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**Alibaba.com Announces Q4 2011 and FY 2011 Results**

**Highlights**

* ***Total Revenue:*** *Alibaba.com saw 15.5 percent growth in total revenue in 2011, despite a decline in paid memberships, due to an increase in sales of value-added services (VAS) and a more balanced revenue mix. Total revenue grew from RMB5.56 billion [USD862.4 million] to* RMB6.42 billion *[USD995.7 million], year-on-year. However, deferred revenue was basically flat year-over-year, reflecting a previously announced deceleration in growth of subscriptions.*
* ***User Growth:*** *2011 added 14.5 million new registered users and more than 1.4 million storefronts on Alibaba.com’s international and China marketplaces. As of December 31, 2011, the Company’s marketplaces had a total of 76.3 million registered users, 10.0 million storefronts and 765,363 paying members. Continued efforts in improving the platforms’ user experience have led to a broader user base.*
* ***EBITA & EPS:*** *Driven by revenue growth in VAS and effective cost control, EBITA improved by 21.9 percent year-on-year and basic earnings per share increased 22.8 percent to HKD41 cents.*

**HONG KONG, February 21, 2012** **–** Alibaba.com Limited (HKSE: 1688) (1688.HK), the world’s leading small business e-commerce company, today announced financial results for the final quarter (unaudited) and year ending December 31, 2011 as the Company continues to focus on improving user experience on its platforms. Amidst a sluggish global economic climate in 2011, Alibaba.com saw total revenue growth of 15.5 percent for the year despite a decline in paid membership base on its platforms. However, deferred revenue was basically flat year-over-year, reflecting a previously announced deceleration in growth of subscriptions.

Not surprisingly, overseas buyers have become less active as evidenced by a decline in China’s export growth rate in the third quarter last year. The Euro zone crisis continues to unfold and the U.S. economy shows receding evidence of recovery; factors that restrained consumption in 2011 and negatively impacted emerging economies and developing nations.

In addition, small- and medium-sized enterprises (SMEs), Alibaba.com’s primary membership base, struggled with surging production costs, increasing labor costs, more intense competition as well as currency fluctuation. Despite a slow growth rate in exports in some markets, SMEs are remaining competitive by increasing their resilience and managing their risks, such as turning to e-commerce through sites like Alibaba.com. As such, the Company remains confident in the long-term future of its business.

**Q4 2011 and FY 2011 Financial and Operational Highlights**

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| **FINANCIAL HIGHLIGHTS** | **Q4 2010**  **RMB million** | **Q4 2011 RMB million** | **Change** | **FY 2010 RMB million** | **FY 2011**  **RMB million** | **Change** |
|  |  |  |  |  |  |  |
| **Revenue** | **1,521.5** | **1,659.0** | **+9.0%** | **5,557.6** | **6,416.9** | **+15.5%** |
| **Earnings before interest, taxes and amortization (“EBITA”)** | **398.4** | **528.9** | **+32.7%** | **1,587.3** | **1,935.4** | **+21.9%** |
| **Profit attributable to equity owners** | **410.4** | **385.9** | **-6.0%** | **1,469.5** | **1,712.7** | **+16.6%** |
| **Share-based compensation expense** | **101.9** | **67.1** | **-34.2%** | **341.0** | **336.1** | **-1.4%** |
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| **Deferred revenue and customer advances** | **4,434.4** | **4,423.1** | **-0.3%** | **4,434.4** | **4,423.1** | **-0.3%** |
| **Recurring free cash flow** | **1,187.2** | **957.7** | **-19.3%** | **2,840.8** | **1,981.1** | **-30.3%** |
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| **Earnings per share** |  |  |  |  |  |  |
| **Basic (HKD) Diluted (HKD)** | **9.5 cents**  **9.4 cents** | **9.4 cents**  **9.4 cents** | **-1.1%**  **-** | **33.4 cents**  **33.2 cents** | **41.0 cents**  **40.7 cents** | **+22.8%**  **+22.6%** |
| *Note 1: Includes 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.* | | | | | | |

