

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Thank you, Rob. Hello, everyone. Thanks for joining our earnings call today. In the past quarter, Alibaba continued to firmly invest into our three strategic pillars of domestic consumption, globalization, cloud computing, and data intelligence.

We believe this will establish solid foundations of our long-term goal of sustainable growth in the future. Some context on the China macro environment before I share our business updates. In the September quarter, China's GDP and consumption continued to grow, but slower than the previous quarters. Overall retail sales for the quarter increased 5% year over year.

Online retail of physical goods rose 8% year over year compared to the 19% during the same period last year. Off-line retail has only just returned to the same level as two years ago. These economic headwinds coupled by intensifying market competition also affected our core commerce business in China. In line with industry retail trends in China, physical goods GMV year-over-year growth rate moderated to single digit this quarter, mainly due to a slowdown in apparel and general merchandise categories.

That said, growth rate of consumer electronics and home furniture categories remained resilient. In the challenging macro environment, we continued to invest in user acquisition that have seen promising progress in low-tier cities which I will elaborate on later. Our global annual active consumers reached approximately 1.24 billion, which is a net increase of 62 million quarter over quarter, and 20% growth year over year this past quarter. Our AAC grow to 953 million in China and 285 million overseas.

We are on track to deliver the 1 billion China AAC target by the end of this fiscal year and remain firmly committed to achieving our long-term target to serve 2 billion consumers globally. Let me turn to our long-term investment strategies. In less developed areas across China, Taobao Deals has continued incremental growth to our overall user base and stimulate more user activity and engagement in our China consumer ecosystem. Taobao Deals AAC surpassed 240 million this past quarter.

Close to half of Taobao Deals daily active users are unique incremental users in addition to Taobao app DAUs. Consumers are attracted by the value for money products and differentiated user experiences offered by Taobao Deals. At the same time, manufacturers take advantage of its one-stop, full-service solution that includes online store operation and fulfillment to sell directly to end customers. We call this solution m2c, or manufacturers-to-consumers.

During this past quarter, Taobao Deals m2c orders grow nearly 400% year over year. For our community marketplaces business, Taocaicai, we continued to focus on investing in and building a new digitalized community commerce model that is sustainable and healthy. Taocaicai has expanded operations to close to 200 cities and its GMV growth surpassed 150% quarter over quarter. We are deliberate in our

approach and faithful to our belief in true value creation rather than blinded pursuit of unqualified and unsustainable growth.

We are instead focused on leveraging core capabilities that Alibaba has built over years in the supply chain, logistics, user engagement and channel development. We aim to grow a new digitalized social commerce infrastructure that offer consumers quality services and products with highly competitive price. Consumer survey results have shown that product quality is the top deciding factor for consumers to choose Taocaicai over other platforms. Taocaicai has contributed to increasing the purchase frequency of our core commerce consumers.

More than 50% of Taocaicai users were first-time buyers of fresh produce on our China retail marketplaces. We believe the ultimate value proposition of the community commerce infrastructure is in our ability to elevate the quality of routine everyday services in local communities. It ranged from quarantine supplies during pandemic lockdowns, supporting local farmers to sell high-quality produce, vocational training and job creation. We will continue to enhance these services to create value for our communities.

In local services, we are creating a product and service metrics centering around synergies between Ele.me, Amap and Fliggy. Ele.me and Amap are positioned as our two main user entry points for homebound and destination-bound local services, respectively. Ele.me delivered 29% growth in AACs and 30% growth in order volume year over year with non-meal delivery order growth outpacing total order growth this past quarter. In addition to a navigation services, Amap has been expanding into service offerings around the user's journeys and the destinations such as ride hailing, hotel bookings, etc.

During the quarter, transacting users of this destination services on Amap increased more than 200% year over year. Although the recent resurgence of COVID-19 in parts of China impacted stability in the supply of hotel rooms and travel products in many provinces, we see the positive contribution in user value from adding Fliggy product supply to Amap and our other user platforms. We just celebrated our 13th November 11 Global Shopping Festival with a record GMV of RMB 54.03 billion, excluding unpaid orders, representing a year-over-year growth rate of 8.5% for the 11-day campaign. The stable and healthy growth of the high base over last year reflects China's consumption power and economic resilience.

