



ALIBABA.COM LIMITED

阿里巴巴網絡有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1688)

ANNOUNCEMENT OF UNAUDITED FINANCIAL REVIEW FOR THE QUARTER ENDED MARCH 31, 2008

FINANCIAL (UNAUDITED) AND OPERATIONAL HIGHLIGHTS

	1Q2008	1Q2007	Change	4Q2007	Change
Revenue (RMB million)	680.1	443.9	+53.2%	634.6	+7.2%
Profit attributable to equity owners (RMB million)	300.7	142.1	+111.7%	114.8 (Note 1)	+162.0% (Note 1)
Basic and diluted earnings per share (HK\$)	6.47 cents	2.96 cents	+118.6%	2.48 cents (Note 1)	+160.9% (Note 1)
Registered users	29,706,067	21,642,479	+37.3%	27,599,959	+7.6%
International marketplace	4,888,391	3,444,122	+41.9%	4,405,557	+11.0%
China marketplace	24,817,676	18,198,357	+36.4%	23,194,402	+7.0%
Storefronts	3,221,346	2,225,695	+44.7%	2,956,846	+8.9%
International marketplace	753,066	549,676	+37.0%	697,563	+8.0%
China marketplace	2,468,280	1,676,019	+47.3%	2,259,283	+9.3%
Paying Members (Note 2)	327,118	241,252	+35.6%	305,545	+7.1%
Gold Supplier	28,548	20,064	+42.3%	27,384	+4.3%
International TrustPass	12,533	11,881	+5.5%	12,152	+3.1%
China TrustPass	286,037	209,307	+36.7%	266,009	+7.5%

Notes:

1. Excluded interest income related to our IPO oversubscription in the fourth quarter of 2007.
2. Include paying members with active storefront listings on our international and China marketplaces as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.

The board of directors of Alibaba.com Limited (our “Company” or “Alibaba.com”) is pleased to announce the unaudited results for the quarter ended March 31, 2008, together with comparative figures for the corresponding period in 2007 and the quarter ended December 31, 2007, as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED MARCH 31, 2008

	1Q 2008 RMB'000	1Q 2007 RMB'000	1Q 2008 RMB'000	4Q 2007 RMB'000
Revenue				
- International marketplace	464,164	324,768	464,164	445,182
- China marketplace	215,917	119,139	215,917	189,373
Total revenue	680,081	443,907	680,081	634,555
Cost of revenue	(78,926)	(57,400)	(78,926)	(80,830)
Gross profit	601,155	386,507	601,155	553,725
Sales and marketing expenses	(201,743)	(146,618)	(201,743)	(250,532)
Product development expenses	(36,592)	(27,264)	(36,592)	(36,928)
General and administrative expenses	(72,210)	(40,617)	(72,210)	(82,547)
Other operating income	21,255	247	21,255	2,915
Profit from operations	311,865	172,255	311,865	186,633
Finance income, net	48,548	8,372	48,548	315,017
Profit before income taxes	360,413	180,627	360,413	501,650
Income tax charges	(59,698)	(38,562)	(59,698)	(36,331)
Profit attributable to equity owners of the Company	300,715	142,065	300,715	465,319
Earnings per share, basic and diluted (RMB)	RMB5.95 cents	RMB2.94 cents	RMB5.95 cents	RMB9.57 cents
Earnings per share, basic and diluted (HK\$)	HK\$6.47 cents	HK\$2.96cents	HK\$6.47 cents	HK\$10.04 cents

Notes:

- Included interest income of RMB350,534,000 related to our IPO oversubscription in the fourth quarter of 2007.
- Earnings per share, basic and diluted, would be RMB2.36 cents or HK\$2.48 cents (non-GAAP) if the interest income related to our IPO oversubscription in the fourth quarter of 2007 was excluded. The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB 0.9193 to HK\$1.0000 for the first quarter of 2008 (first and fourth quarter of 2007: RMB0.9951 and RMB0.9540 to HK\$1.0000). No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars or vice versa, at that rate, or at any rate or at all.