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| **OPERATIONAL HIGHLIGHTS** | **Q3 2011** | **Q4 2011** | **Q4 change** | **Q4 2011 Net adds** | **FY 2010** | **FY 2011** | **FY 2011 change** | **FY 2011 Net adds** |
|  |  |  |  |  |  |  |  |  |
| **Registered users** | **72,777,255** | ***76,332,163*** | **+4.9%** | **+3,554,908** | ***61,801,281*** | ***76,332,163*** | ***+23.5%*** | **+14,503,882** |
| *International marketplace* | 23,751,148 | *25,517,089* | +7.4% | +1,765,941 | *18,024,993* | *25,517,089* | *+41.6%* | +7,492,096 |
| *China marketplace* | 49,026,107 | *50,815,074* | +3.6% | +1,788,967 | *43,776,288* | *50,815,074* | *+16.1%* | +7,038,786 |
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| **Storefronts** | **9,557,596** | ***10,023,832*** | **+4.9%** | **+466,236** | ***8,544,544*** | ***10,023,832*** | ***+17.3%*** | **+1,479,288** |
| *International marketplace* | 1,973,129 | *2,235,416* | +13.3% | +262,287 | *1,696,905* | *2,235,416* | *+31.7%* | +538,511 |
| *China marketplace* | 7,584,467 | *7,788,416* | +2.7% | +203,949 | *6,847,639* | *7,788,416* | *+13.7%* | +940,777 |
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| **Paying members** *(Note 1)* | **787,653** | ***765,363*** | **-2.8%** | **-22,290** | ***809,362*** | ***765,363*** | ***-5.4%*** | **-43,999** |
| *China Gold Supplier* | 107,177 | *99,005* | -7.6% | -8,172 | *121,274* | *99,005* | *-18.4%* | -22,269 |
| *Global Gold Supplier* | 8,285 | *7,558* | -8.8% | -727 | *10,434* | *7,558* | *-27.6%* | -2,876 |
| *China TrustPass* | 672,191 | *658,800* | -2.0% | -13,391 | *677,654* | *658,800* | *-2.8%* | -18,854 |

“We are pleased with the progress we are making regarding our commitment to upgrade supplier quality and buyer experience on our platforms, but are conscious, as we have noted before, that this work will take time and additional investment in order to be completed,” said Jonathan Lu, CEO of Alibaba.com. “We cautiously head into 2012 as the outlook for the global economy remains murky. We are convinced that the way to weather these economic uncertainties is to stay focused on putting our customers first, and to ensure suppliers on our platform reap the benefits that e-commerce brings. We will continue to build upon our efforts to deliver ever-increasing value to our customers.”

Around the world, SMEs are aware of the power of e-commerce and are increasingly moving their businesses from offline to online. The flexibility and efficiency gained from using e-commerce allows for their businesses to be stronger and more competitive to counter negative forces in a challenging global environment.

Critical to Alibaba.com’s revenue growth in 2011 was the increasing demand by SMEs for online sales and marketing services. Small businesses usually prefer variable, performance-based services in order to maximize their return on investment for their marketing dollars. E-commerce is becoming an indispensable tool for small businesses to further develop, and as such, performance-driven services and online transactions will become an obvious direction for the Company’s future product and service development.

**Product Development**

Alibaba.com made significant advancements in enhancing user quality in 2011. Product development expenses accounted for RMB784.7 million [USD121.8 million] in 2011 representing a 35.2 percent increase over 2010. The measures launched helped combat fraud, strengthen the authenticity of user information and improve the trust and safety measures to enhance the user experience on the e-commerce platforms. In addition, the Company mobilized more resources to develop performance-based and transaction-based services to expedite its business model upgrade. As a result of the changes in 2011, product development expenses, as a percentage of revenue, increased to 12.2 percent in 2011, as compared with 10.4 percent in 2010.

**Outlook**

Despite the challenging economic background expected for 2012, such as the lingering sovereign debt in the Euro zone and manufacturing slow down in China, Alibaba.com will continue to implement its strategies set for the Company’s evolution. The Company will continue to invest in new businesses such as AliExpress, Liang Wu Xian and performance-based services where they envision future potential for growth.

Alibaba.com will also continue to enhance the quality of users on its e-commerce platforms. The Company upholds its commitment to high standards on trust and safety and improving the user experience. These principles will essentially contribute to growth in website traffic and online activities thereby leading to a more balanced, multi-revenue stream model in the long run. The near term will rely less on membership growth.

Overall, Alibaba.com will concentrate on developing the quality of its platforms and new businesses associated with business model upgrades, which will take time and require continuous investment. Although these may adversely affect membership growth, financial performance and limit earnings visibility in the near term, the Company remains confident that the shift away from aggressive membership acquisition to focus on strengthening buyer’s trust will benefit customers and its long-term business growth.

