

Alibaba.com Announces Full Year 2007 Results

Significant Growth in Revenue and Profit in 2007

Hong Kong, March 18, 2008 – Alibaba.com Limited (HKSE:1688), the world's leading B2B e-commerce company, today announced its financial results for the year ended December 31, 2007.

Highlights of Full Year 2007

- **Total revenue** increased by 58.6% to RMB2,162.8 million in 2007 from RMB1,363.9 million in 2006.
- **Gross profit** increased by 67.2% to RMB1,882.6 million in 2007 from RMB1,126.2 million in 2006.
- **Operating profit** increased by 199.6% to RMB804.3 million in 2007 from RMB268.5 million in 2006.
- **Operating profit margin** increased to 37.2% in 2007 from 19.7% in 2006.
- **Net income (Profit attributable to equity owners – GAAP)** in 2007 increased by 340.0% to RMB967.8 million from RMB219.9 million in 2006.
- **Earnings per share, basic and diluted ("EPS")** for 2007 was 20.41 Hong Kong cents, representing an increase of 357.6% from 4.46 Hong Kong cents in 2006.

Key Operating Data

- Total number of **registered users** of our combined marketplaces grew by 39.6% to 27.6 million as of December 31, 2007 from 19.8 million as of December 31, 2006. As of December 31, 2007, we had 4.4 million registered users on our international marketplace and 23.2 million registered users on our China marketplace.
- Total number of **storefronts** on our marketplaces grew by 42.7% to 3.0 million in 2007 from 2.1 million in 2006. As of December 31, 2007, we had 697,563 storefronts on our international marketplace and 2,259,283 storefronts on our China marketplace.
- The number of **paying members** of our combined marketplaces grew by 39.5% to over 305,000 as of December 31, 2007.

Commenting on the year's performance, David Wei, CEO of Alibaba.com, said, "We achieved outstanding financial results in 2007. Our revenue growth was driven by a combination of a strong increase in paying members and further improvement in average spending per paying member. We have increased geographic coverage and developed more value-added services to offer our customers. In addition, we have placed greater emphasis on the enhancement of customer service. In 2008, we plan to continue to invest in global expansion, new product development, customer support services and, most importantly, in our people, to achieve strong and sustainable long-term growth of our business."

Jack Ma, Chairman of Alibaba.com, said, "We aim to become a provider of e-commerce infrastructure for SMEs in China and Asia, and to create an Alibaba ecosystem for e-commerce. Our goal is to create long-term value for our customers, our team and our shareholders. I believe 2008 will be even more exciting for all of us."

2007 Results

Alibaba.com reported **total revenue** of RMB2,162.8 million for 2007, representing a 58.6% increase from 2006. The growth was driven mainly by increases in the number of paying members of our combined marketplaces as well as by average spending per paying member.

Alibaba.com had 305,545 **paying members** at the end of 2007, representing a 39.5% increase from end of 2006.

Revenue from our international marketplace increased to RMB1,547.7 million in 2007 from RMB991.9 million in 2006, and represented 71.6% of total revenue in the year. This was primarily due to an increase in the number of Gold Supplier members and sale of value-added services. Our Gold Supplier members increased to 27,384 at the end of 2007 from 18,682 at the end of 2006, and our International Trust Pass members increased to 12,152 at the end of 2007 from 10,843 at the end of 2006. The increases were mainly due to an improvement in geographic expansion. We have also enhanced our keyword pricing structure, which helped our upselling of value-added services. In addition, we started the cross-selling of Alisoft solutions, which contributed to the increase in other revenue during the year.

Revenue from our China marketplace increased to RMB615.1 million in 2007 from RMB372.0 million in 2006, and represented 28.4% of total revenue in the year. The growth reflects an increase in number of paying members as well as increased average spending per member. At the end of 2007, Alibaba.com's China marketplace had 266,009 China TrustPass members, a net increase of 76,436 from the end of 2006. New services introduced in 2007, such as premium placement positions and branded advertisements, have been well-received by our members.

Gross profit increased by 67.2% to RMB1,882.6 million in 2007 from 2006. Our **gross margin** improved to 87.0% in 2007 from 82.6% in 2006.

Total operating expenses were RMB1,098.2 million in 2007, representing a 25.4% increase from 2006. The increase in operating expenses reflects our investments in geographic expansion, new product and service development and marketing efforts as well as in our people in order to ensure the growth of our business in the long-term. Operating expenses as a percentage of revenue decreased to 50.8% in 2007 from 64.2% in 2006, which reflects the increased economies of scale of our business.

Profit from operations (which represents profit after deducting share-based compensation expenses) in 2007 was RMB804.3 million, representing a 199.6% increase from 2006. Our **operating profit margin** increased to 37.2% in 2007 from 19.7% in 2006. **Profit from operations before share-based compensation expenses** (non-GAAP) was RMB956.4 million in 2007, up 150.1% from 2006. **Operating margin excluding share-based compensation expenses** (non-GAAP) increased to 44.2% in 2007 from 28.0% in 2006 due to the benefits of economies of scale.

In 2007, the Company generated **net finance income** of RMB345.1 million, primarily as a result of RMB350.5 million interest income from oversubscriptions in our initial public offering (completed in November 2007) partially offset by RMB61.2 million foreign exchange losses.

