly owned by Mr. Ma; (b) 2,046,667 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Ma; (c) 91,250,136 issued shares of Alibaba Group held by JC Properties Limited (a company controlled by Zhang Ying, Mr. Ma's spouse and ultimately owned by a trust established for the benefit of certain family members of Mr. Ma); (d) 52,778,360 issued shares of Alibaba Group held by JSP Investment Limited (a company ultimately owned by a trust established for the benefit of certain family members of Zhang Ying); and (e) 69,000 outstanding options to purchase shares of Alibaba Group issued to JSP Investment Limited.

Directors' Report

(6) These securities represent: (a) 2,522,964 issued shares of Alibaba Group directly owned by Mr. Tsai; (b) 3,220,000 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Tsai; (c) 160,000 issued shares of Alibaba Group directly owned by Clara Wu Ming-Hua, Mr. Tsai's spouse; (d) 17,560,780 issued shares of Alibaba Group held by MFG Limited (a company ultimately owned by a trust established by Mr. Tsai for the benefit of his family); (e) 22,905,952 issued shares of Alibaba Group held by Parufam Limited (a company ultimately owned by a trust established by a family member of Mr. Tsai and of which Mr. Tsai is a beneficiary); and (f) 28,960,200 issued shares of Alibaba Group held by PMH Holding Limited (a company ultimately owned by a trust established by Mr. Tsai for the benefit of his family).

(7) These securities represent (a) 320,000 shares of Alibaba Group directly held by Mr. Tsuei; and (b) 800,000 outstanding options to purchase shares of Alibaba Group directly issued to Mr. Tsuei.

(8) These securities represent (a) 5,600,000 shares of Alibaba Group; and (b) 7,200,000 outstanding options to purchase shares of Alibaba Group all held by CSS Development Limited (a company controlled by Mr. Kwan and ultimately owned by a trust established by Mr. Kwan for the benefit of his family).

(b) 杭州阿里巴巴廣告有限公司

Name of Director	Interests in shares/ underlying shares/ amount of registered capital	Capacity/ nature of interest	Number of shares/ underlying shares/ amount of registered capital held	Approximate percentage of our associated corporation's issued share capital/total registered capital
MA Yun, Jack	Registered capital	Beneficial owner	RMB8,000,000 *(Note)*	80%

Note: The total registered capital is RMB10,000,000.

(c) 北京阿里巴巴信息技術有限公司

Name of Director	Interests in shares/ underlying shares/ amount of registered capital	Capacity/ nature of interest	Number of shares/ underlying shares/ amount of registered capital held	Approximate percentage of our associated corporation's issued share capital/total registered capital
MA Yun, Jack	Registered capital	Beneficial owner	RMB8,000,000 *(Note)*	80%

Note: The total registered capital is RMB10,000,000.

(d) 杭州口口相傳網絡技術有限公司

Name of Director	Interests in shares/ underlying shares/ amount of registered capital	Capacity/ nature of interest	Number of shares/ underlying shares/ amount of registered capital held	Approximate percentage of our associated corporation's issued share capital/total registered capital
MA Yun, Jack	Registered capital	Beneficial owner	RMB800,000 *(Note)*	80%

Note: The total registered capital is RMB1,000,000.

(e) 杭州阿里科技有限公司

Name of Director	Interests in shares/ underlying shares/ amount of registered capital	Capacity/ nature of interest	Number of shares/ underlying shares/ amount of registered capital held	Approximate percentage of our associated corporation's issued share capital/total registered capital
MA Yun, Jack	Registered capital	Beneficial owner	RMB1,480,000 *(Note)*	80%

Note: The total registered capital is RMB1,850,000.

(f) 杭州阿里創業投資有限公司

Name of Director	Interests in shares/ underlying shares/ amount of registered capital	Capacity/ nature of interest	Number of shares/ underlying shares/ amount of registered capital held	Approximate percentage of our associated corporation's issued share capital/total registered capital
MA Yun, Jack	Registered capital	Beneficial owner	RMB40,000,000 *(Note)*	80%

Note: The total registered capital is RMB50,000,000.

Save as disclosed above, as of December 31, 2008, none of our directors or chief executives had registered any interest or short position in the shares, underlying shares or debentures of our Company or any of our associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions.

3. Directors' right to acquire shares or debentures

Save as disclosed in this Annual Report, at no time during the year was our Company, or any of our holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable our directors to acquire benefits by means of the acquisition of shares in, or debentures of, our Company or any other body corporate, and none of our directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of our Company or any other body corporate, nor had they exercised any such right.

SHARE-BASED INCENTIVE SCHEMES

1. Restricted share unit scheme

We adopted a restricted share unit scheme (the "RSU Scheme") by a resolution of our then sole shareholder and a resolution of our board, both on October 12, 2007. The RSU Scheme was amended by a resolution of our shareholders at our annual general meeting held on May 5, 2008. Details of these amendments were set out in our circular to shareholders dated April 10, 2008. The purpose of the RSU Scheme is to attract and retain the best available personnel by providing additional incentives to employees, consultants or advisors to our Group, third party suppliers or providers of goods and/or services to any member of our Group, customers of the Group, any third party that promotes the sales and marketing of the goods or services of, or provides any promotional support to, our Group, or any other third party group or class of persons or entities from time to time determined by our directors as having contributed or may contribute by way of joint venture or co-operation to the development and growth of our Group. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

Directors' Report

Pursuant to the listing approval issued by the Stock Exchange on November 5, 2007, the total number of Shares subject to the Share Option Scheme (as defined below) and the RSU Scheme must not, in aggregate, exceed 135,100,000 Shares, representing approximately 2.68% of the issued share capital of our Company as of December 31, 2008. Pursuant to our shareholders' resolutions passed at our annual general meeting on May 5, 2008, the total number of Shares subject to the Share Option Scheme and the RSU Scheme must not, in aggregate, exceed 125,292,527 Shares, representing approximately 2.48% of the issued share capital of our Company as of December 31, 2008.

Particulars and movement of the restricted share units ("RSUs") under the RSU Scheme during the year ended December 31, 2008 were as follows:-

	Number of RSUs						
Name or category of participant	**Outstanding as at 01/01/2008**	**Granted during the year**	**Vested during the year**	**Cancelled during the year**	**Outstanding as at 31/12/2008**	**Date of grant (DD/MM/YYYY)**	**Vesting schedule**
Directors	–	–	–	–	–		
Sub-total	–	–	–	–	–		
Others							
Employees	–	3,806,973	–	206,564	3,600,409	01/02/2008	By stages over a 4-year period
	–	239,136	–	6,000	233,136	20/06/2008	By stages over a 4-year period
	–	230,000	–	–	230,000	17/12/2008	By stages over a 4-year period
Sub-total	–	4,276,109	–	212,564	4,063,545		
Total	–	4,276,109	–	212,564	4,063,545		

2. Share option scheme

We also adopted a share option scheme (the "Share Option Scheme") by a resolution of our then sole shareholder and a resolution of our board (both on October 12, 2007) effective on the date of our listing.

(a) Summary of the principal terms of the Share Option Scheme

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract skilled and experienced personnel, to incentivize them to remain with our Company and to give effect to our customer-focused corporate culture, and to motivate them to strive for our future development and expansion by providing them with the opportunity to acquire our equity interests.

(ii) Participants of the Share Option Scheme

Our board may at its discretion grant options to directors (including executive directors, non-executive directors and independent non-executive directors), our employees and any of our advisers or consultants whom our board considers, in its sole discretion, to have contributed or will contribute to our Company.

(iii) Total number of shares available for issue under the Share Option Scheme

(1) Pursuant to the listing approval issued by the Stock Exchange on November 5, 2007, the total number of Shares subject to the Share Option Scheme and the RSU Scheme of our Company must not, in aggregate, exceed 135,100,000 Shares, representing approximately 2.68% of the issued share capital of our Company as of December 31, 2008.

No options were exercised by any grantees under the Share Option Scheme during the year up to December 31, 2008. As of December 31, 2008, an aggregate of 14,807,500 Shares were issuable in respect of outstanding share options granted under the Share Option Scheme.

As of December 31, 2008, the total number of Shares available for issue pursuant to the grant of further share options under the Share Option Scheme was 116,016,391, representing approximately 2.30% of the issued share capital of the Company as of the date of this Annual Report.

Subsequent to the balance sheet date, we granted options in respect of a total of 3,993,700 underlying Shares to our directors and employees under the Share Option Scheme as follows:

Performance award to directors	374,000
Performance award to employees	3,619,700
Total:	3,993,700

Taking into account the above grant of options as well as those RSUs granted under the RSU Scheme subsequent to the year, as of the date of this Annual Report, options and RSUs in respect of a total of 101,148,235 underlying Shares are still available for grant under the Share Option Scheme and RSU Scheme, representing approximately 2.0% of the issued share capital of our Company as of the date of this Annual Report.

(2) The maximum number of Shares that our board shall be entitled to grant options ("Scheme Mandate") shall be calculated in accordance with the following formula:

$X = (A+B) - (C+D+E)$

Where:

X = the maximum aggregate number of Shares over which our board shall be entitled to grant options;

A = 135,100,000 Shares;

B = the maximum aggregate number of Shares authorized by our shareholders to be issued under other equity incentive plans (if any), other than the Share Option Scheme and the RSU Scheme;

C = the maximum aggregate number of Shares underlying options that have been granted previously under the Share Option Scheme;

D = the maximum aggregate number of Shares authorized for issuance assuming the vesting of all RSUs that have been previously granted under the RSU Scheme; and

E = the maximum aggregate number of Shares authorized for issuance assuming the exercise of all other rights to acquire Shares that have been granted previously pursuant to other equity incentive plans (if any), other than the Share Option Scheme and the RSU Scheme.

For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(iv) Maximum entitlement of each participant

No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to such person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of our Company other than those options granted pursuant to specific approval by our shareholders in general meeting with the proposed participant and his associates abstaining from voting) would exceed 1% of the Shares in issue from time to time.

(v) Period within which the Shares must be taken up under an option

An option may be exercised at any time during the period to be determined and notified by our board at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant.

(vi) Minimum period, if any, for which an option must be held before it can be exercised

There is no specific requirement under the Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the Share Option Scheme provide that our board has the discretion to impose a minimum period at the time of grant of any particular option.

(vii) Amount payable upon acceptance and the period within which the payments or calls must or may be made or loans for such purposes must be repaid

A remittance in favor of our Company of HK$1 or the equivalent amount in any other currency by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as defined by our board. The remittance is not in any circumstances refundable.

(viii) Basis of determining the exercise price

The exercise price shall be determined by our board in its absolute discretion but in any event shall not be less than the higher of:

(1) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date on which the option is offered which must be a business day;

(2) the average closing prices of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date of the option; and

(3) the nominal value of the Shares.

(ix) Remaining life

Subject to the early termination of the Share Option Scheme pursuant to the terms thereof, the Share Option Scheme shall remain valid and effective for 10 years commencing on the date of adoption on October 12, 2007.

(b) Particulars and movements of share options under the Share Option Scheme during the year were as follows:

	Number of share options										
Name or category of participant	**Outstanding as at 01/01/2008**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31/12/2008**	**Date of grant (DD/MM/YYYY)**	**Exercise period** (Note 1) **(DD/MM/YYYY)**	**Subscription price per Share (HK$)**	**Price immediately preceding the grant date of share options** (Note 2) **(HK$)**	**Price immediately preceding the exercise date of share options** (Note 3) **(HK$)**
Directors											
DAI Shan, Trudy	–	270,000	–	–	–	270,000	01/02/2008	01/02/2009–01/02/2014	19.86	18.46	N/A
PENG Yi Jie, Sabrina	–	225,000	–	–	–	225,000	01/02/2008	01/02/2009–01/02/2014	19.86	18.46	N/A
WEI Zhe, David	–	512,000	–	–	–	512,000	01/02/2008	01/02/2009–01/02/2014	19.86	18.46	N/A
WU Wei, Maggie	–	74,000	–	–	–	74,000	01/02/2008	01/02/2009–01/02/2014	19.86	18.46	N/A
XIE Shi Huang, Simon (Note 4)	–	180,000	–	(180,000)	–	–	01/02/2008	01/02/2009–01/02/2014	19.86	18.46	N/A
Sub-total	–	1,261,000	–	(180,000)	–	1,081,000					
Others											
Employees	–	4,739,500	–	(380,000)	–	4,359,500	01/02/2008	12/11/2009–01/02/2014 Note (1)(a)(i) 01/02/2009–01/02/2014 Note (1)(b)	19.86	18.46	N/A
	–	2,470,000	–	(110,000)	–	2,360,000	20/06/2008	28/01/2010–20/06/2014 Note (1)(a)(i)	12.74	12.00	N/A
	–	7,007,000	–	–	–	7,007,000	17/12/2008	02/10/2008–17/12/2014 Note (1)(a)(ii) 12/11/2009–17/12/2014 Note (1)(a)(i)	5.54	5.50	N/A
Sub-total	–	14,216,500	–	(490,000)	–	13,726,500					
Total	–	15,477,500	–	(670,000)	–	14,807,500					

Notes:

(1) All share options granted are subject to a vesting schedule depending on the nature of the grant:

(a) On-hire grant

(i) The vesting period for all on-hire grant to employees joining our Group after our initial public offering commences on the hiring date of the relevant employee, and the first vesting date is two years after the hiring date.

	Percentage that can be exercised	
Date	**For the period**	**Cumulative**
First vesting date	50%	50%
One year after the first vesting date	25%	75%
Two years after the first vesting date	25%	100%

(ii) The vesting period for all on-hire grant to employees joining our Group before our initial public offering commences on the hiring date of the relevant employees, and the first vesting date is one year after the hiring date.

	Percentage that can be exercised	
Date	**For the period**	**Cumulative**
First vesting date	25%	25%
One year after the first vesting date	25%	50%
Two years after the first vesting date	25%	75%
Three years after the first vesting date	25%	100%

(b) Performance grant

The vesting period of all performance grant commences on the date of grant of the share options, and the first vesting date is one year after the date of grant.

	Percentage that can be exercised	
Date	**For the period**	**Cumulative**
First vesting date	25%	25%
One year after the first vesting date	25%	50%
Two years after the first vesting date	25%	75%
Three years after the first vesting date	25%	100%

Any share options not exercised at the end of each exercise period shall lapse automatically.

(2) This represents the closing price of the Shares quoted on the Stock Exchange on the trading day immediately prior to the date of grant of the share options.

(3) This represents the weighted average closing price of the Shares immediately before the date on which the options were exercised. No share options were exercised during the year.

(4) XIE Shi Huang, Simon resigned as a director of the Company with effect from December 20, 2008.

Directors' Report

(5) The weighted average fair value of share options granted under the Share Options Scheme on February 1, 2008, June 20, 2008 and December 17, 2008, measured as at the date of grant, were approximately HK$6.43, HK$5.14 and HK$2.33 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	February 1, 2008		June 20, 2008	December 17, 2008
Type of grant	**On-hire grant**	**Performance grant**	**On-hire grant**	**On-hire grant**
Expected volatility (%)	45.86	45.91	50.80	50.92 – 50.94
Expected life (in years)	4.38	4.25	4.38	4.25 – 4.38
Risk-free interest rate (%)	1.96	1.94	3.50	1.20 – 1.21
Expected dividend yield (%)	0	0	0	0

In total, share-based compensation expense of RMB 178.8 million was included in the consolidated income statement for the year ended December 31, 2008 (2007: RMB152.1 million). These expenses included the amortization of the fair value of certain share-based awards in the form of share options and RSUs granted to our Company's employees under the share incentive schemes and pre-IPO share incentive scheme maintained by Alibaba Group.

Further particulars of the Share Option Scheme and RSU Scheme, as well as Alibaba Group's share incentive schemes and pre-IPO share incentive scheme mentioned above, are set out in note 25 to our consolidated financial statements on pages 122 to 129 of this Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between our Group and companies in which our directors had beneficial interest are set out in note 34 to the consolidated financial statements on pages 135 to 139 of this Annual Report.

Save as disclosed above, no contracts of significance in relation to our business which we, our holding company or any of our subsidiaries or fellow subsidiaries of our holding company was a party to and in which any of our directors had a material interest (whether directly or indirectly) subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2008, the following are the persons, other than the directors or chief executives of our Company, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by our Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity	Long position/ short position	No. and description of Shares or debentures	Total	Approximate percentage of our Company's issued share capital (Note 6)
Alibaba Group	Beneficial owner	Long position	3,744,394,982 Shares (Note 1)	3,744,394,982 Shares	74.16%
	Beneficial owner	Short position	101,024,988 Shares (Note 2)	101,024,988 Shares	2.00%
Yahoo! Inc.	Beneficial owner	Long position	57,481,000 Shares		
	Interest of controlled corporation	Long position	3,744,394,982 Shares (Note 3)	3,801,875,982 Shares	75.29%
	Interest of controlled corporation	Short position	101,024,988 Shares (Note 4)	101,024,988 Shares	2.00%
SOFTBANK CORP.	Interest of controlled corporation	Long position	3,744,394,982 Shares (Note 5)	3,744,394,982 Shares	74.16%
	Interest of controlled corporation	Short position	101,024,988 Shares (Note 4)	101,024,988 Shares	2.00%

Notes:

(1) These include 101,024,988 Shares held by Alibaba Group which will be transferred to employees pursuant to the Employee Equity Exchange and the pre-IPO share incentive scheme of Alibaba Group.

(2) These represent Shares subject to the Employee Equity Exchange and the pre-IPO share incentive scheme of Alibaba Group.

(3) These 3,744,394,982 Shares were beneficially owned by Alibaba Group. As Yahoo! Inc., directly or indirectly through its wholly-owned subsidiaries, owns more than one-third of the shares in Alibaba Group, it was deemed to be interested in all Shares held by Alibaba Group under the SFO.

(4) These represent the same 101,024,988 Shares subject to the Employee Equity Exchange and the pre-IPO share incentive scheme of Alibaba Group as set out in Note (2) above.