Looking forward, we remain confident in development of China consumption. Today, we already have the largest and the most valuable consumer base in China with 953 million AACs, which are still growing. At the same time, we will serve our large and diverse consumer population through user segmentation, addressing different needs and use cases through an assortment of apps with differentiated value propositions. Further through cross-selling of products and services, we will increase our user stickiness, wallet share and overall retail penetration.

Outside of China, we continued healthy expansion of our user base and revenues achieving 285 million AACs and 33% revenue growth during the quarter. In Southeast

Asia, Lazada produced 82% order growth year over year during the quarter with triple-digit growth in Thailand, Vietnam and Malaysia. Trendyol, the largest e-commerce platform in Turkey, delivered GMV growth of over 80% year over year. AliExpress GMV growth decelerated this quarter due to the negative impact of net VAT rules in Europe and the gradual recovery of the local supply chain and the consumption in its destination markets.

Looking ahead, AliExpress will further invest to expanding local operations in its strategic markets in Europe. For our logistics business, Cainiao Post has achieved coverage in over 200 cities as of the end of September. They have become our stations for consumer services in more than 100 counties and towns across less developed areas. The daily average package volume delivered through Cainiao Post increased nearly 70% year over year to 69 million during the quarter.

In the domestic supply chain business, Cainiao's fulfillment volume for Taobao Deals m2c business increased by more than 200% year over year. As part of its global logistic network expansion, Cainiao launched new initiatives to improve the user experience for international consumers by introducing self-pickup lockers in Russia, Spain, France, and Poland, while continuing to enhance its cross-border end-to-end logistics capabilities. Last but not least, Alibaba Cloud delivered revenue growth of 33% year over year this past quarter, driven by strong revenue growth from customers in the Internet, financial services, and retail sectors. In October, we held our 13th Apsara conference, which is now the biggest technology conference in China by attendees.

We unveiled several new proprietary products and technologies upgrades, including Yitian 710 server chip, the X-Dragon architecture, Panjiu cloud-native server series, Alibaba AI and big data platform, and a new generation of PolarDB database. These show that Alibaba Cloud is benchmarking against the world's top cloud computing technologies and a milestone in its proprietary product capabilities in IaaS and PaaS. In September, we announced 10 initiatives and pledged to invest RMB 100 billion by 2025 to advance scientific and technological innovation, economic development, high-quality employment and vulnerable group support in China. We believe these four areas are among the common focus of all responsible companies in the world under the ESG framework.

We will incorporate these initiatives into the social responsibility pillar of our ESG strategy and hope that our digital commerce and technology ecosystem can contribute our part in these areas. Looking ahead, we will continue to invest heavily into our three growth engines of domestic consumption, globalization, cloud computing and data intelligence as we announced at the beginning of our fiscal year. In core commerce, we have started to see encouraging initial results of our investment in low-tier cities, local services and logistics in the form of user growth and enhanced logistic capabilities. Our investment in globalization has also delivered progress in user base consumption and revenue growth.

In cloud computing and data intelligence, we will strengthen our market leadership by further enhancing our core product and technology capability. No matter the

challenges in the current macroeconomic environment and with more and more players entering into the industry, we remain very confident in our business strategy and our future. We will continue to focus on capacity building, value creation and a multi-engine approach to growth. We firmly believe our strategy and the perseverance will bring mid and long-term returns to our customers and investors.

Now, I would like to turn it over to Maggie, who will walk you through the details of our financial results.

**Maggie Wu** -- *Chief Financial Officer*

Thank you, Daniel. Let me share some high-level thoughts on our financial results first. Our revenue growth continues to be strong, and our revenue are becoming more diversified. So overall, we grew revenue by 29% year over year to 200 billion.

