



Alibaba.com Reports Net Profit¹ of RMB339.2 million in Q1 2012

Continuous platform enhancements increase overall quality of the website

HONG KONG, April 23, 2012 – Alibaba.com Limited (HKSE: 1688) (1688.HK), the world's leading small business e-commerce company, today announced unaudited financial results for the quarter ended March 31, 2012. In the first quarter, Alibaba.com stepped up its efforts to upgrade the trustworthiness of suppliers and enhance the user experience. Although Alibaba.com reported a profit of RMB339.2 million (USD53.8 million), its financial growth slowed compared with previous years as a result of business model upgrades and the strategic shift in focus to the quality of the marketplace and buyer experience.

Q1 2012 Financial and Operational Highlights

FINANCIAL HIGHLIGHTS (UNAUDITED)	Q1 2011 RMB million	Q1 2012 RMB million	YoY Change	Q4 2011 RMB million	QoQ Change
Revenue	1,531.7	1,589.1	+3.7%	1,659.0	-4.2%
Earnings before interest, taxes and amortization ("EBITA")	509.8	374.8	-26.5%	529.0	-29.1%
Profit attributable to equity owners	452.5	339.2	-25.0%	385.9	-12.1%
Share-based compensation expense	85.2	65.5	-23.1%	67.1	-2.4%
Deferred revenue and customer advances	4,210.2	4,285.3	+1.8%	4,423.1	-3.1%
Recurring free cash flow	158.6	19.2	-87.9%	957.7	-98.0%
EBITA margin (before share-based compensation) (%)	38.8%	27.7%	-11.1% pts	35.9%	-8.2%pts
Earnings per share, basic (HK\$) (Notes 1 & 3)	10.6 cents	8.4 cents	-20.8%	9.4 cents	-10.6%
Earnings per share, diluted (HK\$) (Notes 1 & 3)	10.5 cents	8.4 cents	-20.0%	9.4 cents	-10.6%

OPERATIONAL HIGHLIGHTS	March 31, 2011	March 31, 2012	YoY Change	December 31, 2011	QoQ Change	Q1 2012 Net change
Registered users	65,034,254	79,786,659	+22.7%	76,332,163	+4.5%	3,454,496
International marketplace	19,723,404	27,341,926	+38.6%	25,517,089	+7.2%	1,824,837
China marketplace	45,310,850	52,444,733	+15.7%	50,815,074	+3.2%	1,629,659
Storefronts	8,847,072	10,314,802	+16.6%	10,023,832	+2.9%	290,970
International marketplace	1,777,292	2,354,756	+32.5%	2,235,416	+5.3%	119,340
China marketplace	7,069,780	7,960,046	+12.6%	7,788,416	+2.2%	171,630
Paying members (Note 2)	832,469	753,955	-9.4%	765,363	-1.5%	-11,408
China Gold Supplier	116,454	87,544	-24.8%	99,005	-11.6%	-11,461
Global Gold Supplier	9,549	7,641	-20.0%	7,558	+1.1%	83
China TrustPass	706,466	658,770	-6.8%	658,800	+0.0%	-30

Note 1:

The weighted average number of ordinary shares in issue during the first quarter of 2012 for the calculation of basic earnings per share is 5,000,319,000 (first and fourth quarter of 2011: 5,048,138,000 and 4,996,890,000 respectively). The weighted average number of ordinary shares in issue during the first quarter of 2012 for the calculation of diluted earnings per share is 5,027,395,000 (first and fourth quarter of 2011: 5,079,821,000 and 5,012,284,000, respectively).

¹ Excludes profit attributable to non-controlling interests.

Note 2:

Includes paying members with active storefront listings on international and China marketplaces as well as paying members who have paid membership package subscription fees but whose storefronts have not been activated.

Note 3:

The translation of Renminbi amounts into Hong Kong dollars has been made at the rate of RMB0.8129 to HK\$1.0000 for the first quarter of 2012 (first and fourth quarter of 2011: RMB0.8455 and RMB0.8153 to HK\$1.0000 respectively). Alibaba.com make no representation 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.

“In the first quarter, we remained focused on our goal of providing exceptional buyer and seller experiences by enhancing the quality and depth of product and company information available on our platforms,” said Jonathan Lu, CEO and Executive Director of Alibaba.com. “As expected, our continuing investment in upgrading our business model and our higher membership standards for suppliers has negatively impacted our financial performance. Nonetheless we strongly believe that information quality and member quality are fundamental for our success and business model upgrading will further benefit both customer and our business in the future. We are positive that these efforts will ultimately benefit our SME customers.”

