

Daniel Zhang -- *Chairman and Chief Executive Officer*

Thanks, Rob. Hello, everyone. Thank you for joining our earnings call today. We started the fiscal year with a robust quarter.

The latest macro data indicates some uncertainties in the pace of post-COVID recovery, but as economic and consumer activities continue to resume, our businesses demonstrated encouraging trends [Audio gap] of resilience, confidence in a consumption recovery and the significant potential from an integrated development of the digital economy and the real economy. The solid quarter also showed promising early results of our reorganization, which is beginning to unleash new energy across our businesses. Our revenue reached 234 billion RMB, grow at 14 % year over year, and the growth was achieved across our different business segments. Our adjusted EBITA increased 32% year over year to 45.4 billion RMB, showing progress in our continued focus on operating efficiency and the quality of operation.

Next, I will go through the results of each of our major businesses. First, let me invite Trudy to share the Taobao and Tmall Group updates.

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

[Foreign language] Greetings, everybody. This is Trudy, and it's my pleasure to speak with you again. In the just-concluded June quarter, under our putting users first strategy, the Taobao app's user base has been put on a rapid track of growth. From April of this fiscal year, the average number of DAUs each month has grown by 6% or higher year over year.

Last month, July, growth was over 7%. Based on third-party data, our DAU leadership in the e-commerce space continues to widen. More and more users are choosing to use the Taobao app. At the same time, our building a prosperous ecosystem and realizing technology-driven innovation strategies are also starting to yield results.

Since we launched the value-for-money battle this fiscal year, we've seen a very clear trend of merchant growth on Taobao and Tmall. In the June quarter, we onboarded a large number of new merchants, a significant portion of whom quickly started contributing to that value-for-money battle, winning over and converting users. So, our value-for-money battle will continue and will be an area of major investment. We need to give users the experience of good merchandise is not expensive on Taobao and Tmall, and we need to guide merchants to enhance value for money in order to achieve business-scale growth and long-term stable returns.

In fact, we saw initial evidence of this in the June quarter. Merchant confidence in doing business on our platform increased significantly, and merchant spending also grew with an increase of over 20% in the daily average number of merchants paying for advertising. This all goes to show that more and more merchants are taking Taobao and Tmall as their first-choice platform for stable operation of long-term business. As for realizing technology-driven innovation, we've already upgraded

merchant tools with AI, enabling merchants to open stores, launch new products, operate their businesses, and conduct marketing campaigns with much greater efficiency and helping to optimize store display and product descriptions, thereby significantly enhancing the shopping experience for users.

As a result of these strategies, the Taobao and Tmall group recorded close to 80 billion RMB in CMR this quarter, a year-over-year increase of 10%. Within that, we saw very strong willingness to invest among merchants coming to Taobao and Tmall from other platforms. As for the platform itself, we continue to be committed to reducing costs and raising efficiency, will spend where it makes sense to, and will save where we can. As a result, despite our huge investments in users and the value-for-money battle and in AI, the Taobao and Tmall Group recorded a 9.1 year-on-year increase in adjusted EBITA in the June quarter, slightly lower than CMR growth.

Also during the just-concluded 618 Taobao and Tmall Shopping Festival, we achieved a two-wheel-drive effect of user scale and purchasing power. The data show that within the two factors that drove GMV growth during 618, growth in number of paid orders and an average order size was remarkably similar. So, that means that the contribution of each of those two factors was balanced. On the one hand, the number of 88 VIP members and GMV both grew by double digits year over year.

And on the other hand, as part of our value-for-money battle, during this year's 618, we launched, for the first time, a Taobao Good Price Festival, marking the first time in the history of 618 that there was a dedicated promotion channel for Taobao merchants. This Taobao Good Price Festival proved effective in promoting value for money offerings and in attracting more users from lower-tier cities and young users to visit and also to make purchases. So, if I were to sum up the June quarter in one sentence, I would say our three strategies of putting users first, building a prosperous ecosystem, and realizing technology-driven innovation are starting to yield results. Throughout the remainder of the fiscal year, we will continue to implement these three key strategies.

Specifically, first, we will do our utmost to meet the needs of diverse groups of Chinese consumers and to satisfy their demands around shopping, around consumption, and also around daily life. To do that, we will continue to invest heavily in developing content around shopping consumption and daily life. Second, we will also continue to invest heavily in the value-for-money battle in two different ways. On the one hand, we will continue in line with our mission to support small and medium merchants with targeted programs such as those for merchants in industrial clusters and for new SME merchants.

