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

Thanks, Rob. Hello, everyone. Thank you for joining our earnings call today. We have delivered stable results after overcoming challenges in an extraordinary quarter.

According to data released by the National Bureau of Statistics, China's GDP grew by 0.4% in the last quarter, lowest since the outbreak of the pandemic. Retail sales decreased year over year in April and May due to the resurgence of COVID-19 in Shanghai and other major cities and has slowly recovered in June. Despite the soft economic conditions, we managed to deliver stable revenues and narrowed losses in our several strategic businesses by improving operating efficiency. In response to these external macro uncertainties, our guiding principles have been as I wrote in my annual letter to shareholders, be confident, be flexible and be ourselves.

We are confident about the future of the digital economy. We are confident that digitalization as a universal trend across industry and market, and this will constitute an increasing percentage of the total economy. Be flexible means actively adapting to the external challenges and finding our own path through the social economic development cycles. Be ourselves means focusing on our three core strategies, namely consumption, cloud and globalization and delivering high-quality growth with ESG as a foundation for reaching our vision of becoming a good company that last 102 years.

More specifically, we are executing our three core strategies and delivering high-quality growth in the highly uncertain environment today in the following ways. On consumption, we are leveraging our strength, which is our digital commerce infrastructure built on comprehensive fulfillment capabilities to serve diverse consumer segments and focus on consumption categories with higher certainty of demand. We already achieved the target of 1 billion annual active consumers in China during the last fiscal year. Going forward, we will focus on growing our wallet share in different consumer segments instead of pursuing further absolute increase in our user base in China.

On cloud, we will focus on enhancing our competitive advantage, which is our proprietary technologies and serving the sectors and customers that represent the future in social and industrial development. On globalization, we will focus on the markets with favorable economic development prospects in the next five to 10 years, investing in localized capabilities and building infrastructure in logistics and cloud. During the past quarter, Taobao and Tmall GMV experienced a mid-single-digit percentage decline on a year-over-year basis. We saw signs of recovery since June as logistics and the supply chain situation gradually improved after COVID restrictions ease.

Over the past few months, daily active users and consumption-related page views of our Taobao app remain relatively stable despite the market volatility. Consumers with the highest spending power demonstrated strong loyalty to our platforms. In the 12 months ended June 30, 2022, more than 123 million annual active consumers each spent over RMB 10,000 on Taobao and Tmall, representing a retention rate of approximately 98% compared to the prior 12-month period, which was on par with the data as of the end of March. 88VIP members, our most important premium users continued to grow at a healthy rate to 25 million by quarter end, with average -- with annual average spending of over RMB 57,000 per month -- per member.

Starting in July, we are seeing gradual recovery of business performance compared to June, especially in a relatively more impacted category in the past few months such as fashion and electronics. As we continue to grow our location-based digital commerce infrastructure in recent years, our diversified business models are showing complementary benefits, for example, while certain discretionary categories on Taobao Tmall were negatively impacted by the pandemic. Our fresh ship and Elmar business captures -- captured growth opportunities in fund grocery, fulfilling family needs for daily necessities. In the past quarter, Freshippo's GMV grew over 30% year over year and Ele.me GMV of non-restaurant deliveries increased by over 50% year over year.

We are aware that the overall growth of Taobao, Tmall GMV was below China's retail sales growth in the past quarter as we experienced increasing fierce competition among various formats of e-commerce. From Alibaba perspective, I want to be clear about our competitive strategy. On the consumer side, we will continue to strengthen Taobao app's consumer mind share as the main shopping destination with diversified experience of digital commerce formats. In a highly uncertain market environment, we will focus on serving the consumer groups with higher spending power, while providing a matrix of consumer offerings with diversified value proposition for different user segments, such as Taobao Deals, Taocaicai, Idle Fish, and Freshippo, etc.

On the merchant side, we will continue to enhance our tools and services to strengthen our marketplace position as the main platform for sustainable business operations. In addition, we will also take advantage of our quality of operations in China commerce. Our current scale is much bigger than our peers. And more importantly, our advantage in profitability is even larger.

Therefore, we will make the best use of our capital reserves by increasing in building consumer mindshare user experience and the core capability in key areas such as logistics and after-sale services and execute on these as our long-term strategy. During the COVID resurgence in major cities such as Shanghai and Beijing in April and May, the digitalized network integrating intercity commerce and fulfillment has become a new infrastructure in modern urban life. During the quarter, Ele.me's restaurant delivery volume were negatively impacted by COVID restrictions. However, Ele.me's GMV during the quarter was less impacted as order volume for non-restaurant deliveries such as food, grocery and medicine increases rapidly, which also contributed much higher basket size than restaurant deliveries.