Revenue of our international commerce business and cloud computing exhibited a robust growth of 34% and 33%, respectively. Our adjusted EBITA was 28 billion. Our core profitability before investments in key strategic areas remained very significant and stable at about 52 billion. So I will talk about our investment areas later.

The decline of RMB 13.2 billion year over year in total adjusted EBITA is a result of our investment in strategic areas and merchant support. We have one of the most diversified and loyal customer bases in China and that we believe these investments will further strengthen our position. And our overseas investment will also help us gain more share in many international markets in the future. So here, we provide a revenue breakdown by segment.

where you can see that Alibaba has evolved into a multi-engine growth company with businesses across different runways and the growth and revenue continue to be more and more diversified. Cost trends. Now, let's look at our overall cost trends, excluding SBC as a percentage of revenue. Cost of revenue ratio increased in September quarter due to higher proportion of our direct sales business, mainly from the consolidation of Sun Art.

Its direct sales business will continue to strengthen our retail initiatives, especially in the development of our product-sourcing capabilities. For example, our community marketplace business continued to grow rapidly, which is partly -- thanks to the strong procurement and supply chain capability in perishables, FMCG and general merchandise categories of Sun Art. Sales and marketing ratio also increased in September quarter due to an increase in marketing and promotional spending for user acquisition and engagement for our mobile commerce businesses, such as Taobao Deal, Lazada, Ele.me, and also Taocaicai. G&A expense remained stable at 4% compared to same quarter last year.

Now, let's look at our profitability and area of investment. Commerce adjusted EBITA before key strategic investments was largely flat at 52 billion, primarily reflected our support to merchants, as well as the increased spending in user acquisition engagement on our marketplaces. So excluding our merchant support program

spending, the growth of commerce adjusted EBITA before key strategic investment was similar to that of our CMR revenue growth, suggesting a relatively stable EBITA margin of our China retail marketplace. Adjusted EBITA decreased by 13.2 billion.

The decline primarily reflects 12.6 billion year-over-year increase in combined losses of key strategic areas, such as Taobao Deals, local consumer service, community marketplaces, and Lazada within commerce. Let's take a closer look at the business progress, revenue and profitability of our business segments during the quarter. OK, first, on our commerce segment. Revenue from our commerce segment in the quarter was 171 billion, 31% year-over-year growth.

Revenue of China commerce business showing 14% year-on-year growth, excluding Sun Art consolidation. And CMR is growing 3%. There are two key reasons for the slower growth of CMR. First, our CMR growth were primarily tied to single-digit, physical, good GMV growth that resulted from slowing market conditions and more players enter into this sector of the China e-commerce market.

China's NBS statistics have shown a slowdown of overall consumption. We experienced a larger impact given our position as the largest e-commerce player in China. Secondly, CMR growth was lower than physical goods GMV growth, primarily due to the incremental year-on-year increase in merchant support and subsidies. Revenue of international commerce grew 34% year over year, with continued strength of both international wholesale and international retail businesses, such as Lazada, Alibaba.com, AliExpress, and Trendyol.

Commerce adjusted EBITA decreased by 12.7%. The decrease reflects -- 12.7 billion. The decrease reflected increased investment in those strategic initiatives. Now, these initiatives we invested within commerce, as noted, we're investing in growth business that strengthen consumer experience, enhance loyalty, penetrate into less developed area in China and further expand our presence internationally.

So during the quarter, the businesses all show robust growth. Taobao Deals and Taocaicai continued to penetrate into less developed markets of China and they extend our addressable market. Taobao Deals achieved 240 million AAC, up 49 million. Taocaicai grew GMV by over 150% Q-on-Q.

As a reminder, our community marketplace business started early this year. Ele.me continues to deliver strong order growth of 30% year on year and is one of the main consumer gateways for our local service business with being -- with high-frequency purchasing intent. Lazada and Trendyol continued to generate robust growth in new international markets. Lazada order grew 82% year over year.

Trendyol GMV grew over 80% year on year. Let's take a look at the cloud computing business. AliCloud's revenue grew 33% year on year to RMB 20 billion during this quarter, which reaccelerated compared to the June quarter growth. We saw strong revenue growth from customers in Internet, financial services and retail industries.

