Daniel Zhang -- *Chairman and Chief Executive Officer*

Thank you, Rob. Hello, everyone. Thank you for joining our earnings call today. We close the March quarter and fiscal year 2023 in a changing macro environment.

As COVID-19 cases waned after the Chinese New Year, business and social activities gradually recovered in China. This change had impacted some of our businesses in various degrees. During the past quarter, our revenue reached 208.2 billion RMB, represent a year-over-year growth of 2%. Our adjusted EBITA was approximately 25.3 billion RMB, representing a year-over-year growth of 60% as a result of our continued efforts in enhancing operating efficiency and optimizing costs.

Looking at the macro environment in China and globally, we see both challenges and opportunities amid uncertainties for an economic recovery. The international macro environment is highly uncertain. At the same time, we see market opportunities in China's consumption recovery post the pandemic and the rapid development of artificial intelligence. We will continue to execute our three core strategies in consumption, cloud computing, and globalization in response to these opportunities.

In the past few months, we have noticed a gradual recovery in China consumption, but consumer confidence and spending power still need further momentum. At the same time, competition among the multiple consumption platforms is still fierce, and everyone is trying to capture the incremental demand with more value-for-money products and services. We will focus on the following areas in such a competitive market: Number one, acquisition and retention of high-quality users; number two, maintaining our platforms differentiated consumer mindset; and number three, most importantly, creation of new demand through supply side innovations. In international commerce, we will focus on building core capabilities to support the sustainable development of our international commerce business, as well as leveraging the unique advantage of China's supply chain to serve global consumers.

In cloud computing, progress in industrial digitalization and the emergence of AI have created a higher demand for computing power, and the foundation models have expanded AI's application in all aspects of life. Alibaba Cloud will focus on seizing these historical opportunities to maximize its market potential. In March, we announced a major organizational transformation, restructuring Alibaba Group into six business groups and other investments. As a result, we are transforming from operating multiple group business into a holding company that focus on capital management.

Each business group will operate with a high degree of independence, led by its own CEO who assume full responsibility for company performance under the supervision by its own board. Today, in our press release, we also announced the list of the board of directors and CEOs of these six business groups, which was recommended by Alibaba Partnership and approved by our board of directors. We believe this transformation will empower all our business to become more agile, enhance decision-making, enable faster responses to market change, and promote innovation to capture opportunities, thereby unlocking shareholder value. Starting from today, we will invite the business group CEOs to join the earnings call in turn and share their business strategies and the thinking behind.

At today's call, we have Trudy Dai and Jiang Fan, who will later discuss about the business performance and the strategies of Taobao and Tmall Commerce Group and International Digital Commerce Group respectively. I will also share my thoughts on cloud intelligence groups' business review and outlook. As an important step in our organization -- reorganization, we are in the process of establishing a new governance framework under the 1+6+N structure. Under the new governance framework, CEO of the business group takes overall responsibility for the operating results and compliance under the leadership of the business group's board.

A list of reserved matters will be specified to require approvals from Alibaba Group's Board of Directors. These reserved matters include any annual business plan and a budget, business group CEO appointment and evaluation, major capital transactions, business cooperation, and the data-sharing mechanism within Alibaba Group, compliance oversight, etc. To ensure the implementation of risk management and compliance requirements under the new governance structure, we have obtained board approval to establish a new compliance and risk committee, which will be responsible for overseeing the group's compliance and risk management in areas other than financial reporting. In addition, in order to adapt to our new role as a holding company, we have also established a capital management committee under Alibaba's -- Alibaba Group's Board of Directors with the goal of enhancing shareholder return of the group.

The committee oversees major capital management matters across our business groups. With a further progress of the restructuring plan, we have formulated different capital management plans based on the various stage of development business needs, market environment, and risks that each group -- each business group is facing. We are announcing several updates today. Firstly, we plan to fully spin off cloud intelligence group and complete its public listing in the next 12 months as an independent company.

Cloud intelligence business model, customer profile, and the stage of development are fundamentally different from the other consumer-focused businesses in Alibaba ecosystem. Full independence will allow cloud intelligence to further sharpen its business strategy and optimize its operations and organization. Secondly, Freshippo & Cainiao have, over the years, established differentiated customer value propositions, stable and well-defined business models, and a clear path to profitability. We believe these two companies are ready to go public.

Our board have -- has approved Freshippo's plans to kick off the IPO process and Cainiao to explore an IPO in the next 12 to 18 months. Thirdly, Alibaba International Digital Commerce Group will explore raising external capital to support the business expansion in the global market. The successful execution of the above transactions is subject to various factors, such as market environment, regulatory approvals, and so on. Next, I would hand over to Toby to discuss the financial performance of the past quarter and the entire fiscal year, as well as our capital allocation strategy.