(5) These 3,744,394,982 Shares were beneficially owned by Alibaba Group. As SOFTBANK CORP., directly or indirectly through its wholly-owned subsidiaries, owns more than one-third of the shares in Alibaba Group, it was deemed to be interested in all Shares held by Alibaba Group under the SFO.

(6) Our Company's total issued shares as of December 31, 2008 was 5,049,356,500.

Save as disclosed above, as of December 31, 2008, no person, other than our directors whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short positions in the Shares or underlying Shares that were required to be recorded pursuant to Section 336 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to our Company and within the knowledge of our directors, our Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Listing Rules as at the date of this Annual Report.

CONFIRMATION OF COMPLIANCE WITH NON-COMPETITION UNDERTAKING

We have received an annual written confirmation from Alibaba Group in respect of the compliance by Alibaba Group and its group members with the provisions of the non-competition undertaking entered into between our Company and Alibaba Group on October 19, 2007(the "Non-Competition Undertaking"). Alibaba Group further confirmed that there were not any circumstances giving rise to any New Opportunity or Acquisition Option (both as defined in the Non-Competition Undertaking) for our Company to consider during the financial year ended December 31, 2008.

Our independent non-executive directors have reviewed the compliance of Alibaba Group with the Non-Competition Undertaking during the financial year ended December 31, 2008 and were satisfied that Alibaba Group has duly complied with the Non-Competition Undertaking. Since there were not any circumstances giving rise to any New Opportunity or Acquisition Option during the aforesaid period, our independent non-executive directors were not required to review any decision taken in relation to whether to pursue any New Opportunity or exercise any Acquisition Option which may be offered by Alibaba Group to our Company pursuant to the Non-Competition Undertaking.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of our directors has confirmed that he or she (as the case may be) is not interested in any business (apart from our business) which competes or is likely to compete, either directly or indirectly, with our business as at the date of this Annual Report. There are also non-competition undertakings provided by each of the executive directors and non-executive directors in their respective appointment letters for our Group's benefit.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of our Company's compliance with the Code on Corporate Governance Practices are set out in the Corporate Governance Report on pages 64 to 80 of this Annual Report.

Directors' Report

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of our Company's compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report on page 77 of this Annual Report.

CONNECTED TRANSACTIONS

During the year ended December 31, 2008, save as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of rule 14A.45 of the Listing Rules.

Certain transactions entered into by us constituted non-exempt continuing connected transactions under the Listing Rules but they have been the subject of waiver granted to our Company by the Stock Exchange subject to compliance of certain conditions of the relevant waiver. Details of these continuing connected transactions as of December 31, 2008 are set out below:

1. Structure contracts

We conduct our B2B business in PRC through 杭州阿里巴巴廣告有限公司 ("Alibaba Hangzhou"), a consolidated affiliate of our Company with 80% of its equity interests held by our chairman, MA Yun, Jack and 20% held by a former director, XIE Shi Huang, Simon. Under our operating structure, our wholly-owned subsidiary, Alibaba (China) Technology Co., Ltd. ("Alibaba China") provides software and technology services to our customers, including, among other things, licensing software that enables our customers to upload their company and product information onto our China marketplace operated by Alibaba Hangzhou. Paying members of our China marketplace pay Alibaba China a fee for these services and substantially all of the revenue from our China marketplace is generated through such fees. Pursuant to a cooperation agreement with Alibaba China and Alibaba.com Hong Kong Limited (another wholly-owned subsidiary of us), Alibaba Hangzhou provides information services to enable our customers to publish such information on our China marketplace website and exchanges contents and information on our China marketplace with those on our international marketplace. Alibaba China pays a cost-plus fee to Alibaba Hangzhou for these services. In turn, Alibaba China provides technical services to Alibaba Hangzhou and is paid a fee for these services.

We have also entered into a series of additional contracts that are designed to provide us with effective control over and (to the extent permitted by PRC law) the right to acquire the equity interests in and/or the assets of Alibaba Hangzhou (including the intellectual property rights). These include:

(a) an option to acquire all the equity interests in and/or the assets of Alibaba Hangzhou, as and when permitted by PRC laws, at a price capped at the amount of the capital contribution to Alibaba Hangzhou by its shareholders (in case of an equity interest acquisition) or the net book value (in the case of an assets acquisition), or such other minimum payment as required by law, whichever is the higher;

(b) an undertaking from Alibaba Hangzhou not to enter into any material business transaction and an undertaking from its shareholders not to approve any resolution relating to the same, without the prior written consent of Alibaba China;

(c) the right to exercise the rights of shareholders in Alibaba Hangzhou; and

(d) a pledge in our favor over the entire equity interests in Alibaba Hangzhou.

The above arrangements, which we call the "Structure Contracts", collectively permit us to consolidate the financial results of Alibaba Hangzhou in our financial results as if Alibaba Hangzhou were our wholly-owned subsidiary, because these contractual arrangements effectively transfer the economic risks and benefits of Alibaba Hangzhou to us through: (i) our right (if and when PRC law releases the restriction on foreign investment in value-added telecommunication services) to acquire equity interests and/or assets of Alibaba Hangzhou; (ii) the business structure under which the revenue generated by the cooperation between our Company and Alibaba Hangzhou is mainly retained by us; and (iii) our right to govern the financial and operating policies as well as, in substance, all of the voting rights of Alibaba Hangzhou.

Our directors are of the view that the Structure Contracts are fundamental to our legal structure and business operations, in the ordinary and usual course of our business, on normal commercial terms (or better to us), and are fair and reasonable and in the interests of our shareholders as a whole. Our directors also believe that the nature of our structure, whereby the financial results of Alibaba Hangzhou are fully consolidated under our accounting policies within our financial results as if it were our wholly-owned subsidiary and the financial and economic benefits of its business flow to us, places the Structure Contracts in a special position in relation to the connected transaction rules under the Listing Rules. We have applied for, and the Stock Exchange has granted, a perpetual waiver pursuant to rule 14A.42(3) of the Listing Rules for the Structure Contracts from strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules, on the following conditions:

(a) no changes to the Structure Contracts will be made without our independent non-executive directors' approval;

(b) the Structure Contracts continue to enable us to receive the above mentioned economic benefits derived by Alibaba Hangzhou; and

(c) we will disclose certain details relating to the Structure Contracts on an ongoing basis as required by the Stock Exchange.

For the year ended December 31, 2008, our independent non-executive directors have reviewed the Structure Contracts and confirmed that (i) the transactions carried out during this financial period have been entered into in accordance with the relevant provisions of the Structure Contracts, have been operated so that the revenue generated by Alibaba China and Alibaba Hangzhou has been mainly retained by Alibaba China; (ii) no dividends or other distributions have been made by Alibaba Hangzhou to the holders of its equity interests; and (iii) any new contracts entered into, renewed or reproduced between our Company and Alibaba Hangzhou during this financial period were fair and reasonable as far as we are concerned and were in the interests of our shareholders as a whole.

We have also engaged our auditors to perform certain fact finding procedures on the transactions carried out pursuant to the Structure Contracts on a sample basis in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on the selected samples based on the agreed upon procedures to our board as follows:

(a) the transactions have received the approval of our board;

(b) the transactions have been entered into in accordance with the relevant Structure Contracts; and

(c) no dividends or other distributions have been made by Alibaba Hangzhou to the holders of its equity interests.

2. Technology Services Framework Agreement

We entered into a technology services framework agreement dated October 19, 2007 with Alibaba Group (the "Technology Services Framework Agreement"). We have provided, and under the terms of the Technology Services Framework Agreement will continue to provide, to Alibaba Group certain technology services, including:

(a) technology maintenance services for search engine, system security and architecture support;

(b) provision of a dedicated transmission network system to improve the connectivity between telecommunication providers and website users;

(c) website monitoring services;

(d) sub-licensing of third-party software;

(e) sharing of servers and server racks;

(f) development and maintenance of data warehouse;

(g) quality assurance services and maintenance of quality assurance management systems and project management systems; and

(h) research and development services including patent development.

The Technology Services Framework Agreement will expire on December 31, 2009 and is automatically renewable for further periods of no more than three years subject to compliance with the applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving three months' prior written notice.

Under the Technology Services Framework Agreement, fees payable to us for technology services provided are calculated on the basis of our actual costs for providing such services plus a margin of up to 15% by reference to industry practice for comparable transactions. The costs for providing each technology service include operating costs, cost for the aggregate time spent by our staff and any equipment depreciation that we incurred or may incur, in connection with providing such service.

The fee payable for research and development services provided by us to Alibaba Group is computed on a cost-plus basis.

During the year, the total amount we received from Alibaba Group under the Technology Services Framework Agreement was RMB5.0 million.

3. Cooperation Framework Agreement

We entered into a cooperation framework agreement dated October 19, 2007 with Alibaba Group with respect to the provision of products and services developed by it to us and to users of our marketplaces (the "Cooperation Framework Agreement"). These products and services currently include the provision of the online payment platform operated by Zhejiang Alipay Network Technology Co., Ltd. and Alipay Software (Shanghai) Co., Ltd., each a wholly-owned subsidiary of Alibaba Group, and Zhejiang Alibaba E-Commerce Co., Ltd., a consolidated affiliate of Alibaba Group (collectively "Alipay"), to us and to users of our China marketplace, instant messenger development and maintenance services to users of our marketplaces, as well as the sale of keywords on websites operated by Alibaba Group for the promotion of our marketplaces. The Cooperation Framework Agreement will expire on December 31, 2009 and is automatically renewable for further periods of no more than three years subject to compliance with the applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving three months' prior written notice.

Fees payable by us under the Cooperation Framework Agreement have been based on market rates and on normal commercial terms no less favorable than terms offered to us by independent third-party service providers for similar products and services. Market rates are determined based on the rates offered by independent third-party providers for similar products and services.

During the year, the total amount of fees paid by us to Alibaba Group under the Cooperation Framework Agreement was RMB3.8 million.

4. Cross-selling Services Framework Agreement

We entered into a cross-selling services framework agreement dated October 19, 2007 with Alibaba Group to govern our existing and future arrangements under which we cross sell the products and services of the other party to our respective customers (the "Cross-selling Services Framework Agreement"). We have provided, and under the terms of the Cross-selling Services Framework Agreement will continue to provide, cross-selling services to Alibaba Group, which include the sale to our users of software products of Alibaba Software (Shanghai) Co., Ltd., a wholly-owned subsidiary of Alibaba Group, and Alipay's online payment services for the settlement of transactions between users of our marketplaces.

Alibaba Group has sold, and under the terms of the Cross-selling Services Framework Agreement will continue to sell, our website inventory to customers of Alibaba Group. "Website inventory" refers to parts of the website pages which are reserved for promotional displays.

The Cross-selling Services Framework Agreement will expire on December 31, 2009 and is automatically renewable for further periods of no more than three years subject to compliance with applicable provisions of the Listing Rules, unless it is terminated earlier by either party giving three months' prior written notice.

Under the Cross-selling Services Framework Agreement, payments will be made in the form of commissions or on the basis of revenue sharing arrangements. In particular:

(a) we will receive a commission fee of between 20% to 80% or pay a revenue share of 20% to 80% of the transaction amount for cross-selling services provided by us to Alibaba Group; and

(b) we will pay a commission fee of between 15% to 40% or receive a revenue share of 60% to 85% of the transaction amount for cross-selling services provided to us from Alibaba Group.

The commission fees and revenue share payable and receivable by us vary as they relate to the cross-selling of different products and are therefore at different rates. Commission fees and revenue sharing arrangements for additional cross-selling services are subject to negotiation between the parties, except that commission fees paid to or revenue shared with us shall not be less than the prevailing market rate, and commissions or revenue share payable by us shall not exceed the prevailing market rate.

During the year, the total amount received by us under the Cross-selling Services Framework Agreement was RMB79.4 million.

5. Technology and Intellectual Property Framework License Agreement

We entered into a technology and intellectual property framework license agreement dated October 19, 2007 with Alibaba Group (the "Technology and Intellectual Property Framework License Agreement") whereby:

(a) we have been granted, to the extent relevant to our B2B business, a renewable license to use all patents, pending patents and related know-how of Alibaba Group in existence at the time of our initial public offering, including a license of any future patents the development of which was undertaken by our Company on behalf of Alibaba Group pursuant to the Technology Services Framework Agreement;

(b) we have the right to be granted, to the extent relevant to our B2B business, a renewable sub-license to use all technology and intellectual property that Alibaba Group has an existing license to use from a third party and which Alibaba Group is permitted to sub-license to us and subject to the other terms of the third-party license to Alibaba Group; and

(c) we have the right to be granted, to the extent relevant to our B2B business, an option to use all technology and intellectual property that Alibaba Group may license from third parties in the future to the extent Alibaba Group has the right to do so.

The Technology and Intellectual Property Framework License Agreement will expire on December 31, 2009 and is subject to the restrictions in the agreement between Alibaba Group and any third party in respect of the third party's intellectual property, including any applicable limitations on the scope of the license, limitations on sub-licensing, termination under certain circumstances (including change of control) and other standard provisions. The license is renewable for further periods of three years at our sole discretion subject to compliance with the applicable provisions of the Listing Rules, by giving Alibaba Group three months' prior written notice before the end of the relevant term.

Under the Technology and Intellectual Property Framework License Agreement:

(a) the fees payable by us for third-party technology and intellectual property sub-licensed to us will be calculated at the same rate and on the same basis as (but in no case at a rate or on a basis less favorable than) that applicable to Alibaba Group in obtaining such license (i.e. not less preferable than on a pass-through basis);

(b) the fees payable by us for licenses of patents and inventions subject to patent applications and related know-how currently owned by Alibaba Group, provided each such patent (and patent application) is relevant to our business, licensed to us from Alibaba Group are at rates not more than the prevailing market rates for comparable licenses. The license fee payable for patents and inventions subject to patent applications for each year will be agreed between our Company and Alibaba Group at the end of each year and assessed as a percentage of revenue during the year. The percentage rate will be adjusted based on the size of the portfolio during the course of the year and the level of usage of the patents by our Company in its business during the year; and

Directors' Report

(c) the fees payable by us for licenses of future patents developed by our Company on behalf of Alibaba Group, which will be subsequently licensed by Alibaba Group to us, will be subject to negotiation between the parties and will not exceed the prevailing market rate for comparable licenses.

During the year, the total amount of fees paid by us under the Technology and Intellectual Property Framework License Agreement was RMB57.1 million.

6. Disclosure of details pursuant to the conditions of the waivers

The aggregate amount of transactions that took place pursuant to each framework agreement, as compared against the applicable single highest amount or aggregate amount under the relevant waiver (i.e. the annual cap), for the year ended December 31, 2008 is as follows:

		Aggregate amount of transactions that took place RMB (million)	**Applicable single highest amount or aggregate amount under the relevant waiver RMB (million)**
1	Technology Services Framework Agreement	5.0	12
2	Cooperation Framework Agreement	3.8	14
3	Cross-selling Services Framework Agreement	79.4	94
4	Technology and Intellectual Property Framework License Agreement	57.1	83

The above continuing connected transactions have been reviewed by the independent non-executive directors of our Company. Our independent non-executive directors confirmed that these connected transactions were entered into (i) in our ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favorable to us than terms available to or from independent third parties; (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of our Company as a whole.

In accordance with rule 14A.38 of the Listing Rules, our board engaged the auditors of our Company to perform certain station procedures on the above continuing connected transaction on a sample basis in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed- Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings on the selected samples based on the agreed-upon procedures to our board as follows:

(a) The above continuing connected transactions were approved by our board;

(b) The above continuing connected transactions were entered into in accordance with the relevant agreements; and

(c) The value of above continuing connected transactions had not exceeded the applicable caps under the waivers granted by the Stock Exchange and as previously disclosed by our Company.

The auditors also reported that, pursuant to rule 14A.38(2) of the Listing Rules, if the continuing connected transactions involve provision of goods or services by a listed issuer, they shall confirm that the continuing connected transactions are in accordance with the pricing policies of the listed issuer. The continuing connected transactions under the Technology Services Framework Agreement and the Cross-selling Services Framework Agreement are rather unique in its service nature, and our Company has not rendered similar services to other independent third parties. In addition, these framework agreements only set out certain pricing ranges rather than quantifying the exact pricing policy because the scope of services and actual circumstances will vary in different scenarios. Accordingly, the auditors considered that they could only confirm whether pricing of the aforesaid continuing connected transactions fell within the pricing ranges set out in the respective framework agreements. The auditors have sampled on the 2008 accounting records and compared the pricing of the technology services provided under Technology Services Framework Agreement against the pricing range set out in that agreement, and found that the pricing was based on actual cost plus a margin of 15%, being the ceiling of the stipulated pricing range. The auditors have also sampled on the 2008 accounting records and compared the commission and revenue share under the Cross-selling Services Framework Agreement against the pricing ranges set out in that framework agreement, and found that the commission was calculated according to a rate between 20% and 70%, which was within the stipulated 20% to 80% pricing range;

Save as disclosed above, details of the significant related party transactions undertaken by us during the year in our ordinary course of business are set out in note 34 to our consolidated financial statements on pages 135 to 139 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2008, we did not have a single major customer. Our top five customers accounted for less than 5% of our revenue. Our top five service providers accounted for approximately 35% of our purchases and our largest service provider accounted for approximately 14% of our purchases for the year.

None of our directors or any of their associates or any shareholders (which to the best knowledge of our directors owned more than 5% of our Company's issued share capital) had a material interest in our five largest customers.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year, our Company purchased 3,000,000 Shares at prices ranging from HK$4.23 to HK$5.45 per Share on the Stock Exchange. The repurchases were made by our directors with a view to enhancing shareholder value in the long-term.

Particulars of the repurchases are as follows:

Date (MM/YYYY)	Number of Shares repurchased	Highest price paid per Share (HK$)	Lowest price paid per Share (HK$)	Aggregate consideration paid (excluding expenses) (HK$)
11/2008	1,000,000	4.35	4.23	4,296,950
12/2008	2,000,000	5.45	4.40	9,717,305
Total	3,000,000			14,014,255

The repurchased shares were cancelled and accordingly, the issued share capital of our Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of our Company.