AliCloud generated an adjusted EBITA of RMB 396 million given strong revenue growth and economies of scale. Next, our DME business during the quarter was 8 billion in revenue. And if you look at the losses, it slightly increased year over year because of the investment in content, etc. But overall, it continued to narrow in losses in the first half of the fiscal year.

Income statement selected financial metrics. Let's review some of these line items. Interest and investment income was a loss of 11 billion in September quarter, primarily due to net losses arising from changes in market prices of our equity investments in publicly traded companies in the quarter. This is compared to net gains in the same quarter of 2020.

Income tax expense in the quarter were 6.1 billion compared to 1.9 billion in the same quarter of last year. In the same quarter of last year, tax expenses reduced by approximately 6 billion because during that quarter, certain subsidiaries were officially notified that they were approved of key software enterprise status for calendar 2019, which entitled them to a reduced tax rate of 10%. Share of results of equity method investees was 5.5 billion during the quarter. Here, we show GAAP and non-GAAP net income attributable to shareholders.

Besides the reasons we discussed above, the year-over-year decrease was also due to losses arising from the changes in market prices of our equity investment in publicly traded companies. September quarter free cash flow. We continued to have a strong net cash position. As of the end of the quarter, our cash, cash equivalents and short-term investments were RMB 443 billion, which is approximately USD 69 billion.

Free cash flow was RMB 22 billion. The decline was driven by a decrease in the profits. Before we go into Q&A, I would like to provide some perspective on our financial outlook. Over the last six months, we have observed softer market conditions with slowing consumption growth in China.

Given a slower-than-expected domestic consumption growth, since we provided our revenue guidance in May, we now expect our fiscal '22 revenue growth to be 20% to 23% year over year. The adjustment primarily reflects lowering of commerce revenues that include both direct sales and customer management revenue. Let me share with you a bit more our investment and profitability. So firstly, in China, we're seeing more players enter into the e-commerce industry.

Our peers are increasing investments to acquire users and most of them continue to show level of -- high level of spending. We will continue to invest in our e-commerce business that create value for consumers and merchants and keep our market leadership position and then for the competitive strength in longer term. Secondly, we believe our local service business still have ample long-term potential. These businesses have generated strong transaction growth and high user retention rate, setting a strong foundation to compete for the long term.



We are seeing robust GMV and user growth in our international commerce business. These businesses, Lazada, Trendyol, AliExpress, are exhibiting robust growth driven by localization strategy, as well as our ongoing investment in building technology and logistics capabilities. Lastly, we continue to expect exciting growth opportunities for our cloud business that will benefit from digitization in the industrial Internet era. Given our significant profit generation and a strong balance sheet, we believe it is important to grow and expand into new addressable markets for the long term despite near-term weakness in domestic macro environment.

As such, we will continuously invest into the above-mentioned areas and we will report to you the business development progress along the road. We believe this business will continue to increase consumer mind share and wallet share that will be important to our long-term growth and value. Lastly, before we go to Q&A, we'd like to inform you that we will be hosting an investor day on December 16 and 17. During the event, our senior management team will provide you an update on Alibaba's key businesses and our vision for the future.

Over the last several quarters, investors and analysts have communicated their desire to understand better on how we measure the success of our growth businesses mentioned and their -- these businesses long-term prospects. This investor day will be an opportunity to provide you with more details and insights. Now, let's open the floor for Q&A. Thank you.

**Rob Lin**

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. Our management will address your questions in the language asked.

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. [Foreign language] Operator, please connect speaker in SI conference line now and then start the Q&A session when ready. Thank you.

## Questions & Answers:

**Operator**

Thank you. [Operator instructions] Our first question is from the line of Thomas Chong of Jefferies. Your line is open. Please go ahead.

**Thomas Chong** -- *Jefferies -- Analyst*

Hi. Good evening. Thanks, management, for taking my questions. I have a question regarding our new initiatives.