As COVID impact East, Ele.me's operation has been recovering, and its GMV resumed positive growth year over year in June. At the same time, while Freshippo and Sun Art experienced negative impacts in off-line sales during the pandemic this quarter. They play an important role in providing essential supply support for local communities, leveraging their digital sales and intercity fulfillment capabilities. The percentage of online sales for Freshippo and Sun Art during the quarter reached 68% and 36%, respectively.

Ele.me's unit economics turned positive this quarter, mainly due to increased average order value, as well as its ongoing focus in optimizing user acquisition spending and reducing delivery cost per order. Looking forward, Ele.me will continue to focus on its city strategies and strengthen its customer mindset from restaurant delivery to everything delivery, while improving its operating efficiency. We are confident about narrow Ele.me's operating losses during the fiscal year. Amap, another important business in our local consumer service segment continue to grow toward a destination around service discover and transaction platform.

In June, the number of average daily active users of Amap reached a new high of over 120 million, driven by ease COVID impacts and ongoing enrichment of local content and services on the platform. Our international commerce retail business is in Southeast Asia and Europe experienced a decline due to change in European Union's VAT rules, depreciation of local currencies, Russian-Ukraine conflict, and normalizing off-line activities after COVID restrictions lifted in the regions. In spite of these challenges, we still see great opportunities in the international market under the general trend of digitalization. Today, we have already established certain foothold in the international market.

On a combined basis, our international commerce retail business has an annualized GMV of over USD 50 billion. Going forward, we will continue to focus on growing both the cross-border model and the local commerce model and building logistics as a core capability. Despite the near-term sales fluctuations, we will continue to focus on building the cross-border logistic network from China to Europe and the local logistic network in Southeast Asia. We believe the establishment of this infrastructure will bring long-term value.

Our cloud revenue delivered 10% growth year over year during the quarter. The slowdown in revenue growth was a result of multiple factors, including slowing macroeconomic activities declining in revenue from the top Internet customer, softening demand from China Internet customers and a delay in parts of our hybrid cloud projects due to the impact of the COVID resilience. Looking forward, of uncertainties in economic outlook and the Internet industry deceleration. Our cloud business will continue to focus on the following areas.

No. 1, building proprietary technology capabilities in key areas such as computing, big data and artificial intelligence. No. 2, capturing the growth opportunity in industrial Internet by identifying the Sunrise industries and customers.

And No. 3, strengthening our cloud data security capabilities and defending our bottom line. We have been seeing some progresses in these strategies. Contribution of cloud revenue from non-Internet industries was 53% in this quarter, up more than 5 percentage points compared to the same quarter last year.

During the same period, more and more enterprise customers are adopting DingTalk to work or study as COVID restrictions increase across the country. DingTalk will continue to strengthen its position as a digital workplace collaboration platform by further improving the capabilities and increasing user penetration of its core office products, such as document collaboration and virtual conferencing. In addition, DingTalk will enhance its local application development platform to encourage the development and usage of more diversified digital business applications on DingTalk. As part of our ESG strategy, we are committed to corporate governance excellence and diversify at the board level.

and diversity at the board level. Earlier today, we announced two new independent directors appointments. Ms. Arene Lee and Mr.

Albert Ng are both respected business leaders with invaluable global insights, as well as China experience. I believe their participation will add great value to our board. In addition, Mr. Tung Chee Hwa, one of our independent directors will not seek reelection after his current term expiring in September.

I would like to express our most sincere gratitude to Mr. Tung for his invaluable contribution to Alibaba over the years. Finally, I would like to talk about our thoughts on the path forward in the current macro environment. The external uncertainties including, but not limited to international geopolitical dynamics, COVID resurgence and China's macroeconomic policies and social trends are beyond what we as a company can influence.

The only things we can do at this moment is to focus on improving ourselves. For example, as I mentioned earlier, we have made meaningful progress during the quarter in narrowing operating losses for several business units, such as Taobao, Taocaicai, Freshippo, Ele.me, Lazada and Youku through operating efficiency enhancement and cost optimization. We are still in the process of improving the quality of operations across the organization. We are confident this is a result that we can deliver with certainty through our own efforts in a highly uncertain environment.

Despite the challenges we are facing, our overall financial position remains healthy with strong free cash flow and net cash reserves, which is our biggest advantage. During uncertain times, we believe the best investment is to invest in ourselves to build our core capabilities and to continued self-improvement. We will continue to focus on serving our high-quality customers, building high-quality infrastructure for digital commerce and driving high-quality technology innovations. We believe this will lay the foundation for our healthy and sustainable development over the long term.

Thank you, everyone, for your time. And now we'll turn the mic over to Toby, who will walk you through the details of our financial statements.

**Toby Xu** -- *Chief Financial Officer*

Thank you, Daniel. Let me start with financial highlights for the quarter. This quarter, our total revenue was RMB 206 billion, stable year over year. China commerce segment revenue slightly declined by 1% year over year to RMB 142 billion, while cloud segment revenue grew by 10% year over year to RMB 18 billion.