Save as disclosed above, neither our Company nor any of our subsidiaries purchased, sold or redeemed any of the listed securities of our Company during the year ended December 31, 2008.

AUDITORS

Our financial statements for the year ended December 31, 2008 were audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at our forthcoming annual general meeting.

A resolution to re-appoint PricewaterhouseCoopers as our auditors will be submitted for shareholders' approval at our forthcoming annual general meeting.

On behalf of the Board
MA Yun, Jack
Chairman

Hong Kong, March 19, 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The six corporate core values of Alibaba.com Limited ("Alibaba.com" or our "Company") hold no less true, and we apply them with no less determination and care, in the context of our corporate governance practices. We are committed to maintaining and upholding good corporate governance in order to protect the interests of our customers, employees and shareholders. Our board of directors sets high standards for our employees, senior management and directors. We abide strictly by the laws and regulations of the PRC and the other jurisdictions where we operate, and we observe the guidelines and rules issued by regulatory authorities relevant to our business and our Company, including those issued by the PRC Ministry of Information Industry, the Hong Kong Securities and Futures Commission and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the year ended December 31, 2008, we have applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and where appropriate, adopted the recommended best practices.

Despite the removal of the requirement for a qualified accountant in the Listing Rules effective January 1, 2009, we continue to maintain a team of qualified accountants to oversee our financial reporting and other accounting–related issues in accordance with the relevant laws, rules and regulations.

Set out below are the corporate governance principles and practices we have adopted. They include all the code provisions as well as most recommended best practices under the Corporate Governance Code.

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
BOARD OF DIRECTORS		
Role and Functions		
• Responsibility for leadership and control, and directing and supervising affairs	✓	> Our board is at the core of our corporate governance framework. It is responsible for providing high-level guidance and effective oversight to our management.
• Formalize functions reserved to the board and those delegated to the management	✓	> Our board oversees specific areas affecting the interests of all shareholders including financial reporting and control, equity fund raising, recommendation/ declaration of dividend or other distributions, notifiable and connected transactions under the Listing Rules and capital reorganization or other significant changes in the capital structure of the our Company. > Our board authorizes the management to execute plans and strategies that it has approved. Our management reports to our board and is responsible for our day-to-day operations. > Our management, led by the chief executive officer and chief financial officer, is, on the other hand, responsible for the management and administrative functions and the day-to-day operations of our Company.

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?

Composition

- Independent non-executive directors representing at least one-third of the board

✓

> Our board has a total of 13 members, five of whom are independent non-executive directors, representing more than one third of its composition:

Members of the board	Position
MA Yun, Jack	Chairman and Non-Executive Director
WEI Zhe, David	Executive Director and Chief Executive Officer
WU Wei, Maggie	Executive Director and Chief Financial Officer
DAI Shan, Trudy	Executive Director
PENG Yi Jie, Sabrina	Executive Director
TSAI Chung, Joseph	Non-executive Director
TSOU Kai-Lien, Rose	Non-executive Director
OKADA, Satoshi	Non-executive Director
LONG Yong Tu	Independent Non-executive Director
NIU Gen Sheng	Independent Non-executive Director
KWAUK Teh Ming, Walter	Independent Non-executive Director
TSUEI, Andrew Tien Yuan	Independent Non-executive Director
KWAN Ming Sang, Savio	Independent Non-executive Director

> Biographical details of the above directors are set out on pages 41 to 44 of this Annual Report. They can also be found on our website at www.alibaba.com.

Key Leadership

- Clear division of the positions of the Chairman and Chief Executive Officer

✓

> To avoid the over concentration of power in any single individual, the positions of chairman and chief executive officer in Alibaba.com are held by two different individuals who have distinct and separate roles. Our chairman, MA Yun, Jack provides leadership for our board and is responsible for ensuring our board works effectively, discharges its responsibilities and conforms to good corporate governance practices and procedures. As the chairman of our board, he is also responsible for ensuring that all directors are properly briefed on issues arising at our board meetings, and that all directors receive accurate, timely and reliable information. Our chief executive officer, WEI Zhe, David is responsible for providing leadership for the senior management team and for implementing the policies and development strategies approved by our board.

Corporate Governance Report

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
Independence of Directors		
• Meet guidelines on independence in rule 3.13	✓	> Each independent non-executive director has confirmed his independence with the Stock Exchange upon his appointment pursuant to the Listing Rules. Although TSUEI, Andrew Tien Yuan was a non-executive director of Alibaba.com at the time of his re-designation as an independent non-executive director, our board was of the view that he was qualified to serve as our independent non-executive director for the following reasons: (i) At the time of our Company's listing, we originally planned that Mr. Tsuei would be appointed as an independent non-executive director and at that time he in fact already met all the independence requirements. This plan was later changed because we had at that time commenced preliminary discussions with Mr. Tsuei on a potential business relationship which could have included an investment by our Company in a business invested by Mr. Tsuei. Therefore, in the interest of good corporate governance, we eventually decided to designate and appoint Mr. Tsuei as a non-executive director instead. However, these preliminary business discussions ended shortly after our initial public offering, and they have not materialized into any investment or cooperation between Mr. Tsuei and our Company. (ii) Since becoming a non-executive director of our Company, Mr. Tsuei has not undertaken executive responsibilities with our Company or any of its associates and he has not developed any other relationships with our Company or its associates which would affect his independence. Thus, in substance he has remained independent just as if he had been originally designated as an independent non-executive director at the time of our listing. (iii) Mr. Tsuei reaffirmed in his confirmation of independence letter delivered to our Company at the time of his re-designation that he met the independence requirements of the Listing Rules. > Each independent non-executive director has also made an annual confirmation of independence in accordance with the guidelines for assessing independence set out in rule 3.13 of the Listing Rules. > Our nomination committee has made an annual assessment on the independence of all independent non-executive directors based on their annual confirmation of independence declared pursuant to rule 3.13 of the Listing Rules, and confirmed that each of them were able to meet the guidelines as set out in rule 3.13 of the Listing Rules and continued to be independent. > Our board members are unrelated to each other and the senior management in all aspects, whether financial, business, or family.

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
Responsibilities of Directors		
• Induction program for new directors	✓	> One new director, namely KWAN Ming Sang, Savio, was appointed to our board during the year. He has received a comprehensive, formal and tailored induction aimed at ensuring that he has a proper understanding of the operations and business of our Company and is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements, as well as the business and governance policies of our Company.
• Update directors with the latest developments in the regulatory environment and the market	✓	> Important updates are provided to all directors when necessary to ensure that they are fully aware of any changes in the business and regulatory environment in places where our Company conducts our business.
• Directors' and officers' liability insurance arrangement	✓	> We maintain appropriate directors' and officers' liability insurance which takes into account our business operations and the assessed exposures.
Appointments and Re-election of Directors		
• Non-executive directors should be appointed for a specific term and be subject to re-election • Every director should be subject to retirement by rotation at least once every three years	✓	> Non-executive directors are appointed for a specific term of not more than three years and subject to the re-election requirements under our articles of association. > Article 130 of our articles of association stipulates, among other things, that every director is subject to retirement by rotation at least once every three years. All retiring directors, being eligible, may stand for re-election at the general meeting at which they retire. In accordance with the code provision and the aforesaid article of our articles of association, five of our directors, namely WEI Zhe, David, DAI Shan, Trudy, TSAI Chung, Joseph, OKADA, Satoshi, and LONG Yong Tu will retire from office by rotation. Both LONG Yong Tu, who has reached the retirement age (65 years) and DAI Shan, Trudy who will take up other executive responsibilities with our ultimate holding company, Alibaba Group Holding Limited ("Alibaba Group"), will not offer themselves for re-election. The other directors aforesaid, being eligible, will stand for re-election at our forthcoming annual general meeting. In accordance with article 114 of our articles of association, KWAN Ming Sang, Savio, the additional director appointed during the year, will also retire from office at our forthcoming annual general meeting and, being eligible, will offer himself for re-election at the meeting.

Corporate Governance Report

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
Meetings		
• Regular meetings	✓	> The board meets regularly according to an annual meeting schedule normally pre-agreed by and sent to all members before the start of the year.
• Minimum of four times a year	✓	> Our board meets regularly and five board meetings were held during the year ended December 31, 2008. Directors received at least 14 days' written notice in advance of such meetings. For any ad hoc board meetings, directors are given as much notice as is reasonable and practicable in the circumstances. All members of our board are given full and timely access to relevant information and may seek independent professional advice at our expense, if necessary, in accordance with pre-approved procedures. > Our company secretary assists in setting the agenda of board meetings. Minutes of board meetings are kept by our company secretary and distributed to each director within a reasonable period after each meeting. > Board members may submit proposals for inclusion on the agenda for consideration during board meetings. Procedures are in place for all directors to have access to the advice and services of our company secretary.

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
• Active participation by a majority of directors	✓	> The attendance of each member of our board is set out below: (see table below)

Directors	Meetings Attended / Held
MA Yun, Jack	5/5
WEI Zhe, David	5/5
WU Wei, Maggie	5/5
DAI Shan, Trudy	3/5
PENG Yi Jie, Sabrina	4/5
TSAI Chung, Joseph	5/5
TSOU Kai-Lien, Rose	5/5
OKADA, Satoshi	5/5
LONG Yong Tu	4/5
NIU Gen Sheng	5/5
KWAUK Teh Ming, Walter	5/5
TSUEI, Andrew Tien Yuan^	5/5
KWAN Ming Sang, Savio†	0/0
XIE Shi Huang, Simon#	5/5

^ TSUEI, Andrew Tien Yuan was re-designated as an independent non-executive director on December 20, 2008.

† KWAN Ming Sang, Savio was only appointed our independent non-executive director on December 20, 2008. No meeting of our board was held during the year after his appointment.

XIE Shi Huang, Simon resigned as an executive director on December 20, 2008.

Board Committees

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
• Specific written terms of reference	✓	> Our board has established four committees to oversee key aspects of Alibaba.com's affairs: ✓ audit committee (established on October 12, 2007) ✓ remuneration committee (established on October 12, 2007) ✓ nomination committee (established on October 12, 2007) ✓ investment management committee (established on March 18, 2008) > Written terms of reference of our audit committee, remuneration committee and nomination committee, covering their respective specific role, authority and functions, are available on our website.

Corporate Governance Report

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
• Provision of board committees with sufficient resources to discharge their duties	✓	> To discharge its dedicated function, each of our board committees is provided with sufficient resources, including the retention of outside advisers to provide professional advice as required at our cost.

REMUNERATION OF DIRECTORS

Remuneration Committee

• Clear authority and duties	✓	**Role and Function** > Review the remuneration policy of the Company > Make recommendations to our board on the policy and structure for all remuneration of directors and senior management and on the establishment of formal and transparent procedures for developing a policy on such remuneration > Determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment > Make recommendations to our board in regard to the remuneration of non-executive directors
		> Consider and approve the grant of share options and restricted share units to eligible participants pursuant to our share option scheme and restricted share unit scheme.
• A majority of members are independent non-executive directors	✓	**Composition** — **Meetings Attended / Held** > **Independent Non-Executive Directors** NIU Gen Sheng (Committee Chairman) 2/2 KWAUK Teh Ming, Walter 2/2 > **Non-Executive Director** TSAI Chung, Joseph 2/2 > Our remuneration committee has a total of three members as listed above, with a majority of independent non-executive directors. > Our remuneration committee held two meetings during the year. The attendance of its members is described above.

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
• Disclosure of information relating to directors' remuneration policy	✓	**Remuneration Policy** > The emoluments of our directors are determined with reference to factors including their skills, knowledge and experience, the time commitment, duties and responsibilities required of them and the prevailing market conditions. A performance-based element is considered instrumental in aligning the interests of individual employees with ours and will be built into their compensation packages.
		Summary of Work Performed > During the year, our remuneration committee reviewed the share-based compensation proposal for providing incentives to staff of Alibaba.com and recommended it to our board for approval. It also reviewed and approved the remuneration packages of our executive directors and senior management.

NOMINATION OF DIRECTORS

Nomination Committee

• Clear authority and duties	✓	**Role and Function** > Lead the process for board appointments > Identify and nominates for the approval of board candidates for appointment to our board > Assess the independence of independent non-executive directors > Make recommendations to our board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors

• A majority of members are independent non-executive directors — ✓

Composition	Meetings Attended / Held
> Non-Executive Director	
MA Yun, Jack (Committee Chairman)	2/2
> Independent Non-Executive Directors	
NIU Gen Sheng	2/2
LONG Yong Tu†	1/2
KWAN Ming Sang, Savio^	0/0

† LONG Yong Tu resigned as a committee member on December 20, 2008.

^ KWAN Ming Sang, Savio was appointed a committee member on December 20, 2008. No meeting was held during the year after his appointment.

Corporate Governance Report

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
		> Our nomination committee has a total of three members as listed above, with a majority of independent non-executive directors. > Our nomination committee held two meetings during the year. The attendance of its members is described above.
	✓	**Nomination Procedures, Process and Criteria**
• Formal appointment procedure		> The process for board appointments is principally led by our nomination committee. **Nomination committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) of our board** **Nomination committee makes recommendations to our board regarding any proposed changes** **Nomination committee identifies individuals suitably qualified to become board members** **Nomination committee selects, or makes recommendations to our board on the selection of persons nominated for directorships** **Our board makes formal invitation to person selected for appointment to our board**
		Summary of Work Performed
		> Our nomination committee performed the following work during the year: ✓ recommended to the board the re-designation of TSUEI, Andrew Tien Yuan as an independent non-executive director ✓ recommended to the board for the appointment of KWAN Ming Sang, Savio as independent non-executive director, having assessed his independence ✓ nominated retiring directors for re-election by shareholders at 2008 annual general meeting ✓ reviewed and assessed each independent non-executive director's annual confirmation of independence pursuant to rule 3.13 of the Listing Rules

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
Investment Management Committee		
• Not a requirement under the Code	N/A	**Role and Function** > Review and approve (if appropriate) investment projects according to the authority and limits delegated by our board > Review and make recommendations to our board on suitable investment opportunities and projects **Composition — Meetings Attended / Held** > **Non-Executive Directors** TSAI Chung, Joseph (Committee Chairman) — 1/1 MA Yun, Jack — 1/1 > **Executive Directors** WEI Zhe, David — 1/1 WU Wei, Maggie — 1/1 > **Independent Non-Executive Director** TSUEI, Andrew Tien Yuan — 1/1 **Summary of Work Performed** > During the year, the investment management committee held one meeting to review and consider potential investment opportunities and projects, and made recommendations to our board accordingly.

ACCOUNTABILITY AND AUDIT

Audit Committee		
• Clear authority and duties	✓	**Role and Function** > Our audit committee is primarily responsible for assisting our board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, and for overseeing the audit process and performing other duties and responsibilities as assigned by our board. It meets regularly to review financial reporting, internal control and risk management matters and to this end has unrestricted access to both our external and internal auditors.

Corporate Governance Report

<table>
<tr><th>Key principles / provisions / practices in the Corporate Governance Code</th><th>Have they been met or not?</th><th>How did Alibaba.com adopt them?</th></tr>
<tr><td>• A majority of members are independent non-executive directors</td><td>✓</td><td>
<table>
<tr><th>Composition</th><th>Meetings Attended / Held</th></tr>
<tr><td>> Independent Non-Executive Directors
KWAUK Teh Ming, Walter (Committee Chairman)</td><td>4/4</td></tr>
<tr><td>LONG Yong Tu†</td><td>1/4</td></tr>
<tr><td>KWAN Ming Sang, Savio^</td><td>0/0</td></tr>
<tr><td>> Non-Executive Director
TSAI Chung, Joseph</td><td>4/4</td></tr>
</table>
† LONG Yong Tu resigned as a committee member on December 20, 2008.
^ KWAN Ming Sang, Savio was appointed a committee member on December 20, 2008. No meeting was held during the year after his appointment.
> Our audit committee has a total of three members as listed above, with a majority of independent non-executive directors.
> Our audit committee held four meetings during the year. The attendance of its members is described above.
Summary of Work Performed
> Our audit committee reviewed, considered and approved the following matters in its meetings held during the year:
✓ our Company's unaudited quarterly, interim consolidated financial statements and audited annual consolidated financial statements, with a recommendation to the board for approval
✓ the terms of engagement and remuneration of our Company's external auditors
✓ connected transactions/ continuing connected transactions of our Company
✓ internal control and risk management measures
</td></tr>
<tr><td colspan="3">Directors' Responsibility for the Consolidation of Financial Statements</td></tr>
<tr><td>• Directors' responsibility for preparing the accounts</td><td>✓</td><td>> Our directors acknowledge their responsibility for preparing our consolidated financial statements and of ensuring that the preparation of our consolidated financial statements is in accordance with the statutory requirements and applicable standards.</td></tr>
<tr><td>• Auditors' reporting responsibility in the auditors' report</td><td>✓</td><td>> The statement of our auditors concerning their reporting responsibilities on our consolidated financial statements is set out in the Independent Auditor's Report on page 81 of this Annual Report.</td></tr>
</table>

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
Internal Controls		
• At least annually conduct a review of the effectiveness of the system of internal controls covering all material controls, including financial, operational and compliance controls and risk management functions. In particular, review and consider the adequacy of resources, qualifications and experience of staff for accounting and financial reporting function, and training programmes and budget.	✓	> Alibaba.com's internal control system is designed to provide reasonable assurance in safeguarding our assets, preventing and detecting frauds and irregularities, providing reliable financial information and ensuring compliance with applicable laws and regulations. This system is designed to manage, rather than eliminate, the risk of failure to achieve our business objectives, and it aims to provide a reasonable, as opposed to an absolute, assurance in this respect. > Our board acknowledges its overall responsibilities to establish, maintain, and review the effectiveness of our internal control system to ensure our shareholders' investment and assets are safeguarded. > Our management is responsible for designing and implementing the internal control system of Alibaba.com to achieve the abovementioned objectives. Our management delegated an internal control department to strengthen the internal control system in respect of financial reporting and regulatory compliance. Our internal control department also helps management to improve our existing business processes to achieve higher operational efficiency and greater effectiveness. In addition, a self assessment program has been established to monitor the effectiveness of our control system. > Under its terms of reference, our audit committee performs review of our internal control system covering financial, operational and compliance controls and risk management procedures. Regular communications are maintained among our board, audit committee, management and internal control department to address various areas of our internal control system. > Reporting to the audit committee, our internal audit and compliance department provides independent assessment as to the existence and effectiveness of our internal control system, mainly through conducting an annual internal audit, quarterly financial reviews and various operational audit projects. Results of such assessment are reported to our audit committee and our senior management concerned. Our internal audit and compliance department also performs a validation review to ensure previous issues are properly addressed. In addition, it maintains regular communications with our external auditors so that both parties are aware of the significant factors that may affect their respective scopes of work.