**2011 Financial and Operational Results**

***Paying Members and Revenue***

Alibaba.com made significant progress in enhancing supplier and user quality in 2011. During the year, the Company stepped up efforts to combat fraud, strengthen the authenticity of user information and improve trust and safety measures. Although its efforts expectedly slowed membership growth, it saw material improvement with increased traffic and reduced disputes on both the international and China marketplaces. In 2011, the Company added 14.5 million registered users and more than 1.4 million storefronts on the two marketplaces. As of December 31, 2011, they had a total of 76.3 million registered users, 10.0 million storefronts and 765,363 paying members.

In addition to enhancing performance-based and transaction-based services the Company streamlined its service offerings and made value propositions clearer to its users. Although new business lines associated with these initiatives are still in their early stage and require continued investment, the Company is pleased with their growth momentum.

In 2011, Alibaba.com saw solid revenue growth despite a decline in membership base. Total GAAP revenue grew by 15.5 percent year-over-year to RMB6.42 billion [USD995.7 million]. Profit attributable to equity owners grew 16.6 percent year-over-year to RMB1.71 billion [USD264.8 million]. Alibaba.com strongly believes that attracting higher-quality traffic will drive usage of performance-driven VAS and online transactions, resulting in a more balanced revenue mix in the long run.

***International Marketplace***

In 2011, the number of registered users on the Company’s international marketplace increased by 41.6 percent year-over-year, reaching 25.5 million as of December 31, 2011. The number of storefronts grew by 31.7 percent to 2.2 million. Revenue for the international marketplace also grew by 15.9 percent year-on-year.

The Company’s strategy to improve the quality of suppliers on their platforms is paying off. For example, the number of fraud complaints lodged against paying members in December 2011 was down approximately 70 percent compared with December 2010. Also, the increased user base contributed to increasing user traffic and buyer activities. In December, overseas daily average traffic in terms of unique visitors saw year-on-year growth of 58 percent.

*China Gold Supplier*

In 2011, Alibaba.com intentionally slowed the pace of membership acquisition while boosting the quality of suppliers. As of December 31, 2011, Alibaba.com had 99,005 China Gold Supplier members, representing an 18.4 percent reduction in the membership base from December 31, 2010.

In the fourth quarter, Alibaba.com continued to see a sequential decline of 7.6 percent in China Gold Supplier memberships. This decline was expected as our strategy shifted away from aggressive customer acquisition, and also partially due to the ongoing tightening of quality control of suppliers, and the higher membership fee of RMB29,800 [USD4,624] which applied to all renewing members beginning in the fourth quarter of 2011. The renewal rate in the fourth quarter was slightly lower compared with previous quarters.

The ongoing development of VAS remained on track in 2011. Growth in VAS revenue contribution and VAS penetration continued, contributing to around 30 percent of the year’s China Gold Supplier revenue. Among the various VAS offerings, marketing-related VAS, including keyword and showroom, were still the major drivers of VAS revenue.

In the first quarter of 2011, Alibaba.com introduced Ali-ADvance, a “pay-for-performance” model for keyword search in addition to the existing fixed-fee keyword model. During the year, the adoption and usage of Ali-ADvance gained steadily.

*Global Gold Supplier and overseas expansion*

As of December 31, 2011, Alibaba.com had a total of 7,558 Global Gold Supplier members, representing a 27.6 percent decrease year-on-year and an 8.8 percent decrease quarter-on-quarter.

In 2011, the Company focused on a few select countries, including India, Japan, South Korea and Turkey as part of its business expansion. Alibaba.com also reviewed overall strategy, business models and operation plans for other overseas markets to better prepare cost-effective processes for its expansion to the extensive supplier base outside the Great China region. Going forward, Alibaba.com remains focused on growing overseas traffic along with its continued measures to strengthen trust and safety and enhance the user experience.

*AliExpress*

Overall, the growth momentum of AliExpress remained strong in 2011. Alibaba.com achieved significant progress in AliExpress on all fronts including supplier base, buyer traffic, user experience and transaction volume. A smaller than anticipated impact temporarily affected GMV growth in the third quarter due to the August termination of PayPal as a payment option on AliExpress.