And in parallel, we will build a more advanced, open, and inclusive merchant ecosystem and attract more merchants to engage in the value-for-money battle so as to create a virtuous cycle on Taobao and Tmall of merchant ecosystem revenue growth, stronger profitability. And that is precisely what our mission has always been. Third, we'll continue to invest in AI. It is our conviction that technology creates commercial value.

Taobao and Tmall have the largest collection of merchants and of merchandise on the internet and are the most fertile soil anywhere on the internet to explore AI applications. Hence, in this technological revolution, the Taobao app has the greatest potential to become a one-stop smart portal for life and consumption enabled by AI, satisfying the broadest variety of diverse needs across our huge base of 1 billion users. At Alibaba, we often say, seeing is believing. I'm confident, as CEO, that over this three-year management cycle, with the execution of these three key strategies, the Taobao and Tmall Group will create a virtuous investment cycle from investment and users and user growth leading to merchant growth, leading to transaction growth, further leading to revenue and profit growth, and feeding back into further investment in users and user growth.

Along the way, even though there will likely be occasional months with volatility or setbacks in our operations, under the leadership of the Taobao and Tmall Group's Board of Directors and management team, we will remain firmly committed to our three key strategies to continuing to invest in users, providing strong support for merchants, and upgrading our platform with technology for the long term. And we're fully confident in the results we will achieve for the long term. Thank you very much.

Daniel Zhang -- *Chairman and Chief Executive Officer*

Now, I will share the updates on our other major businesses. Alibaba International Digital Commerce Group, AIDC, delivered 41% overall revenue growth this quarter, and its retail business achieved 60% revenue growth year over year. This was driven by solid order growth of our international retail marketplaces. That's around 25% year-over-year growth.

[Inaudible] revenue growth because of enhancement of our monetization and higher direct sales revenue contribution as AliExpress [Inaudible] its new Choice model. Lazada also delivered a rapid order growth based on its [Inaudible] country strategy, accelerating progress in high-priority markets such as Philippines and Thailand. In Turkey, Trendyol continue to maintain its growth momentum and market leadership. We are starting to see economics of scale in our international retail businesses as enhancing monetization and operating efficiency reduced adjusted EBITA loss.

AIDC's djusted EBITA loss decreased by 70% year over year during the quarter. Looking ahead, we will continue to expand the Choice model, leverage the capabilities of an integrated cross-border supply chain and enhanced consumer experience with higher certainty in logistics and service level. This plan is to expand the Choice model from AliExpress to a certain of our other retail platforms with upgrading our product and services, especially in providing a better localized experience. During the quarter, revenue from local service group grew 30% year over year, driven by strong combined order growth across both Ele.me and Amap.

Amap's daily active users and their Two-Destination services expanded due to the strong recovery in commuting and the travel demand after the pandemic measures were lifted. With a long-term strategic focus on technology leadership, Amap released new product features such as traffic light countdown and a tunnel

navigation during the quarter, which were well received by its users. Its market share in map navigation services continued to expand. During the quarter, Ele.me focused on investing in its own service capability enhancement and a more inclusive partnership strategy, which helped sustain healthy order growth while maintaining positive unit economics.

Cainiao's revenue during the quarter grew 34% year over year, primarily driven by the volume increase of international fulfillment solutions services, [Inaudible] survey AliExpress, and the China Domestic Consumer Logistics Services. Cainiao's adjusted EBITA of the quarter was 877 million RMB, due to the continued focus on quality of operation and the lower transportation costs as international air cargo price came down. Looking ahead, Cainiao will continue to invest in build logistic network for cross-border and [Inaudible] and leveraging Alibaba's multiple digital commerce use cases to expand its network effect. Cainiao will also share part of its savings from its operating efficiency improvement and transportation cost reduction with its customers through price strategy adjustments and pursue higher economics of scale on a larger revenue base.

During the quarter, Alibaba Cloud revenue grew 4% year over year. The growth rate was negatively impacted by the normalization of CDN demand as usage of video streaming, remote working, and remote learning came down when offline activities resumed after pandemic measures were lifted. The growth rate was also partially impacted by revenue decline from a top customer. In the past quarter, we have received strong demand for model training and related AI services on cloud infrastructure, which were only partially fulfilled due to the near-term supply chain constraints globally.

We believe the growth opportunity driven by AI services have just begun. We believe that technology evolution, brought by AI, is not a short-term opportunity but the beginning of a new era. As one of the world's leading cloud service provider, we will continue to invest in forming a full stack product and technology leadership across [Inaudible] layer. This is key for us in capturing opportunity and asserts that differentiating advantage for Ali Cloud versus all other players in China, which mainly focus on one of the layers.