Corporate Governance Report

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
		In respect of the year, our directors, through our audit committee as well as by themselves, have reviewed and are generally satisfied with the effectiveness of Alibaba.com's internal control systems including: ✓ all material financial, operational and compliance controls and risk management functions; and ✓ the adequacy of resources, qualifications and experience of staff for our accounting and financial reporting functions, and their training programmes and budget.
• The process applied for identifying, evaluating and managing the significant risks faced	✓	> During the year, management reviewed our internal control system and performed environmental, process and information risk assessment, followed by the implementation of an effective risk management mechanism.
• Additional information to assist understanding of the issuer's risk management process and system of internal control	✓	> With our internal control department's coordination, management has conducted internal control documentation update, key control rationalization and self-assessment on certain important business control cycles, including new product development and pricing, connected transactions, information disclosure management, employee training and intellectual property infringement. The results of these assessments were communicated regularly to our senior management.
• Process that has applied in reviewing the effectiveness of the system of internal control	✓	> Our internal audit and compliance department, using a top-down risk based audit approach, performed an annual assessment on various material control cycles, including sales order to cash receipt, procurement to payment, general accounting, fixed assets, human resource and payroll, treasury, taxation, information system and our entity level controls. The works results were communicated to our audit committee, which in turn conducted its own review and reported to our board.
• Annual review the need for an internal audit function	✓	> Our Company already has an internal audit and compliance department which provides independent assessment on the existence and effectiveness of our internal control system, mainly through conducting an annual internal audit, quarterly financial reviews and various operational audit projects.

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
External Auditors		
• Analysis of auditors' remuneration	✓	> PricewaterhouseCoopers was re-appointed as the Company's external auditors at the 2008 annual general meeting until the conclusion of the next annual general meeting. > In order to maintain independence, PricewaterhouseCoopers is primarily responsible for providing audit services in connection with our consolidated financial statements, and only provides as well as non-audit services that do not impair their independence or objectivity and are approved by the audit committee. > For the year ended December 31, 2008, the remuneration paid or payable to PricewaterhouseCoopers for audit and non-audit services (and the comparative figure for the year ended December 31, 2007) is set out as follows:

Services Rendered	2008 RMB'000	2007 RMB'000
Audit services		
– initial public offering *(Note)*	**N/A**	3,037
– annual audit	**5,064**	1,967
Non-audit services		
– taxation	**750**	95
– other services	**111**	N/A
Total	**5,925**	5,099

Note: This amount represents a service fee in connection with our initial public offering which was charged against the share premium account in our consolidated financial statements. Such audit service fee, along with all other listing related expenses, were allocated between our Company and Alibaba Group with reference to the amount of funds raised by the respective parties in the initial public offering.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

• Compliance with Model Code for Securities Transactions set out in Appendix 10	✓	> We have adopted our own Guidelines on Dealing in Securities on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code for Securities Transactions") as set out in Appendix 10 of the Listing Rules in respect of dealings in the securities of our Company by our directors and relevant employees. According to our specific enquiry, all directors have confirmed their compliance with the required standard set out in the Model Code for Securities Transactions throughout the year.

Corporate Governance Report

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
COMMUNICATIONS		
• Maintain on-going and effective communication with shareholders	✓	> Our board endeavors to uphold transparent communications with our shareholders for them to make informed decisions about their investments and the exercise of their rights as shareholders, including voting their shares. We establish and maintain different communication channels with our shareholders through the publication of annual and interim reports, press announcements as well as news releases to provide extensive information on Alibaba.com's activities, business strategies and developments. This information is also available on our website: www.alibaba.com.
• Use general meetings for communication and encourage shareholders' participation	✓	> Our board welcomes the views of shareholders on matters affecting Alibaba.com and encourages them to attend shareholders' meetings to communicate any concerns they might have directly to our directors. We regard our shareholders' meetings as valuable forums for shareholders to raise comments and exchange views with our board. All directors and senior management will make an effort to be present at the shareholders' meetings to address queries from shareholders. > To enhance shareholders' understanding of Alibaba.com's business and latest business initiatives, we included an "Address by Chief Executive Officer" in our 2008 annual general meeting in addition to the standard meeting agenda. This session was led by our chairman and presented by our chief executive officer. > Our 2008 annual general meeting was held at JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on May 5, 2008 at 11:00 a.m. The matters resolved thereat are summarized as follows: (i) Receipt and adoption of the audited financial statements together with the directors' report and the independent auditor's report for the year ended December 31, 2007; (ii) Re-election of WU Wei, Maggie, DAI Shan, Trudy, XIE Shi Huang, Simon, TSUEI, Andrew Tien Yuan and KWAUK Teh Ming, Walter as directors (by way of separate resolutions); (iii) Authorization of the board to fix the remuneration of our directors, subject to a maximum aggregate amount of RMB3,000,000; (iv) Re-appointment of PricewaterhouseCoopers as our auditors and authorization of the board to fix their remuneration; (v) Approval of the grant of a general mandate to our directors for the issue of new securities not exceeding 10% of the aggregate nominal amount of our issued share capital as at the date of our 2008 annual general meeting;

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
		(vi) Approval of a grant of a general mandate to our directors for the repurchase of shares not exceeding 10% of the aggregate nominal amount of our issued share capital as at the date of our 2008 annual general meeting; (vii) Confirmation of the maximum number of shares for issue under our restricted share unit scheme; and (viii) Approval of certain amendments to our restricted share unit scheme (mainly to revise the definition of "Participant" to include third party suppliers, agents, service providers and any other third party group that may contribute to the development and growth of our Company).
SHAREHOLDERS' RIGHTS		
• Procedure for voting by poll	✓	> To enable the meeting to be conducted in a transparent manner, the resolutions to be put forward at our annual general meeting will be conducted by way of poll. Poll results will be published and posted on the Stock Exchange's website as well as our website. > Computershare Hong Kong Investor Services Limited was appointed scrutineer to monitor and count the votes cast by poll at the 2008 annual general meeting.
INVESTOR RELATIONS		
• Maintaining close communications with investors	✓	> Our senior management is dedicated to maintaining an open dialogue with our investment community to ensure thorough understanding of our Company and our business strategies. We proactively reach out to investors, shareholders, analysts, and media through webcasts, conference calls, investor conferences, media briefings and news releases. We also welcome and respond to requests for information and queries from the general public.
OTHER VOLUNTARY DISCLOSURES		
• Handling of price-sensitive information	N/A	> With respect to the handling and dissemination of price-sensitive information, our directors are aware of, and have duly followed, the obligations under the Listing Rules and the principles set out in the "Guide on Disclosure of Price-sensitive Information" issued by the Stock Exchange. We have also established our own "Guidelines for Corporate Information Disclosure", under which senior managers are designated and authorized as our Company's spokespersons and respond to enquiries in their relevant areas according to the procedures set out for responding to external parties. Directors and relevant employees who may have access to price-sensitive information are strictly required to comply with our own Guidelines on Dealings in Securities when dealing in our securities.

Corporate Governance Report

Key principles / provisions / practices in the Corporate Governance Code	Have they been met or not?	How did Alibaba.com adopt them?
• Compliance with Non-Competition Undertaking by major shareholder	N/A	> We have received an annual written confirmation from Alibaba Group in respect of the compliance by Alibaba Group and its group members with the provisions of the non-competition undertaking entered into between our Company and Alibaba Group on October 19, 2007 ("Non-Competition Undertaking"). Alibaba Group further confirmed that there were not any circumstances giving rise to any New Opportunity or Acquisition Option (both as defined in the Non-Competition Undertaking) for our Company to consider during the financial year ended December 31, 2008. > Based on the review and assessment of our Company's management having regularly and closely followed on developments in Alibaba Group's businesses and strategies, the information provided by Alibaba Group from time to time including any relevant corporate and financial information relating to any Restricted Business (as defined in the Non-Competition Undertaking) it has engaged in, assisted or supported a third party as well as any circumstances that may give rise to any New Opportunity or Acquisition Option, and the annual written confirmation provided by Alibaba Group, our independent non-executive directors have reviewed the compliance of Alibaba Group with the Non-Competition Undertaking during the financial year ended December 31, 2008. Our independent non-executive directors were satisfied with and have confirmed the due compliance by Alibaba Group of the Non-Competition Undertaking. Since there were no circumstances giving rise to any New Opportunity or Acquisition Option during the aforesaid period, our independent non-executive directors were not required to review any decision taken in relation to whether to pursue any New Opportunity or exercise any Acquisition Option which may be offered to us by Alibaba Group pursuant to the Non-Competition Undertaking.

By Order of the Board
Wong Lai Kin, Elsa
Company Secretary

Hong Kong, March 19, 2009

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

TO THE SHAREHOLDERS OF ALIBABA.COM LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Alibaba.com Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 82 to 139, which comprise the consolidated and company balance sheets as of December 31, 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of December 31, 2008 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 19, 2009

Consolidated Income Statement

For the year ended December 31, 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue			
– International marketplace	6	1,907,135	1,547,695
– China marketplace	6	1,094,059	615,062
Total revenue		3,001,194	2,162,757
Cost of revenue		(387,368)	(280,113)
Gross profit		2,613,826	1,882,644
Sales and marketing expenses		(1,092,086)	(736,813)
Product development expenses		(186,513)	(131,495)
General and administrative expenses		(320,144)	(229,868)
Other operating income, net	7	177,300	19,877
Profit from operations	8	1,192,383	804,345
Finance income, net	9	239,207	345,099
Share of losses of associated companies, net of tax	18	(16,087)	–
Profit before income taxes		1,415,503	1,149,444
Income tax charges	13	(210,317)	(181,649)
Profit attributable to equity owners of the Company		1,205,186	967,795
Dividends	14	–	–
Earnings per share, basic (RMB)	15	RMB23.86 cents	RMB19.91 cents
Earnings per share, diluted (RMB)	15	RMB23.84 cents	RMB19.91 cents
Earnings per share, basic (HK$ equivalent)	15	HK$26.74 cents	HK$20.41 cents
Earnings per share, diluted (HK$ equivalent)	15	HK$26.71 cents	HK$20.41 cents

The notes on pages 90 to 139 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As of December 31, 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Lease prepayment		28,502	29,088
Property and equipment	16	375,975	158,992
Interests in associated companies	18	31,719	–
Deferred tax assets	30	310,025	260,311
Prepayments, deposits and other receivables	19	10,768	27,067
Direct selling costs	20	15,288	10,767
Total non-current assets		772,277	486,225
Current assets			
Amounts due from related companies	34(d)	12,678	26,320
Prepayments, deposits and other receivables	19	186,476	48,143
Direct selling costs	20	309,175	219,229
Term deposits with original maturities of over three months	21	3,923,373	952,382
Cash and cash equivalents	21	2,688,951	4,321,170
Total current assets		7,120,653	5,567,244
Total assets		7,892,930	6,053,469
EQUITY			
Capital and reserves			
Share capital	22	486	486
Reserves		4,967,923	3,612,595
Total equity		4,968,409	3,613,081

Consolidated
Balance Sheet (Continued)

	Notes	2008 RMB'000	2007 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred revenue	29	**106,340**	70,194
Current liabilities			
Deferred revenue and customer advances	29	**2,150,531**	1,849,655
Trade payables	27	**15,576**	12,883
Amounts due to related companies	34(d)	**69,503**	17,039
Other payables and accruals	28	**425,848**	337,085
Current income tax liabilities		**156,723**	153,532
Total current liabilities		**2,818,181**	2,370,194
Total liabilities		**2,924,521**	2,440,388
Total equity and liabilities		**7,892,930**	6,053,469
Net current assets		**4,302,472**	3,197,050
Total assets less current liabilities		**5,074,749**	3,683,275

WEI Zhe, David
Director

WU Wei, Maggie
Director

Hong Kong, March 19, 2009

The notes on pages 90 to 139 are an integral part of these consolidated financial statements.

Balance Sheet

As of December 31, 2008

	Notes	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	17, 34(d)	1,607,905	1,428,791
Current assets			
Prepayments, deposits and other receivables	19	631	7,837
Amounts due from subsidiaries	17, 34(d)	1,574,748	7,801
Cash and cash equivalents	21	24,816	1,751,663
Total current assets		1,600,195	1,767,301
Total assets		3,208,100	3,196,092
EQUITY			
Capital and reserves			
Share capital	22	486	486
Reserves		3,165,458	3,107,934
Total equity	24	3,165,944	3,108,420
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	17, 34(d)	34,232	15,594
Amount due to the ultimate holding company	34(d)	2,523	1,967
Other payables and accruals	28	5,401	70,111
Total current liabilities		42,156	87,672
Total equity and liabilities		3,208,100	3,196,092
Net current assets		1,558,039	1,679,629
Total assets less current liabilities		3,165,944	3,108,420

WEI Zhe, David
Director

WU Wei, Maggie
Director

Hong Kong, March 19, 2009

The notes on pages 90 to 139 are an integral part of these financial statements.

Consolidated
Statement of Changes in Equity

For the year ended December 31, 2008

	Share capital RMB'000 (Note 22)	Share premium RMB'000	Capital reserve RMB'000 (Note 23)	Exchange reserve RMB'000	Statutory reserves RMB'000 (Note 26)	(Accumulated deficit)/ Retained earnings RMB'000	Total equity RMB'000
Balance as of January 1, 2007	–	–	354,533	3,937	58,223	(271,125)	145,568
Profit for the year	–	–	–	–	–	967,795	967,795
Currency translation differences	–	–	–	16,420	–	–	16,420
Total recognized income for the year	–	–	–	16,420	–	967,795	984,215
Issue of share capital in preparation for the initial public offering of the shares of the Company (Note 22(b)(v))	464	–	–	–	–	–	464
Issue of share capital in connection with the initial public offering of the shares of the Company (Note 22(c))	22	2,934,593	–	–	–	–	2,934,615
Share issuance costs	–	(130,389)	–	–	–	–	(130,389)
Deemed distributions to equity owners (Note 23(c))	–	–	(464,809)	–	–	–	(464,809)
Reclassification arising from deemed disposal of a subsidiary	–	–	–	–	(284)	284	–
Appropriation to statutory reserves (Note 26)	–	–	–	–	61,676	(61,676)	–
Value of employee services under equity award plans	–	88,928	54,489	–	–	–	143,417
Balance as of December 31, 2007	486	2,893,132	(55,787)	20,357	119,615	635,278	3,613,081

	Share capital RMB'000 (Note 22)	Share premium RMB'000	Capital reserve RMB'000 (Note 23)	Capital redemption reserve RMB'000 (Note 22(e))	Exchange reserve RMB'000	Statutory reserves RMB'000 (Note 26)	Retained earnings RMB'000	Total equity RMB'000
Balance as of January 1, 2008	486	2,893,132	(55,787)	–	20,357	119,615	635,278	3,613,081
Profit for the year	–	–	–	–	–	–	1,205,186	1,205,186
Currency translation differences	–	–	–	–	(24,650)	–	–	(24,650)
Total recognized income for the year	–	–	–	–	(24,650)	–	1,205,186	1,180,536
Repurchase of issued ordinary shares (Note 22(e))	–	(12,401)	–	–	–	–	–	(12,401)
Appropriation to statutory reserves (Note 26)	–	–	–	–	–	130,513	(130,513)	–
Value of employee services under equity award plans (Note 25(e))	–	187,193	–	–	–	–	–	187,193
Balance as of December 31, 2008	486	3,067,924	(55,787)	–	(4,293)	250,128	1,709,951	4,968,409

The notes on pages 90 to 139 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended December 31, 2008

	2008 RMB'000	2007 RMB'000
Cash flows from operating activities		
Profit before income taxes	1,415,503	1,149,444
Adjustments for:		
Depreciation expense of property and equipment	76,634	59,016
Amortization of lease prepayment	586	244
Share-based compensation expense	178,815	152,077
Share of losses of associated companies, net of tax	16,087	–
Gain on disposal of the Japan operation	(41,281)	–
(Gains)/Losses on disposals of property and equipment	(61)	17
Interest income	(245,055)	(406,307)
Exchange losses	5,848	61,208
Decrease in amounts due from related companies	13,642	6,468
Increase in prepayments, deposits and other receivables	(6,224)	(28,176)
Increase in direct selling costs	(94,467)	(61,616)
Decrease in restricted cash	–	781
Increase in deferred revenue and customer advances	337,022	699,496
Increase in trade payables	2,693	4,185
Increase/(Decrease) in amounts due to related companies	67,429	(167,944)
Increase in other payables and accruals	110,593	122,962
Net cash provided by operating activities	1,837,764	1,591,855
Income tax paid	(256,840)	(182,638)
Net cash generated from operating activities	1,580,924	1,409,217

	2008 RMB'000	2007 RMB'000
Cash flows from investing activities		
(Increase)/Decrease in term deposits with original maturities of over three months	(2,970,991)	98,618
Purchase of property and equipment and lease prepayment of land use rights	(266,541)	(139,812)
Proceeds from disposals of property and equipment	2,153	342
Interest received	143,110	393,718
Payment for expenses in relation to disposal of the Japan operation	(9,513)	–
Deemed distributions to equity owners	–	(432,866)
Net cash outflow arising from deemed disposals pursuant to the reorganization before the Group's initial public offering	–	(21,947)
Net cash used in investing activities	(3,101,782)	(101,947)
Cash flows from financing activities		
Payments for share issuance costs	(66,472)	(112,249)
Payments for repurchase of issued ordinary shares	(12,401)	–
Proceeds from issuance of ordinary shares	–	2,935,079
Dividends paid	–	(195,909)
Net cash (used in)/provided by financing activities	(78,873)	2,626,921
Net (decrease)/increase in cash and cash equivalents	(1,599,731)	3,934,191
Cash and cash equivalents at beginning of year	4,321,170	437,804
Effect of exchange rate for the year	(32,488)	(50,825)
Cash and cash equivalents at end of year (Note 21)	2,688,951	4,321,170

The notes on pages 90 to 139 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 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 is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered address of the Company is Fourth Floor, One Capital Place, P.O. Box 847GT, Grand Cayman, Cayman Islands. As of the date of this report, the ultimate holding company of the Company is Alibaba Group Holding Limited, a company incorporated in the Cayman Islands.

