Alibaba.com to Buy Controlling Interest in HiChina, China’s Leading Internet Infrastructure Service Provider

Acquisition enhances Alibaba.com’s ability to provide additional Internet infrastructure services and to assist small businesses entering e-commerce

Hong Kong, September 28, 2009 – Alibaba.com (HKSE: 1688) (1688.HK) has entered into a share purchase agreement to acquire China Civilink (Cayman), which operates in China as HiChina Web Solutions, for a total consideration of RMB539.98 million (US$79.06 million) in cash upon completion of two phases. HiChina, www.net.cn, is a leading provider of Internet infrastructure services in China, including domain name services, web and server hosting services, email hosting services and website design and development services.

With the acquisition of HiChina, Alibaba.com gains four key assets: a new, large customer base; new, value-added applications; advanced and automated “do it yourself” Web site technology; and a strong management and operating team. Regarding the customers, a majority of HiChina’s more than 200,000 customers do not overlap with the existing Alibaba.com customer base, allowing for increased synergy and opportunities across both HiChina and Alibaba.com.

From an application and technology perspective, the acquisition adds to Alibaba.com's platform for helping small businesses move beyond “Meet at Alibaba” to “Work at Alibaba” by taking advantage of technology offerings and value-added services that enable entrepreneurs to open online businesses more easily. Through the realization of “Work at Alibaba,” entrepreneurs and businesses will gain access to the necessary tools and features to operate and manage their business online through the Alibaba.com platform.

“Our vision is to make it easy for customers to do business anywhere by solving their challenges in procurement, sales, management and financing through technological upgrades, thereby raising their competitiveness and realizing industry advancement,” said David Wei, chief executive officer of Alibaba.com. “When we went public, we set on a course to seek investment opportunities to grow our customer base and acquire additional technology and new applications to achieve our vision. HiChina is a strategic fit with that vision. With the support of the seasoned and highly capable executive team at HiChina, I am confident that our complementary businesses will create synergy and expedite our transformation from ‘Meet at Alibaba’ to ‘Work at Alibaba.’”

“We identify with Alibaba.com’s vision of serving the e-commerce infrastructure needs of customers so they can more effectively ‘Work at Alibaba,’ said Xiandong Zhang, founder, president and CEO of HiChina. “We are impressed by Alibaba.com’s technology capability, vast customer reach and management team, all of which will enhance the capability of HiChina to serve customers as a new arm of Alibaba.com’s expanding footprint.”

HiChina’s product offering will become part of Alibaba.com’s Information Technology Business Unit (ITBU), which is focused on providing small businesses with a comprehensive solution to challenges that arise from the implementation of hardware, software and Internet-based services as well as IT maintenance.

According to the terms of the deal, Alibaba.com will acquire 85 percent of HiChina for a cash consideration of RMB435.42 million (US$63.75 million) with an additional 14.67 percent retained by the founders of HiChina, who will continue to be involved in daily management of the company. Dependent upon HiChina reaching certain performance targets, the founders of HiChina have an option to sell their 14.67 percent equity interest in HiChina to Alibaba.com over the next three years for an additional consideration of RMB104.56 million (US$15.31 million) in cash.
To further incentivize the founders and key employees to continue contributing to the success of HiChina after the acquisition, Alibaba.com has also agreed, among other things, to transfer certain shares of HiChina held by Alibaba.com to the management and key employees of HiChina pursuant to earn-in arrangements, subject to their meeting certain post-completion performance milestones during 2011 to 2015. If all the performance milestones are 100 percent met and not exceeded, the number of Earn-in Shares to be transferred over a five-year period will amount to a total of a 15 percent equity interest in HiChina. If any or all of the performance milestones are exceeded, the percentage of equity interest to be transferred will correspondingly increase, subject to certain limits and restrictions.

The acquisition is expected to close by the end of the year. After the closing, HiChina, with more than 550 employees, will become a subsidiary of Alibaba.com and will retain its own brand name and operations.

Rothschild was the financial adviser to Alibaba.com for this transaction.

For more information on this announcement, see Alibaba.com’s filing with the Hong Kong Stock Exchange at http://ir.alibaba.com/.

Note: All US dollar conversions are based on an exchange rate of USD1.00=RMB6.83

About HiChina
HiChina, Founded in 1996, is the leading Internet application service provider in China. HiChina is devoted to providing comprehensive Internet application services to businesses, which covers domain services, hosting services, email systems, Web site creation, as well as consultation services for e-commerce to assist businesses in applying E-commerce to their business. Having established a strong position in the Internet infrastructure industry in China, HiChina currently serves more than 200,000 paying enterprise members.