Income from operations for the quarter was RMB 24.9 billion, a decrease of 19% year over year, primarily due to decreases in adjusted EBITDA. Adjusted EBITDA decreased by RMB 7.3 billion to RMB 34.4 billion. The decrease was primarily due to RMB 7.2 billion decrease in China commerce segment EBITA partly offset by loss reduction of RMB 1.7 billion or 36% in local consumer service segment. Now let's look at cost trends for the quarter, excluding SBC as a percentage of revenue.

Cost of revenue ratio increased to 62% in June quarter, primarily due to, firstly, higher proportion of our direct sales business such as Freshippo, and Tmall Supermarket, as well as growth in Alibaba Health direct sales businesses that resulted in increased cost of inventory as a percentage of revenue. And secondly, growth of [Inaudible] businesses, which led to increase in logistic costs as a percentage of revenue, which is partly offset by the reduction in delivery cost per order of Ele.me. Product development expenses ratio remained stable at 5% in June quarter compared to the same quarter last year. Sales and marketing expenses ratio decreased to 12% in June quarter, reflecting our efforts in optimizing user acquisition and retention spending across businesses.

General and administrative expenses ratio increased slightly to 4% in June quarter. Non-GAAP net income was RMB 30.3 billion, a decline of RMB 13.2 billion year over year, mainly due to a decrease in adjusted EBITDA and share of results of equity method investees. GAAP net income was RMB 20.3 billion, a decline of RMB 22.5 billion year over year, mainly due to decline in non-GAAP net income and decrease in net gains arising from change in market prices of our equity investments in publicly traded companies. Cash flow and balance sheet.

As of June 30, 2022, we continue to maintain a strong net cash position of RMB 340 billion or USD 51 billion. Our strong net cash position is supported by robust cash flow generation. In June quarter 2022, net cash from operation and free cash flow were RMB 34 billion and RMB 22 billion, respectively. Majority of the difference is operating capex spending at RMB 11 billion, reflecting our investment in cloud businesses and logistics fulfillment infrastructure.

During the quarter, we repurchased approximately 38.6 million of our ADS for approximately USD 3.5 billion under our share repurchase program. Now let's look at our segment results. Revenue from our China commerce segment in June quarter was RMB 142 billion, a decrease of 1% year over year. Customer management revenue decreased by 10% year over year to RMB 72 billion.

Taobao and Tmall physical goods paid GMV decreased by mid-single digit. CMR growth lagged GMV growth this quarter, mainly due to higher order cancellations as a result of logistics bottling from COVID-19 resurgence and restrictions that resulted in supply chain and logistics disruption in April and most of May. In later May, as logistics capacity normalized, we saw a recovery in GMV, driven by a successful June 18 shopping festival that was strongly supported by merchants and loyal consumers. If we further break down customer management revenue growth into advertising and commission revenue, Commission revenue recorded mid-teens decline due to higher order cancellations.

Total advertising revenue declined slightly faster than that of pay GMV decline. Direct sales and others revenue grew 8% to RMB 65 billion, primarily driven by strong growth of online purchases of food, grocery and FMCG goods that benefited Freshippo, Tmall ship market and Sun Art partly offset by softening offline sales due to COVID-19 impact. The percentage of online sales of Freshippo and Sun Art reached 68% and 36%, respectively, during the quarter by leveraging our multiple direct sales businesses and on-demand delivery infrastructure we believe we are well positioned to better serve consumers' increasing demand for on-demand delivery of food, grocery and daily necessities in the future. China commerce segment adjusted EBITDA decreased by RMB 7.2 billion to RMB 43.6 billion in the quarter, which is mainly due to RMB 8 billion decline in CMR revenue.

We are making progress to improve efficiency of loss-making businesses. The combined losses for Taobao deals and Freshippo narrowed by RMB 1.5 billion year over year. Taocaicai losses increased moderately year over year, and still delivered a robust GMV growth of more than 200% year over year. Its losses reduced significantly quarter over quarter, driven by optimized pricing strategy better sourcing capability and lowered operating costs.

Our international commerce segment revenue in June quarter was RMB 15.5 billion, an increase of 2% year over year. Revenue from international commerce retail business declined by 3% to RMB 10.5 billion, reflecting declining revenue of AliExpress and Trendyol, offset by positive revenue growth of Lazada. Revenue from our Alibaba.com wholesale business grew 12% to RMB 4.9 billion. The increase was primarily due to healthy 16% growth in value of transactions completed on alibaba.com that led to an increase in revenue generated by cross-border related value-added services.

Lazada delivered healthy positive revenue growth as a result of GMV growth and active increase in monetization initiatives that resulted in a higher monetization rate. Trendyol revenue slightly declined due to ongoing depreciation of lira despite robust order growth of 46% year over year. AliExpress experienced a decline in orders due to change in the EU VAT rules depreciation of euro against U.S. dollar, as well as ongoing supply chain and logistics disruptions due to the Russia, Ukraine conflict.