The Company and its subsidiaries (the "Group") are principally engaged in the provision of software, technology and other services on the online business-to-business ("B2B") marketplaces with the uniform resource locators www.alibaba.com and www.alibaba.com.cn and under the trade name "Alibaba" (the "B2B services").

These financial statements have been approved for issue by the board of directors on March 19, 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared, under the historical cost convention, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

The preparation of the financial statements 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 Group's consolidated financial statements are disclosed in Note 4. Actual results may differ from these estimates.

The Group has adopted the following new/revised IFRS standards and interpretations effective from the Group's accounting periods commencing January 1, 2008:

		Effective for annual periods beginning on or after
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	March 1, 2007
IFRIC 12	Service Concession Arrangements	January 1, 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2008

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The following new standards, interpretations and amendments to the existing standards have been published but have not come into effect for the financial year beginning January 1, 2008:

		Effective for annual periods beginning on or after
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IAS 1 (Revised)	Presentation of Financial Statements	January 1, 2009
IAS 23 (Revised)	Borrowing Costs	January 1, 2009
IFRS 8	Operating Segments	January 1, 2009
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations arising on Liquidation	January 1, 2009
Amendments to IFRS 1 and IAS 27	Amendments to IFRS 1 First-time Adoption of IFRSs and IAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2009
Amendment to IFRS 2	Share-based Payment Vesting Conditions and Cancellations	January 1, 2009
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements	July 1, 2009
IFRS 3 (Revised)	Business Combinations	July 1, 2009
Amendment to IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	July 1, 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	July 1, 2009

The Group has not early adopted any of the above new standards, interpretations and amendments to the existing standards. Management is in the process of making an assessment of their impact and is not yet in a position to state what impact they would have on the Group's results of operations and financial positions.

2.2 Consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and of all its direct and indirect subsidiaries made up to December 31 and include the Group's interests in associated companies. Results of subsidiaries and associated companies acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition and up to the effective dates of disposal respectively.

Inter-company transactions, balances and unrealized gains on transactions between the consolidated entities or businesses are eliminated on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries

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.

(ii) Business combinations under common control

The consolidated 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 consolidated 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 consolidated 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 consolidated 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 businesses first came under common control, where this is a shorter period, the date of the common control combination is disregarded.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) *Subsidiaries (Continued)*

To comply with laws and regulations of the People's Republic of China (the "PRC") 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 one director and one former director of the Company. The paid-in capital of these entities was funded by the Group through loans extended to these two shareholders of the PRC domestic companies. In addition, 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 their activities and entitle the Group to receive a substantial majority of their residual returns. Further, the Group has entered into certain agreements with the two shareholders of these domestic companies, 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 these PRC domestic companies held by them, and proxy agreements irrevocably authorizing individuals designated by the Group to exercise equity owner's rights over these 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 consolidated financial statements.

(b) *Associated companies*

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associated companies are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

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

2.4 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 consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's presentation and functional currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(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 within "finance income, net" in the income statement.

(c) Group companies

Result 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.

2.5 Lease prepayment

Lease prepayment represents payments of land use rights to the PRC's land bureau. Land use right is carried at cost less accumulated amortization and impairment losses. Amortization is provided to write off the cost of lease prepayment on a straight-line basis over the period of the right which is 50 years.

2.6 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 item.

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 year in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their costs to their residual amounts over their estimated useful lives, as follows:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property and equipment (Continued)

An asset's residual value and useful life 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.

2.7 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 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 receivable is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When an amount of other receivables 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.

2.9 Direct selling costs

Direct selling costs, which principally comprise sales commissions 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.

2.10 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 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. Costs directly attributable to the repurchase of issued ordinary shares are shown in equity as a deduction and the nominal value of the shares repurchased is transferred from the retained earnings to the capital redemption reserve.

2.12 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.

2.13 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 consolidated 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 at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred 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, 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.

2.14 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 values.

(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 contributions are expensed as incurred. 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. Assets of the defined contribution plans are held and managed by publicly or privately administered pension insurance plans or government authorities and are separate from those of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Staff costs (Continued)

(c) Share-based compensation

Share options and restricted share units

The ultimate holding company operates equity award plans (the "Equity Award Plans") and a share incentive scheme ("Pre-IPO share incentive scheme") where employees (including directors) of the Group are granted share options or restricted share units ("RSUs") to acquire shares of the ultimate holding company or the Company's shares held by the ultimate holding company at specified exercise prices. The resulting share-based compensation expense is allocated to the Group accordingly.

The Company also operates a share option scheme and a RSU scheme where share options and RSUs are granted to employees (including directors) and consultants of the Group in exchange for their services to the Group.

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 the shares of the ultimate holding company or the Company, as appropriate, taking into account the terms and conditions upon which the options or RSUs were granted, and amortized over the respective vesting periods 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 become vested.

Share appreciation rights

Share-based compensation expense related to share appreciation rights granted by the Group to its employees is measured as the amount by which the fair market value, with reference to the quoted market price, of the Company's shares exceeds the exercise price. The expense is amortized to the income statement over the respective vesting periods during which the employees become unconditionally entitled to the share appreciation rights. The liability of such accrued expense associated with cash-settled share appreciation rights is re-measured to fair value at each balance sheet date with the effect of changes in the fair value of the liability being charged or credited to the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 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.

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.

2.16 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 Group principally derives its revenue from the provision of B2B services.

(a) B2B services

The Group's online B2B marketplaces facilitate e-commerce between suppliers and buyers. The Group earns its revenues from service fees received from suppliers ("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 sale 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 sale of value-added services, including sale of additional keywords to improve the paying member's rankings in search results on the Group's marketplaces and sale 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 of the value-added services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Revenue recognition (Continued)

(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 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.

(c) Interest income

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".

2.17 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The income approach is adopted to recognize government grants. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Where a government grant becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs, it is recognized as income in the period in which it becomes receivable. Government grants are recognized within "other operating income/(losses)" in the income statement.

2.18 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.

2.19 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 year in which the dividends are approved by the shareholders or equity owners of the Company or Group's subsidiaries.

2.20 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in the fair value of these derivative instruments which do not qualify for hedge accounting are recognized immediately in the income statement.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks in the ordinary course of business, mainly foreign currency exchange risk and interest rate risk on cash and cash equivalents. The Group's treasury department, which reports to the Chief Financial Officer, monitors the current and expected liquidity requirements in accordance with the policies and procedures approved by the board of directors. The Group has adopted prudent treasury management objectives, which include principal protection and maintaining sufficient liquidity to meet various funding requirements in accordance with the strategic plans. In addition, the Group also aims to achieve a better return on cash and to hedge against any foreign currency exchange risk.

(a) Foreign currency exchange risk

Foreign currency exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Although the Group operates businesses in different countries, substantially all of the revenue-generating and expense-related transactions are denominated in Renminbi which is the functional currency of the Company and certain Group's subsidiaries. Renminbi is not freely convertible into other foreign currencies. All foreign currency exchange transactions in China must be effected through either the People's Bank of China (the "PBOC") or other institutions authorized by the PBOC to buy and sell foreign currencies. The Group holds a significant amount of cash and bank balances in currencies other than Renminbi. Such foreign currency-denominated cash and bank balances are exposed to fluctuations in the value of Renminbi against the currencies in which these cash and bank balances are denominated. Any significant appreciation of Renminbi against these foreign currencies may result in significant exchange loss which would be recorded in the income statement.

Sensitivity analysis

As of December 31, 2008, most of the foreign currency denominated monetary assets and liabilities being held by the Group were denominated in United States dollars. As of December 31, 2007, the foreign currency denominated monetary assets and liabilities being held by the Group were denominated mainly in United States dollars, Hong Kong dollars and Australian dollars. As of December 31, 2008, if Renminbi had strengthened/weakened 2% against United States dollars with all other variables held constant, profit attributable to equity owners for the year would have been decreased/increased by RMB32,012,000 as a result of foreign exchange losses/gains on translation of United States dollars denominated monetary assets and liabilities. As of December 31, 2007, if Renminbi had strengthened/weakened 5% against United States dollars, Hong Kong dollars and Australian dollars with all other variables held constant, profit attributable to equity owners for the year would have been decreased/increased by RMB83,187,000.

Exchange differences arising from translation of results and financial positions of certain Group companies from functional currencies to the presentation currency are dealt with as a movement in exchange reserve. As of December 31, 2008, if Renminbi had strengthened/weakened 2% against United States dollars with all other variables held constant, the Group's equity would have been decreased/increased by RMB35,800,000. A change of 5% in exchange rate of each foreign currency against Renminbi did not have any significant effect on other components of equity as of December 31, 2007.

(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.

Sensitivity analysis

As of December 31, 2008, if the interest rate increased/decreased by 50 basis-point with all other variables held constant, profit attributable to equity owners of the Company would have been RMB32,923,000 (2007: RMB26,333,000) higher/lower, mainly as a result of higher/lower interest income on bank balances.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk

The Group's credit risk is considered minimal as a substantial part of the income is prepaid by a diversified group of customers. The extent of the Group's credit risk exposure is represented by the aggregate of cash held at banks and at other financial institutions. All of the Group's cash held at banks is placed with financial institutions of sound credit quality and most of which bears maximum original maturities of less than 12 months.

The Group's maximum exposure to credit risk without taking into account of the value of any collateral held is represented by the carrying amount of each financial asset in the balance sheets.

(d) Liquidity risk

The Group has maintained its own treasury function to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations. The Group adopts prudent treasury management objectives which include maintaining sufficient cash and cash equivalents to meet its commitment over the foreseeable future in accordance with its strategic plans.

The Group does not have significant financial liabilities except for amounts due to related companies, trade payables, other payables and certain accruals. The contractual maturities of amounts due to related companies are disclosed in Note 34(d). For trade payables and other payables, they are generally on credit terms of one to three months after the invoice date. For accruals, there are generally no specified contractual maturities and are paid upon counterparty's formal notification, of which should be within 12 months from the balance sheet date.

(e) Fair value estimation

The fair values of the Groups' financial instruments are not materially different from their carrying amounts.

The fair values of financial instruments that are not traded in active market are made reference to amounts as determined by discounted cash flow valuation techniques.

The carrying values less impairment provision (as applicable) of amounts due from related companies, prepayments, deposits and other receivables are a reasonable approximation of their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(f) Capital risk management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to sustain the future development of the Group's businesses.

The Group's capital structure is being reviewed periodically to ensure these objectives are to be achieved. In order to maintain or adjust the capital structure, the Group will consider the macroeconomic conditions, prevailing interest rate and adequacy of cash flows generating from operations and may adjust the amount of dividends to shareholders, return capital to shareholders and issue new shares.

Currently, the Group has no external borrowings. The capital structure of the Group solely consists of equity attributable to equity owners of the Company, comprising share capital and reserves. The Group defines the owners' equity as the capital of the Group.

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

The Group's employees have participated in equity award plans of the ultimate holding company and/or the 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 the ultimate holding company and the Company, depending on the type of the equity award plan. 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 the ultimate holding company and the Company. 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 become vested, 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 and the Company to the Group's employees and the expected turnover rate of grantees, the corresponding share-based compensation expense recognized by the Group in respect of their services rendered for the year ended December 31, 2008 was approximately RMB187,193,000 (2007: RMB143,417,000) (Note 25(e)).

(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.

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 at the balance sheet date and which are expected to apply when the related deferred tax asset is realized or the deferred 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(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

In the respective years presented, the Group had one single business segment, namely the provision of the B2B services. Although the B2B services consist of the operations of the international marketplace and the China marketplace, management considers that these underlying marketplaces are subject to similar risks and returns. Therefore, management has only relied on the reported revenue associated from these underlying marketplaces in making financial decisions and allocating resources, and the 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 REVENUE

	2008 RMB'000	2007 RMB'000
International marketplace		
Gold Supplier	**1,842,884**	1,503,331
International TrustPass	**41,082**	32,825
Other revenue (i)	**23,169**	11,539
	1,907,135	1,547,695
China marketplace		
China TrustPass	**1,026,883**	594,098
Other revenue (ii)	**67,176**	20,964
	1,094,059	615,062
	3,001,194	2,162,757

(i) Other revenue earned with respect to the international marketplace mainly represents commission income from a subsidiary of the Company's controlling shareholder, for cross-selling certain software products to the customers of the Group.

(ii) Other revenue earned with respect to the China marketplace mainly represents advertising fees paid by third party advertisers, some of which were earned through an agency arrangement with a subsidiary of the Company's controlling shareholder.

Notes to the Financial Statements

7 OTHER OPERATING INCOME, NET

	2008 RMB'000	2007 RMB'000 (Note 36)
Government grants [(i)]	**102,840**	17,215
Gain on disposal of the Japan operation [(ii)]	**41,281**	–
Reimbursement from fellow subsidiaries [(iii)]	**17,121**	2,290
Others	**16,058**	372
	177,300	19,877

(i) Alibaba (China) Technology Co., Ltd. ("Alibaba China"), a wholly-owned subsidiary of the Company, received grants from government authorities in the PRC of RMB102,840,000 (2007: RMB17,215,000) in relation to technology developments in the PRC.

(ii) Alibaba.com Japan Co., Ltd. ("Alibaba Japan"), a wholly-owned subsidiary of the Company before the transaction mentioned below, engages in the provision of Japanese language B2B services on a site with the uniform resource locator www.alibaba.co.jp. On May 30, 2008, the Group entered into an agreement with SOFTBANK CORP. ("SOFTBANK") under which SOFTBANK made a cash investment into Alibaba Japan for a 64.7% interest. As a result of this deemed disposal of the Japanese business, a gain (net of related expenses) of RMB41,281,000 was recognized as other operating income (net) for the year ended December 31, 2008. The Group will continue to develop the Japanese B2B marketplace with SOFTBANK via Alibaba Japan.

(iii) Reimbursement from fellow subsidiaries represented amounts received for the provision of administrative and technology services, and the sharing of office space. The reimbursement charges were calculated based on actual cost incurred or actual cost incurred plus a certain margin.

8 PROFIT FROM OPERATIONS

Profit from operations was stated after crediting/charging the following:

	2008 RMB'000	2007 RMB'000
Crediting:		
Gain on disposal of the Japan operation (Note 7(ii) and Note 31)	**41,281**	–
Gains on disposals of property and equipment	**61**	–
Charging:		
Staff costs (Note 10)	**1,041,684**	756,803
Depreciation expense of property and equipment	**76,634**	59,016
Operating lease rentals	**54,692**	40,602
Auditors' remuneration	**5,064**	1,967
Amortization of lease prepayment	**586**	244
Losses on disposals of property and equipment	**–**	17

9 FINANCE INCOME, NET

	2008 RMB'000	2007 RMB'000
Interest income (i)	**245,055**	406,307
Exchange losses	**(5,848)**	(61,208)
	239,207	345,099

(i) Interest income for the year ended December 31, 2007 included interest income of RMB350,534,000 received from over-subscription proceeds in connection with the initial public offering of the shares of the Company on the Stock Exchange.

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008 RMB'000	2007 RMB'000
Salaries, bonuses and sales commission	**668,719**	488,373
Contributions to defined contribution plans (i)	**116,479**	79,412
Discretionary employee benefits	**77,671**	36,941
Share-based compensation expense (Note 25(e))	**178,815**	152,077
	1,041,684	756,803
Number of employees	**7,992**	5,292

(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.

The Group also contributes to retirement plans for its employees outside the PRC at percentages in compliance with requirements of the respective governments.

The contributions to the above plans are expensed as incurred. Assets of the defined contribution plans are held and managed by publicly or privately administered pension insurance plans or government authorities and are separate from those of the Group.

Notes to the Financial Statements

11 DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments – paid and payable by the Company to directors of the Company were as follows:

	2008 RMB'000	2007 RMB'000
Fees	**1,348**	315
Salaries, bonuses, allowances and benefits in kind	**8,232**	7,364
Contributions to defined contribution plans	**201**	194
	9,781	7,873
Share-based compensation expense [(i)]	**76,182**	45,582
	85,963	53,455

(i) Share-based compensation expense represents amortization of fair value of: (a) the share options issued under the Equity Award Plans and Pre-IPO share incentive scheme of the ultimate holding company; (b) the share options issued by the Company; and (c) the shares of the Company directly granted to directors. The fair values of these abovementioned share options and shares were allocated/charged to the income statement of the Group, disregarding whether or not the shares were transferred and the options have been vested/exercised.

	2008	2007
Number of directors		
– with emoluments	**12**	11
– without emoluments	**2**	2
Number of directors	**14**	13

11 DIRECTORS' EMOLUMENTS (Continued)

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

For the year ended December 31, 2008

Name of director	Fees RMB'000	Salaries, bonuses, allowance and benefits in kind(i) RMB'000	Contributions to defined contribution plans RMB'000	Subtotal RMB'000	Share-based compensation expense(ii) RMB'000	Total RMB'000
Executive directors						
WEI Zhe, David	–	2,700	44	2,744	56,158	58,902
WU Wei, Maggie	–	2,470	52	2,522	11,829	14,351
DAI Shan, Trudy	–	955	35	990	2,319	3,309
PENG Yi Jie, Sabrina	–	1,279	35	1,314	2,095	3,409
XIE Shi Huang, Simon	–	828	35	863	1,089	1,952
Non-executive directors						
MA Yun, Jack	–	–	–	–	1,269	1,269
TSAI Chung, Joseph	–	–	–	–	1,423	1,423
OKADA, Satoshi	–	–	–	–	–	–
TSOU Kai-Lien, Rose	–	–	–	–	–	–
Independent non-executive directors						
LONG Yong Tu	354	–	–	354	–	354
TSUEI, Andrew Tien Yuan	268	–	–	268	–	268
NIU Gen Sheng	357	–	–	357	–	357
KWAUK Teh Ming, Walter	357	–	–	357	–	357
KWAN Ming Sang, Savio	12	–	–	12	–	12
	1,348	8,232	201	9,781	76,182	85,963

(i) Bonuses in respect of 2008 was paid in 2009.

