

Chairman and CEO's Letter to Shareholders

Dear Shareholders,

Thank you for your continued trust, support, and recognition. Over the past year, we have collectively witnessed and experienced many significant events – we finally moved on from the pandemic, work and life got back on track, and the world reopened. New disruptive AI technology is changing how we view the world and understand reality, and there are high hopes for it to drive fundamental change across all aspects of the human experience.

During this time of big transformations, I appreciate the opportunity to share with you the series of important changes at Alibaba over the past year, along with our thoughts and outlook for the future.

2023 is destined to be a year filled with significance in Alibaba history. Just before the end of the fiscal year, we announced a decision with far-reaching impact - after 24 years, Alibaba is evolving from a single company into a new governance model of “1+6+N” in which major business groups and various companies have independent operations. “1” represents Alibaba Group’s holding company, “6” refers to six major business groups - Cloud Intelligence Group, Taobao and Tmall Group, Local Services Group, Alibaba International Digital Commerce (AIDC) Group, Cainiao Smart Logistics Network Limited, and Digital Media and Entertainment Group, and “N” refers to various businesses such as Alibaba Health, Sun Art Retail, and Freshippo. Each entity in the “6+N” will establish its own board of directors that will provide oversight and support to the chief executive officer of the business. Moving forward, Alibaba Group will focus on implementing good capital management, supporting the healthy development of our major business groups and various companies, and fostering the development of new innovative businesses.

Over the last 24 years, the Alibaba family became quite diverse, with increasingly more creative and dynamic units. Our consumer-focused businesses in China served over one billion Chinese consumers last year. Cloud Intelligence Group is currently the world’s third largest and Asia Pacific’s largest cloud computing service provider. As of March 31, 2023, Cloud Intelligence Group has 86 availability zones across 28 regions worldwide, serving more than four million global customers, including 80% of China’s science and technology innovation enterprises, 60% of China’s national-level specialized “little giant” enterprises, and 55% of listed companies on the Chinese stock exchanges. AIDC Group served hundreds of millions of overseas consumers with a comprehensive selection of local and global products and holistic consumption experience, and reached over 47 million active SME buyers worldwide. Cainiao celebrated its tenth anniversary earlier this year, and is developing a world-class smart logistics network within China and across international markets. It processed over four million cross-border and international parcels daily in fiscal year 2023 and is working to offer a five-day delivery service for cross-border parcels in the future, starting from its main markets. The Local Services Group’s platform businesses have provided convenient “to-home” and “to-destination” services

to hundreds of millions of Chinese consumers. On October 1, 2022, the digital map navigation platform Amap registered a peak record of 220 million daily active users. The Digital Media and Entertainment Group has focused on delivering “ordinary people, powerful feelings, positive energy” content, and several releases have generated wide influence. Under the new governance structure, these business groups will independently cater to their respective markets, become self-reliant, and find unique paths to greater growth. Except for Taobao and Tmall Group, all business groups and companies can raise external capital and potentially seek their own independent public offerings, subject to meeting the necessary conditions. To date, we have announced plans for the following transactions:

- Cloud Intelligence Group will pursue a full spin-off from Alibaba Group via a stock dividend distribution to our shareholders and become an independent publicly listed company;
- Cainiao Smart Logistics Network and Freshippo will seek independent public offerings, respectively;
- AIDC Group will seek external capital.

Our organizational transformation is an unprecedented journey in the history of business in China and a daring experiment for a large-scale organization. As early as 2015, we introduced the “middle platform” strategy, then built the “large middle platform, small front office” organizational model, which supported our front line teams and became the industry benchmark. In 2020, we championed the development of an agile organization and gradually introduced greater management independence across our businesses. Internally we established a number of independently operated companies, including Cainiao Smart Logistics Network, Freshippo, and Local Services. In this latest development, we have progressed to the next stage of our transformation, which is the latest organizational governance structure of “1+6+N”.

Our robust balance sheet was instrumental in such a monumental transformation. Despite the challenges created by the global macroeconomic landscape, market fluctuations, and the pandemic, our businesses delivered solid progress. We generated approximately US\$25 billion in free cash flow during the fiscal year. We used our abundant cash reserves to invest in new technologies, businesses, and great talent while continuing to execute our share repurchase program. During the fiscal year, we repurchased approximately 130 million ADSs (the equivalent of one billion ordinary shares) for approximately US\$10.9 billion and continued to explore different ways to create value for our shareholders.

At the beginning of 2023, I proposed “progress” as the keyword to set the tone for Alibaba’s development plans. “Progress” was necessary not only for the macro-environment changes and cyclical trends but also for Alibaba’s development trajectory. We believe the market is the best litmus test, and time will prove its worth. As we face a new era of unknowns, we hope to unleash our internal dynamism and creative forces through radical self-transformation that can withstand the test of the market and be positioned to capture the generational opportunities ahead. We believe our new governance structure will benefit the discovery and creation of value for our customers, business, and shareholders, and, hopefully, a chance to contribute greater value to the broader society.

Of course, some things will not change. Alibaba is unwavering in its commitment to focusing on the long-term, value creation, and the three strategies of consumption, cloud computing, and globalization. Over the last 20 years, we captured two historical opportunities: e-commerce in China's consumer-focused Internet and cloud computing in China's industrial Internet. Looking ahead, we will continue to serve hundreds of millions of households and support hundreds of thousands of industries through our two engines catering to the consumer Internet and industrial Internet, respectively. As the digital era begins its transition to the intelligent era, we must capture the generational opportunities associated with technology driving business transformation and the rapid changes in AI to create a larger runway for our businesses. We believe that AI's contributions are not limited to efficiency improvements. We think it will create brand-new value.

As we begin this new chapter, Alibaba Group will welcome a new management team on September 10th. Joe will succeed me as the chairman of Alibaba Group, and Eddie as the chief executive officer of Alibaba Group. As for myself, I will be fully dedicated to my role as chairman and chief executive officer of our Cloud Intelligence Group and take on the new challenge of exploring the immense future in transforming and innovating with hundreds of thousands of industries through cloud computing, big data and AI.

The future is born out of our creations. Thank you again for your trust and support for Alibaba. I hope I will have the privilege of your companionship on the new journey, and may our future be extraordinary and full of miracles.

Daniel Zhang
Alibaba Group Chairman and Chief Executive Officer
Cloud Intelligence Group Chairman and Chief Executive Officer