During the year, efforts remained on the business fundamentals: ensuring supplier and product quality, enhancing transaction security, improving logistics and enhancing online payment convenience. Alibaba.com launched a fulfillment service to reduce the cost of international shipment. Trust and safety levels of AliExpress were also strengthened by tightening controls on counterfeit products and enhancing buyer protection by providing payment protection and a refund program. In addition, Alibaba.com continued to streamline the online-payment process on AliExpress. These efforts started to bear fruit as the number of disputes over product and supplier quality trended down while the payment success rate was satisfactory in 2011.

In the third quarter, the Company launched the “Assurance Plus” program, not only making the buying experience on AliExpress safer and easier but also raising sellers’ trustworthiness. The “Assurance Plus” status is available only to qualified suppliers able to meet the requirements for rapid order dispatch, accurate product descriptions and free return shipping in cases where buyers are dissatisfied with product quality. The “Assurance Plus” logo is clearly shown on storefronts of qualified suppliers.

In 2012, Alibaba.com will focus on attracting more quality suppliers, expanding the range of products, streamlining the online payment process and optimizing logistics. For suppliers, plans to shorten the payment collection period in order to reduce working capital requirements and encourage the completion of more transactions entirely online will continue.

*Trust, safety and user experience*

From the supplier’s perspective, Alibaba.com initiated rigorous measures to enhance the level of trust and safety of the Gold Supplier program. In early 2011, the Company set up a special task force to examine the nature of buyers’ complaints and their internal quality systems to address the systemic nature of fraud issues reported in February 2011. The following steps were taken, among others: 1) Prevented risk-prone suppliers from joining the platform; 2) Strengthened predictive methodologies through data monitoring to detect and track high-risk accounts; 3) Strengthened enforcement of take-down policies; 4) Revamped internal sales-incentive schemes and the structure of Alibaba.com’s sales force.

In October 2011, the Company started the roll-out of the “Onsite Check” program, a physical verification process conducted by Alibaba.com personnel representing second-level confirmation that members are in valid existence, in addition to the basic third-party authentication and verification that occurs when a supplier joins Alibaba.com or renews as a paying member. This program yielded a positive response from suppliers, with some requesting onsite inspections before their memberships were due for renewal to highlight their credibility on the platform with the “Onsite Check” logo. Similarly, a paid service for in-depth verification, “Factory Audit,” also gained traction.

From the buyer’s perspective, Alibaba.com has been collecting more user feedback since the second quarter of 2011 to help monitor customer satisfaction and enhance the user experience. To provide more protection for overseas buyers, the Company beta-launched a platform-wide escrow service and introduced an online service allowing buyers to hire third-party inspectors to ensure orders are filled correctly before being shipped from China.

To facilitate online sourcing, Alibaba.com also upgraded its multi-lingual system to present product information in several languages, and added multiple-location search functions allowing buyers to find products and suppliers more easily in targeted locations around the world.

All in all, these features helped attract more buyers and overseas traffic to the international marketplace as indicated by the buoyant growth in registered users and overseas unique visitors.

***China Marketplace***

Alibaba.com’s China marketplace, maintained steady growth in 2011. As of December 31, 2011, it listed 50.8 million registered users and 7.8 million storefronts, representing growth of 16.1 percent and 13.7 percent, respectively, from the previous year. Revenue for the China Marketplace also grew by 17.1 percent, year-on-year. Alibaba.com’s small-business customer base is by far the largest in China, providing a strong foundation for long-term growth as well as a wellspring of market information and buying behavior that are important resources for further development.

However, anticipating that China's export markets would become increasingly challenging and volatile over time, Alibaba.com has allocated more resources to grow its China marketplace in recent years. Today, the China platform offers compelling advantages to suppliers and buyers who focus on China's domestic trade. Therefore, Alibaba.com plays a major role in the development of China's domestic market.

*China TrustPass*

By the end of 2011, the China marketplace had 658,800 China TrustPass members. The number of members declined 2.8 percent year-on-year and 2.0 percent sequentially from the third quarter of 2011. The reduction in members was mainly due to the decision not to sell the China TrustPass individual edition in the second quarter of 2011. The renewal rate, however, has been steady.

In 2011, most of the improvements made to the China marketplace were fundamental yet crucial. Alibaba.com focused on areas such as enhancing user quality and authenticity, growing buyer traffic and improving user experience. To enhance user authenticity on the China marketplace and create a more extensive user database, all China marketplace suppliers were required to register their real names as of September 2011. The China marketplace is also building a dynamic rating and feedback system not only to develop a "trust profile" for users but also to facilitate more online interactivity between buyers and sellers.