International commerce segment adjusted EBITDA loss widened by RMB 537 million to RMB 1.6 billion in June quarter. This was primarily due to increased investment in Trendyol as they invest and expand into local consumer services and international B2C businesses, partly offset by reduced losses of Lazada as a result of revenue growth and enhanced operating efficiency. Revenue from local consumer services segment grew 5% to RMB 10.6 billion, primarily due to more efficient use of subsidies that will contract revenue of Ele.me. Local consumer services adjusted

EBITDA loss reduced by RMB 1.7 billion year over year to RMB 3 billion, primarily due to narrowed losses of our two home business.

Ele.me unit economics per order turned positive for the quarter, driven by increased average order value year over year, as well as its ongoing focus on optimizing user acquisition spending and reducing delivery cost per order. Revenue from Trendyol after intersegment elimination was RMB 12.1 billion in June quarter, an increase of 5% year over year, primarily contributed by increase in revenue from consumer logistics service as a result of service upgrades to enhance consumer experience, partly offset by the decrease in international orders for AliExpress. In June quarter, Trendyol's total revenue was generated from external customers. Trendyol's adjusted EBITDA losses were RMB 185 million, up by RMB 39 million.

The increase was primarily due to our investment in expanding the global smart logistics infrastructure, as well as reduced the profit of AliExpress fulfillments. We will continue our efforts in building comprehensive logistics and fulfillment infrastructure in China and internationally, laying the foundation for sustainable long-term growth for our digital commerce businesses. Revenue from our cloud segment of intersegment elimination was RMB 18 billion in June quarter, an increase of 10% year over year. Year-over-year revenue growth of our cloud segment reflected recovering growth of overall non-Internet industries driven by financial services.

public services and telecommunications industries, partly offset by decline in revenue from the top Internet customer and online education customer, as well as softening demand from other customers in the China's Internet industry. For the quarter ended June 30, 2022, contribution of cloud revenue after intersegment elimination from non-Internet industries was 53%, up by more than 5 percentage points compared to the same quarter last year. Adjusted EBITA of Cloud segment, which comprised of Alibaba Cloud and DingTalk was a profit of RMB 247 million in June quarter, decreased by RMB 93 million year over year. This is primarily due to our investments in technology and increase in co-location and bandwidth costs as a result of increased usage of DingTalk's products and services from enterprises, schools and organizations due to greater hybrid work adoption driven by COVID-19 resurgence since March 2022 in China.

Revenue from our digital media and entertainment segment in June quarter was RMB 7.2 billion, a decrease of 10% year over year, primarily due to a decrease in revenues from Alibaba Pictures, Youku and other entertainment businesses. Adjusted EBITA was a loss of RMB 630 million, up by RMB 211 million year over year. Youku continued to narrow losses year over year but was offset by increased losses of other entertainment businesses due to COVID impact. Let me wrap up with some final thoughts.

Last quarter, we've shared with you some of our key operating principles and financial objectives that include focus on high-quality growth, improve operating efficiency and optimize cost structure and maintain strong cash flow and net cash position. During the quarter, we have made progress in executing these objectives. We saw losses narrowed year over year for a number of our businesses. We generated USD 3.3 billion in free cash flow and currently has about USD 50.8 billion in net cash position, which gives us the financial flexibility to grow the business and improve returns for shareholders.

Even though we are seeing a gradual demand recovery for China consumption businesses in the month of July, we believe there are still a lot of risks and uncertainties from slowing macro activities. Facing these challenges, we will focus on delivering high-quality growth of our three core strategies in this highly uncertain environment, as Daniel mentioned previously. Additionally, we will continue to focus on improving operating efficiency, optimizing costs and invest in building long-term capabilities for our major businesses. Thank you.

Now let's turn to Q&A.

**Rob Lin** -- *Head of Investor Relations*

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. And our management will address your questions in the language you asked.

Please note that the translation is for company's 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 bilingual transcripts of this call will be available on our website within one week after the meeting. [Foreign language] Operator, please connect speaker and SI conference line now.

Please start a Q&A session, we're ready.

## Questions & Answers:

**Operator**

[Operator instructions] Your first question comes from Ronald Keung from Goldman Sachs. Please go ahead.

**Ronald Keung** -- *Goldman Sachs -- Analyst*

Thank you. [Foreign language]

**Unknown speaker**

Thank you, Daniel and Toby, for your earlier presentations. I note that you spoke to signs of recovery that you've seen from June onwards. I'm wondering if you could tell us more about the signs of recovery you're seeing in terms of GMV and CMR, what the outlook looks like for the coming half year and how you see consumption recovering and developing in the medium to long term?