(ii) This represents amortization of the fair value of share options or shares measured at the grant dates charged to the income statement, regardless of whether or not the share options or shares have been vested or exercised.

Notes to the Financial Statements

11 DIRECTORS' EMOLUMENTS (Continued)

For the year ended December 31, 2007

Name of director	Fees	Salaries, bonuses, allowance and benefits in kind[(i)]	Contributions to defined contribution plans	Subtotal	Share-based compensation expense[(ii)]	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
WEI Zhe, David	–	2,730	77	2,807	32,511	35,318
WU Wei, Maggie	–	1,425	24	1,449	4,693	6,142
DAI Shan, Trudy	–	1,452	31	1,483	1,156	2,639
PENG Yi Jie, Sabrina	–	1,008	31	1,039	1,010	2,049
XIE Shi Huang, Simon	–	749	31	780	511	1,291
Non-executive directors						
MA Yun, Jack	–	–	–	–	746	746
TSAI Chung, Joseph	–	–	–	–	763	763
TSUEI, Andrew Tien Yuan	63	–	–	63	1,048	1,111
OKADA, Satoshi	–	–	–	–	–	–
TSOU Kai-Lien, Rose	–	–	–	–	–	–
Independent non-executive directors						
LONG Yong Tu	84	–	–	84	1,048	1,132
NIU Gen Sheng	84	–	–	84	1,048	1,132
KWAUK Teh Ming, Walter	84	–	–	84	1,048	1,132
	315	7,364	194	7,873	45,582	53,455

(i) Bonuses in respect of 2007 was paid in 2008.

(ii) This represents amortization of the fair value of share options or shares measured at the grant dates charged to the income statement, regardless of whether or not the share options or shares have been vested or exercised.

None of the directors received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office (2007: Nil). None of the directors waived or has agreed to waive any emoluments during the year (2007: Nil).

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals whose emoluments were the highest in the Group during the year ended December 31, 2008 included three (2007: three) directors whose details have been reflected in the analysis presented in Note 11. The emoluments payable to the remaining two (2007: two) individuals were as follows:

	2008 RMB'000	2007 RMB'000
Salaries, bonuses, allowances and benefits in kind	3,483	2,910
Contributions to defined contribution plans	52	80
Share-based compensation expense	4,378	2,464
	7,913	5,454

The emoluments payable to two (2007: two) individuals were within the following bands:

	Number of individuals 2008	2007
RMB2,500,001 – RMB3,000,000	–	2
RMB3,000,001 – RMB3,500,000	1	–
RMB4,000,001 – RMB4,500,000	1	–
	2	2

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 (2007: Nil).

13 INCOME TAX CHARGES

	2008 RMB'000	2007 RMB'000
PRC current tax charge	260,031	230,085
Deferred tax credit (Note 30)	(49,714)	(48,436)
	210,317	181,649

13 INCOME TAX CHARGES (Continued)

PRC Enterprise Income Tax ("EIT")

Current income tax charge 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.

In 2007, Alibaba China, the principal operating entity of the Group, was qualified for the 15% reduced statutory rate on national EIT as a high and new technology enterprise. In addition, pursuant to the PRC Income Tax Law on Foreign Invested Enterprises and Foreign Enterprises, the relevant PRC tax authorities exempted Alibaba China from the 3% local income tax for the year ended December 31, 2007, reducing the applicable tax rate of Alibaba China in 2007 to 15%.

On March 16, 2007, the National People's Congress approved the PRC Enterprise Income Tax Law (the "New EIT Law"). The New EIT Law, which became effective from January 1, 2008, unifies the corporate income tax rate for domestic enterprises and foreign invested enterprises to 25%. In addition, the New EIT Law provides for, among others, a preferential tax rate of 15% for enterprises qualified as High and New Technology Enterprises ("HNTE"). In December 2007, management conducted research and relevant due diligence to confirm that Alibaba China will obtain its HNTE designation in 2008 under the New EIT Law upon completion of certain perfunctory administrative procedures and consequently Alibaba China applied a rate of 15% in the computation of current and deferred taxes in 2007. This position was formally confirmed during 2008 when Alibaba China obtained its formal designation as HNTE under the New EIT Law. As a result, Alibaba China applied the 15% rate for computation of current and deferred taxes in 2007 and 2008.

In addition, Alibaba China Software Co., Ltd. ("Alibaba Software"), a PRC operating subsidiary of the Group, has been recognized as a "Software Enterprise" pursuant to Caishui [2008] No.1 under the New EIT Law. Under such tax circular, a "Software Enterprise" can enjoy a tax holiday of full exemption from EIT for the first two years and fifty percent reduction in EIT thereafter for three years, starting from the company's first profit-making year. Since 2008 was the first profit-making year of Alibaba Software, it enjoyed full exemption from EIT for the year.

All other PRC entities within the Group are subject to EIT at 25% in 2008 in accordance with the New EIT Law.

13 INCOME TAX CHARGES (Continued)

Tax reconciliation

The tax on the Group's profit before income tax differed from the theoretical amount that would arise using the PRC EIT statutory rate of 25% (2007: 33%) as follows:

	2008 RMB'000	2007 RMB'000
Profit before income tax	**1,415,503**	1,149,444
Tax calculated at a tax rate of 25% (2007: 33%)	**353,876**	379,317
Effect of different tax rates available to different companies of the Group	**(155,763)**	(252,122)
Tax incentives for research and development expenses available for a subsidiary incorporated in the PRC (i)	**(15,089)**	–
Effects of tax holiday on assessable profits of subsidiaries incorporated in the PRC	**(9,376)**	(739)
Income not taxable for tax purposes	**(446)**	(99)
Expenses not deductible for tax purposes (ii)	**34,308**	22,643
Utilization of previously unrecognized tax assets/deferred tax assets not recognized	**(3,553)**	(3,847)
Unrecognized tax losses	**6,360**	1,183
Effect on deferred tax assets resulting from the exemption of local income tax (iii)	**–**	35,313
Income tax charges	**210,317**	181,649

(i) The Group obtained a tax incentive relating to the research and development expenses of one of its major operating subsidiaries in the PRC in 2008. Under such tax incentive rule, the Group may claim an additional tax deduction amounting to 50% of the research and development expenses incurred in a year. The amount which exceeds that year's taxable profit can be carried forward for up to the following five years' utilization.

(ii) Expenses not deductible for tax purposes primarily represent share-based compensation expense.

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

14 DIVIDENDS

	2008 RMB'000	2007 RMB'000
Dividends	**–**	–

The directors did not recommend the payment of a final dividend for the year ended December 31, 2008 (2007: Nil).

Notes to the Financial Statements

15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit for the year attributable to equity owners of the Company (RMB'000)	**1,205,186**	967,795
Weighted average number of ordinary shares in issue (thousand shares)	**5,052,130**	4,859,882
Earnings per share, basic (RMB)	**RMB23.86 cents**	RMB19.91 cents
Earnings per share, basic (HK$ equivalent) (i)	**HK$26.74 cents**	HK$20.41 cents

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year on the assumption that potentially dilutive share options and RSUs granted by the Company (collectively forming the denominator for computing the diluted earnings per share) are converted into ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the year) based on the monetary value of the subscription rights attached to the outstanding share options and RSUs. The number of shares so calculated is compared against the number of shares that would have been issued assuming the exercise of the share options and RSUs. The difference is added to the denominator as an issue of ordinary shares for no consideration. No adjustment is made to earnings (the numerator).

	2008	2007
Profit for the year attributable to equity owners of the Company (RMB'000)	**1,205,186**	967,795
Weighted average number of ordinary shares in issue (thousand shares)	**5,052,130**	4,859,882
Adjustments for share options and RSUs (thousand shares)	**4,218**	–
Weighted average number of ordinary shares for the calculation of diluted earnings per share (thousand shares)	**5,056,348**	4,859,882
Earnings per share, diluted (RMB)	**RMB23.84 cents**	RMB19.91 cents
Earnings per share, diluted (HK$ equivalent) (i)	**HK$26.71 cents**	HK$20.41 cents

(i) The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8924 to HK$1.0000 (2007: RMB0.9757 to HK$1.0000). No representation is made that the Renminbi amounts have been, could have been or could be converted into Hong Kong dollars or vice versa, at that rate, or at any rates or at all.

16 PROPERTY AND EQUIPMENT

	Computer equipment RMB'000	Furniture and office equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended December 31, 2007						
Opening net book amount	70,795	16,039	16,645	2,850	6,975	113,304
Additions	81,002	8,561	9,363	–	31,538	130,464
Disposals	(18,469)	(3,364)	(242)	(2,775)	–	(24,850)
Depreciation	(38,965)	(8,704)	(11,272)	(75)	–	(59,016)
Exchange differences	(767)	(86)	(57)	–	–	(910)
Closing net book amount	93,596	12,446	14,437	–	38,513	158,992
At December 31, 2007						
Cost	190,317	34,199	35,715	–	38,513	298,744
Accumulated depreciation	(96,721)	(21,753)	(21,278)	–	–	(139,752)
Closing net book amount	93,596	12,446	14,437	–	38,513	158,992
Year ended December 31, 2008						
Opening net book amount	**93,596**	**12,446**	**14,437**	**–**	**38,513**	**158,992**
Additions	**98,060**	**23,318**	**10,010**	**–**	**170,700**	**302,088**
Disposals	**(5,733)**	**(394)**	**(950)**	**–**	**–**	**(7,077)**
Depreciation	**(57,927)**	**(8,432)**	**(10,275)**	**–**	**–**	**(76,634)**
Exchange differences	**(1,192)**	**(88)**	**(114)**	**–**	**–**	**(1,394)**
Closing net book amount	**126,804**	**26,850**	**13,108**	**–**	**209,213**	**375,975**
At December 31, 2008						
Cost	**270,342**	**56,635**	**44,164**	**–**	**209,213**	**580,354**
Accumulated depreciation	**(143,538)**	**(29,785)**	**(31,056)**	**–**	**–**	**(204,379)**
Closing net book amount	**126,804**	**26,850**	**13,108**	**–**	**209,213**	**375,975**

Notes to the Financial Statements

17 INTERESTS IN AND AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company 2008 RMB'000	Company 2007 RMB'000
Non-current portion		
Unlisted shares, at cost	–	–
Capital contributions in respect of share-based compensation	42,748	–
Amounts due from subsidiaries	1,565,157	1,428,791
	1,607,905	1,428,791
Current portion		
Amounts due from subsidiaries	1,574,748	7,801
Amounts due to subsidiaries	(34,232)	(15,594)
	1,540,516	(7,793)

The amounts due from subsidiaries included under non-current portion are unsecured, interest-free and not repayable in foreseeable future.

The amounts due from/(to) subsidiaries included under current portion are unsecured, interest-free and repayable on demand.

Details of the subsidiaries as of December 31, 2008 were set out below:

Name	Place and date of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share/ registered capital	Effective interest held
Directly held:				
Alibaba.com Investment Holding Limited	British Virgin Islands ("the BVI") September 20, 2006 Limited liability company	Investment holding	US$1	100%
Indirectly held:				
Alibaba China Software Co., Ltd.# 阿里巴巴(中國)軟件有限公司	The PRC August 23, 2004 Limited liability company	Provision of software and technology services	US$105,000,000	100%
Alibaba (China) Technology Co., Ltd.# 阿里巴巴(中國)網絡技術有限公司	The PRC September 9, 1999 Limited liability company	Provision of software and technology services	US$109,000,000	100%
Alibaba.com China Limited	Hong Kong October 5, 2006 Limited liability company	Investment holding	HK$1	100%
Alibaba.com (Europe) Limited	United Kingdom October 13, 2008 Limited liability company	Marketing and administrative services	Pound Sterling £1	100%
Alibaba.com Hong Kong Limited	Hong Kong September 29, 1999 Limited liability company	Business-to-Business services, provision of Internet content, software and technology services and other group administrative services	HK$3,900,002	100%

17 INTERESTS IN AND AMOUNT DUE FROM/(TO) SUBSIDIARIES (Continued)

Name	Place and date of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share/ registered capital	Effective interest held
Alibaba.com, Inc.	Delaware, United States of America February 25, 2000 Limited liability company	Technology maintenance, marketing and administrative services	US$2	100%
Alibaba.com Japan Holding Limited	The BVI March 8, 2000 Limited liability company	Investment holding	US$1	100%
Alibaba.com Japan Investment Holding Limited	The Cayman Islands July 19, 2006 Limited liability company	Investment holding	US$14,070	100%
Alibaba.com Singapore Investment Holding Private Limited	Singapore November 5, 2007 Limited liability company	Investment holding	Singapore $1	100%
Alibaba.com Taiwan Holding Limited	The BVI August 2, 2000 Limited liability company	Inactive	US$1	100%
Alibaba (Guangzhou) Technology Co., Ltd.# 阿里巴巴(廣州)網絡技術有限公司	The PRC July 8, 2008 Limited liability company	Provision of software and technology services	US$20,000,000	100%
Alibaba Technology (Shanghai) Co., Ltd.# 阿里巴巴網絡科技(上海)有限公司	The PRC October 23, 2003 Limited liability company	Inactive	US$140,000	100%
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 Limited liability company	Inactive	RMB74,430,000	100%
Hangzhou Alibaba Advertising Co., Ltd.# 杭州阿里巴巴廣告有限公司	The PRC December 7, 2006 Limited liability company	Provision of Internet content and advertising services	RMB10,000,000	100%
Hangzhou Baotong Network Co., Ltd.# 杭州寶通網絡工程有限公司	The PRC October 22, 2004 Limited liability company	Provision of software and technology services	RMB1,000,000	100%
Inter Network Technology Limited	The BVI July 1, 2003 Limited liability company	Investment holding	US$2	100%

The names of these subsidiaries represent management's translation of the Chinese names of these subsidiaries as no English names have been registered.

Notes to the Financial Statements

18 INTERESTS IN ASSOCIATED COMPANIES

	2008 RMB'000
At 1 January	–
Increase in interests in associated companies (i)	48,195
Share of losses, net of tax	(16,087)
Exchange difference	(389)
At 31 December	31,719

(i) On May 30, 2008, the Group disposed of a 64.7% interest in its wholly-owned subsidiary, Alibaba Japan, and the related Japanese business. Upon the completion of the disposal, the Group retained a 35.3% equity interest in Alibaba Japan.

(ii) As of December 31, 2008, there were no capital commitments or contingent liabilities relating to the Group's interests in the associated companies.

(iii) Details of the associated companies as of December 31, 2008 were set out below:

Name	Place and date of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued share/ registered capital	Effective interest held
Directly held:				
Alibaba.com Japan Co., Ltd.	Japan November 30, 2007 Limited liability company	Provision of Internet content and advertising services	Japanese Yen 10,000,000	35.3%
Indirectly held:				
Ahead Concord Limited	Hong Kong November 15, 2007 Limited liability company	Investment holding	HK$1	35.3%
Zhejiang Ayeda Network Technology Company# 浙江阿暐達網絡技術有限公司	PRC May 23, 2008 Limited liability company	Provision of software and technology services	RMB25,000,000	35.3%

The name of the associated company represents management's translation of the Chinese name of the associated company as no English name has been registered.

18 INTERESTS IN ASSOCIATED COMPANIES (Continued)

The investment in Alibaba Japan is being accounted for using the equity method. The total investment, including net tangible assets and identifiable intangible assets, is classified as part of the interests in associated companies on the Group's consolidated balance sheet. The Group records its share of the results of Alibaba Japan, one quarter in arrears, in the share of profits/losses from associated companies, net of tax on the consolidated income statement.

	From May 31, 2008 to September 30, 2008 RMB'000
Revenue	–
Loss attributable to equity owners	(45,572)

	As of September 30, 2008 RMB'000
Total assets	94,739
Total liabilities	(9,275)

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2008 RMB'000	2007 RMB'000 (Note 36)
Non-current portion		
Loans to employees (Notes 25 and 34(f))	10,768	27,067
Current portion		
Interest income receivables	122,865	20,920
Prepaid rentals, rental deposits and other deposits	39,857	16,286
Prepaid expenses and others	23,754	10,937
	186,476	48,143
Total	197,244	75,210

The fair value of loans to employees was determined using discounted cash flows at a market rate of 5.67% (2007: 7.56%), which was equivalent to the effective interest rate on the loans.

Notes to the Financial Statements

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

	Company	
	2008 RMB'000	2007 RMB'000
Interest income receivables	**–**	7,131
Others	**631**	706
	631	7,837

20 DIRECT SELLING 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 etc. The service fees are initially deferred and recognized in the income statement in the period in which the services are rendered (Note 29). As such, the related costs are also initially deferred and recognized in the income statement in the same period as the related service fees are recognized.

21 CASH AND BANK BALANCES

	Group	
	2008 RMB'000	2007 RMB'000
Cash at banks and on hand	**341,027**	1,566,907
Term deposits and short-term highly liquid investments with original maturities of three months or less	**2,347,924**	2,754,263
Cash and cash equivalents	**2,688,951**	4,321,170
Term deposits with original maturities of over three months	**3,923,373**	952,382
Total	**6,612,324**	5,273,552

	Company	
	2008 RMB'000	2007 RMB'000
Cash at banks and on hand	**24,816**	1,751,663

As of December 31, 2008, 75.2% (2007: 66.3%) of the cash and bank balances of the Group was 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 rate of the cash and bank balances was 4.2% (2007: 2.5%).