In December 2011, the China marketplace kick-started a third-party “Onsite Check” program. This additional check was designed as a new VAS for Chinese domestic suppliers to further enhance their authenticity on the site. Although voluntary, the on-site inspection will attract reasonable user interest as the business environment becomes more competitive and individual suppliers seek ways to highlight their credibility and quality.

On the VAS front, growth was gradual and modest over 2011. VAS sales contributed around 25 percent of total China TrustPass revenue in 2011. Marketing-related VAS such as Ali-ADvance and Premium Placement continued to be the main sources of VAS revenue.

*1688.com*

To enhance the user experience, the Company overhauled the website structure and layout of 1688.com and added more transaction features to make it more buyer-oriented and user-friendly. For some sectors like apparel, home decorations and small consumer items, 1688.com now provides exclusive channels with transaction features. In the third quarter, 1688.com added features targeted at bringing large wholesale transactions online. This helped reinforce 1688.com’s positioning as the online wholesale platform for Chinese domestic suppliers and buyers. The GMV of online transactions on 1688.com gathered pace throughout 2011.

Alibaba.com platforms will continue to enhance the user experience by improving website navigation, design and search mechanisms as well as customizing the process of placing orders and paying online. In 2012, more third-party applications will gradually be introduced along with services to further address user needs and increase loyalty to the platform.

*Liang Wu Xian*

In January 2011, the Company embarked on a new initiative, Wu Ming Liang Pin, initially designed as a B2C transaction platform. Its business model and value proposition have since been reviewed and modified, and renamed Liang Wu Xian in August.

Liang Wu Xian has been repositioned as a supply chain service for Chinese manufacturers involving four key areas: 1) quality control of manufacturers and products, 2) product quality certification, 3) logistics and inventory management and, 4) distribution channels management. Along this supply chain, Lian Wu Xian partners with independent experts and operators in different areas to leverage their skills and knowledge, and aims to create the greatest supply-chain efficiency.

The value proposition of Liang Wu Xian has advanced beyond that of a pure transaction platform. Instead, this is an Internet-enabled supply chain service. With the Company’s strong capability in e-commerce and understanding small business needs, it is able to operate the supply chain service in efficient and cost-saving ways.

In 2012, the Company is focused on developing and investing in the aforementioned four areas rather than on monetization. Trial monetization began in 2011 and the monetization model that best fits our service will further be explored. As more well-established manufacturers turn to the domestic consumer market, they will need assistance in managing regional supply chains. The Company believes Liang Wu Xian is uniquely positioned to meet the rising demand for supply chain services.

***HiChina***

In 2011, HiChina’s membership and its revenue steadily grew year-on-year. HiChina’s core businesses such as domain-name services remained strong in 2011. New cloud-related services, such as cloud hosting and cloud email, also progressed well. The revenue contributions from these cloud-related services increased significantly in 2011.

In September 2011, Alibaba.com announced the proposed spin-off and separate listing of HiChina. In 2012, HiChina’s focus on driving the growth of core businesses and new cloud-related services will remain unchanged.

***Financial Results***

Despite the challenges in the global economy, Alibaba.com continued to report solid financial performance in 2011.

**Total GAAP revenue**: Alibaba.com saw a solid 15.5 percent revenue growth in 2011, despite a decline in paid memberships, due to the satisfactory increase in sales of VAS and a more balanced revenue mix. Revenue grew from RMB5.56 billion [USD862.4 million] to RMB6.42 billion [USD995.7 million], year-on-year.

* **International marketplace**: Revenue from Alibaba.com’s international marketplace was RMB3.75 billion [USD582.3 million] in 2011, representing a 15.9 percent increase from RMB3.24 billion [USD502.5 million] in 2010, primarily due to the increase in revenue from sales of VAS, like Ali-ADvance and Product Showcase. Revenue from AliExpress also increased significantly because 2011 was the first-full year operation of the platform and the transaction volume continued to gain traction. Contributions from Vendio and Auctiva also increased in 2011, being the first full-year the two subsidiaries were consolidated.
* **China marketplace**: Revenue from the China marketplace was RMB2.22 billion [USD344.1 million] in 2011, representing a 17.1 percent increase from RMB1.89 billion [USD293.9 million] in 2010. The growth was largely attributable to the increase in revenue from Ali-ADvance and Premium Placement.
* **Other revenue**: Other revenue, which mainly represents revenue from HiChina was RMB446.9 million [USD69.3 million] in 2011, a 5.0 percent increase from RMB425.4 million [USD66.0 million] in 2010.