Given that Taocaicai, Taobao Deals, the results are doing very good and we are seeing Taobao Deals the AAC already surpassing 240 million, so just want to get a sense about regarding our new initiative. When should we expect the monetization to ramp up? And on the other hand, over the long run, how should we think about the revenue scale of these new initiatives versus our existing business. And then, I have a second question regarding connectivity. Given that it has been quite a while after we have been cooperating with our peers on connectivity, just want to get a sense about any latest progress or the modernization potential that can be shared.

Thank you.

**Unknown speaker**

[Foreign Language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

OK. Let me answer the questions one by one. For the first one, I think today, our priority for Taobao Deals and Taocaicai is still to build the right, I mean, infrastructure in terms of the manufacturers-to-consumers model in Taobao Deals, as well as a hyper local community marketplace infrastructure. So I think these are our priorities.

And in terms of user engagement, we see very, very strong user engagement in the past quarters. As you can see, the AAC for Taobao Deals reached 240 million and for Taocaicai because this is a more like additional services on Taobao mobile app and Taobao Deals, so -- which also show a very good, I mean, user conversion to the fresh produce and the food categories. So we are very confident that if we can provide value to the consumers, as well as the manufacturers and the suppliers of the -- from the farmers, we believe that we can find a very -- we can generate also the value to the platforms as well.

**Unknown speaker**

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

So looking ahead, I think for the value-creation model, I would say it's not only like a marketplace to monetize the traffic in the marketplace, but also we can see a strong potential in the supply chain -- as a result of the supply chain optimization for the manufacturer-to-the-consumer business, as well as the farmer-to-table business.

**Unknown speaker**

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*



Yeah. For your second question, connectivity, as we always said, connectivity and openness are the core value of Internet. We strongly believe that it will be a win-win situation if all platform companies can embrace openness and connectivity in substance and not in form. So I think for us, we will continue to promote the non-discriminatory user sharing and consistent all across platform to make sure consumers have the consistent user experience.

Because today, if you are Taobao users, you can -- you may have the experience that when you want to share some product links with our friends in social platforms, the experience actually is bad. So I think this is for our mutual customers' benefit to improve the experience in the -- when they try to do whatever they want across ecosystems. And we will -- we actually have already made necessary preparations for the future interconnectivity.

**Unknown speaker**

[Foreign language]

**Thomas Chong** -- *Jefferies -- Analyst*

Thank you.

**Rob Lin**

Operator, next question.

**Operator**

Thank you. Our next question is from the line of Alex Yao of J.P. Morgan. Please go ahead.

**Alex Yao** -- *J.P. Morgan -- Analyst*

Good evening, management, and thank you for taking my question. So during your prepared remarks, you guys mentioned that the weak revenue momentum was due to both macro and competition. And based on the e-commerce results tonight, you guys look like underperforming the industry peers in this quarter. Can you help us understand to what extent is the revenue weakness due to macro and to what extent is due to competition? For competition, what are the areas that you see the most pressure and the challenge, and what are the strategies to regain competitiveness in those areas? Thank you.

**Unknown speaker**

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Well, if you look at the landscape, actually, today, for e-commerce -- for the definition of e-commerce, actually, it's evolving. So today, in the market, there are multi-formats of e-commerce model. And as long as you have some traffic, you have a user with you and based on the public available third-party payment solution and the logistic and delivery, fast delivery, express deliveries, anybody can try something on e-commerce. But we strongly believe that for Taobao, our advantage is a consumer mindset -- and we are purely a consumption destination for all the customers, so we will continue to develop multi-features and applications in our Taobao app at the same time to segment our user group by different mobile apps for specific value propositions.

And today, if you look at the market, I would say, for all the players, actually they are - they may address the customers' needs from one angle. But actually, for Taobao, we are the only destination who can meet the customers' purpose from different -- to meet the customers' different purposes. For someone who have very specific shopping purposes, they can -- Taobao to them is positioned as a mobile -- as a shopping search. And also Taobao has a lot of applications to facilitate people to enjoy the fun of discovery.