We will leverage and expand this advantage when serving the needs of our customers, including training and service needs for large-language start-ups, as well as industry demands for customized models and vertical models. We believe the high performance and the low-cost computing power required for model training and services will open up brand-new opportunities for cloud computing services. Over the long term, Alibaba Cloud will benefit from application of AI in all industries. In the [Inaudible] layer, we have built ModelScope, a leading open-source online community in China for models and the related tools and services, which is very popular among developers.

The community hosted over 1,000 AI models, including Meta's Llama 2 and our own open-source model, the 7 billion parameter version of Tongyi Qianwen. We believe the aggregation and engagement of a model ecosystem will significantly help

developers optimize their model and use services on Alibaba Cloud. Since April, we released our own large-language model, Tongyi Qianwen, audio to text transcription platform Tongyi Tingwu, and text to image model, Tongyi Wanxiang, which together have accumulated millions of users. In this quarter, Alibaba Cloud adjusted EBITA reached 387 million RMB, representing year-over-year growth of 106%.

This is mainly due to the reduced co-location and bandwidth costs of DingTalk as a result of normalized usage after the pandemic, as well as enhanced product mix and efficiency improvement, for example, our server utilization in our cloud business. We will continue to focus on quality of operation. And as we continue to scale up, we will work to achieve economics of scale that will deliver long-term operating benefits and contribute to our profitability. Our digital media entertainment business scope delivered 36% revenue growth year over year, and the first-ever quarter of profitability.

This was a result of the following factors. Number one, Youku's growth in subscription revenue. Number two, higher revenue contribution from Damai and Tao Piao Piao, which both benefited from the recovery of offline shows and the cinemas after the pandemic. Number three, Alibaba Pictures launch of several blockbusters and a robust China box office demand during the quarter.

Going forward, we will continue to improve our content production capabilities and enhance DME's operating results through high-quality content creation and distribution. In July, we published our fiscal year 2023 ESG report. Over the past year, we have made progress across the seven strategic dimensions of social responsibility, especially in restoring our green planet. We achieved solid emission reduction under Scope 1, Scope 2, and Scope 3.

We drove emission reduction across our business ecosystem which was roughly equivalent to the total annual greenhouse gas emissions of 1 million average households in China. Leveraging our unique position connecting consumers and merchants, our product innovation, Carbon88 ledger platform, enables our customers and merchants to join the carbon-saving efforts across our ecosystems. Following the announcement of our 1+6+N organization in March, the six business groups have started operating in a new way under the leadership of their respective boards. The past quarter's solid performance was also a reflection of early results of this change and further enhanced our confidence toward the future.

As part of the new governance framework, we also further strengthen the company's capital management, moving ahead with our various programs to improve shareholder return under the leadership of the newly established Capital Management Committee. The capital market projects we announced last quarter are all underway, and we have also been continuing sharing -- continuing share repurchase activities in the market. We will update you -- we will keep you updated on the progress in the future. Lastly, this will be the 36th earnings call I have participated since our IPO in 2014 and the final one as chairman and CEO of Alibaba Group.

It's truly has been a privilege of a lifetime to lead the company as CEO on our three strategies of consumption, cloud computing, and globalization since 2015 and be a part of Alibaba's high-growth period. As chairman, it was an extraordinary experience to take on the challenges brought on by the pandemic and unprecedented change in the macro environment over the past four years. This has been an incredible invaluable life experience. I sincerely thank our shareholders and analysts for your trust and support over the years.

This quarter is a combination of my eight-year leadership of Alibaba and the start of my new journey. I hope you continue to support Joe and Eddie and the new management team. As Cloud Intelligence Group moved toward becoming a public company, I look forward to reengaging with everyone in my new role in the journey ahead. Thank you, everyone.

Now, I will pass to Toby to go through the financial updates.

Toby Xu -- *Chief Financial Officer*

Thank you, Daniel. Due to the strong business momentum and our focus on operating efficiency across businesses, we achieved a robust financial performance in the past quarter. Total consolidated revenue was RMB234.2 billion, an increase of 14%. Consolidated adjusted EBITA increased by RMB11 billion or 32% to RMB45.4 billion in the quarter, due to improvements across all business segments.

Non-GAAP diluted earnings per share was RMB2.17, an increase of 48%. Additionally, during the quarter, we repurchased \$3.1 billion worth of our shares, which accounted for 1.4% of total shares outstanding. This is supported by our continuous generation of strong free cash flow. During the quarter, free cash flow was RMB39.1 billion or \$5.4 billion, an increase of 76% year over year.