22 SHARE CAPITAL

	Notes	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares RMB'000
Authorized				
Ordinary share of US$1.00 each as of January 1, 2007	(a)	50,000	US$50,000	396
Increase in authorized share capital in HK$	(b)(i) and (b)(ii)	8,000,000,000	HK$800,000	770
Cancellation of authorized share capital of US$1.00 each	(b)(iv)	(50,000)	(US$50,000)	(396)
As of December 31, 2007 and December 31, 2008		8,000,000,000	HK$800,000	770
Issued and fully paid				
As of January 1, 2007	(a)	1	US$1	–
Repurchase of issued ordinary share in preparation for the initial public offering of the shares of the Company	(b)(iii)	(1)	(US$1)	–
Issue of ordinary shares in preparation for the initial public offering of the shares of the Company	(b)(v)	4,825,000,000	HK$482,500	464
Issue of ordinary shares in connection with the initial public offering of the shares of the Company	(c)	227,356,500	HK$22,736	22
As of December 31, 2007	(d)	5,052,356,500	HK$505,236	486
As of January 1, 2008		5,052,356,500	HK$505,236	486
Repurchase of issued ordinary shares	(e)	(3,000,000)	(HK$300)	–
As of December 31, 2008		5,049,356,500	HK$504,936	486

(a) 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 ordinary shares of US$1.00 each. On the same date, the Company issued and allotted one ordinary share, credited as fully paid at par, to the ultimate holding company.

(b) On October 12, 2007, the ultimate holding company passed a resolution to approve various matters as follows:

(i) change the denomination of the par value of the Company's ordinary shares from United States dollars ("US$") to Hong Kong dollars ("HK$");

(ii) increase the Company's authorized capital by HK$800,000 divided into 8,000,000,000 ordinary shares of par value of HK$0.0001 each;

(iii) repurchase by the Company at par of the one issued ordinary share with par value of US$1.00;

(iv) reduce the authorized share capital of the Company by US$50,000 by cancelling 50,000 authorized but unissued shares of US$1.00 par value each; and

(v) increase the Company's issued capital by HK$482,500 divided into 4,825,000,000 ordinary shares of par value of HK$0.0001 each.

22 SHARE CAPITAL (Continued)

(c) The Company issued 227,356,500 ordinary shares of par value of HK$0.0001 each pursuant to the initial public offering of the shares of the Company on November 6, 2007.

(d) As of December 31, 2007, total issued and fully paid share capital amounted to HK$505,236, which was divided into 5,052,356,500 ordinary shares of par value of HK$0.0001 each.

(e) During the year ended December 31, 2008, the Company repurchased 3,000,000 issued ordinary shares on the Stock Exchange. These repurchased shares were cancelled immediately upon repurchase. The total amount paid to acquire these issued ordinary shares of HK$14,071,000 (equivalent to RMB12,401,000) was deducted from shareholders' equity. A sum equivalent to the nominal value of the repurchased shares amounting to HK$300 has been transferred from retained earnings to capital redemption reserve.

Month of repurchase	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate price paid**	**Equivalent aggregate price paid**
		HK$	HK$	HK$'000	RMB$'000
November 2008	1,000,000	4.35	4.23	4,315	3,800
December 2008	2,000,000	5.45	4.40	9,756	8,601
	3,000,000			14,071	12,401

23 CAPITAL RESERVE

(a) Capital reserve as of January 1, 2007

The Company was incorporated during the year ended December 31, 2006. The reorganization, pursuant to which the B2B services previously held by the ultimate holding company was transferred to the Company (the "Reorganization"), had not been completed prior to December 31, 2006. For the purpose of the consolidated financial statements, the capital reserve in the consolidated balance sheet as of January 1, 2007 represented the consolidated share capital and share premium of the companies comprising the Group.

(b) Capital reserve as of December 31, 2007

Capital reserve as of December 31, 2007 primarily represented the difference between (i) the aggregate of the consideration for the acquisitions under common control upon the Reorganization; and (ii) the aggregate of the share capital and share premium (including share-based compensation expense credited to the share premium account prior to the Reorganization) of the entities transferred to the Group pursuant to the Reorganization.

(c) Deemed distributions to equity owners

Deemed distributions to equity owners represented the amounts paid by the Group to the ultimate holding company and its subsidiaries (excluding the Company and subsidiaries of the Company) in exchange for the interests in subsidiaries and assets and liabilities related to the B2B services transferred to the Group pursuant to the Reorganization.

24 EQUITY – COMPANY

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000 (Note 22(e))	(Accumulated deficit)/ Retained earnings RMB'000	Total equity RMB'000
As of January 1, 2007	–	–	–	(22)	(22)
Profit for the year	–	–	–	298,051	298,051
Total recognized income for the year	–	–	–	298,051	298,051
Issue of ordinary shares in preparation for the initial public offering of the shares of the Company (Note 22(b)(v))	464	–	–	–	464
Issue of ordinary shares in connection with the initial public offering of the shares of the Company (Note 22(c))	22	2,934,593	–	–	2,934,615
Share issuance costs	–	(130,389)	–	–	(130,389)
Value of employee services under equity award plans	–	5,701	–	–	5,701
As of December 31, 2007	486	2,809,905	–	298,029	3,108,420
As of January 1, 2008	**486**	**2,809,905**	**–**	**298,029**	**3,108,420**
Profit for the year	**–**	**–**	**–**	**24,485**	**24,485**
Total recognized income for the year	**–**	**–**	**–**	**24,485**	**24,485**
Repurchase of issued ordinary shares (Note 22(e))	**–**	**(12,401)**	**–**	**–**	**(12,401)**
Value of employee services under equity award plans	**–**	**45,440**	**–**	**–**	**45,440**
As of December 31, 2008	**486**	**2,842,944**	**–**	**322,514**	**3,165,944**

The profit attributable to equity owners of the Company was dealt with in the financial statements of the Company to the extent of RMB24,485,000 (2007: RMB298,051,000).

Notes to the Financial Statements

25 SHARE-BASED COMPENSATION

The Group's employees have participated in Equity Award Plans and a Pre-IPO share incentive scheme of the ultimate holding company. Share options and RSUs under such Equity Award Plans and the Pre-IPO share incentive scheme are granted to the directors and employees of the Group to acquire shares of the ultimate holding company or the Company's shares held by the ultimate holding company and they are in general 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 ranges from 6 years to 10 years from the date of grant.

On October 12, 2007, the Company adopted a share option scheme (the "Share Option Scheme") and a RSU scheme (the "RSU Scheme") in which a total of 135,100,000 unissued ordinary shares of the Company has been reserved and are available for the grant of share options or RSUs. Such number of shares represented approximately 2.68% (2007: 2.67%) of the issued share capital of the Company as of December 31, 2008. Subsequent to the initial public offering of the shares of the Company in November 2007 (the "Initial Public Offering"), in most cases only share options under the Share Option Scheme or RSUs under the RSU Scheme were granted to the Group's directors and employees to acquire shares of the Company. Depending on the nature or purpose of the grant, the vesting schedule of share options and the RSUs granted by the Company could be different but in general they are also subject to a four-year vesting schedule whereby they vest 25% annually. The exercisable period of the share options is 6 years from the date of grant.

Except for the share appreciation rights ("SARs") which are arranged to be settled in cash, neither the ultimate holding company nor the Company have legal or constructive obligation to repurchase or settle any of the above share options and RSUs in cash.

(a) Equity Award Plans operated by the ultimate holding company

Share options granted under the Equity Award Plans

Movements in the number of share options outstanding and their related weighted average exercise prices attributable to the directors and employees of the Group as grantees of the Equity Award Plans of the ultimate holding company were as follows:

	2008		2007	
	Weighted average exercise price (i) US$	Number of options (ii) ('000)	Weighted average exercise price (i) US$	Number of options (ii) ('000)
Outstanding as of January 1	**1.1638**	**51,566**	0.5568	101,509
Granted	**4.0499**	**1,284**	2.1295	14,102
Transfer-in (iii)	**1.5526**	**2,097**	0.4742	3,875
Exercised	**0.8195**	**(1,870)**	0.3297	(50,650)
Transfer-out (iii)	**0.9067**	**(4,192)**	0.4148	(13,110)
Cancelled/forfeited/expired	**1.8503**	**(2,161)**	1.4995	(4,160)
Outstanding as of December 31	**1.2656**	**46,724**	1.1638	51,566
Exercisable as of December 31	**0.9065**	**30,421**	0.6531	19,129

25 SHARE-BASED COMPENSATION (Continued)

(a) Equity Award Plans operated by the ultimate holding company (Continued)

Share options granted under the Equity Award Plans (Continued)

(i) Exercise price is expressed in the currency in which the shares of the ultimate holding company are denominated.

(ii) Number of options represents the number of shares of the ultimate holding company into which the options are exercisable. Certain proportion of these options have been exchanged for options to acquire the Company's shares held by the ultimate holding company pursuant to the terms of the Employee Equity Exchange as described below.

(iii) Transfer-in and transfer-out represent movement of share options owned by grantees who transferred from other subsidiaries of the ultimate holding company to the Company, or vice versa.

The movement above does not include share options of the ultimate holding company granted to the directors and employees of the Group as a result of their services rendered or to be rendered to companies other than the Group.

The above share options outstanding as of December 31 had the following remaining contractual lives and exercise prices:

	2008		2007	
Exercise price (i)	Number of options outstanding (ii) ('000)	Weighted average remaining contractual life	Number of options outstanding (ii) ('000)	Weighted average remaining contractual life
US$0.0000 – US$0.0375	–	–	707	2.1
US$0.0500 – US$0.0750	1,740	4.4	1,917	5.6
US$0.1250 – US$0.2030	3,313	5.4	3,954	6.4
US$0.3125 – US$0.5625	8,903	2.0	10,315	3.1
US$0.8750 – US$1.2500	12,109	3.2	13,842	4.3
US$1.6250 – US$1.8500	12,074	3.9	12,210	4.9
US$2.0000 – US$2.4700	6,615	4.5	7,791	5.5
US$2.6500 – US$3.6500	713	5.2	450	5.8
US$4.0600 – US$4.5400	1,257	5.2	380	5.8
	46,724	3.6	51,566	4.6

(i) Exercise price is expressed in the currency in which the shares of the ultimate holding company are denominated.

(ii) Number of options represents the number of shares of the ultimate holding company into which the options are exercisable. Certain proportion of these options have been exchanged for options to acquire the Company's shares held by the ultimate holding company pursuant to the terms of the Employee Equity Exchange as described below.

25 SHARE-BASED COMPENSATION (Continued)

(a) Equity Award Plans operated by the ultimate holding company (Continued)

Share options granted under the Equity Award Plans (Continued)

The significant inputs into the Black-Scholes Model in determining the fair value of the share options granted by the ultimate holding company under the Equity Award Plans during the years presented were as follows:

	2008	2007
Risk-free annual interest rate	1.32% to 3.27%	3.46% to 5.01%
Dividend yield	0%	0%
Expected life (years)	4.25 to 4.38	4
Expected volatility (i)	50.8% to 51.5%	45.1% to 47.6%
Weighted average fair value of each share option	US$1.7530	US$0.8924

(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.

RSUs granted under the Equity Award Plans

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 Equity Award Plans of the ultimate holding company were as follows:

	2008		2007	
	Weighted average grant date fair value (i) US$	Number of RSUs (ii) ('000)	Weighted average grant date fair value (i) US$	Number of RSUs (ii) ('000)
Outstanding as of January 1	2.01	3,055	–	–
Granted	4.22	35	2.01	3,139
Transfer-in	2.00	17	–	–
Vested	2.01	(727)	–	–
Transfer-out	2.00	(130)	2.00	(59)
Cancelled/forfeited	2.00	(73)	2.00	(25)
Outstanding as of December 31	2.05	2,177	2.01	3,055

(i) Grant date fair value represents the fair value of the shares of the ultimate holding company.

(ii) Number of RSUs represents the number of shares of the ultimate holding company into which the RSUs are vested. Certain proportion of these RSUs have been exchanged for RSUs to acquire the Company's shares held by the ultimate holding company pursuant to the terms of the Employee Equity Exchange as described below.

25 SHARE-BASED COMPENSATION (Continued)

(a) Equity Award Plans operated by the ultimate holding company (Continued)

Employee Equity Exchange

In connection with the Initial Public Offering, the ultimate holding company restructured its Equity Award Plans to allow a proportion of the share options and RSUs granted by the ultimate holding company prior to the listing date of the Company's shares to be exchanged for share options to purchase the Company's shares held by the ultimate holding company and RSUs relating to the Company's shares held by the ultimate holding company, and a certain number of the shares of the ultimate holding company to be exchanged for the Company's shares held by the ultimate holding company (the "Employee Equity Exchange"). Participants of the Employee Equity Exchange included only existing employees prior to the Initial Public Offering but not other shareholders of the ultimate holding company.

Approximately 4,900 existing employees of the ultimate holding company (including those from the Group) participated in the Employee Equity Exchange. Those who participated in the Employee Equity Exchange (other than certain senior management of the Company) were permitted to exchange between 20% and 50% of their respective holdings of the securities of the ultimate holding company under the Employee Equity Exchange. Certain senior management of the ultimate holding company and the Company were only permitted to exchange an aggregate of 5% to 15% of their collective holdings.

The number of the Company's shares, the options to acquire the Company's shares and RSUs relating to the Company's shares under the Employee Equity Exchange was derived by applying an exchange ratio that was determined and approved by the board of directors of the ultimate holding company based on the relative values of the Company and the ultimate holding company having considered analysis provided by an independent consultant. Similarly, the exercise price of the share options exercisable for the Company's shares was also adjusted in accordance with the same ratio so that the aggregate exercise price of such options remained the same. Other than the above, the vesting schedules and other terms applicable to the original options and RSUs of the ultimate holding company remained the same for the new options and RSUs with respect to the Company's shares held by the ultimate holding company.

The Company's shares that are transferred to the participants under the Employee Equity Exchange (including the underlying shares of the Company or the options and the RSUs) are subject to lock-up periods, with 40% of the Company's shares (including the underlying shares of the options and the RSUs) to be released from the lock-up after the expiry of six months from the completion of the Initial Public Offering ("first lock-up period"). The remaining 60% is to be released from the lock-up after a further six months ("second lock-up period"). During the year ended December 31 2008, 412,561,581 shares (including the Company's shares underlying the options and RSUs exchangeable by the ultimate holding company) were transferred to the participants upon the expiration of the first and second lock-up periods. As of December 31, 2008, there were 29,341,695 shares (including the Company's shares underlying the options and RSUs exchangeable by the ultimate holding company) transferrable to the participants of the Employee Equity Exchange. These security holdings represented approximately 0.58% of the outstanding shares of the Company as of December 31, 2008.

Prior to the Employee Equity Exchange, employees of the Group holding options granted by the ultimate holding company exercisable for its shares which have already vested had the choice of: (i) having a percentage of such options exchanged for options exercisable for the Company's shares under the Employee Equity Exchange ("Option Entitlement"); or (ii) exercising their Option Entitlement for shares of the ultimate holding company, all of which would then qualify for exchange for the Company's shares under the Employee Equity Exchange. In connection with (ii) above, the Group made available full recourse interest-bearing loans to its employees in order to allow them to pay individual income tax due upon exercise of the Option Entitlement. The loans advanced to the employees initially bear interest at two-year term deposit base rate as published by the PBOC from time to time and with a term of two years. A number of the employees took the loans and the outstanding loans, together with accrued interest, amounted to RMB10,768,000 as of December 31, 2008 (2007: RMB27,067,000) (Note 19). The participating employees have charged the shares of the Company and the ultimate holding company that they beneficially owned as security for these loans. In November 2008, the Group has waived the interest on the loans on a prospective basis and has extended the repayment term for one year to November 2010.

25 SHARE-BASED COMPENSATION (Continued)

(b) Pre-IPO share incentive scheme operated by the ultimate holding company

Share options/rights and shares granted under the Pre-IPO share incentive scheme

Movements in the number of share options/rights to acquire shares outstanding and their related weighted average exercise/subscription prices attributable to the directors and employees of the Group as grantees under the Pre-IPO share incentive scheme of the ultimate holding company were as follows:

	2008		2007	
	Weighted average exercise/ subscription price (i) HK$	Number of options/ rights (ii) ('000)	Weighted average exercise/ subscription price (i) HK$	Number of options/ rights (ii) ('000)
Outstanding as of January 1	6.80	68,990	–	–
Granted	–	–	6.80	68,990
Transfer-in	6.80	285	–	–
Transfer-out	6.80	(408)	–	–
Cancelled/forfeited/expired	6.80	(820)	–	–
Outstanding as of December 31	6.80	68,047	6.80	68,990
Exercisable as of December 31	6.80	17,017	–	–

(i) Exercise/subscription price is expressed in the currency in which the shares of the Company are denominated.

(ii) Number of options/rights represents the number of shares of the Company, held by the ultimate holding company, into which the options/rights are exercisable/subscribed.

As of December 31, 2008, 17,016,750 share options/rights to acquire shares outstanding were vested and exercisable (2007: Nil). The weighted average remaining contractual life of the above share options/rights to acquire shares is 4.7 years (2007: 5.7 years).

The significant inputs into the Black-Scholes Model in determining the fair value of the share options/rights to acquire shares granted by the ultimate holding company under the Pre-IPO share incentive scheme in 2007 were as follows:

	2007
Risk-free annual interest rate	3.91% to 3.98%
Dividend yield	0%
Expected life (years)	4
Expected volatility (i)	46.2%
Weighted average fair value of each share option/right to acquire shares	HK$2.77

(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.

In addition to the above, the ultimate holding company has granted 100,000 shares of the Company to each of the three independent non-executive directors at the time of the Initial Public Offering and one of the non-executive directors during the year ended December 31, 2007. All these shares were vested immediately upon grant but are subject to a lock-up period of one year after the date of grant.