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

[Foreign Language]

**Unknown speaker**

Thank you. Well, as regards to the recovery that we're seeing in consumption trends, certainly on our platforms, we saw that following the period of April, May going into June, signs of recovery certainly appeared in particular with the recovery of delivery and logistics capabilities, the normalization of logistics. And certainly, in this year's 6/18 shopping festival, we saw very good performance with positive growth achieved for the quarter. And we continue to see this positive trend of recovery continuing through July, and we expect that July will be even better than June.

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

[Foreign language]

**Unknown speaker**

Another important piece in this recovery relates to consumer psychology and consumers' expectations for the future. We can look at publicly available data. Of course, we look at GDP figures, figures on nationwide retail sales. But one data point that we pay a lot of attention to is consumer spending as a proportion of disposable income.

The figures from the National Bureau of Statistics show that figure, consumer spending as a percentage of disposable income in the first half of the year was 64% as compared against 69% in the previous year in 2021. So that proportion has been down in the first half of the year and even more so in urban areas than in rural areas. And I think that's an entirely normal reaction on behalf of consumers in terms of consumer sentiment in the context of the pandemic. So certainly, although we are seeing signs of steady recovery in consumption, I think it will take more time for that to fully play out and for consumer confidence and sentiment to fully recover.

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

[Foreign language]

**Unknown speaker**

In terms of merchants, certainly, what we've seen on our China retail marketplace is overall strong positive sentiment from merchants to take full advantage of our marketplaces and the digital tools available there to drive their business growth, the strong enthusiasm on the part of merchants to drive their sales all merchants have their own challenges, especially during this period and merchants continue to want to take advantage of what we have to offer to overcome challenges and drive their sales.

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

[Foreign language]

**Unknown speaker**

Thank you.

**Rob Lin** -- *Head of Investor Relations*

Next question.

**Operator**

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

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

[Foreign language] Thanks management for taking my questions. I have two questions. The first question is about the EBITDA. We are seeing the EBITA improvement is much better than market expectations, just wonder how should we think about the China commerce EBITA, as well as overall EBITA in terms of when we should expect it to turn -- reaching the inflection point positive year-on-year growth in coming quarters? And on the other hand, we're also noticing that the 1P business is also doing very well as well.

Just wanted to ask about our thoughts about the strategies ahead, as well as the revenue contribution and margin profile in the long run. Thank you.

**Toby Xu** -- *Chief Financial Officer*

[Foreign language]

**Unknown speaker**

Thank you. I will take the first part of the question relating to our cost control. As you'll recall, during last quarter's earnings call, we indicated that we would be prioritizing cost structure optimization and cost control. On this front, we've implemented a whole range of different strategies across our different businesses.

And I think certainly, what you're seeing this quarter is that this overall cost control strategy has been paying off with good results.

**Toby Xu** -- *Chief Financial Officer*

[Foreign language]

**Unknown speaker**

In the coming quarters and the remainder of this fiscal year, we will continue to pursue the strategy of cost optimization and cost control. We'll continue to implement the policies that we've defined to optimize our cost structure to further drive efficiencies, and of course, the key to all of this really is execution. We will continue to execute on these policies for the coming few quarters.

**Toby Xu** -- *Chief Financial Officer*

[Foreign language]

**Unknown speaker**

As Daniel mentioned, and as I also mentioned in my script, we're in a financial position that allows us to have considerable flexibility in terms of our approach Therefore, we will be seeking a balance between cost optimization and control on the one hand, while also continuing to make important investments, investing in technology. and investing in other core areas to build our capacities to better position ourselves for sustainable and long-term growth.

**Toby Xu** -- *Chief Financial Officer*

[Foreign language]

**Unknown speaker**

The other part of your question had to do with our EBITDA margin. And certainly, as we continue to optimize our cost structure and drive further efficiencies, the improvements will be reflected in our EBITDA margin. And we expect that as we further pursue high-quality growth and high efficiency growth, we'll continue to achieve that kind of improvement in our EBITDA margin.

**Toby Xu** -- *Chief Financial Officer*

[Foreign language]

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

[Foreign language]

**Unknown speaker**

Thank you. This is Daniel. But before I take the other part of the question about the 1P model, I'd like to add a few more comments on that previous piece to do with cost structure optimization and efficiency. And what I'd like to highlight is that for

Alibaba, pursuing cost optimization and driving efficiency is not a decision that's primarily driven by financial considerations rather it's very much informed by our strategic choice and our judgment of the overall macro environment we find ourselves in.

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

[Foreign language]

**Unknown speaker**

As I said in my prepared remarks, both last quarter and this quarter, it is Alibaba's consistent strategy to pursue high-quality development. That means focusing on serving high-quality users. It means investing in high-quality technology innovation and providing high-quality digital infrastructure for commerce. All of this allows us to support business development and achieve sustainable and healthy financial results, and we will very much continue to do so.