Outlook

Looking ahead, Alibaba.com is dedicated to carrying out a complete transformation and upgrade of its business model. Alibaba.com remains focused on developing the quality of its platforms and new businesses associated with business model upgrades. In particular, Alibaba.com has shifted away from aggressive membership acquisition to concentrate on providing a higher quality user experience. Alibaba.com will continue to invest in new businesses, performance-based and transaction-based services where it expects to realize the upside potential in the longer term. These initiatives may continue to adversely affect its revenue growth and limit earnings visibility for the foreseeable future, but Alibaba.com believes that these initiatives will help it deliver long-term value for its customers.

2012 Q1 Financial and Operational Results

Paying members and revenue

As of the end of March, Alibaba.com had 753,955 paying members on its international and China marketplaces, representing a 1.5 percent decrease from the end of 2011. The decline was a result of its refocus to enhance information quality and member quality instead of boosting the number of paying numbers.

Total revenue for the period was RMB1,589.1 million (USD252.2 million), a 3.7 percent increase year-on-year and 4.2 percent decrease quarter-on-quarter. The slight increase year-on-year was due to the increase in non-membership revenue, partially offset by the decrease in membership revenue. The quarter-on-quarter decrease was due to the drop in in-service customers and the seasonality effect on non-membership revenue due to the Chinese New Year holidays.

Business highlights and review

During the first quarter of 2012, Alibaba.com added 3.5 million registered users and more than 290,000 storefronts in both the international and China marketplaces. Alibaba.com's perseverance in focusing on enhancing the fundamentals and quality of the platform led to continued improvement in user traffic and reduced disputes in both marketplaces. As of March 31, 2012, Alibaba.com had a total of 79.8 million registered users, 10.3 million storefronts and 753,955 paying members (compared with 76.3 million registered users, 10.0 million storefronts and 765,363 paying members as of December 31, 2011).

International marketplace

In the first quarter of 2012, the number of registered users on its international marketplace increased by 7.2 percent to 27.3 million and the number of storefronts grew by 5.3 percent to 2.4 million as of March 31. Alibaba.com's measures to improve buyer experience and supplier quality continued to reinforce growth in its user base, which, in turn, contributed to increasing user traffic and buyer activities on its marketplace. In March, Alibaba.com's overseas daily average traffic in terms of unique visitors saw year-on-year growth of 31 percent.

Gold Supplier

As of March 31, 2012, Alibaba.com had 87,544 China Gold Supplier members, representing a decline of 11,461 members quarter-over-quarter, and 7,641 Global Gold Supplier members. Alibaba.com expected the sequential decline in the China Gold Supplier membership number as it continues to implement its strategy of shifting away from aggressive membership acquisition to focus on strengthening trust and safety, growing overseas traffic and enhancing the user experience.

To help its quality China Gold Supplier members highlight their trustworthiness to buyers, Alibaba.com enhanced the existing paid verification service, Factory Audit, in the first quarter, to encompass a deeper and wider scope of inspection. In addition to providing reports on the production and trading capabilities of suppliers, this upgraded paid service also includes supplier's core product certification and video clips of manufacturing plants showing the production process and their actual environment. Verified information will be presented in supplier assessment reports, which are available at no cost to buyers through supplier storefronts. Suppliers who pass all levels of verification can further highlight their credibility by prominently displaying not only the "Onsite Check" logo but also the "Assessed Supplier" logo in product search results. These features allow buyers to source with greater confidence on the platform. As of March 31, 2012, more than 30 percent of its China Gold Suppliers had passed the Onsite Check.

In VAS development, Alibaba.com continued to make steady progress in the first quarter. VAS revenue contribution to China Gold Supplier revenue remained at around 30 percent. Alibaba.com is glad to see

that Ali-ADvance's adoption and usage has started to gain momentum.

AliExpress

In the first quarter, AliExpress continued with the strategic direction established in 2011, including attracting more quality suppliers, expanding the range of products, streamlining the online payment process and optimizing logistics. Traffic and gross merchandise value (GMV) both saw reasonable growth and the payment success rate remained satisfactory. Alibaba.com continues to invest in AliExpress and still considers it to be in start-up mode.