25 SHARE-BASED COMPENSATION (Continued)

(c) Share Option Scheme and RSU Scheme operated by the Company

Share options granted under the Share Option Scheme

Movements in the number of share options outstanding and their related weighted average exercise prices attributable to the directors and employees of the Group as grantees of the Share Option Scheme of the Company were as follows:

	2008 Weighted average exercise price (i) HK$	2008 Number of options (ii) ('000)
Outstanding as of January 1	–	–
Granted	12.24	15,478
Cancelled/forfeited	18.69	(670)
Outstanding as of December 31	11.95	14,808
Exercisable as of December 31	5.54	74

(i) Exercise price is expressed in the currency in which the shares of the Company are denominated.

(ii) Number of options represents the number of shares of the Company into which the options are exercisable.

The above share options outstanding as of December 31 had the following remaining contractual lives and exercise prices:

Exercise price (i)	2008 Number of options outstanding (ii) ('000)	2008 Weighted average remaining contractual life
HK$5.54	7,007	6.0
HK$12.74	2,360	5.5
HK$19.86	5,441	5.1
	14,808	5.6

(i) Exercise price is expressed in the currency in which the shares of the Company are denominated.

(ii) Number of options represents the number of shares of the Company into which the options are exercisable.

Notes to the Financial Statements

25 SHARE-BASED COMPENSATION (Continued)

(c) Share Option Scheme and RSU Scheme operated by the Company (Continued)

Share options granted under the Share Option Scheme (Continued)

The significant inputs into the Black-Scholes Model in determining the fair value of the share options granted by the Company under Share Option Scheme in 2008 were as follows:

	2008
Risk-free annual interest rate	1.20% to 3.50%
Dividend yield	0%
Expected life (years)	4.25 to 4.38
Expected volatility (i)	45.9% 51.0%
Weighted average fair value of each share option	HK$4.37

(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.

RSUs granted under the RSU Scheme

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 RSU Scheme of the Company were as follows:

	2008	
	Weighted average grant date fair value (i) HK$	Number of RSUs (ii) ('000)
Outstanding at January 1	–	–
Granted	16.92	4,276
Cancelled/forfeited	17.75	(212)
Outstanding at December 31	16.87	4,064

(i) Grant date fair value represents the fair value of the shares of the Company.

(ii) Number of RSUs represents the number of shares of the Company into which the RSUs are vested.

None of the above RSUs were vested as of December 31, 2008 (2007: Nil).

Subsequent to December 31, 2008, the Company granted a total of 3,993,700 share options and 11,146,456 RSUs to the directors and employees of the Group.

25 SHARE-BASED COMPENSATION (Continued)

(d) Share appreciation rights award plan of the Company

The Company has implemented a share appreciation rights award plan to provide for a "one-time" award of cash-settled SARs to certain employees of the Group prior to the Initial Public Offering. Such SARs are settled in two installments of which 40% upon the expiration of the first six months following the Initial Public Offering and the remaining 60% after a further six months. On each settlement date, the employees are entitled to receive for each right an amount equal to the difference, if any, between the offer price of the ordinary shares of the Company in its Initial Public Offering (the "Offer Price") and the average market price of the shares of the Company in the five trading days prior to the relevant vesting date. If the average market price of the shares of the Company is lower than the Offer Price, no amount is payable to the employees. No shares of the Company are to be issued under the share appreciation rights award plan.

During the year, cash of RMB282,000 was paid on the settlement dates to settle all outstanding SARs and an amount of RMB8,378,000 previously charged to income statement was reversed. No SARs was outstanding as of December 31, 2008.

(e) Share-based compensation expense by function

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

	2008			2007
	Options and RSUs RMB'000	SARs RMB'000	Total RMB'000	Total RMB'000
Cost of revenue	**11,379**	**(1,806)**	**9,573**	13,718
Sales and marketing expenses	**62,203**	**(4,491)**	**57,712**	49,668
Product development expenses	**19,167**	**(1,171)**	**17,996**	14,999
General and administrative expenses	**94,444**	**(910)**	**93,534**	73,692
	187,193	**(8,378)**	**178,815**	152,077

26 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 year ended December 31, 2008, appropriations to the general statutory reserve amounted to RMB130,513,000 (2007: RMB61,676,000).

Notes to the Financial Statements

27 TRADE PAYABLES

The aging analysis of trade payables was as follows:

	2008 RMB'000	2007 RMB'000
0 – 30 days	**11,691**	8,034
31 days – 60 days	**1,785**	2,753
61 days – 90 days	**753**	1,634
Over 90 days	**1,347**	462
	15,576	12,883

28 OTHER PAYABLES AND ACCRUALS

	Group	
	2008 RMB'000	2007 RMB'000 (Note 36)
Accrued salaries, bonuses, sales commissions and staff benefits	**218,976**	151,900
Accrued advertising and promotion expenses, professional fees, and costs related to the Initial Public Offering and others	**86,755**	132,941
Accrued purchases of property and equipment	**77,151**	24,128
Other taxes payable	**36,381**	23,750
Deposits received from contractors in relation to the construction of corporate campus	**6,585**	4,366
	425,848	337,085

	Company	
	2008 RMB'000	2007 RMB'000 (Note 36)
Accrued costs related to the Initial Public Offering and professional fees	**5,401**	70,111

29 DEFERRED REVENUE AND CUSTOMER ADVANCES

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

	2008 RMB'000	2007 RMB'000
Customer advances	**470,392**	475,391
Deferred revenue	**1,786,479**	1,444,458
	2,256,871	1,919,849
Less: current portion	**(2,150,531)**	(1,849,655)
Non-current portion	**106,340**	70,194

All service fees received in advance are initially recorded as customer advances. These amounts are transferred to deferred revenue upon the commencement of the rendering of services by the Group and are recognized in the income statement in the period in which the services are rendered. In general, service fees received in advance are non-refundable after such amounts are transferred to deferred revenue.

30 DEFERRED TAX ASSETS

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 were as follows:

	2008 RMB'000	2007 RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**25,487**	17,303
– Deferred tax assets to be recovered within 12 months	**345,192**	288,319
	370,679	305,622
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**(1,615)**	(1,620)
– Deferred tax liabilities to be settled within 12 months	**(59,039)**	(43,691)
	(60,654)	(45,311)
Deferred tax assets, net	**310,025**	260,311

Notes to the Financial Statements

30 DEFERRED TAX ASSETS (Continued)

The movement of deferred tax assets, net was as follows:

	2008 RMB'000	2007 RMB'000
As of January 1	**260,311**	211,875
Credited to the income statement (Note 13)	**49,714**	48,436
As of December 31	**310,025**	260,311

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

Deferred tax assets

	Deferred revenue and customer advances RMB'000	Depreciation RMB'000	Others [i] RMB'000	Total RMB'000
As of January 1, 2007	219,946	6,861	25,670	252,477
Credited/(Charged) to the income statement	58,674	296	(5,825)	53,145
As of January 1, 2008	278,620	7,157	19,845	305,622
Credited to the income statement	39,725	2,685	22,647	65,057
As of December 31, 2008	318,345	9,842	42,492	370,679

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

Deferred tax liabilities

	Direct selling costs RMB'000
As of January 1, 2007	(40,602)
Charged to the income statement	(4,709)
As of January 1, 2008	(45,311)
Charged to the income statement	(15,343)
As of December 31, 2008	(60,654)

30 DEFERRED TAX ASSETS (Continued)

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's major operating subsidiary, Alibaba China, used a tax rate of 15% in the computation of deferred tax assets as of December 31, 2008 (2007: 15%) (Note 13). In addition, the Group did not recognize deferred tax assets of RMB35,827,000 (2007: RMB34,220,000) primarily in respect of the accumulated tax losses of subsidiaries incorporated in Hong Kong and the United States, subject to the agreement by the relevant tax authorities, amounting to RMB182,740,000 (2007: RMB168,785,000). 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 the United States will expire, if unused, in the years ending December 31, 2020 through 2021.

Further, the Group did not recognize deferred tax assets of RMB26,046,000 (2007: RMB26,776,000) in respect of the accumulated tax losses of subsidiaries incorporated in the PRC, subject to the agreement by the PRC tax authorities, amounting to RMB104,184,000 (2007: RMB108,756,000). Carry forward of these tax losses will expire, if unused, in the years ending December 31, 2009 through 2013.

31 SUPPLEMENTARY INFORMATION TO CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of the Japan operation

	2008 RMB'000
Consideration satisfied by equity interests in associated companies of the Japan operation	38,888
Less: Assets/(Liabilities) disposed of:	
Property and equipment	481
Prepayments, deposits and other receivables	4,431
Amount due to a venturer	(7,305)
Net liabilities	(2,393)
Gain on disposal of the Japan operation	41,281

The Japan operation disposed of during the year did not have any significant contribution to the Group's turnover or results for the year.

(b) Significant non-cash transactions

As of December 31, 2008, an accrual for purchase of property and equipment of approximately RMB77,151,000 (Note 28) was made. As of December 31, 2007, an accrual for expenses incurred in relation to the Initial Public Offering of approximately RMB68,530,000 was made. Such amount was substantially paid during 2008.

32 CONTINGENCIES

As of December 31, 2008, the Group did not have any material contingent liabilities or guarantees (2007: Nil).

Notes to the Financial Statements

33 COMMITMENTS

(a) Capital commitments

(i) Capital expenditures contracted for were analyzed as follows:

	2008 RMB'000	2007 RMB'000
Contracted but not provided for:		
Purchase of property and equipment	**2,825**	11,501
Construction of a corporate campus	**120,788**	83,587
	123,613	95,088

(ii) Pursuant to the agreements signed between Alibaba China and The Bureau of State Land and Resources of Hangzhou Municipality, Binjiang Branch on June 26, 2006, Alibaba China paid approximately RMB29,332,000 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 has committed that the total investment for the construction would not be less than RMB300 million by June 26, 2009. As of 31 December 2008, the total investment cost in relation to the construction project amounted to RMB209,213,000.

(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 were as follows:

	2008 RMB'000	2007 RMB'000
No later than 1 year	**32,182**	35,621
Later than 1 year and no later than 5 years	**16,703**	22,861
	48,885	58,482

(c) Other commitments – sales and marketing expenses

	2008 RMB'000	2007 RMB'000
No later than 1 year	**3,551**	1,981

34 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 consolidated financial statements, the following significant related party transactions were carried out during the year:

(a) Deed of indemnity

On October 19, 2007, a deed of indemnity was entered into between the ultimate holding company and the Company whereby 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 Stock Exchange to the extent that specific provision has not been made nor disclosed in the prospectus dated October 23, 2007 in connection with the initial public offering of the shares of the Company and/or other conditions as specified in the deed of indemnity; (ii) all losses, damages, costs and 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. (浙江阿里巴巴電子商務有限公司) to the Group pursuant to the Reorganization; 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 Stock Exchange on November 6, 2007. As of December 31, 2008, no indemnity was effected (2007: Nil).

(b) Recurring transactions

	2008 RMB'000	2007 RMB'000
Expenses paid or payable to the ultimate holding company for certain technology, intellectual property and related know-how (Note i)	**(57,083)**	(41,069)
House brand head license fee paid or payable to the ultimate holding company (Note ii)	**(2,000)**	(306)
Purchase of advertising, promotion and technology services from (Note iii):		
– fellow subsidiaries	**(3,819)**	(2,909)
– subsidiaries of a substantial shareholder of the ultimate holding company	**(9,325)**	(3,945)
	(13,144)	(6,854)

Notes to the Financial Statements

34 RELATED PARTY TRANSACTIONS (Continued)

(b) Recurring transactions (Continued)

	2008 RMB'000	2007 RMB'000
Cross-selling of promotion and related services with a fellow subsidiary (Note iv)	**56,182**	17,500
Commission income received from a fellow subsidiary (Note v)	**23,169**	11,539
Reimbursement from fellow subsidiaries for the provision of administrative services (Note vi)	**11,840**	1,661
Reimbursement from fellow subsidiaries for the provision of technology services (Note vii)	**5,041**	522

(c) Non-recurring transactions

	2008 RMB'000	2007 RMB'000
Purchase of other technology and related services from a fellow subsidiary (Note viii)	**(3,509)**	–
Sale of property and equipment to fellow subsidiaries (Note ix)	**4,504**	24,491
Reimbursement from an associated company for costs incurred in relation to the Japan website (Note x)	**15,200**	–

(i) During the year, expenses of approximately RMB57,083,000 (2007: RMB41,069,000) was paid or payable by the Group for the use of certain technology, intellectual property and related know-how provided by the ultimate holding company. The expenses were calculated based on a mutually agreed basis.

(ii) This represented license fee paid or payable by the Group to the ultimate holding company at a fixed fee of RMB2 million per annum.

(iii) These represented charges paid or payable by the Group to various fellow subsidiaries and related companies in relation to the purchase of keywords on websites operated by various fellow subsidiaries and related companies as well as certain technology and related services from a fellow subsidiary. These charges were calculated based on market rates of the related services.

(iv) This represented charges received or receivable by the Group from a fellow subsidiary for the cross-selling of the Group's website inventory. The charge was calculated based on a pre-determined percentage of the underlying transaction amount.

34 RELATED PARTY TRANSACTIONS (Continued)

(v) This represented commission income received or receivable by the Group for cross-selling certain software products developed by a fellow subsidiary to the Group's paying members. The commission income for such services was determined based on a pre-determined percentage of the underlying transaction amount. No commission income will be received starting from November 2008 upon the termination of such cross-selling arrangement.

(vi) This represented charge received or receivable by the Group for the provision of administrative services to fellow subsidiaries. The charge was determined on a cost basis.

(vii) This represented charge received or receivable by the Group for the provision of technology services to fellow subsidiaries. The charge was calculated based on actual cost incurred in providing such services plus a margin of 15%.

(viii) These represented amounts paid or payable by the Group for the purchase of other technology and related services from a fellow subsidiary. These charges were determined on a cost basis.

(ix) These represented amounts received by the Group for sale of certain property and equipment to fellow subsidiaries. These charges were based on the net book value of the property and equipment transferred.

(x) During the year, Alibaba Japan paid US$2.2 million to the Group mainly for reimbursing the costs incurred by the Group in upgrading the Japan website as well as certain property and equipment and customer information of the Japan website before the disposal of the Japan operation by the Group. The charge was determined on a cost basis or based on the net book value of the property and equipment transferred.

During the year, the Group had an arrangement with a fellow subsidiary pursuant to which the fellow subsidiary would unconditionally refer its existing customers to purchase certain designated services of the Group. Under this arrangement, the fellow subsidiary would pay to the Group an amount equivalent to the unused value in the customer accounts of the fellow subsidiary upon customer confirming their intention to purchase the Group's designated services. As of December 31, 2008, nil amount was due from such fellow subsidiary.

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 be of a similar nature and have a similar value, such transactions are not regarded as revenue generating transactions and thus no revenue or expense were recognized.

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

Notes to the Financial Statements

34 RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties

	Group 2008 RMB'000	Group 2007 RMB'000
Amounts due from related companies:		
Ultimate holding company	–	46
Fellow subsidiaries	12,678	26,274
	12,678	26,320
Amounts due to related companies:		
Ultimate holding company	10,790	15,101
Fellow subsidiaries	54,322	449
Subsidiary of a substantial shareholder of the ultimate holding company	4,391	1,489
	69,503	17,039

	Company 2008 RMB'000	Company 2007 RMB'000
Amounts due from subsidiaries:		
Non-current portion (Note 17)	1,607,905	1,428,791
Current portion	1,574,748	7,801
	3,182,653	1,436,592
Amounts due to related companies:		
Ultimate holding company	2,523	1,967
Subsidiaries	34,232	15,594
	36,755	17,561

Except for the amounts due from subsidiaries included under non-current portion in the Company's balance sheets, amounts due from/(to) the ultimate holding company, fellow subsidiaries, 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 values.

34 RELATED PARTY TRANSACTIONS (Continued)

(e) Key management personnel compensation

Remuneration for key management personnel represented amounts paid to the Company's directors as disclosed in Note 11.

(f) Loans to officers

Name of borrower	Position	Original loan amount RMB'000	Maximum balance outstanding during the year RMB'000
DENG, Kang Ming	Senior vice president	2,054	2,125
LI, Ang, Andy	Vice president	721	740

The loans advanced to officers bore interest at two-year term deposit base rate as published by the PBOC from time to time and with a term of two years. The principal and the accrued interest were fully repaid by these officers before November 2008 when the Group amended the terms of this loan (Note 25(a)). As of December 31, 2008, there was no outstanding balance from the Group's officers.

35 SUBSEQUENT EVENTS

Subsequent to December 31, 2008 and up to the date of this report, the Company has repurchased 11,000,000 issued ordinary shares on the Stock Exchange. The total amount paid to acquire those issued ordinary shares was HK$79,204,000 (equivalent to RMB69,804,000).

36 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of current year.

Financial Summary

CONSOLIDATED INCOME STATEMENTS

	For the year ended December 31,				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2008 RMB'000**
Revenue	359,435	738,297	1,363,862	2,162,757	**3,001,194**
Gross profit	296,866	611,788	1,126,237	1,882,644	**2,613,826**
Profit from operations	25,037	97,572	268,496	804,345	**1,192,383**
Profit before income taxes	28,468	103,419	291,388	1,149,444	**1,415,503**
Profit attributable to equity owners of the Company	73,861	70,454	219,938	967,795	**1,205,186**

CONSOLIDATED BALANCE SHEETS

	As of December 31,				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2008 RMB'000**
Assets					
Non-current assets	99,828	218,837	330,167	486,225	**772,277**
Current assets	527,852	1,260,434	1,714,514	5,567,244	**7,120,653**
Total assets	627,680	1,479,271	2,044,681	6,053,469	**7,892,930**
Equity and liabilities					
Equity	119,796	201,781	145,568	3,613,081	**4,968,409**
Non-current liabilities	14,046	35,509	37,146	70,194	**106,340**
Current liabilities	493,838	1,241,981	1,861,967	2,370,194	**2,818,181**
Total liabilities	507,884	1,277,490	1,899,113	2,440,388	**2,924,521**
Total equity and liabilities	627,680	1,479,271	2,044,681	6,053,469	**7,892,930**

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