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

[Foreign language]

**Unknown speaker**

Going into this new fiscal year now in the first quarter. On the consumer side and looking at the changes in the macro environment overall and given that we have already achieved the important milestone of having one billion AACs. Our future strategy going forward will shift from a focus on new user acquisition because we already have within that 1 billion AAC user base, essentially all of the active consumers in China. So instead, going forward, we'll focus on building our relationship, deepening our relationship with our existing user base, better segmenting that user base and ensuring that we have compelling propositions for all tiers and cohorts within that user base to continually grow our share of wallet with the existing consumers that we have.

And all of this will, we believe, be conducive to serving higher efficiency and improving margins.

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

[Foreign language]

**Unknown speaker**

To elaborate further on our consumer segmentation strategy because Thomas noted the improvement that we've made in the performance of core commerce segment. And I think a lot of that has to do with the investments that we've made over the past two years to build a differentiated matrix of offerings for these different consumers within our user base. providing differentiated demand to different cohorts of consumers through this matrix. So the investments that we've made over the past couple of years in that matrix are very much starting to pay off and have put us in a very solid position to continue to grow our share of wallet with all of those consumers and of course, as a result to further improve our financial performance figures.

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

[Foreign language]

**Unknown speaker**

And this, of course, is also highly relevant to your other question about the 1P model. For Alibaba, when it comes to the 1P model and the 3P model, it really comes down to whichever model is best able to satisfy the demands of our consumers. That's what we want to give to consumers.

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

[Foreign language]

**Unknown speaker**

However, in developing our 1P strategy, we have very much redefined what 1P is all about and how it works because we don't want to become a traditional e-tailer that erects a wall between brands on the one hand and consumers on the other. Very much to the contrary, within our 1P model, we're buying from the brands and selling to consumers, but we're giving brand visibility and giving them the ability to engage with their consumers to achieve insight into what's happening with our consumers and also, of course, to drive further efficiency around their supply chains and their logistics operations.

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

[Foreign language]

**Unknown speaker**

And certainly, we will not take advantage of the 1P model to engage in price competition.

**Rob Lin** -- *Head of Investor Relations*

Next question, please?

**Operator**

Thank you. The next question comes from Alex Yao from J.P. Morgan. Please go ahead.

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

[Foreign language]

**Unknown speaker**

Thank you. I have some follow-up questions regarding the efforts the group is making to optimize costs and drive efficiencies, in particular regarding the underlying commercial logic. You talked about as a matter of group strategy, better segmenting consumers and driving growth of wallet share. But are you seeing the pace of digitalization playing out more slowly in some segments than others.

And how are these efficiency and cost optimization strategy is playing out in the different segments. Also in relation to the early stage businesses, I'm talking about the newer businesses that are still loss-making. How are you balancing the need to control costs and drive efficiency on the one hand against the need for long-term investment and growth.

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

[Foreign language]

**Unknown speaker**

Thank you.  Well, in terms of our strategy, something very important we've been doing is building a complete consumer matrix with Taobao as our flagship app, Taobao deals to serve consumers who are more price sensitive and making forays into consumer group buying, which has become very hot with Taocaicai. We also have Freshippo and Idle Fish, all of these pieces with their respect of very clear value propositions and target use cases and consumer groups. And what's extremely important for us is that we have a consumer mind share. This is the underlying commercial logic.

And this is, in fact, the most valuable asset that Alibaba has as a company. is that consumer mind share. We don't need to be paying money to induce the consumers to come back. We have that mind share of the consumers, and that's what's capable of driving a lot of organic traffic that we get consumers coming back even when their willingness to consume may have weakened during the pandemic period coming to us.

And as I shared with you, our DAU figures and page views have remained relatively stable throughout that period. So we have the 1 billion consumers within our AAC user base and a strong differentiated matrix of different apps, and this positions us to further improve that mind share and capture the opportunities.

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

[Foreign language]

**Unknown speaker**

So this is certainly relevant to what we can call the wide area network, the entire nationwide e-commerce market. But it's particularly relevant also to what we can call the local area network or local commerce, regional and intracity commerce where we've been focused on different cities and regions with the businesses, including Taocaicai and Freshippo and Ele.Me because you need to achieve economy of scale in a particular city or a particular region to drive down your unit costs in that particular locality. So after several years of experience, in this space, we've come to realize that it's not really significant to look at the entire nationwide market as a whole. Really, you have to look at one city or one region in terms of whether you're achieving that economy of scale there and take a city by city or a region-by-region approach.

So that's something I would like to share with all of the analysts on the line. That's how you can develop a truly 3-dimensional perspective. And in line with that perspective, we're deploying our strategy where we select different cities and regions and prioritize resources to develop there on a city-by-city, region-by-region basis to achieve those local economies of scale.