Our strong free cash flow and balance sheet continue to put us in excellent position to strengthen our competitiveness and capture new opportunities. Now, let's look at a cost trends as a percentage of revenue, excluding SBC. Cost of revenue ratio, excluding SBC, decreased 1 percentage point to 61% during this quarter. Product development expense ratio decreased 1 percentage point to 4% during this quarter.

Sales and marketing expense ratio remained stable at 12% in this quarter. General administrative expenses ratio remained stable at 4% in this quarter. Our net income was RMB33 billion, an increase of RMB12.7 billion compared to the same quarter last year. The increase was primarily attributable to the increase in income from operations and the increase in share of results of equity method investees, partly offset by the net losses arising from the decrease in market prices of our equity investments in public-traded companies, compared to net gains from these investments in the same quarter last year.

As of June 30th, 2023, we continue to maintain a strong net cash position of RMB419.2 billion or \$57.8 billion. Cash flow this quarter was RMB39.1 billion, an

increase of 76%. The increase reflected an improvement on profitability and a decrease in capital expenditure. Now, let's look at the segment results.

Starting this quarter, we have implemented a new organizational and governance structure, under which we now have six major business groups and various other businesses. Accordingly, our segment reporting has been updated to reflect our reorganization. And our updated segment reporting second revenue and adjusted EBITA are presented before consolidation adjustments. We have also provided revenue and adjusted EBITA trend of each business groups for the last five consecutive quarters in the appendix of the earnings presentation for easy reference.

Now, let's look at the Taobao and Tmall Group. The user first strategy of Taobao Tmall Group is yielding positive user growth momentum and improving user retention on Taobao app, which we have supported strong revenue growth and successful June 18 shopping festival during the quarter. Revenue for Taobao and Tmall Group was RMB115 billion, an increase of 12%. Customer management revenue increased by 10% to RMB79.7 billion, primarily due to increase in number of paying merchants, increasing merchants' willingness to invest in advertising our platform and increase in online physical GMV, excluding unpaid orders.

Direct sales and others revenue increased 21% to RMB30.2 billion, primarily due to strong sales driven by the consumer electronics category. Taobao and Tmall Group adjusted EBITA increased by 9% to RMB49.3 billion. The increase was primarily due to the increase in profit from customer management service and the narrowing losses in certain businesses which was partially offset by Taobao Tmall Group's investments in growing Taobao app users that has resulted in increasing DAU of 6.5%. Alibaba International Digital Commerce Group revenue was RMB22.1 billion, an increase of 41%.

Revenue from international commerce retail business increased by 60% to RMB17.1 billion, the increase was primarily due to solid performance of all major retail platforms and improvements in monetization. Revenue from our international commerce wholesale business remained stable at RMB5 billion compared to the same quarter last year. AIDC's adjusted EBITA loss narrowed by RMB960 million to a loss of RMB420 million in June quarter. Loss is significantly narrowed year over year primarily because of improved margins of Trendyol and Lazada, partly offset by the increase in investments in new businesses such as Mirabel and Ali Express choice.

Trendyol continued to deliver strong order growth in both of its e-commerce and the local consumer service businesses through robust revenue growth and continuing improvement in operating efficiency. For the first time, Trendyol achieved positive operating results during the quarter. The reduced loss from Lazada is primarily due to improvement in monetization. Local services group revenue in June quarter grew 30% to RMB14.5 billion, primarily due to robust GMV growth of Irma and the rapid order growth of Amap.

Local service Group adjusted EBITA was a loss of RMB2 billion this quarter compared to a loss of RMB2.8 billion in the same quarter last year, reflecting the continued narrowing of losses driven by Irma's order growth and the positive unit economics per order, as well as rapid order growth of Amap driven by market demand. Total revenue from China grew 34% to RMB23.2 billion, primarily contributed by the increase in revenue from international fulfillment solution services and domestic consumer logistics services. China adjusted EBITA was a profit of RMB877 million compared to a loss of RMB185 million in the same quarter last year. Profitability turned positive year over year primarily because of improved operating results from international fulfilling solution services and domestic consumer logistics services.

Revenue from Cloud Intelligence Group was RMB25.1 billion in June quarter, an increase of 4%. The revenue growth was mainly driven by Alibaba consolidated businesses and the customers within financial services, education, electric power and automobile industries partly offset by our proactive efforts to manage revenue from project-based cloud services. Cloud adjusted EBITA was increased by 106% to RMB387 million, primarily due to reduced co-location and bandwidth cost of DingTalk as a result of normalization of usage as compared to the same quarter last year. Revenue from our DME Group was RMB5.4 billion, an increase of 36% on primarily driven by growth of online entertainment business, as well as a strong recovery of off-line entertainment business.