ADDITIONAL FINANCIAL DATA (UNAUDITED)

	1Q 2008 RMB'000	1Q 2007 RMB'000	1Q 2008 RMB'000	4Q 2007 RMB'000
Revenue				
International marketplace				
Gold Supplier	447,630	317,503	447,630	428,661
International Trustpass	8,994	7,265	8,994	9,296
Other revenue (Note 5)	7,540	-	7,540	7,225
	464,164	324,768	464,164	445,182
China marketplace				
China TrustPass	206,127	118,790	206,127	179,054
Other revenue (Note 6)	9,790	349	9,790	10,319
	215,917	119,139	215,917	189,373
Total	680,081	443,907	680,081	634,555
Recurring Free Cash Flow (Non-GAAP)				
Net cash generated from operating activities	287,254	328,910	287,254	556,990
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(13,805)	(22,180)	(13,805)	(60,964)
Total	273,449	306,730	273,449	496,026
Share based compensation	44,873	28,037	44,873	63,816
	As of March 31, 2008 RMB'000	As of March 31, 2007 RMB'000	As of March 31, 2008 RMB'000	As of December 31, 2007 RMB'000
Cash and short-term term deposits	5,432,622	1,580,149	5,432,622	5,273,552
Deferred revenue and customer advances	1,913,587	1,480,551	1,913,587	1,919,849

Notes:

- Other revenue earned with respect to our international marketplace mainly represents commission income from Alisoft, a subsidiary of our controlling shareholder, for cross-selling of Alisoft Export Edition to our customers.*
- Other revenue earned with respect to our China marketplace mainly represents advertising fees paid by third party advertisers, some of which were earned through an agency arrangement with a subsidiary of our controlling shareholder.*

OVERVIEW OF OUR BUSINESS HIGHLIGHTS IN THE FIRST QUARTER OF 2008

In the first quarter of 2008, our Company achieved significant progress in business development and attained solid growth in revenue and profitability in both of our marketplaces. Our business highlights are summarized below:

International marketplace

Registered users in our international marketplace increased strongly by 1,444,269 from 3,444,122 as of March 31, 2007 to 4,888,391 as of March 31, 2008 and by 482,834 from 4,405,557 as of December 31, 2007, reflecting the expanding network effect of our marketplace. Gold Supplier members increased by 8,484 from 20,064 as of March 31, 2007 to 28,548 as of March 31, 2008, and by 1,164 from 27,384 at the end of 2007. The slower quarter-on-quarter growth in the number of paying members reflected the impact of seasonality in customer acquisition, the serious national snow storms which hit China in February and the resulting limited sales activities in certain regions across the country, as well as the restructuring of our sales force during the period. In order to achieve a higher level of customer satisfaction and sales productivity in the long-term, we restructured our Gold Supplier sales force into two teams that focus on customer acquisition and customer retention, respectively. During the transition period, the number of new customer visits declined and the retention process was lengthened.

Our International TrustPass members increased by 652 from 11,881 as of March 31, 2007 to 12,533 as of March 31, 2008 and by 381 from 12,152 at the end of 2007. We expect the growth in the number of International TrustPass members to improve when we launch planned new initiatives in the second quarter of 2008.

The results of our international marketplace also include the commission income we received for the sale of Alisoft Export Edition to our customers. In the first quarter of 2008, we accelerated the sale of the Alisoft export edition and result was well received.

We continue making significant progress in broadening our service geographically. On April 29, 2008, we entered into a strategic partnership with Infomedia India Limited (“Infomedia”), one of the largest B2B media companies in India, to develop the India market. The Alibaba.com and Infomedia partnership will combine our expertise in online e-commerce and Infomedia’s relationship and reach of Indian SMEs. We are also in the final stages of completing our joint venture with Softbank as well as our business strategy and plans for the Japan market.