Toby Xu -- *Chief Financial Officer*

Thank you, Daniel. As announced, our Alibaba groups have formed the capital management committee to undertake a comprehensive capital management plan to enhance shareholder value. During the reorganization process, we will work closely with this newly formed committee to explore and execute all options that could unlock value for Alibaba Group. And the leadership of the capital management committee, we are committed to improve shareholder return and execute a robust capital allocation framework as a holding company that is focused on three priorities.

First, the strength of our balance sheet and our cash position is a competitive advantage in an uncertain environment. While we maintain a prudent approach to our capital structure, we will be focused on improving return on invested capital in managing the assets of the company. Second, we will design, review, and implement EPS-accretive activities, including constant share buybacks to reduce our outstanding share count, while maintaining discipline in managing our ESOP programs. Third, we will explore all options to enhance shareholder's return by achieving more transparency in the value of our asset and the returning capital to shareholders, including subsidiary fundraising, IPOs, and spin-offs.

Let me share with you in details the actions we will take and we will be taking following today's announcement. Going forward, our main source of funds will be from Taobao and Tmall business group, which will continue to be our core holding and 100% owned. The Taobao and Tmall business group generates substantial annual free cash flow, which will be made available to the Alibaba Group. In fiscal year 2023, we generated $25 billion in free cash flow that was mainly contributed by this business.

And we believe it will continue to generate strong free cash flow in the future. In the future, as a result of the reorganization, our additional source of funds will come from monetization of our consolidated businesses. As Daniel mentioned, our board has approved the following transactions as initial phase of our capital management planning. First, for Alibaba International Digital Commerce Business Group, or AIDC, we are confident of its opportunities and growth prospects, and we plan to start its external financing process.

The capital raised will assist the business group to expand into new geographic markets, invest in new technologies, grow its consumer and supplier base, strengthen its management team, and develop and enhance its products and services to its customers globally. Second, we are starting a process to explore an IPO of Cainiao's small logistics group. The group provides supply chain logistics and delivery services to customers and merchants. They are customers of Taobao and Tmall team business group and AIDC, as well as third-party customers.

Alibaba Group holds a 67% equity interest in the company. We target to complete IPO in the next 12 to 18 months. Third, we are starting a process to execute an IPO of Freshippo, our new retail business, and we expect the IPO will be completed in the next six to 12 months. Importantly, except for Taobao and Tmall business group, these businesses and other subsidiaries are given a limited time period to assess Alibaba Group's capital, including equity injections and/or credit facilities lending that are based on market terms.

After which, each business should have their own stand-alone financing capability that may include raising private equity, issuing debt, and/or becoming publicly listed. We believe the successful completion of these transactions will further optimize our capital structure and strengthen our cash position then can be used for shareholders return. Second, we are committed to execute EPS-accretive activities that improve shareholder returns. During fiscal year 2023, we repurchased 129.9 million of our ADSs for approximately $10.9 billion in our share repurchase program, which represented approximately 44 % of our free cash flow.

From April 1st to May 17th, we have repurchased another $2.3 billion in ADSs. Currently, we still have an unutilized amount of approximately $17.1 billion under the share repurchase program that will continue to execute. Under reorganization, each business group will have their own ESOP program that aligns the interests of their management and employees to their business performance and equity value creation. This in turn means less ESOP in issuance at holdco level in the future.

Additionally, as long as the business groups remain majority owned by Alibaba Group, the capital management committee will review their proposed annual ESOP plans with the objective of balancing between the potential dilution to Alibaba Group's shareholders and providing an attractive level of incentives for business groups to attract and retain talent. Lastly, as announced, our board of directors approved a full spin-off of the cloud intelligence group via stock dividend distribution to our shareholders. Prior to the spin-off, we planned to include external strategic investors in cloud intelligence group through private financing. In connection with the spin-off, cloud intelligence group intends to become an independent publicly listed company.

The spin-off will be subject to restructuring of certain assets, liabilities and contracts, implementation of employee equity incentive plans, market conditions, as well as regulatory reviews, and approvals in relevant jurisdictions. We intend to structure the spin-off in the most tax efficient way for our shareholders. Subject to the transactions conditions and approves described above, we target to complete the spin-off in the next 12 months. We believe the successful execution of this plan will further unlock value for Alibaba shareholders in the future.

Now, let me provide a brief review of our financials during the March-2023 quarter. For the quarter ended March 31st, 2023, total revenue was RMB 208.2 billion, an increase of 2% that was primarily driven by the revenue growth of international commerce segment by 29% to RMB 18.5 billion, Cainiao segment by 18 % to RMB 13.6 billion, and local consumer services segment by 17% to RMB 12.5 billion. Adjusted EBITA increased by RMB 9.5 billion to RMB 25.3 billion year over year in the quarter. The increase was primarily due to an increase in China comps, adjusted

EBITDA, as well as narrowed adjusted EBITDA losses of local consumer services and digital media and entertainment.