Adjusted EBITA recorded a profit of RMB63 million compared to a loss of RMB907 million. The improved adjusted EBITDA was mainly due to the increase in revenue from Alibaba Pictures in Damai. Revenue from all other segments increased slightly by 1% to RMB45.5 billion, primarily due to the revenue growth contributed by Alibaba Health, Fliggy, Flushable, and Intelligent Information Platform, partly offset by the decrease in revenue from Sun Art due to decrease in ticket size resulted from the decrease in customer stockpiling behavior compared to the same quarter last year. Adjusted EBITDA from all other segment was a loss of RMB1.2 billion, compared to a loss of RMB2.3 billion in the same quarter last year, primarily due to improved operating results from Freshippo, Lingxi Games, and Fliki.

Thank you. And that's the end of our prepared remarks. We can open up for Q&A.

Rob Lin – *Head of Investor Relations*

On 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 purpose only. In the case of any discrepancy, our management statement in the original language will prevail.

If you are unable to hear the Chinese translation, a bilingual transcript of this call will be available on our website within one week after meeting. [Foreign language] Operator, please connect the speaker in SI conference line now. Please start the Q&A session already. Thank you.

Questions & Answers:

Operator

Thank you. [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 with Goldman Sachs. Please go ahead.

Ronald Keung -- *Goldman Sachs -- Analyst*

Thank you. Thank you, Joe, Daniel, Toby, Trudy, and Rob. Can you share -- can management share just how have broader consumption trends been tracking after a pretty strong June 18 shopping festival. And following on that within the Taobao Tmall Group, besides the DAU, DAC metrics that are KPIs, how are we thinking about the balance between Taobao Tmall, for example, other metric, which is market share, versus our Taobao Tmall Group, the absolute profit level if we think of it on a three-year horizon? Thank you.

[Foreign language]

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

[Foreign language] Thanks for those questions. Let me start with your first question about consumption trends. Indeed, as we've seen, there is a gradual recovery underway in the Chinese economy, and the Chinese government indeed has made many efforts to stimulate economic growth, drive consumption. When it comes to the other KPIs, you asked about market share and profitability, I think that, that comes down to the three key strategies we're pursuing around growing user scale, building a prosperous ecosystem, and realizing technology-driven innovation.

We're looking at creating a virtuous investment cycle by investing in users and user growth, leading to merchant growth, driving higher revenues, and then being able to further reinvest in growing users and user scale. So, that's the positive cycle we'll be creating. [Foreign language] Looking into the future, there certainly will be uncertainties ahead of us on this road. But I think, faced with all these uncertainties and potential volatility, the greatest certainty we have is the need to continue to grow our user scale and our merchant scale.

And we are very optimistic that as long as we can maintain our leadership in terms of user and merchant scale that the mid- to long-term view of profitability and market share will be excellent. Thank you.

Rob Lin -- *Head of Investor Relations*

Next question.

Operator

Thank you. Your next question comes from Alicia Yap with Citigroup. Please go ahead.

Alicia Yap -- *Citi -- Analyst*

Hi. Good evening, management. Thanks for taking my questions. And thank you, Daniel, and all the best for your new journey.

[Foreign language] Good evening, and thank you, management, for taking my question. And thank you to Daniel, and congratulations to you, and all the best on your new journey. So, looking at the excellent growth numbers you've reported in DAUs and also in VIP members, double-digit growth there. I'm wondering if management could give us a little more detailed information on what lies behind those numbers, for example, in terms of new users, where are they coming from.

How are they being acquired? Are they mostly coming from lower-tier cities? And how do those new users compare with existing users in terms of their willingness to spend and their spending power. And when we look at the 88 VIP members and the growth there, what's primarily driving that? And are we looking more at a higher frequency of purchase that they're making? Or is it more purchases they're making big ticket items in some categories? And then looking at these trends, do you think they'll continue on into July? And then finally, I'm just wondering, given the weakness that remains in the economy, how accurate do you think our forecasts are of trends going forward and our ability to realize our objectives.

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

[Foreign language] Thank you. I'll start with your first question on the increase in DAUs and where new users are coming from. And I would firstly say that our value-for-money battle we've been investing in developing value for money offerings has very much been paying off. [Foreign language] At the last earnings call, we discussed our three key strategies.

[Foreign language] So, there are several reasons underlying the good performance that you've seen in the June quarter, and I will set out a few of them for you below.