And over years, we've built of our live streaming business, as well as the short video business and the social contents business. So we are a platform with multi-formats - I mean, consumer journeys for people with different purposes. I think we will continue to invest in this and to give people most comprehensive selections and the most efficient and guaranteed consumer experiences.

**Unknown speaker**

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

As to your question about the slower GMV growth reasons, how much cost from macro conditions, how much from the competition. Actually, it's very difficult to quantify the impact, I would say, so that's why we believe that these two reasons are all -- I mean, are all the factors we should consider. Actually, because we are the market leader in the retail commerce so that's why I think our performance, to some extent, will reflect the overall market condition.

**Unknown speaker**

[Foreign language]

**Rob Lin**

Operator, next question.

**Operator**

Thank you. Next question is from the line of Piyush Mubayi of Goldman Sachs. Please go ahead.

**Piyush Mubayi** -- *Goldman Sachs -- Analyst*

Thank you for taking my question. Just looking ahead, your guidance seems to suggest you'll grow between 11% and 15%, 16%, in the second half of 2022, and that's a step down from the pace of growth you had in the first half. If we accept that pace as being in a continuation of where we are today, so what are you seeing that gives you the conviction that this slow pace will be maintained through the second half of 2022 fiscal? And I wonder if you could look beyond that and give us what you think is a normalized pace of growth for your business and for China GMV in general? So really focusing on growth here, if you don't mind.

**Unknown speaker**

[Foreign language]

**Maggie Wu** -- *Chief Financial Officer*

Hi, Piyush. This is Maggie. Let me try to answer your question. Yes.

If you look at our guidance and then try to derive the second half growth for revenue, it indicates revenue growth at the teens. That assumption is mainly based on the GMV growth expectation and the impact on the revenue growth is mainly placed in the core commerce and China retail commerce. So we do think -- if you look at the total China GDP and consumption this quarter compared to previous quarter, it comes down significantly to single digit. We see this may continue for the following quarters.

And we, as the, in size, the biggest player right now comes for -- we have approximately 8 trillion GMV versus 44, 45 of the total national GMV. So the impact will be largely on us. And if you look forward beyond this year and in the following years, how we see our revenue growth, I think, first of all, our revenue growth engine now is already beyond the China consumption beyond the CMR. So CMR, if you look at this quarter, it accounts for around 36% of total revenue, where it used to be over 50% several quarters ago.

So this is because all of these cloud computing and international businesses, China, local service, they all start contributing and increases contribution to our total revenue. So this is where we talk about multi-engine growth and continue to expect to see growth in these areas. At the same time, within core commerce, so Daniel talked about our multi-app strategy and talks about if we look in the midterm, long term, we don't believe the monetization kind of purely coming from this traffic and GMV growth, but more from the -- this infrastructure capability we're building to enable merchants. We don't have exact monetization plan to communicate at this stage.

We'll share more later on. During investor day, we are also going to share with you how we measure the value creation. And then, eventually, this is always our theme that once merchants stay, consumers stay and the retention rate is here and they enjoy the service, we'll find out ways to monetize. So if you look at the investment we're making nowadays, we're actually -- this is our decision to invest and to move toward our target.

First target is the user base of over 1 billion in China. I think in that aspect, we're pretty much on track. And then, the multi-app strategy makes the engagement of these users being enhanced. And then, the merchant side, we have a lot going on in terms of merchant service provision, which we'll also share next month.

So the value creation and then eventually we believe the return will be there.

**Piyush Mubayi** -- *Goldman Sachs -- Analyst*

Thank you.

**Unknown speaker**

[Foreign language]

**Rob Lin**

Operator, next question.

**Operator**

Thank you. Our next question is from the line of Alicia Yap of Citigroup. Please go ahead.

**Alicia Yap** -- *Citi -- Analyst*

Hi. Good evening, management. Thank you for taking my question. I have a question related to CMR and GMV.