The credit crisis and the looming slow down of the US economy is creating pressure on the global trade environment. Nevertheless, we observed increased buyer activities in our international marketplace during the first quarter of 2008. We are actively monitoring the situation and will take proactive steps to seek to minimize the potential impact from any downturn of the US economy, including new sales initiatives that we have already commenced. In addition to our geographic expansion as mentioned above, we will focus more on marketing our services to SMEs in industries that we believe are less likely to be affected by the slowing US economy. We will also leverage on the growth of the Chinese domestic economy and trade activity to further develop our fast growing China marketplace.

China marketplace

Our China marketplace has shown strong growth, which is in line with the increased Internet penetration in China. Registered users in our China marketplace increased by 6,619,319 from 18,198,357 as of March 31, 2007 to 24,817,676 as of March 31, 2008, and increased by 1,623,274 from 23,194,402 as of December 31, 2007. As of March 31, 2008, our China marketplace had 286,037 paying China TrustPass members, a net increase of 76,730 from 209,307 as of March 31, 2007 and a net increase of 20,028 from 266,009 at the end of 2007. Sales of our value-added services have also grown significantly, contributing to the increase of average spending per member. In particular, revenue generated from the addition of two new keyword bidding positions and of premium placement banner display that we launched in the fourth quarter of 2007 has shown robust growth.

The results of our China marketplace also benefited from the growth in sales of branded advertisements on our website.

Consistent with our strategic plan to build and improve the Internet infrastructure for SMEs in China and the Alibaba ecosystem, on April 11, 2008, we launched a new product called "Win Port" on our China marketplace, which helps SMEs build their own Internet presence through our marketplace. The service provides our members with domain names, unlimited product listing, self-designed storefronts, as well as certain CRM tools for collecting and analyzing user behavior. "Win Port" is currently under free trial by our users and members. We believe this service will further increase the stickiness of our marketplace and help lower the entry barriers for Internet trading by our SME members, while potentially providing us with additional revenue in the future.

REVIEW OF OUR FINANCIAL RESULTS FOR THE FIRST QUARTER OF 2008

Alibaba.com reported **total revenue** of RMB680.1 million in the first quarter of 2008, representing a 53.2% increase from the same period of 2007 and a 7.2% increase from the fourth quarter of 2007. The increase year-on-year was driven mainly by increase in the number of paying members of our combined marketplaces as well as increased spending by our paying members.

Alibaba.com had 327,118 **paying members** as of March 31, 2008, representing a 35.6% increase from the first quarter of 2007 and a 7.1% increase from the fourth quarter of 2007.

Revenue from our international marketplace increased to RMB464.2 million in the period, a 42.9% increase year-on-year and a 4.3% increase quarter-on-quarter. The growth year-on-year was primarily due to increases in the number of Gold Supplier members and sale of value-added services. In addition, we recognized other revenue of RMB7.5 million from the cross-selling of Alisoft Export Edition.

Revenue from our China marketplace increased to RMB215.9 million in the period, an 81.2% increase year-on-year and a 14.0% increase quarter-on-quarter. The growth, both year-on-year and quarter-on-quarter, reflected the increased number of paying members as well as increased average spending per member.

Gross profit increased by 55.5% year-on-year from RMB386.5 million in the same period last year to RMB 601.2 million and by 8.6 % quarter-on-quarter from RMB553.7 million in the fourth quarter of 2007. Our **gross margin** improved to 88.4% in the period from 87.1% in the same period last year and 87.3% in the fourth quarter of 2007.

Total operating expenses were RMB310.5 million in the period, representing a 44.8% increase year-on-year from RMB214.5 million and a 16.1% decrease quarter-on-quarter from RMB 370.0 million. The increase year-on-year was due to the expansion of our operations to support the continued growth of our businesses. The decrease quarter-on-quarter primarily reflected seasonality of marketing activities which are mainly scheduled for the second half of the year.