**Gross profit**: Gross profit increased to RMB5.16 billion [USD800.2 million] in 2011, up 11.5 percent from RMB4.63 billion [USD717.9 million] in 2010. Gross profit margin declined to 80.4 percent in 2011, as compared with 83.2 percent in 2010. The decline was primarily a result of the higher cost of revenue due to higher traffic acquisition costs as a percentage of revenue and the higher revenue contribution by AliExpress, Vendio and Auctiva, which have relatively lower gross profit margins.

**Earnings before interest, taxes and amortization (“EBITA”) (non-GAAP)**: EBITA was RMB1.94 billion [USD300.3 million] for the year, an increase from RMB1.59 billion [USD246.3 million] in 2010. Despite a lower gross profit margin, EBITA margin before share-based compensation expense (non-GAAP) slightly increased to 35.4 percent in 2011 as we enjoyed a higher exchange gain and lower operating expense as a percentage of revenue in 2011.

**Profit attributable to equity owners**: Alibaba.com recorded a profit attributable to equity owners of RMB1.71 billion [USD265.8 million] in 2011, representing a 16.6 percent increase from RMB1.47 billion [USD228.1 million] in 2010. The increase was a result of the growth in revenue driven by increased sales of VAS and contributions from the Company’s new businesses.

**Earnings per share (“EPS”)**: EPS, basic and diluted, were 41.0 Hong Kong cents and 40.7 Hong Kong cents, respectively, in 2011, compared with 33.4 Hong Kong cents and 33.2 Hong Kong cents, for basic and diluted, respectively, in 2010. Diluted EPS before share-based compensation expense (non-GAAP) was 48.7 Hong Kong cents in 2011, compared with 40.9 Hong Kong cents in 2010.

**Recurring free cash flow (non-GAAP)**: Recurring free cash flow, which represents net cash flow generated from operating activities (as presented in the consolidated cash flow statement) less purchase of property and equipment and excludes non-recurring capital expenditure, such as payment for the construction of Alibaba.com’s Binjiang campus and other one-off items, was RMB1.98 billion [USD307.4 million] in 2011, representing a 30.3 percent decrease from RMB2.84 billion [USD440.8 million] 2010. The decrease in recurring free cash flow was mainly due to the decrease in the cash flow generated from operating activities due to the decrease in paid membership.

**Cash position**:Alibaba.com reports strong cash position of RMB11.7 billion [USD1.81 billion] as of December 31, 2011.

*(Exchange rate used in calculations USD1.00 = RMB6.4445)*

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**About Alibaba.com Limited**

Alibaba.com (HKSE: 1688) (1688.HK) is the global leader in e-commerce for small businesses and the flagship company of Alibaba Group. Founded in 1999 in Hangzhou, China, Alibaba.com makes it easy for millions of buyers and suppliers around the world to do business online mainly through three marketplaces: a global trade platform ([www.alibaba.com](http://www.alibaba.com)) for importers and exporters; a Chinese platform ([www.1688.com](http://www.1688.com)) for domestic trade in China; and a transaction-based wholesale platform on the global site ([www.aliexpress.com](http://www.aliexpress.com)) geared for smaller buyers seeking fast shipment of small quantities of goods. Together, these marketplaces form a community of more than 76.3 million registered users in more than 240 countries and regions. As part of its strategy to transition into a holistic platform where small companies can build and manage their online business more easily, Alibaba.com also offers Chinese traders a wide array of business management software, Internet infrastructure services and export-related services directly or through companies it has acquired including HiChina and One-Touch, as well as educational services to incubate enterprise management and e-commerce professionals. Alibaba.com also owns Vendio and Auctiva, leading providers of third-party e-commerce solutions for online merchants. Alibaba.com has offices in more than 70 cities across Greater China, India, Japan, Korea, Europe and the United States.