[Foreign language] First is improvement in the macroeconomic environment and recommencement of consumption, coupled with higher penetration of online purchasing within retail. [Foreign language] Secondly, we're starting to see payoff from our investments in this value-for-money battle, bringing to the market an increasing assortment of good items at good prices, developing that supply, and attracting users with this proposition. And we are indeed seeing among paying users an increasing proportion of new users coming lower-tier cities or being young people or being older consumers.

[Foreign language] Looking at the numbers from this year's 618 shopping festival, we see several trends there that will also help to answer your question about the 88 VIP members and the proportion of sales to those members. [Foreign language] Again, we've seen a strong interest on the part of users in value for money offerings. And in

the 618 shopping festival, we've certainly seen a lot of new young consumers coming to take part. [Foreign language] Another driver of sales this year has been the launch of new products with 3 million new brands being launched by products on Tmall at this year's 618, driving significant sales in consumer electronics, appliances, apparel, and other categories.

[Foreign language] So, coming back to the 88 VIP members, what we see certainly is they're attracted by those new products that are being launched as well as by the broadened assortment of quality offerings.

Rob Lin -- *Head of Investor Relations*

OK. Next question.

Operator

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

Gary Yu -- *Morgan Stanley -- Analyst*

Hi. Thank you, management, for the opportunity. I have one question related to cloud and a follow-up on AI. Just wanted to check when do we expect to see cloud revenue grow to kind of further accelerate to a higher level given there appears to be some reluctance for corporate spend on IT spending? And a related question on AI given the fast adoption of AI offerings that we have launched recently, how should we look at the timeline and road map from a regulatory and also monetization standpoint? Thank you.

[Foreign language]

Daniel Zhang -- *Chairman and Chief Executive Officer*

I think if you look at the cloud landscape in China, I think the total cloud infra as a percentage of the IT infra still in a lower -- actually, in a relatively low percentage as compared to the U.S. peers. So, we still -- we see still the huge potential first in this cloud infra penetration. Secondly, I think with this AI revolution, I think that this brings incremental opportunities, and because today, all the companies want to use our AI capabilities to upgrade their services and in their own application.

So -- but they need a high computing -- high-performance computing power to support this operation, not only in today's training, but also in the inference services to be provided. So, I think these two are, we believe, the primary growth engine for the long term. [Foreign language] If you look at our own performance, I think right now, we are taking some time to digest some impact from the, first, from the decline of the demand post-pandemic, as we said in our script, for example, for many services relating to remote work, remote education as well as the online streaming, the demand, obviously, is lower post-pandemic, which I think is a very important

factor to drive our growth rate. And also, we also have some impact from the decline in demand from one top customers -- one of the top customers.

So, I think we need to still need some time to digest this. Also, we're also making some proactive measures to make sure we focus on public cloud growth and focus on high-quality cloud service growth. So, I think with this, the right sales structure and the customer profile, we are better positioned -- we'll be in a better position to have a long-term sustainable growth. [Foreign language] Yes.

For the second question, how to monetize this AI opportunity. I think the answer is very straightforward. It's like as a cloud service provider, our best monetization model is to have all the all the AI companies, all the models using Alibaba cloud infra, our high-performance, low-cost computing power to do their AI. So, I think while we do our foundational model in Ali Cloud and deploy this and deploy on our cloud infra is to not only just run our own model -- is to help our cloud industry partners to use this foundational model to do their fine tune, to build their own model in their vertical industries and in their own customized applications.

So, I think this is -- I think for us, I think this is a huge opportunity. And I think we would do everything we can to make sure we provide best-in-class services to help these new generations of innovation to be occurred on our cloud infra. Thank you. [Foreign language] Just to add one more point, which is when we talk about this ecosystem, and we strongly believe in this AI new era.

There is a new ecosystem is generating -- is incubating. So, that's why we do a lot to grow our model -- our community model scope to make sure all the relevant models, all the good models in the market, not only from Alibaba, vast, vast majority of them are from ecosystem, to make all the models available for the developers, for the industry partners. And we provide tools, applications to help them to use these models and a lot of open source models, as I said in my script. And from our side, we are also we'll continue our efforts to upgrade our model and also continue our open-source strategy for the models.

And the more people use models, then the more people will use computing power. That's the short answer. Thank you. [Foreign language]

Rob Lin -- *Head of Investor Relations*

Next question.

Operator

Thank you. Your next question comes from Jiong Shao with Barclays. Please go ahead.