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

[Foreign language]

**Unknown speaker**

In the context of the current macroeconomic environment, as I mentioned earlier, our initiatives to drive better cost efficiency are not driven from a financial perspective. And in terms of our strategy, we will continue to make investments where investments are needed and justified. We'll continue to strengthen the parts of our Matrix that need strengthening. We'll continue to invest in building our underlying capabilities and improving our relevant services in order to create long-term value.

**Rob Lin** -- *Head of Investor Relations*

OK. Next question.

**Operator**

Thank you. The next question comes from John Choi from Daiwa. Please go ahead.

**John Choi** -- *Daiwa Capital Markets -- Analyst*

Thanks for taking my question. My question is on cloud. I think on Daniel, you mentioned on your prepared remarks, the reason why the growth has slowed down in 2Q. But as we see in kind of picking up a bit since 2Q as you've spoken on July, like how should we think about the cloud revenue growth momentum toward the second half of the year? And on top of that, I think management did mention previously that the SaaS elements like potential monetization opportunities where are we right now with these initiatives? And are you seeing the macro uncertainty, companies kind of pushing back the deployments or initiatives and if so, how would that impact our strategy going forward in June?

**Rob Lin** -- *Head of Investor Relations*

John, your first part of your question was breaking out. Can you just quickly summarize what you were asking?

**John Choi** -- *Daiwa Capital Markets -- Analyst*

OK. My question was on basically on the cloud revenue growth opportunity in the second half. As we -- I think Daniel did mention why the Q2 was a little bit softer than usual. So as we look into the second half, how should we think about the growth opportunities on the cloud business?

**Unknown speaker**

[Foreign language]

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

Let me answer this question. I think we still need to look at the macro, the landscape. I think if you look at the IT expenditure, I mean, as a percentage of total GDP, I think China is far below like U.S. and other developers, some developed countries.

So I think that's the biggest landscape. And the second biggest thing is I said actually industrial digitization is a trend and all the companies -- all the sectors across industries, across sectors digitalized. So I think that's the second very important thing. So I think in this regard, I think general, if you look at big picture, this is -- I think it's not a cyclical opportunity.

It's like a structural opportunity I mean, for the long term. And so that's why I think in China and in the global market, we are actually repositioned cloud as our -- one of the core strategies.

**Unknown speaker**

[Foreign language]

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

Well, the next point I want to make is that if we look at the market opportunities, actually, if you -- if we revisit the fast growth of the cloud business in the previous years, I think one of the very important driver was the Internet companies because these companies are digital savvy and if they want, they need -- they have big data, and they will make full usage of the big data and they need a computing power. So I think this is also -- I mean, give our Alibaba Cloud, a very huge opportunity to to transform a cloud computing from a technology to a real business. And now we are very happy that we are in the leading position in this sector. Well, I think going forward, especially in China, with the slowdown of the Internet sector, and many people talk about the -- what's the next generation after this consumer Internet.

Actually, the consensus is very straightforward. It's industrial digitalization. So I think then now we are coming to an era, every company becomes an Internet company, actually, not Internet as a digital company. So I think -- so that's why internally, we highlight the revenue contribution from non-Internet companies.

And we are happy to see that the percentage point is increased like as we disclosed this quarter, we improved like by 5 percentage points as compared to the same quarter last year. So I think going forward, we will try to capture the opportunity in vertical industries. And of course, I mean, our continuous investment and innovation in the proprietary technology.

**Unknown speaker**

[Foreign language]

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

[Foreign language]

**Unknown speaker**

Now, of course, when it comes to company's willingness to spend on cloud and invest in cloud technology. You also need to look at the overall economic growth picture of the market as a whole when the economy is doing well and companies are growing fast, performing well, they'll be, of course, more willing to invest. So there is, of course, a macro impact there as well. But this is also why in my script, I emphasized why we're looking closely at Sunrise industries because within any economic context, there will always be some sectors and some companies that are on the rise that can outperform the economy as a whole, and we want to prioritize service to them.

**Rob Lin** -- *Head of Investor Relations*

Thank you. Next question.

**Operator**

Thank you. The next question comes from Yang Bai from CICC. Please go ahead.

**Yang Bai** -- *CICC -- Analyst*

[Foreign language]

**Unknown speaker**

My question has to do with changes that we've seen in user behavior over the past few years with more and more user time being spent consuming short-form video. I'm wondering if you can talk about the impact that that's having and can be expected to have on e-commerce going forward? Do you expect to continue to see fast growth there? Or do you think that it's already a mature situation that we're seeing today? And given this trend, in order to better serve consumers and merchants, what strategic changes will Alibaba proactively seek to make and what kinds of changes will Alibaba not make?

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

[Foreign language]

**Unknown speaker**

Well, I'd like to begin by clarifying this concept to avoid any confusion. Short-form video is a format, a content format that can be used to convey information regarding a product, whereas e-commerce is an industry -- and within the e-commerce industry, the use of short-form video as one of multiple formats is nothing new at this point.