Overall adjusted EBITDA margin improved by 4 percentage points year over year to 12%. Now, let's look at cost trends as a percentage of revenue excluding SBC. Cost of revenue ratio, excluding SBC, decreased 2 percentage points to 66% in the quarter ended March 31st, primarily due to decrease in cost of revenue from direct sales. Product development expenses ratio decreased 1 percentage point during the quarter.

Sales and marketing expenses ratio decreased 1 percentage point year over year to 12% in March quarter, reflecting our continued efforts in optimizing user acquisition and user retention spending across businesses. General and administrative expenses ratio remained stable at 5% in March quarter. Our GAAP net income was RMB 22 billion, an increase of RMB 44.4 billion year over year, primarily due to net gains arising from increases in the market prices of our equity investments in publicly traded companies compared to net losses from these investments in the same quarter last year, partly offset by the decrease in share of profit of equity method investees, increase in impairment of investments, and a decrease in income from operations. As of March 31st, 2023, we continue to maintain a strong net cash position of 399 billion RMB or $58 billion.

As mentioned, during fiscal year 2023, our strong net cash position was supported by healthy free cash flow generation of RMB 172 billion, $25 billion. In addition, we have been disciplined in investments. For the fiscal year ended March 31st, 2023, our net cash used in investment and acquisition activities was RMB 840 million, compared to RMB 37 billion in the same quarter last year. Now, let's look at our segment results.

Revenue from our China commerce segment in March quarter was RMB 136 billion, a decrease of 3% year over year. For the quarter ended March 31st, 2023, online physical goods GMV on Taobao and Tmall, excluding unpaid orders, declined mid single-digit year over year. Customer management revenue decreased by 5% year over year to RMB 60.3 billion. The gap between CMR and GMV on Taobao and Tmall has been narrowing.

Direct sales and others revenue declined 1% to RMB 71.8 billion, mainly due to decrease in offline store sales. China commerce segment adjusted EBITA increased by RMB 6.3 billion to RMB 38.5 billion in March quarter. Segment EBITA margin increased from 23% in the March 2022 quarter to 28%. This reflected significant loss reductions from Taobao deals and Taocaicai and Freshippo, partly offset by decrease in profit from customer management revenues.

Our international commerce segment revenue in March quarter was RMB 18.5 billion, an increase of 29% year over year. Revenue from international commerce retail business increased by 41% to RMB 14 billion. The increase was primarily driven by business growth acceleration of all our major businesses, including our

AliExpress, Lazada, and Trendyol. International commerce segment adjusted EBITA loss narrowed by RMB 233 million to RMB 2.3 billion in March quarter.

The loss reduction year over year was primarily contributed by the reduced losses from Trendyol, partly offset by increased losses from Lazada. The increase losses from Lazada was primarily due to a one-off early termination expense in connection with renegotiation new service contracts to reduce future operating costs. Excluding this one-off effect, the adjusted EBITA loss of international commerce segment will be less than RMB 1.5 billion. Our local consumer service segment revenue in March quarter grow 17% to RMB 12.5 billion, primarily due to positive GMV growth of Ele.me, driven by order growth in higher average order value.

Local consumer service adjusted EBITA loss reduced by RMB 1.4 billion year over year to RMB 4.2 billion. Most of the loss reduction was driven by Ele.me business, while other major businesses within the segment also recorded losses. Ele.me continue to improve its unit economics per order by increased average order value and reduced delivery cost per order. It's UE continued to improve year over year and remained positive this quarter.

Revenue from Cainiao after inter-segment elimination grew 18% year over year to RMB 13.6 billion, primarily contributed by the increase in revenue per order from international fulfillment solutions services, as well as increasing demand for customer logistics. In March quarter, 72% of Cainiao's total revenue was generated from external customers. Cainiao recorded adjusted EBITA loss of RMB 319 million in March quarter loss reduced by RMB 593 million year over year. Revenue from our cloud segment after inter-segment elimination was RMB 18.6 billion in March quarter, a decline of 2%.

The year-over-year decrease in revenue of our cloud segment reflected delays in delivery of hybrid cloud projects given COVID-19 resurgence in January and normalization of CDN demand compared to same period last year. Adjusted EBITA of cloud segment was a profit of RMB 385 million in March quarter, increased by RMB 109 million year over year. Revenue from our digital media and entertainment segment in March quarter was RMB 8.3 billion, an increase of 3%. Adjusted EBITA was a loss of RMB 1.1 billion, reduced by RMB 864 million year over year, primarily due to the narrowing of losses from Youku driven by disciplined investment in content and production capability.

Now, let me pass to Trudy who will speak about Taobao and Tmall business group.

Trudy Dai -- *Chief Executive Officer, Taobao and Tmall Group*

[Foreign language] Thank you, Toby. This is Trudy, and it's a great pleasure for me to have the opportunity to speak with you all today. In this new year, we've all seen positive momentum in China's economy with 4.5% year-on-year growth recorded in first quarter GDP and a moderate recovery in consumption. From our perspective, what we saw following the recurrence in COVID in January and the Spring festival travel season -- following that was that from February through to April, we achieved year on year positive growth in users and GMV on the Taobao app.