Profit from operations (which represents profit from operations after deducting share-based compensation expense) in the period was RMB311.9 million, representing an 81.0% increase year-on-year and a 67.1% increase quarter-on-quarter. Our **operating profit margin** increased to 45.9% in the period from 38.8% in the same period last year and from 29.4% in the fourth quarter of 2007. The greater increase year-on-year was due to the growth of our revenue and the benefits of economies of scale as our business expands. The increase quarter-on-quarter represented lower operating expenses incurred as a percentage of revenue, mainly due to the seasonality of marketing expenses.

Profit from operations before share-based compensation expense (non-GAAP) was RMB356.7 million in the period, up 78.1% year-on-year and 42.4% quarter-on-quarter. **Operating margin excluding share-based compensation expense** (non-GAAP) increased to 52.5% in the period from 45.1% in the same period of 2007 and 39.5% in the fourth quarter of 2007 due to the reasons stated above.

During the period, our Company generated **net finance income** of RMB48.5 million, 479.9% higher year-on-year due to higher interest income and 84.6% lower quarter-on-quarter mainly due to the one-off nature of the interest income we received from oversubscriptions during our IPO in the fourth quarter of 2007.

Profit attributable to equity owners was RMB300.7 million in the period. Profit attributable to equity owners improved 111.7% year-on-year and 162.0% quarter-on-quarter, excluding the one-off interest income from our IPO oversubscriptions.

Earnings per share, basic and diluted was 6.47 Hong Kong cents, compared with 2.96 Hong Kong cents in the first quarter of 2007 and 2.48 Hong Kong cents in the fourth quarter of 2007, excluding the interest income from IPO oversubscriptions.

OTHER FINANCIAL INFORMATION

Deferred revenue and customer advances was RMB1,913.6 million as of March 31, 2008, compared with RMB1,480.6 million as of March 31, 2007 and RMB1,919.8 million as of December 31, 2007. The slight decrease quarter-on-quarter was mainly due to the slower growth of Gold Supplier sales which reflected the impact of seasonality in customer acquisition, the serious nationwide snow storms in February as well as our sales team restructuring during the period.

Recurring free cash flow (non-GAAP) in the period was RMB273.4million, representing a 10.9% decrease year-on-year and a 44.9% decrease quarter-on-quarter. The decrease year-on-year was mainly due to payment of higher corporate income tax in the first quarter of 2008. The decrease quarter-on-quarter was mainly due to slower growth of Gold Supplier members which resulted in lower receipts of prepaid membership fees and to higher payments made including corporate income tax and year-end bonuses.

OUTLOOK

Our results in the first quarter of 2008 reflected the continued achievement of our business development efforts. Looking ahead, the restructuring of our sales team will continue to go through an adjustment period in the second quarter. The slowing US economy will continue to pose challenges to the global trading environment, but we believe we are well prepared to mitigate the potential effects by continuous development of our China marketplace as well as focusing on industries and regions less likely to be affected. We believe that with our management focus on rolling out these new initiatives, we are well positioned to meet the challenges ahead and will continue to deliver good results.

REVIEW OF INTERIM FINANCIAL INFORMATION

Our results for the first quarter ended March 31, 2008 were reviewed by our audit committee. Our audit committee meets regularly with the management, the external auditors and the internal audit personnel to discuss the accounting principles and practices adopted by Alibaba.com and the internal control and financial reporting matters.

As at the date of this announcement, the composition of our board is as follows:

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

Non-executive Directors

TSAI Chung, Joseph

TSUEI, Andrew Tien Yuan

TSOU Kai-Lien, Rose

OKADA, Satoshi

Independent Non-executive Directors

LONG Yong Tu

NIU Gen Sheng

KWAUK Teh Ming, Walter

On behalf of the Board
Wei Zhe, David
Chief Executive Officer
and Executive Director

Hong Kong, May 6, 2008

A copy of this announcement can be obtained from our website at <http://ir.alibaba.com>