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

[Foreign language]

**Unknown speaker**

In fact, I can disclose to you that on the Alibaba's mobile Taobao app today, more than one half of products are now being displayed to consumers via the short-form video modality. So if five years ago, it would have all been images and text today, it's already more than half of that content is in video from.

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

[Foreign language]

**Unknown speaker**

So I believe that your question really isn't about the relationship between short-form video and e-commerce. It's really about the relationship between entertainment and e-commerce. And as I said earlier, the most valuable asset that Alibaba owns today that we built up over the years is mind share. Users come to Alibaba with a consumption mindset.

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

[Foreign language]

**Unknown speaker**

Now, of course, it is often being said that shopping is fun. Consumption is a kind of entertainment. And to that extent, Alibaba is in the entertainment industry as well, but we're hyper-focused on one subcategory of entertainment, namely shopping and consumption. It's a very specialized area that requires a lot of know-how and that is very much our focus.

Now we'll, of course, going forward, continue to learn about and adopt all kinds of new technologies, as we've done over the years, going mobile, introducing customization, personalization, adopting short-form video -- and I'm certain that short-form video is not the last technology that will come along. New technologies will continue to [Inaudible] the consumer experience, both in the consumption context and in the entertainment context. But I think it's important to understand what is the entree and what is the dessert.

**Rob Lin** -- *Head of Investor Relations*

Next question.

**Operator**

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

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

Hello. Thank you. [Foreign language]

**Unknown speaker**

Thank you. My question goes to Daniel. I'd like to ask, please, what at this stage is the biggest obstacle or challenge faced by Alibaba? What is your talent strategy for talent retention? And also what potential areas of investment is Alibaba interested in that you're not yet in, but you might get into, for example, new energy? Thank you.

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

[Foreign language]

**Unknown speaker**

Well, you asked about the biggest challenge faced by Alibaba. Alibaba like any other company anywhere, is like a micro cell in the social organism. Alibaba is where it is today and is a chief success because of the overall economic growth story and the tremendous successful economic growth story of China that has provided the opportunities that have allowed us to succeed over the years. And going forward, we would certainly hope to continue to see China continue to get better, see social development, continue to make progress because the bigger and better the pond, the bigger and healthier the fish in the pond can become.

And we can further help people realize their aspiration a better life as things get better across the board. So certainly, the macro environment is an important underpinning going forward as it has been in the past. But as a micro cell in that social organism, Alibaba continues to practice social responsibility. We seek to create jobs, to empower and to better marry technology with commerce for the betterment of society.

We've always done that, and we will continue to do so.

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

[Foreign language]

**Unknown speaker**

You also asked about talent. And talent is, of course, absolutely critical for Alibaba. We rely on talent to do everything that we do to serve our customers. Our talent bases or a store of extremely invaluable know-how within the company.

So of course, we continue to treasure our talent and invest in talent and to recruit high-quality talent. And on that note, I can share with you now that we're in August, it's the time of year when university graduates have just left college and are looking for jobs. And despite all of the macro uncertainties that we see out there, I'm pleased to tell you that we've hired 6,000 fresh university graduates from across China. Most of them have already reported to work and are on the job at Alibaba.

So this, of course, is an important contribution that the company is making to society by providing these jobs. Of course, it's also something that Alibaba very much needs. We need to continue to stay fresh. We need to take on that fresh blood, if you like, this is refreshing the metabolism of our company, which is indeed a young Internet company, but one with some considerable history that needs this kind of ongoing refreshment.

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

[Foreign language]

**Unknown speaker**

And then, Alicia, the other part of your question had to do with new investment opportunities in emerging new growth areas. The fact is that there will always be an infinite number of new technologies and new industries on the rise but for any company and for Alibaba, we need to view those opportunities through the lens of our core strategy.

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

[Foreign language]

**Unknown speaker**

New energy is, of course, a huge opportunity. And for Alibaba, we seek to leverage that opportunity mainly in the context of our cloud business because as I've talked about, in the Sunrise industries, new and emerging industries, it's possible to leapfrog to a higher level faster jumping past the previous development stages. You can quickly adopt these new technologies and fresh approaches. The same is also true of autonomous vehicles and the metaverse as well, linking that to our business, consumption and logistics.

So the metaverse in relation to consumption and autonomous vehicles in relation to our logistics, New energy is very much linked to our cloud business. So we're finding opportunities to leverage the emergence of these new technologies and these new industries in our existing businesses, viewing it through those lenses. The other piece is, of course, globalization. I've often talked about our three core strategies of consumption, cloud and globalization to horizontal and one vertical.

So we're looking at how we can leverage these technologies in terms of commerce, consumption and cloud, but also looking at whether some kinds of know-how from China can be taken into global markets or whether in global markets, there are opportunities that can be pursued there. But those continue to be our three core strategies.