And EBITA has been good as well. Apart from those macro factors, an important part of that has been the payoff from our efforts around cost optimization and efficiency improvement, as well as the five battles that we're fighting. Also, we see many positive factors going forward, although in the e-commerce sector, the demographic dividend is waning, and there's intensified competition. Nonetheless, many new opportunities are being created by growing consumer demand for more diversified offerings and also by technological advances.

So, accordingly, in this new fiscal year, we've adjusted our strategy and mapped out new development plans, which we're currently implementing. I'm confident that these initiatives will enable us to capitalize on the recovery and consumption to seize the opportunities created by market developments and technological advances to further consolidate our leading market position with both consumers and merchants and to make exciting new breakthroughs in user experience. First, based on our trialing of new interactive formats and content over the past two years, we're even more certain that beyond shopping, consumers want to find a broader range of more diverse content on Taobao, including shopping-related encyclopedic knowledge, lifestyle recommendations, and even interactive entertainment. And this is corroborated by the hundreds of millions of longtail keyword searches made by users every day.

So, over the coming few years, Taobao will be making large and sustained investments to satisfy users' diverse needs around all aspects of life. This will include investments to further enrich and diversify merchandise assortment to create richer and more differentiated content and to introduce new interactive entertainment scenarios while accelerating growth in user scale and user time spent and consolidating its position as China's most widely used online marketplace. Taobao will be progressively upgraded into a one-stop consumption and lifestyle platform. Second, we will build a prosperous ecosystem by making the supply side more open and inclusive and also with organizational upgrades that we've made.

For example, we've established an SME development center that's devoted to supporting start-ups and small- and medium-sized merchants and helping them contribute more diversified supplies on the platform. Our grocery store business development center works to enable users to buy fresh foods from Taobao faster and with greater savings. And our live streaming and content teams will provide strong support to content creators. Additionally, we will be leveraging technological advancements to make operating costs lower for merchants.

Third, leveraging advances in AI and other technologies. The Taobao app will be upgraded to meet a much broader range of user needs. So, going forward, we'll be more focused on investing in technology for Taobao, building on the whole group's technology and data capabilities. We will upgrade existing merchant tools and create new tools for merchants, as well as new lifestyle scenarios for users, ushering in the next generation paradigm in user experience.

So, in summary, our strategy is putting users first, building a prosperous ecosystem, and realizing technology-driven innovation. And our core goal is for Taobao to continue to be the No. 1 consumption platform serving the largest number of users while upgrading the platform to serve a broader range of needs. Undoubtedly, that means that over the coming one to two years, we'll be reducing merchants' operating costs and increasing our investments in users, merchants, technology, providing good merchandise, good content, and a good experience, as well as good service to our users.

I trust that with our strong momentum of growth, as well as the network and scale effects that we bring, coupled with our new approaches, we'll certainly maximize value for merchants. That means that we'll continue to lead in terms of merchant scale as the No. 1 place to do business. On that basis, we clearly foresee platform ROI growth in the mid to long term.

And of this, I'm fully confident. So, over a three-year horizon, I will be making resolute, sustained, and major investments to realize the above three strategies and achieve sustained growth in users. Thank you very much. And at this point, I'll hand over to Jiang Fan.

Jiang Fan -- *Chief Executive Officer, Alibaba International Digital Commerce Group*

Thank you very much. This is Jiang Fan, and it's a great pleasure to be able to speak with you during this earnings call. As part of the recent restructuring, we've established the Alibaba International Digital Commerce or AIDC Group, which includes various business models and operates in different countries. In the B2C retail sector, we have a portfolio of digital retail platforms with a local commerce model including Trendyol, Daraz, and Lazada.

Additionally, we operate several cross-border B2C platforms including AliExpress and Tmall Tabao world. We also have Alibaba.com, which is a global B2B trade platform serving the wholesale sector. This past quarter, the international commerce segment has shown rapid growth momentum. AliExpress officially launched a new service called Choice.

It's based on the fulfilled by AliExpress model. It provides consumers with value for money, product choices, and better services, further enhancing the consumer experience. AliExpress has maintained rapid overall growth. Following the earthquake in Turkey in early February 2023, Trendyol and Alibaba Group actively provided relief support.

Although our business in Turkey was affected in the short term, it quickly recovered and achieved strong growth with a number of orders increasing by over 27% year over year. In Southeast Asia, Lazada's monetization rate continues to improve, achieving a good balance between business scale growth and operational efficiency improvement. Overall, after a challenging year, our international commerce business has recovered and is back on its growth track. Looking ahead, we will continue to invest in the cross-border plus local commerce model in our B2C retail sector.