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| **For investor inquiries please contact:**  Lindy Lau Tel: +852 2215 5215 [lindylau@hk.alibaba-inc.com](mailto:lindylau@hk.alibaba-inc.com) | **For media inquiries please contact:**  Julie Huang-Tsang  Tel: +852 2215 5206 [juliehuangtsang@hk.alibaba-inc.com](mailto:juliehuangtsang@hk.alibaba-inc.com) |

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**SUPPLEMENTARY FINANCIAL INFORMATION**

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|  |  |  |  |  |  | |  |
|  |  | **Q4 2010** | **Q4 2011** |  | **Q3 2011** | **Q4 2011** |  |
|  |  | **RMB’000** | **RMB’000** |  | **RMB’000** | **RMB’000** |  |
|  |  |  |  |  |  |  |  |
| **Revenue** |  |  |  |  |  |  |  |
| International marketplace | | 881,103 | 945,643 |  | 947,470 | 945,643 |  |
| China marketplace |  | 524,847 | 589,142 |  | 560,741 | 589,142 |  |
| Others |  | 115,521 | 124,170 |  | 94,227 | 124,170 |  |
|  |  |  |  |  |  |  |  |
| **Total revenue** |  | **1,521,471** | **1,658,955** |  | **1,602,438** | **1,658,955** |  |
|  |  |  |  |  |  |  |  |
| Cost of revenue |  | (267,401) | (359,245) |  | (304,652) | (359,245) |  |
|  |  |  |  |  |  |  |  |
| **Gross profit** |  | **1,254,070** | **1,299,710** |  | **1,297,786** | **1,299,710** |  |
|  |  |  |  |  |  |  |  |
| Sales and marketing expenses | | (560,019) | (522,936) |  | (529,780) | (522,936) |  |
|  |  |  |  |  |  |  |  |
| Product development expenses | | (170,269) | (218,828) |  | (208,246) | (218,828) |  |
|  |  |  |  |  |  |  |  |
| General and administrative expenses | | (177,878) | (115,297) |  | (198,453) | (115,297) |  |
|  |  |  |  |  |  |  |  |
| Other operating income, net | | 31,133 | 61,151 |  | 8,700 | 61,151 |  |
|  |  |  |  |  |  |  |  |
| **Profit from operations** |  | **377,037** | **503,800** |  | **370,007** | **503,800** |  |
|  |  |  |  |  |  |  |  |
| Finance income, net |  | 51,779 | 83,975 |  | 94,044 | 83,975 |  |
|  |  |  |  |  |  |  |  |
| Share of (losses)/profits of associated companies and jointly controlled entities, net of tax | | (937) | 1,591 |  | 249 | 1,591 |  |
|  |  |  |  |  |  |  |  |
| **Profit before income taxes** | | **427,879** | **589,366** |  | **464,300** | **589,366** |  |
|  |  |  |  |  |  |  |  |
| Income tax charges |  | (16,635) | (201,859) |  | (58,915) | (201,859) |  |
|  |  |  |  |  |  |  |  |
| **Profit for the period** | | **411,244** | **387,507** |  | **405,385** | **387,507** |  |
|  | |  |  |  |  |  |  |
| **Other comprehensive income/(expense)** | |  |  |  |  |  |  |
| Net fair value gains/(losses) on available-for-sale investments | | 5,080 | 8,180 |  | (940) | 8,180 |  |
| Release of investment revaluation reserve upon disposal of available-for-sale investments | | - | (7,500) |  | - | (7,500) |  |
| Currency translation differences | | (8,833) | (5,038) |  | (14,810) | (5,038) |  |
|  | |  |  |  |  |  |  |
| **Total comprehensive income for the period** | | **407,491** | **383,149** |  | **389,635** | **383,149** |  |
|  | |  |  |  |  |  |  |
| **Profit/(Loss) attributable to** | |  |  |  |  |  |  |
| Equity owners of our Company | | 410,440 | 385,947 |  | 409,680 | 385,947 |  |
| Non-controlling interests |  | 804 | 1,560 |  | (4,295) | 1,560 |  |
|  |  |  |  |  |  |  |  |
| **Profit for the period** |  | **411,244** | **387,507** |  | **405,385** | **387,507** |  |
|  |  |  |  |  |  |  |  |
| **Total comprehensive income/(expense) attributable to** | |  |  |  |  |  |  |
| Equity owners of our Company | | 406,687 | 381,589 |  | 393,930 | 381,589 |  |
| Non-controlling interests |  | 804 | 1,560 |  | (4,295) | 1,560 |  |
|  |  |  |  |  |  |  |  |
| **Total comprehensive income for the period** | | **407,491** | **383,149** |  | **389,635** | **383,149** |  |
|  |  |  |  |  |  |  |  |
| **Dividend per share** |  |  |  |  |  |  |  |
| Special cash dividend (HK$) | | **22.0 cents** | **-** |  | **-** | **-** |  |
|  | |  |  |  |  |  |  |
| **Earnings per share, basic (RMB)** | | **8.1 cents** | **7.7 cents** |  | **8.1 cents** | **7.7 cents** |  |
|  |  |  |  |  |  |  |  |
| **Earnings per share, diluted (RMB)** | | **8.1 cents** | **7.7 cents** |  | **8.1 cents** | **7.7 cents** |  |
|  |  |  |  |  |  |  |  |
| **Earnings per share, basic (HK$)** *(Note 2)* | | **9.5 cents** | **9.4 cents** |  | **9.8 cents** | **9.4 cents** |  |
|  |  |  |  |  |  |  |  |
| **Earnings per share, diluted (HK$)** *(Note 2)* | | **9.4 cents** | **9.4 cents** |  | **9.8 cents** | **9.4 cents** |  |