Jiong Shao -- *Barclays -- Analyst*

[Foreign language] I have a follow-up question for Daniel regarding AI. We know that Alibaba has launched its Tongyi model and has recently opened up two additional models. And you're also hosting model from Meta. I'm wondering, if we think about the future landscape in China, say, three to five years down the road, what that landscape will look like, how many foundational models will have proven successful, what will the mix look like as between proprietary versus open-source models at that time, and what will be the factors that will contribute to the success or failure of these different competitors in that period.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] Well, thanks. That's an excellent set of questions, and it's difficult to answer as they are excellent. We're standing at the advent of a new era, an unprecedented new era where things are moving so fast that most people look at things in intervals of one month and track changes month by month. So, it's extremely difficult to talk about what the future will be like three to five years out.

[Foreign language] Perhaps, I can share with you my own observation and thinking about some of those larger issues. Certainly, there are quite a lot of companies in China already today that are working on large-language models. I think there are basically two development pathways available to these companies, broadly speaking. One is the one that Alibaba has chosen because we are a cloud provider.

So, we developed these large-language models. And as we evolve them, we continue to open them up, make them available, even go open source with them to get more people to use them. So, we're providing foundational models are intended to be a universal application to benefit the broadest swath of the community, making them available to developers to develop applications, building on them. But at the same time, there will also be some players in this market who, although they're starting out developing foundational models, will very quickly start to focus on a few particular domains where they have expertise.

Of course, these will be domains, where to succeed, they'll need to have a lot of high-quality data as well as deep insight into that data. But some companies will start by developing those additional models but quickly move into developing specific applications. So, that's foreseeable. [Foreign language] Of course, this in that second category, I spoke about, might say today that they're working on big models or large-language models.

But in point of fact, they'll end up working on vertical models. But it's difficult to know today and to distinguish between the two. But another important point I would add on is that AI is not valuable, just by virtue of being AI. In fact, it has tremendous potential to revolutionize all the existing applications and services that are out there across industries and sectors, including both 2c and 2b.

So, if you look at all the different applications and services that exist today on the internet, all of them can be rethought and revitalized and upgraded with AI. So, we say this within Alibaba. Everything we're doing, all the services we have can be

rethought and redone leveraging AI. And I think the same could be said for all players across all different industries and sectors.

Rob Lin -- *Head of Investor Relations*

Next question.

Operator

Thank you. Your next question comes from Thomas Chong with Jefferies. Please go ahead.

Thomas Chong -- *Jefferies -- Analyst*

Hi. Thanks, management, for taking my questions. I have a question regarding the international business. Given that the strong performance that we are seeing across different countries, just wanted to get the thoughts from management regarding the competitive landscape in different regions and our growth strategies.

And then a follow-up question on that one is really about the logistics side. Given the strong performance of China, how should we think about the synergies between China and our international business to enhance the user experience? Thank you.
[Foreign language]

Daniel Zhang -- *Chairman and Chief Executive Officer*

Yes. Actually, we reported a very good quarter. For our AIDC, our overseas digital commerce business, and we are happy to see that our strategies after a couple of quarters efforts as we see a strong sign of success. And we strongly believe this is a sustainable trend.

And as you asked, I think we are trying to find our unique position in the global market. And when we talk global market, we have very clear target by market, by region -- not only by region, also by country because consumption is highly relevant to a culture and highly relevant to the local retail landscape. So, we need to find our uniqueness -- unique strength to create the real value to the customers in the destination country. Our unit advantage -- of course, one of the advantage is the supply from China.

I think our Choice model just to unlock the advantage by a consolidated integrated supply chain from end to end. So, going forward, we'll continue to scale up this model and together with the growth of the platform model and in different markets. And we have [Inaudible] market strategy in some businesses. We are -- we focus on cross-border.

This is -- could be a main cause for some businesses. But for some other markets, we focus on local to local as a main course, plus cross-border from China as a dessert. And also today make cross-border from China, maybe tomorrow, cross-

border from other countries. And also, we are trying to leverage our strong coverage in China with our B2B business because we have a very successful B2B business, which basically have a very strong connection with our -- with many Chinese exporters.

They are all SMEs. Some of them sell industrial products, but we have many of our borders sell consumer products. So, this could be a huge, I mean, flying wheel to connect the integrated supply chain from B2B to B2C. So, for your second -- for your question about Tongyi and AIDC, I think this quarter is a very good example -- show a very good example of how the synergies we can create between the -- among the different business groups in Alibaba.