China marketplace

As of March 31, 2012, Alibaba.com had 52.4 million registered users and 8.0 million storefronts. In the first quarter, the number of registered users increased by 1.6 million and the number of storefronts increased by 171,630. By the end of first quarter, Alibaba.com had 658,770 China TrustPass members, which remained relatively stable compared with the fourth quarter of 2011.

In 2012, Alibaba.com continued its emphasis on enhancing user quality and authenticity, growing buyer traffic and improving the user experience. Therefore, during the first quarter, the key task was to ensure smooth and thorough execution of its plan set forth last year. Various campaigns to promote online transactions on 1688.com, notably the one-day "3-21" marketing campaign, were held in the first quarter to attract domestic wholesalers to source and complete transactions online. In addition, with its ongoing enhancement of the user experience on 1688.com, the growth of GMV of online transactions was on track during the quarter.

On the VAS front, Alibaba.com continued to see healthy growth in revenue, which contributed around 30 percent of China TrustPass revenue in the first quarter.

Liang Wu Xian

To provide in-depth supply chain services for suppliers, Alibaba.com continued to develop and invest in four key areas including 1) quality control of manufacturers and products, 2) product quality certification, 3) logistics and inventory management and, 4) distribution channels management. Liang Wu Xian has been steadily growing in all these aspects. While Alibaba.com believes these services are valuable for B2C e-commerce, it will take time and investment to grow and establish a business that can generate meaningful revenue.

Financial results

Total GAAP revenue for the period was RMB1,589.1 million (USD252.2 million), 3.7 percent increase

year-on-year and 4.2 percent decrease quarter-on-quarter.

- **International marketplace:** Revenue from the international marketplace was RMB916.2 million (USD145.4 million) in the period, which remained flat year-on-year and decreased 3.1 percent quarter-on-quarter mainly as a result of a lower paying membership base. China Gold Supplier members was 87,544 as of March 31, 2012, representing a decrease of 28,910 from March 31, 2011 and a decrease of 11,461 from December 31, 2011. The number of Global Gold Supplier members was 7,641 as of March 31, 2012, representing a decrease of 1,908 year-on-year and a slight increase of 83 quarter-on-quarter.
- **China marketplace:** Revenue from China marketplace was RMB545.4 million (USD86.6 million) in the period, a 5.9 percent increase year-on-year and a 7.4 percent decrease quarter-on-quarter. The increase year-on-year was mainly due to the surge in revenue from value-added services. The decrease quarter-on-quarter was due to lower membership base as well as the effect of Chinese New Year holidays during which the usage of value-added services was lower. China TrustPass membership was 658,770 as of March 31, 2012, a decrease of 47,696 from March 31, 2011 and a slight decrease of 30 from December 31, 2011.
- **Other revenue:** Mainly comprised of revenue from HiChina, was RMB127.5 million (USD20.2 million) in the period, representing a 20.2 percent increase year-on-year and a 2.7 percent increase quarter-on-quarter.

Gross profit was RMB1,244.9 million (USD197.6 million) in the period, flat year-on-year and down 4.2 percent compared to the fourth quarter of 2011. Gross profit margin declined to 78.3 percent in the first quarter of 2012, compared with 81.9 percent in the same period last year and remained flat from 78.3 percent in the previous quarter. The decline year-on-year was primarily due to higher traffic acquisition costs as a percentage of revenue as well as a higher proportion of revenue contributed by Aliexpress and HiChina, which both have lower gross profit margin.

Earnings before interest, taxes and amortization (“EBITA”) (non-GAAP) was RMB374.8 million (USD59.5 million) for the period, a 26.5 percent decrease from the same period of 2011 and a 29.1 percent decrease from the fourth quarter of 2011. EBITA margin before share-based compensation expense (non-GAAP) was 27.7 percent for the period, as compared with 38.8 percent in the first quarter of 2011 and 35.9 percent in the fourth quarter of 2011. The year-on-year decrease was mainly due to the lower gross profit margin, higher staff costs and lower other income as a percentage of revenue. The quarter-on-quarter decrease was mainly due to higher staff costs and operating expenses, and lower other income as a percentage of revenue.

Profit attributable to equity owners was RMB339.2 million (USD53.8 million) in the period, a decrease of 25.0 percent from the same period in 2011 and 12.1 percent from the fourth quarter of 2011.