There's still significant potential to grow our cross-border business. With the launch of the Choice service, AliExpress' user experience has significantly improved, and we expect that the business will continue to grow rapidly. In the local commerce business, we'll continue to invest in the Southeast Asian market while actively seeking opportunities in other new regional markets. In the B2B wholesale sector, we've made many upgrades to our existing models, expanding from transaction services to other value added services such as finance, logistics, and digital PaaS services.

We believe this will enable our wholesale business to maintain healthy growth in the coming several years. Additionally, we will also actively expand our B2B business model into other markets. Next, I will hand over to Daniel to present to you on the cloud business. Thank you very much.

Daniel Zhang -- *Chairman and Chief Executive Officer*

Some updates about our cloud computing business. In the last -- in the past quarter, our cloud revenue decreased by 2% year over year. This is partially due to our proactive move to adjust our revenue structure and focus on high-quality growth and also a result of external changes in market environment and customer composition. The external factors include the impact from a top customer facing out using our cloud service and switching to self-built infrastructure for its international business.

Those revenue contributions to Alibaba cloud decreased 41% year over year. In addition, the resurgence of pandemic in China in January also impacted public cloud consumption and the delayed delivery of certain hybrid cloud projects during the quarter. As the pandemic eased off and remote working and school activities decreased in February and March, demands for services such as CDN also decreased quite significantly. If we zoom out from the short-term fluctuations in cloud revenues and look back at Ali Cloud development over the past 14 years and the cloud vast future with the rapid development of AI, we see massive market potential and remain confident at cloud's future.

We got to where we are today because Ali Cloud seized two historical opportunities. Number one, rapid development of China's mobile internet, and number two, digital transformation of traditional industries. With its industry-leading technology and products, Ali Cloud established its market leadership in China and globally by supporting the growth of many digital native enterprises and the digitalization of many industry customers. Today, the age of AI brings two new historical or historic opportunities to Ali Cloud.

Firstly, the emergence and the broader application of artificial -- artificial intelligence, large models and various vertical models have raised the new requirements for computing power. This is a huge first move advantage for Ali Cloud as we have established sizable path -- in the past to provide a stable, secure, high-performance, and cost efficient computing services. We hope that Ali Cloud services can not only support our self-developed foundation model, but also support the training and services of other large models and vertical models in the market. Today, we are the leading provider of large-scale, high-performance computing services based on public cloud.

Leveraging this technology's advantage, we are working with enterprise customers and entrepreneurs to support their demand for model training and services. The second opportunity lies in building model as a service or mass on top of our foundation in [Inaudible] parts. We hope to offer our proprietary foundation model to the general public while supporting our customers, partners, and developers to produce vertical models and services in need based on our foundation model. In April, we released a large language pretrained model, Tongyi Qianwen.

Currently, more than 200,000 customers have applied for trial access, and we have started to work with several industry partners to develop vertical models based on Tongyi Qianwen. We also plan to launch cloud products and enterprise solutions based on Tongyi model. At the same time, the emergence of large models also brings new opportunities to integrate AI with the various businesses within Alibaba Group starting from DingTalk, we believe that all of our customer facing -- our consumer facing business can be reinvented with a large model to offer a new AI-based service experiences for our users. Qianwen, our large language model is just one member in the family of our Tongyi series for preaching models.

We plan to release some of the other large models in the Tongyi series in the near future. As a cloud computing product company, Ali Cloud is committed to investing in core technology development in cloud computing, big data, and AI to make computing more inclusive and AI more accessible. Recently, we have introduced a series of new products and pricing policies. We believe these measures can further expand the customer base and cloud consumption of our public cloud services and drive the usage of high performance computing power required for AI model training and related services.

This will provide a healthier and more sustainable growth driver for Ali Cloud's long-term development. Before ending our sharing today, I would like to say a few more words. Looking back at the recent events in the past few months, Alibaba, like the world we are in, is at the beginning of a new era of transformation. The world is standing at a new starting point in the age of AI.

The breaking through of -- in artificial intelligence will reshape every aspect of our society, how we work, and how we live, creating opportunities for disruptive innovations while bringing new problems for mankind to solve together. For Alibaba's own transformation, we expect the progress in group reorganization and capital management efforts to further unlock Alibaba's own productivity and foster more innovation such as new product services and new experiences focused on creating value for our customers. Through these efforts, we hope to bring greater and long-term returns to our employees and shareholders. Thank you.

Unknown speaker

Thank you, Daniel, and hi, everyone. For today's call, you are welcome to ask questions in Chinese or English. A third-party translator will provide consecutive interpretation for the Q&A session. Please note that the translation is for convenience purposes only.

In the case of any discrepancy or management statement in the original -- original language will prevail. If you are unable to hear the Chinese translation, bilingual transcripts of this call will be available on our website within the one week after the meeting. [Foreign language] Operator, please connect the speaker and conference line now. Please start the Q&A session when ready.

Thank you.

Questions & Answers:

Operator

Thank you. We will now begin the question-and-answer session. [Operator instructions] To give more people the opportunity to ask questions, please keep yourself to no more than one question at a time. Your first question comes from Ronald Keung from Goldman Sachs. Please go ahead.