So the slowdown of the CMR, is it more temporary and also a function of GMV? And has CMR actually experienced slower growth than GMV in the past couple of quarters, given we have been providing many services to support merchant this year, especially given it's a tough macro? So if GMV reaccelerate later, could CMR reaccelerate even faster since we have been still under-monetized and the way that we can further create value for merchants, we can still add on to the entire value chain for the merchant. So any color that you could help us on that would be great. And also, in ways of GMV could reaccelerate when the macro is recovered, is there any ways that we are preparing to help us capture when the macro recover, we can actually further boost our GMV faster than the macro recover? Thank you.

**Unknown speaker**

[Foreign language]

**Maggie Wu** -- *Chief Financial Officer*

Thank you, Alicia. Yes, you're right. The CMR growth actually, to some extent, tied to the GMV growth and the past several quarters we've seen that CMR growth is slower than the growth of GMV, which is mainly due to our merchant support program. So if we add back those merchant support spending, then the CMR growth is going to be - would have been pretty much in line with the GMV growth.

So eventually, if China consumption growth recovered and the GMV growth comes back and get accelerated, we believe that CMR growth will also be consistent with the growth of GMV. But in our view, when we look at the future revenue component, we believe that all of these efforts we have been making and -- not only the user base expansion, but also the services, look at live streaming, all of these secondhand and flagship products. And a lot of our supplies and also user experience, building exercise will bring value to consumers, we should have new revenue streams coming into the total group revenue pie. And so, these will be adding to our future revenue growth.

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Yeah. Maybe let me add a few words on...

**Unknown speaker**

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Yeah. Let me add a few words on the question. Actually, we always make ourselves ready for any new market opportunities. And even more, we are always trying to do something -- do anything we can to create new market opportunities.

I think today, if you look at the landscape, the e-commerce actually account for like 20% to 25% of the total retail. But if you look at the penetration rate by categories, actually, it varies. So I think there's still a big room to -- first to digitalize the existing, I mean, total retail. But furthermore, it's to create a new demand by leveraging the power of technology to improve the efficiency of the supply and demand and also create a digitized retail formats, no matter it's online or off-line or integrated, to give people superior experiences to unlock the potential of consumption.

So we will always try to innovate and incubate new animals and to capture these new opportunities and even create new opportunities. Thank you.

**Unknown speaker**

[Foreign language]

**Alicia Yap** -- *Citi -- Analyst*

[Foreign language]

**Rob Lin**

Operator, next question.

**Operator**

Thank you. The next question is from the line of Yang Bai of CICC. Please go ahead.

**Unknown speaker**

On behalf of Bai Yang from CICC. Thanks for taking our questions. We have two questions. Our first question is regarding to the live streaming business.

What's our current strategy in live streaming business as we know that more traffic and GMV are concentrating to the top KOLs in Taobao. How should we think of this trend going forward? Are we going to balance the stores and the traffic between the top two and the long-tail KOLs? Any color would be very helpful. And the second question is regarding to the personal information protection law impact. Are we seeing any significant impact to our CMR business? How should this change in the future? Thank you.

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

For your first question, for live streaming, actually, for our Taobao live streaming today, is very, very important, I mean, applications in our mobile Taobao. And we observe that for a lot of friends and customers, they love in this live streaming format. But we don't view this live streaming as an independent application, but part of the seller application to enable seller to engage with the customers through themselves, through their own stores or through the KOLs.

**Unknown speaker**

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Yeah. If you look at the ecosystem in live streaming business, actually, we do have some top players. They've got a very good popularity among their friends. But at the same time, we have many KOLs second tier, third tier and many new KOLs.

And the most -- the very unique, I mean, situation in Taobao mobile app -- in Taobao live streaming is the store live streaming, which initiated by the store operator, by the



sellers, even by the staff and associates in a seller. So I think we provide a very dynamic, I mean, ecosystem in this Taobao live streaming. And as a platform operator, we don't intend to so-called balance the traffic. Actually, we never do anything to balance the traffic -- or rebalance the traffic.

I think we should keep the market open to the customers and it's their option to select which one to follow and which ones they're in favor of. And -- but for us, we always try to help and incubate more and more diversified KOLs and diversified, I mean, young stores in the sellers to become new generation stars.