Earnings per share (“EPS”) for the first quarter of 2012, basic and diluted were both 8.4 Hong Kong cents (USD1.08 cents), compared to 10.6 Hong Kong cents (USD1.36 cents) and 10.5 Hong Kong cents (USD1.35 cents) (basic and diluted, respectively) in the first quarter of 2011 and 9.4 Hong Kong cents (USD1.21 cents) (for both basic and diluted) in the fourth quarter of 2011.

Recurring free cash flow (non-GAAP) in the period was RMB19.2 million (USD3.0 million), representing an 87.9 percent decrease year-on-year and a 98.0 percent decrease quarter-on-quarter. The significant decrease quarter-on-quarter was mainly attributable to the decrease in cash revenue generated from paying members, reflecting the effect from strategic shift to less focus on aggressive membership growth but to value creation services, and from seasonality as well as the scheduled payment of 2011 year-ended taxes, bonus in the first quarter of 2012.

Cash and bank balances as of March 31, 2012 was RMB11,698.7 million (USD1,856.9 million), representing a 24.3 percent increase year-on-year and flat from December 31, 2011.

-End-

Note: All U.S. dollar conversions are based on an exchange rate of US\$1.00=HK\$7.80 and US\$1.00=RMB6.30.

Investor inquiries:

Lindy Lau
+852 2215 5215
lindylau@hk.alibaba-inc.com

Media inquiries:

Jasper Chan
+852 6110 4184 / +852 2215 5213
jasperchan@hk.alibaba-inc.com

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) for importers and exporters; a Chinese platform (www.1688.com) for domestic trade in China; and a transaction-based wholesale platform on the global site (www.aliexpress.com) geared for smaller buyers seeking fast shipment of small quantities of goods. Together, these marketplaces form a community of more than 79.8 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, the United Kingdom and the United States.

For photos and broadcast-standard video supporting this press release, please visit www.thenewsmarket.com/alibaba. If you are a first-time user, please take a moment to register. If you have any questions, please email journalisthelp@thenewsmarket.com.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED MARCH 31, 2012**

	Q1 2011 RMB'000	Q1 2012 RMB'000	Q4 2011 RMB'000	Q1 2012 RMB'000
Revenue				
International marketplace	910,530	916,254	945,643	916,254
China marketplace	515,157	545,366	589,142	545,366
Others	106,050	127,502	124,170	127,502
Total revenue	1,531,737	1,589,122	1,658,955	1,589,122
Cost of revenue	(277,072)	(344,174)	(359,245)	(344,174)
Gross profit	1,254,665	1,244,948	1,299,710	1,244,948
Sales and marketing expenses	(481,037)	(471,838)	(522,936)	(471,838)
Product development expenses	(171,355)	(232,971)	(218,828)	(232,971)
General and administrative expenses	(168,568)	(183,400)	(115,297)	(183,400)
Other operating income, net	49,214	2,630	61,151	2,630
Profit from operations	482,919	359,369	503,800	359,369
Finance income, net	56,776	72,426	83,975	72,426
Share of (losses)/ profits of associated companies and a jointly controlled entity, net of tax	(692)	311	1,591	311
Profit before income taxes	539,003	432,106	589,366	432,106
Income tax charges	(87,676)	(93,843)	(201,859)	(93,843)
Profit for the period	451,327	338,263	387,507	338,263
Other comprehensive income/(expense)				
Net fair value gains on available-for-sale investments	2,418	140	8,180	140
Release of investment revaluation reserve upon disposal of available-for-sale investments	-	-	(7,500)	-
Currency translation differences	(5,581)	(1,041)	(5,038)	(1,041)
Total comprehensive income for the period	448,164	337,362	383,149	337,362
Profit/(loss) attributable to				
Equity owners of the Company	452,501	339,229	385,947	339,229
Non-controlling interests	(1,174)	(966)	1,560	(966)
Profit for the period	451,327	338,263	387,507	338,263
Total comprehensive income/(expense) attributable to				
Equity owners of the Company	449,338	338,328	381,589	338,328
Non-controlling interests	(1,174)	(966)	1,560	(966)
Total comprehensive income for the period	448,164	337,362	383,149	337,362
Earnings per share, basic (RMB)	9.0 cents	6.8 cents	7.7 cents	6.8 cents
Earnings per share, diluted (RMB)	8.9 cents	6.8 cents	7.7 cents	6.8 cents
Earnings per share, basic (HK\$) (Note 3)	10.6 cents	8.4 cents	9.4 cents	8.4 cents
Earnings per share, diluted (HK\$) (Note 3)	10.5 cents	8.4 cents	9.4 cents	8.4 cents