Ronald Keung -- *Goldman Sachs -- Analyst*

[Foreign language] Thank you management for those excellent earlier presentations. Both Trudy and Daniel spoke about the reorganization of the group, following which the Taobao and Tmall Group will no longer have their profits diverted to supporting the other spun-off subsidiaries of the group. So, I'm wondering going forward what that will look like with Taocaicai and Taobao deals, narrowing their losses, improving profitability will that then be reinvested into CMR. What would be the major goal going forward? Will it be the maximization of GMV? Or will it be a more balanced strategy going forward? How will you maintain leadership going forward? Is the key focus on GMV? [Foreign language]

Trudy Dai -- *Chief Executive Officer, Taobao and Tmall Group*

Thank you. Alibaba, we always believe that we should start with the end goal in mind, and therefore, in making any investments, we always look at what the end objective is in planning that out. Today's environment globally is still highly uncertain. At the same time, there's the rapid development of science and technology.

So, that needs to be factored into our long-term plan. So, in the next three to five years on Taobao, we'll have a very clear focus on putting users first on building up a prosperous ecosystem and driving technology -- technology-driven innovation and pursuing our transformation from transaction to consumption and on to life, of course, pursuing all of this in a very competitive environment but using all of this to meet broader and more diverse user demand and to optimize user experience and also to increase user time spent. [Foreign language] So, as I said earlier, we will be investing in increasing user growth and in building a prosperous ecosystem. [Foreign language] So, in the context of my philosophy, I see take rate more as an indicator of platform health and indicator of the confidence and the recognition that merchants have in the platform, merchants including those selling goods, as well as those generating content.

[Foreign language] As for CMR, this is driven by an interaction of the scale of the platform, user activities, including merchants and their confidence in the platform. And we'll continue to grow the scale of the business, driving it, as I said, with technological innovation and progress.

Rob Lin -- *Head of Investor Relations*

Thank you. Next question.

Operator

Thank you. The next question comes from Gary Yu from Morgan Stanley. Please go ahead.

Gary Yu -- *Morgan Stanley -- Analyst*

[Foreign language]

Rob Lin -- *Head of Investor Relations*

We can't really hear your question very well. [Foreign language]

Gary Yu -- *Morgan Stanley -- Analyst*

[Foreign language]

Rob Lin -- *Head of Investor Relations*

[Foreign language] Next question, please.

Operator

Thank you. The next question is from Alicia Yap from Citi. Please go ahead.

Alicia Yap -- *Citi -- Analyst*

Hi. Good evening. [Foreign language] Thank you. My question has to do with the cloud business.

I'd like to ask, first of all, how have the results been and what customer feedback have you had with your price reduction strategy? Also, in the longer term, I'm wondering if you expect that Alibaba Cloud will be able to continue to maintain its No 1. in the IaaS space in China or if we can expect to see some changes with perhaps more players entering the IaaS market in China? And more generally, do you think Alibaba Cloud can continue to be the largest player in each of the IaaS, PaaS, SaaS, and AI spaces going forward? And finally, what do you think in the long-term goal from the level of profitability of cloud, where will that stabilize? Thank you. [Foreign language]

Daniel Zhang -- *Chairman and Chief Executive Officer*

Thank you, Alicia. This is Daniel. I'll take that question. Well, yes, certainly, our price strategy in cloud has attracted a lot of interest and attention.

And it's been very well received by the market. I think a major objective behind that strategy has been our desire to make computing power more accessible, including to small- and medium-sized companies as well as to developers. So, it's all about making computing power more accessible. So, by increasing our coverage of service provision to these SMEs by making this infrastructure available to more developers and to university students, we're also developing a source of future demand as they grow.

So, it's not just about providing service to the large industry players but also to those smaller start-ups and, indeed, to students. [Foreign language]The second thing I would add in relation to our price policy is that Alibaba is clearly the leader and a trailblazer in China when it comes to public cloud. And this is a business where we can achieve strong economies of scale. So, as the leader in the market, it's possible for us to leverage that economy of scale to pass on the dividend of our technological advantage to our customers.

So, that's basically the business strategy, passing on those economies of scale to create real value for our customers. [Foreign language] On your second question, certainly, Alibaba Cloud is in the leading position in China with respect to IaaS, IaaS plus PaaS, and we have seen various reports presenting different numbers, and there are indeed some different players entering the market. But Alibaba Cloud is very focused on public cloud. The proportion the public cloud takes up within our revenues is significantly higher than that for our various other competitors.

And we've made a lot of efforts to grow high-quality revenue from our core products in IaaS and SaaS and, again, leveraging the economies of scale that we have achieved to pass on those dividends to benefit our customers. [Foreign language] Finally, when it comes to AI, and this is something I've spoken about before, the development of AI technology presents a huge new opportunity for the cloud business because artificial intelligence applications will result in an exponential increase in demand for computing power. And this kind of computing power needs to be provided as a kind of public service or infrastructure. So, this is a huge opportunity for us going forward.