*Note 2: The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8235 and RMB0.8153 to HK$1.0000 for the third and fourth quarter of 2011 respectively (fourth quarter of 2010: RMB0.8580 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 rate or at all.*

**SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | **Q4 2010** | **Q4 2011** |  | **Q3 2011** | **Q4 2011** |
|  | **RMB’000** | **RMB’000** |  | **RMB’000** | **RMB’000** |
|  |  |  |  |  |  |
| **Revenue** |  |  |  |  |  |
|  |  |  |  |  |  |
| **International marketplace** |  |  |  |  |  |
| China Gold Supplier | 856,820 | 916,991 |  | 918,591 | 916,991 |
| Global Gold Supplier | 24,283 | 28,652 |  | 28,879 | 28,652 |
|  |  |  |  |  |  |
|  | **881,103** | **945,643** |  | **947,470** | **945,643** |
|  |  |  |  |  |  |
| **China marketplace** |  |  |  |  |  |
| China TrustPass | 505,841 | 515,513 |  | 512,133 | 515,513 |
| Other revenue *(Note 3)* | 19,006 | 73,629 |  | 48,608 | 73,629 |
|  |  |  |  |  |  |
|  | **524,847** | **589,142** |  | **560,741** | **589,142** |
|  |  |  |  |  |  |
| **Others** *(Note 4)* | **115,521** | **124,170** |  | **94,227** | **124,170** |
|  |  |  |  |  |  |
| **Total** | **1,521,471** | **1,658,955** |  | **1,602,438** | **1,658,955** |
|  |  |  |  |  |  |
| **Recurring free cash flow (Non-GAAP)** |  |  |  |  |  |
|  |  |  |  |  |  |
| Net cash generated from operating activities | 1,212,532 | 1,081,357 |  | 423,306 | 1,081,357 |
|  |  |  |  |  |  |
| Purchase of property and equipment, excluding lease prepayments and construction costs of corporate campus project | (25,305) | (31,156) |  | (9,919) | (31,156) |
|  |  |  |  |  |  |
| Others | - | (92,501) |  | - | (92,501) |
|  |  |  |  |  |  |
| **Total** | **1,187,227** | **957,700** |  | **413,387** | **957,700** |
|  |  |  |  |  |  |
| **Share-based compensation expense** | **101,939** | **67,115** |  | **93,179** | **67,115** |
|  |  |  |  |  |  |
| **Amortization of intangible assets and lease prepayment** | **11,744** | **14,813** |  | **14,822** | **14,813** |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | **As of**  **December 31, 2010** | **As of**  **December 31, 2011** |  | **As of**  **September 30, 2011** | **As of December 31, 2011** |
|  | **RMB’000** | **RMB’000** |  | **RMB’000** | **RMB’000** |
|  |  |  |  |  |  |
| **Cash and bank balances** | **9,583,533** | **11,651,611** |  | **10,513,982** | **11,651,611** |
|  |  |  |  |  |  |
| **Deferred revenue and customer advances** | **4,434,387** | **4,423,131** |  | **4,141,660** | **4,423,131** |
|  |  |  |  |  |  |

*Note 3: Other revenue earned with respect to Alibaba.com’s China marketplace mainly represents advertising fees paid by third-party advertisers and service fees charged to Alibaba.com suppliers for supply chain management services that Alibaba.com provided.*

*Note 4: Other revenue mainly represents revenue earned from the sale of Internet infrastructure and application services and certain software products.*