Profit attributable to equity owners was RMB967.8 million in 2007, representing a 340.0% increase from RMB219.9 million in 2006. Excluding the above mentioned interest income from oversubscriptions and foreign exchange losses, our profit attributable to equity owners in 2007 would have been RMB678.5 million, representing a 208.5% increase from 2006.

Other Financial Information

Deferred revenue and customer advances reached RMB1,919.8 million in 2007, representing an increase of 53.1% over 2006. This strong deferred revenue and customer advances illustrates the high predictability of our subscription business model and provides a strong base for our future reported revenue.

Recurring free cash flow (non-GAAP) in 2007 was RMB1,316.4 million, which is a key indicator of the earnings generated from our unique business model, representing a 80.9% increase from 2006.

About Alibaba.com Limited

Alibaba.com (HKSE:1688), a member of the Alibaba Group of companies, is the world's leading B2B e-commerce company. Our international marketplace (www.alibaba.com) focuses on global importers and exporters and our China marketplace (www.alibaba.com.cn) focuses on suppliers and buyers trading domestically in China. Together, our marketplaces form a community of more than 27 million registered users from over 200 countries and regions.

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Consolidated Income Statement

	For the year ended December 31,	
	2007	2006
	RMB'000	RMB'000
Revenue		
- International marketplace	1,547,695	991,869
- China marketplace	615,062	371,993
	<u>2,162,757</u>	<u>1,363,862</u>
Total revenue	2,162,757	1,363,862
Cost of revenue	(280,113)	(237,625)
	<u>1,882,644</u>	<u>1,126,237</u>
Gross profit	1,882,644	1,126,237
Sales and marketing expenses	(736,813)	(610,198)
Product development expenses	(131,495)	(105,486)
General and administrative expenses	(229,868)	(159,969)
Other operating income	19,877	17,912
	<u>804,345</u>	<u>268,496</u>
Profit from operations	804,345	268,496
Finance income, net	345,099	22,892
	<u>1,149,444</u>	<u>291,388</u>
Profit before income taxes	1,149,444	291,388
Income tax charges	(181,649)	(71,450)
	<u>967,795</u>	<u>219,938</u>
Profit attributable to equity owners of the Company	967,795	219,938
Dividends	-	392,521
	<u>-</u>	<u>392,521</u>
Earnings per share, basic and diluted (RMB)	RMB19.91 cents	RMB4.56 cents
	<u>RMB19.91 cents</u>	<u>RMB4.56 cents</u>
Earnings per share, basic and diluted (HK\$ equivalent)	HK\$20.41 cents	HK\$4.46 cents
	<u>HK\$20.41 cents</u>	<u>HK\$4.46 cents</u>

Consolidated Balance Sheet

	As of December 31,	
	2007	2006
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Lease prepayment	29,088	-
Property and equipment	158,992	113,304
Deferred tax assets	260,311	211,875
Prepayments, deposits and other receivables	27,067	-
Deferred costs	10,767	4,988
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Total non-current assets	486,225	330,167
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Current assets		
Amounts due from related companies	26,320	25,148
Prepayments, deposits and other receivables	48,143	36,389
Deferred costs	219,229	163,392
Restricted cash	-	781
Term deposits with original maturities of over three months	952,382	1,051,000
Cash and cash equivalents	4,321,170	437,804
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Total current assets	5,567,244	1,714,514
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Total assets	6,053,469	2,044,681
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EQUITY		
Capital and reserves		
Share capital	486	-
Share premium	2,893,132	-
Capital reserve	(55,787)	354,533
Exchange reserve	20,357	3,937
Statutory reserves	119,615	58,223
Retained earnings/(Accumulated deficit)	635,278	(271,125)
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Total equity	3,613,081	145,568
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	As of December 31,	
	2007	2006
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Deferred revenue	70,194	37,146
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Current liabilities		
Deferred revenue and customer advances	1,849,655	1,216,818
Trade payables	12,883	8,698
Amounts due to related companies	17,039	161,538
Other payables and accruals	337,085	172,281
Dividend payable	-	195,909
Current income tax liabilities	153,532	106,723
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Total current liabilities	2,370,194	1,861,967
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Total liabilities	2,440,388	1,899,113
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Total equity and liabilities	6,053,469	2,044,681
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Net current assets/(liabilities)	3,197,050	(147,453)
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Total assets less current liabilities	3,683,275	182,714
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RECONCILIATION OF NON-GAAP MEASURES^(a)

Profit from Operations before Share-Based Compensation Expense

	For the year ended December 31,	
	2007	2006
	RMB'000	RMB'000
Profit from operations	804,345	268,496
Add: share-based compensation expense	152,077	113,904
	956,422	382,400
	956,422	382,400

Recurring Free Cash Flow

	For the year ended December 31,	
	2007	2006
	RMB'000	RMB'000
Net cash generated from operating activities	1,409,217	730,671
Purchase of property and equipment, excluding payment for land use rights and construction costs of corporate campus project	(92,846)	(89,715)
Non-cash other operating expenses and other one-off payments ^(b)	-	86,758
	1,316,371	727,714
	1,316,371	727,714

(a) These financial metrics are not measures of financial performance under International Financial Reporting Standards but we consider them important financial measures.

(b) This amount mainly represented a non-recurring withholding of individual income taxes payable by employees in 2005 in connection with exercises of share options. The tax liability was subsequently settled in 2006.