[Foreign language] Of course, with the development of AI models, including foundational models, but also industry models, there will be many opportunities to develop and launch new products for different use cases in different industries. So, the development of AI really represents two opportunities: one, that growing demand for computing power; and secondly, the opportunity to develop these new products. [Foreign language] Finally, as to profitability. Again, I think we are still in the early days of the development of cloud, especially as it is a proportion of overall IT expenditure here.

So, in terms of where we're at today, certainly, there does remain a considerable gap in our level of profitability as compared against other leading cloud ventures internationally. But I see that gap really as our opportunity as we continue to grow and scale and achieve more economies of scale. And in particular, as we develop our core technologies, we see a definite opportunity and are confident in our ability to increase the profitability. [Foreign language] Thank you.

Rob Lin -- *Head of Investor Relations*

Thank you. Next question.

Operator

Thank you. The next question is from Alex Yao from JPMorgan. Please go ahead.

Alex Yao -- *JPMorgan Chase and Company -- Analyst*

[Foreign language] Thank you. So, the -- by way of intro to my question, I noticed when you spoke about the spin-off of the cloud business in the release earlier, the wording was it will be a full spin-off by way of dividend distribution. I'm just wondering what that means in -- does it mean that all of the equity that the group owns in the cloud business will be returned to existing shareholders by way of dividend? And secondly, various other assets under the group will be spun off and IPO-ed. I'm wondering in the mid to long term, what are the factors you'll be considering? How will you make those decisions as to which assets you'll continue to retain a majority control over with over 50% of the equity, which assets you'll hold on to, say, 30% to 50% of the equity, and which other assets you might reduce your holding to 10% or even to zero.

So, what are the factors that will inform that decision process?

Toby Xu -- *Chief Financial Officer*

[Foreign language] Thank you, Alex. This is Toby. I'll take the first part of that question. So, yeah.

Essentially, your understanding is correct. We're talking about a full spin-off, as was mentioned in Daniel's script and also in my script, we've established at the board level, a new body, the capital management committee, whose primary purpose is to look for ways to enhance shareholder returns. So, this is a decision that has been proposed by that capital management committee and approved by the board. And as Daniel said, the reason for starting with cloud is because the cloud business is relatively independent and different in terms of its characteristics versus those of the consumer-facing businesses.

So, that's the reason why the decision was made to do a full spin-off. And I'll hand over to Daniel for the other part of your question.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] Yeah. This is Daniel. I'll just add a couple of thoughts on that. First question first.

So, the idea behind doing a full spin-off is certainly partly due to that consideration that we talked about of there being very different business characteristics around the cloud business versus Alibaba's other consumer-facing businesses. But another part of that consideration is to take this opportunity to make adjustments to the shareholder structure to bring on board strategic investors who can help grow the business in the market. That was also an important consideration. [Foreign language] Of course, we've given and will give full consideration to how to guarantee and maximize the interest of the existing shareholders in terms of how to proceed with that spin-off, including giving consideration to tax issues.

[Foreign language] And then, Alex, on the second part of your question as to which of the assets on which of the businesses will continue to be a majority controlling shareholder, which will be reducing our shareholding and perhaps ultimately disposing of those businesses, I think the clearest answer to your question is that it comes down to our three core strategies, namely consumption, cloud, and globalization. And when we talk about globalization, that is our digital commerce, logistics and of cloud. And I think that really is the clearest possible expression of which of the businesses we consider to be strategic. [Foreign language] Now, when it comes to engaging in financing and capital markets, there are different approaches that could be taken.

Some companies we could retain a majority controlling interest, and others, we can reduce our shareholding. I think the decision really comes down to what is best for that particular business in terms of its ability to grow and succeed as a business. Both businesses that can do better on an individual or a stand-alone basis should be encouraged to independently face the market. And we would love nothing more than to see one of these little Alibaba's spinning off from Alibaba becoming another big Alibaba, as big as the group company is right now.

So, I think what you have to look at in respect of each business is whether it has a very clearly defined target market, whether it has clearly defined customers, whether it has a robust business model, and does it have core competence that strong enough. And in the case of a business that has those four things, and cloud certainly does, I think it can succeed independently in the market. So, going forward, we would be happy to see and indeed would expect to see Alibaba Cloud as an independent company growing to be as big as and perhaps even bigger than the Alibaba Group is today. [Foreign language] I think that the major difference going forward, following the restructuring we announced in March is that we'll be going from being a very diversified group to having individual companies that are each more focused on their own business, a strong focus on their own strategy and on developing their own core competencies.

This will be good for their customers, for their employees and ultimately, will maximize shareholder value.

Rob Lin -- *Head of Investor Relations*

Thank you. Next question.

Operator

Thank you. The next question comes from Gary Yu from Morgan Stanley. Please go ahead.