**Unknown speaker**

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

As to your second question for the newly effective PIPL, actually, we did a very necessary preparation for the law, which took effective on November 1. And based on our preliminary assessment, we don't see -- we don't expect PIPL will have a material impact on our business. But because this is still a very short time frame, we still need more time to assess. But so far, so good.

Thank you.

**Unknown speaker**

[Foreign language]

**Rob Lin**

Operator, next question.

**Operator**

Thank you. Our next question is from the line of Gary Yu of Morgan Stanley. Please go ahead.

**Gary Yu** -- *Morgan Stanley -- Analyst*

Hi. Thank you, management, for the opportunity to ask questions. I have two questions. First one is on some of the kind of new growth business that you highlighted at the press release, including both the international business and also the cloud computing business.

How should we look at the growth outlook in the future? What kind of competitiveness are we seeing in overseas market? And particularly on cloud, is the kind of headwind from major customer laws are already behind, and therefore, we should continue to see acceleration in growth going forward? My second question is

related to strategic investment. How should we look at the level of investment going into fiscal 2023, given we have already achieved some early success? Should we expect continued step-up investment in Taobao Deals and marketplace -- community marketplace going into fiscal 2023. Thank you.

**Unknown speaker**

[Foreign language]

**Daniel Zhang** -- *Chairman and Chief Executive Officer*

Thank you. For the first question, today, as we said, we are taking a multi-engine growth approach to grow our business. So today, you see that both cloud and international business show a very robust growth. The revenue -- the cloud this quarter resumed their growth to 33% year-on-year.

And for international business -- for international wholesale and retail business as a whole reached year-on-year growth rate of 34%. So I think for both business, today, both of them are in early stage of development, early stage of growth. We're still trying to build -- do the right thing to build the right infrastructure to make sure we capture the long-term opportunities and to maintain a sustainable growth. Take example, like for cloud, today, we enhance our investment in technologies and products.

And in our -- as I shared in my script, we announced a couple of very important technology and product upgradings in our Apsara conference this September. And this is a reflection of our continuous efforts in cloud-relevant technologies and products. And we -- going forward, we will continue to do so. And we believe that for cloud opportunities in China and in the world, it's not only a replacement of the existing IT infra.

But instead, actually, because of cloud, you get new opportunities in intelligent services. You have got new opportunities in 5G for not only for cloud, but also for network and terminal and edge. So we will get ourselves ready for all of these new opportunities. And I think this is relevant to all the industry, all the sectors and economy and not only in China but also in many other markets in the world.

And as to the international business, today, we reported that our AAC for international market reached 285 million. I think we witnessed a very healthy growth and very rapid growth. And if you look at the penetration of e-commerce in many other markets outside China, I think it's still in a very early stage. We strongly believe that with our perpetual technology and experiences in this sector, we are in a good position to capture this opportunity in many other markets.

But as we always said, we focus on growth, but we focus on quality as well. So we focus on a sustainable growth in capturing this new opportunities. But long term-wise, we are very confident about this multi-engine growth strategy. Thank you.

**Unknown speaker**

[Foreign language]

**Maggie Wu** -- *Chief Financial Officer*

Right. Regarding your second question on whether we will continue to invest and to what level our investment would be in the future, I think, first of all, we, for sure, will continue to invest while monitoring the business progress in these strategic initiative areas. So when you look at where we invest nowadays, it's user base, right, through our Taobao Deal, Taocaicai, etc. And also, the services, provide more services to our user base like local service segment we -- there's still quite a lot of potential there and also globalization, Lazada, and Trendyol, etc.

These areas, I think will -- it's not a one-year investment kind of period. It's several years. And but there might be slight adjustment in terms of the mix of the investment. For example, we expect to achieve 1 billion annual active consumers in the following two quarters.

And then, by the time we achieve that, we're going to focus more on the engagement and those multi-app user growth. So the -- you asked about '23 fiscal year investment outlook. I think we will start our business planning and budgeting session soon. So that will provide more color and guidance later on.