So, I think the strong growth of IDC is one of the main reasons is our improved logistics and service experience together with a strong performance of our logistics network. So, for example, right now, we are providing a five-day global delivery, which means a global delivery within five days. If you can give customers thousand miles away, tens of thousands of miles away from China, a high certainty of the logistic experience, this could be the best user acquisition tool and user acquisition model. So, if we can -- if we combine these two together and see a very strong synergies.

And we'll continue to do that, and on one hand is to enhance the assortment strategies to make sure we have the right supply. Second, to enhance the logistics and service standard and capability and to make sure customers can have their good experience. If they have a good experience in their first few try, they will be with us. I think they have -- because with a good experience, right, the price point from China supply has a unique strength in the world.

[Foreign language]

Rob Lin -- *Head of Investor Relations*

Next question, please.

Operator

Thank you. Your next question comes from James Lee with Mizuho. Please go ahead.

James Lee -- *Mizuho Securities -- Analyst*

Yeah. Thanks for taking my questions here. And just one follow-up question on cloud computing specifically. And, Daniel, can you comment about, obviously, comment about technology, that's super helpful.

Can you talk about maybe from a marketing perspective, what verticals are important for you to pursue in the near term to drive the growth of the business and why? Thanks. [Foreign language]

Daniel Zhang -- *Chairman and Chief Executive Officer*

Yes. Actually, cloud is relevant to all the industries. If you ask me on which industries we prioritize, I would say, actually, first of all, I think the internet companies, I think because all the Internet companies are digital native companies and they're supposed to be -- grow their business on cloud. And so, from this part, I think if you look at the history of Alibaba Cloud, we will grow together with the Internet company, especially the mobile internet companies in China together.

So, I think in this part, I think we still have a big space to penetrate to help all the internet companies. Today, not all of them are purely digital-native, data-driven. And even though everybody has a mobile app and have a web page. But I think the level of digitalization and the complexity of their digitalization is quite different.

So, I think in this regard, we can still work closely with them, starting with the penetration of the cloud infra and also with more penetration with the past products -- I think part service and AI service today. So, I think internet, obviously, is a very important sector and also financial services because financial services is a very big industries. And there are many companies, many type of subsectors in this industry. So, I think we also spend a lot of our resources on these.

And also, we are also developed our services and product services to serve industries like automobile. Because if you look at the EV companies and all the EV companies, no matter they're new EV or a new EV [Foreign language] or the existing ones, I think pretty soon, all of them, they are purely digital-driven companies. They're a data-driven company. So, I think we will -- generally speaking, I'll just give you a few examples.

But generally speaking, we will focus on the industries with higher level of digitization, and we will prioritize the industry digital-native, or they have a very successful digital transformation or the onboard from day one they are digital native. So, this is our focus and strategy. Thank you. [Foreign language]

Rob Lin -- *Head of Investor Relations*

Let's get the last question.

Operator

Thank you. Your next question comes from Jialong Shi with Nomura. Please go ahead.

Jialong Shi -- *Nomura -- Analyst*

[Foreign language] Thank you. My question has to do with e-commerce. And I'm wondering if you could talk to us about where you see things heading for the September quarter for both Tmall and Taobao in terms of DAUs and revenues. And then coming back to the June quarter, we saw a decline in margin year on year.

So, if you could please talk to us about margin in the June quarter, as well as on Tmall Supermarket and on Tmall and Taobao. Thank you.

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

[Foreign language] Thank you. So, on Tmall Supermarket, this is a 1P business that we're operating ourselves and profit continues to improve. This year, we've invested very heavily in improving user experience on Tmall Supermarket, as part of that, rolling out half day delivery service in 20 cities across China. And in those cities with half-day delivery, we're seeing very, very significant improvements in growth in user scale orders and user satisfaction.

[Foreign language] E-commerce in general as a kind of commerce or business is affected by a variety of different factors of course, including the macroeconomic environment and competition. [Foreign language] So, rather than focusing on short-term competitive dynamics and growth numbers, we're much more preoccupied with ensuring the long-term development of the company, of the business, and then constantly surpassing ourselves. [Foreign language] And as I said earlier, given the uncertainties and volatility that may lie ahead on the path to the future, it's all the more important to be investing today and building our own capabilities. [Foreign language] That's why in the next three-year period, we'll continue to invest resolutely in growing user scale and optimizing user experience in helping merchants grow their businesses and in improving our services that we provide to merchants.

[Foreign language] We have over two decades of strong experience and insight in the e-commerce space. And based on that, I have extremely strong confidence in our ability to continue to maintain our dual leadership position, leadership in terms of user scale and merchant scale going forward. Thank you. [Foreign language] The investments that we're making today will certainly pay off in the future in terms of driving revenue and profit growth.