Gary Yu -- *Morgan Stanley -- Analyst*

[Foreign language] So, the question I was hoping to ask earlier, I think, has been partially asked already. So, by way of follow-up, cloud will be completely spun off -- fully spun off by way of a dividend distribution. Could you tell us further about how that will work in terms of cloud then pursuing an IPO? And will that result in liquidity for the Alibaba Group? And then, a couple of questions on capital management. I assume that this dividend payout approach is basically out of tax considerations.

You believe that -- or pardon me, the buybacks will be more favorable than dividends from the tax perspective? And then, there was a third question about Freshippo that the interpreter did not hear very clearly.

Toby Xu -- *Chief Financial Officer*

[Foreign language] OK. Thank you very much. Those questions got into a considerable level of detail that I don't know I can answer here. Following our announcement of the restructuring back in March, we've certainly been working on the overall planning and mapping out the details of these transactions.

And certainly, in respect of the spin-off of the cloud business, looking at ways to accomplish that transaction in a way that will maximize the benefit to the shareholders and ensure a very good shareholder return, but I don't know that at this point, I can share with you the specific details of how all of this will take place. [Foreign language] Your second question had to do with the relative merits of buybacks versus dividends. So, in the case of the cloud business, we've opted to go with the dividend approach. But if you ask more generally what's better buybacks versus dividend distributions, I think there'll be different opinions, different voices out there in the market.

What I can tell you is we have this capital management committee that will, I'm sure, give full consideration to all of these different factors and make a solid decision at the end of the day as to what makes the most sense that is in the best interest of shareholders and stakeholders to ensure a good return to our shareholders. [Foreign language] Yes. Your third question had to do with Freshippo and the IPO platform, Freshippo. I can't really share with you much more than what we announced earlier today that we aim to complete that process within, say, six to 12 months.

We're working out the details of these capital raising plans right now. But at this point in time, we're not in a position to share any further details.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] This is Daniel, just to add a further point as we go through these capital raising processes. As the group holding company exits certain of these businesses, it will be recovering investments and gaining liquidity. But we need to ensure that we work through these processes in a way that makes the best sense for each of the businesses are concerned, that it instills confidence in the market, and that there is sufficient liquidity Thank you.

Rob Lin -- *Head of Investor Relations*

Thank you. Next question.

Operator

Thank you. The next question is from Jerry Liu from UBS. Please go ahead.

Jerry Liu -- *UBS -- Analyst*

[Foreign language] Thank you. I have a few questions relating to e-commerce. So, starting with Taobao and Tmall, we understand that there's been a return to positive growth in the business in the past few months. I'm wondering if you can tell us more about that return to positive growth, a positive growth trend in GMV? Also, we understand that this year, there's been very fierce competition in the e-commerce space.

But at the same time, in the China commerce segment profitability is improving. Can you talk to us about that? And do you expect to see further improvement in profitability this year? And then on the Alibaba International Digital Commerce, AIDC front, this is a business that's still loss-making at this time and will require further investment going forward. I'm wondering if you could tell us a bit about your plans there. And whether you'll be looking primarily at driving growth with those investments or you'll be looking more to balance growth with profitability.

Trudy Dai -- *Chief Executive Officer, Taobao and Tmall Group*

[Foreign language] Thank you. So, this is -- this is Trudy. Regarding your question on Taobao and Tmall, yes, definitely. We have been seeing some pretty good numbers, good results in March and April, especially in terms of growth in users and growth in orders.

And I think there are several reasons for that. First, of course, is the overall recovery of moderate or a slow recovery, but in quarter one, that's been unfolding. And secondly, I think it's the long-term effect of our efforts around cost optimization and efficiency enhancement that are starting to pay off. [Foreign language] And then, thirdly, as I shared with you earlier, our core strategies for this year and going forward are putting users first, building a prosperous ecosystem, and driving a technology-driven business.

So, these investments that we're making now in users, merchants, and technology are really just getting started. [Foreign language] So, as I shared earlier, I am planning the business over a three-year horizon and implementing a three-year plan. In the context of that three-year plan, the most important thing this year, the priority is investing in users, merchants and technology. And we're certain that those investments in users and merchants this year will pay off in terms of growth and scale.

[Foreign language] Thank you.

Jiang Fan -- *Chief Executive Officer, Alibaba International Digital Commerce Group*

[Foreign language] So, thank you. This is Jiang Fan on Alibaba International Digital Commerce. As I said in my earlier remarks, this business comprises a lot of different business models across a lot of different regions. So, some of those components of the business are profitable and doing well profit-wise, others are still in the early investment phase.

But in general terms, we see great potential in international markets for the business, both on the retail side and on the B2B or wholesale side. So, in markets where we see strong potential, we will be investing to develop the business, while at the same time in respect of our existing or the more established businesses, we will be looking at ways to further enhance operating efficiencies. So, we're looking at each market differently and taking a dynamic approach.