Joe Tsai -- *Chairman*

Thank you, Rob. Hello, ladies and gentlemen. Thank you for joining our earnings call for the September quarter. Although this is the first communication in my new role as chairman of the company, I'm pleased to connect with some old friends in the investment community.

This is not your normal earnings report for the quarter. This is the first time we will hear directly from our group CEO, Eddie Wu, on his strategic thinking. He will lay out our plan for growing the business, as well as our strategic priorities for execution and investment. I'm pleased with this quarter's results, which show that our strategic focus on user-centric value proposition and technology innovation are driving improvements across our businesses.

In addition, while global markets remain volatile, we are entering a phase of a more stable operating environment in China. In terms of asset reorganization to highlight the value of our businesses, here are a few updates. First, we announced in our earnings release that Alibaba will not pursue a full spin-off of cloud intelligence group in light of uncertainties created by recent U.S. export restrictions on advanced computing chips.

Instead, we will focus on developing a sustainable growth model based on emerging AI-driven demand for networked and highly scaled cloud computing services. Second, in August, Cainiao Smart Logistics filed its prospectus application for an IPO on the Hong Kong Stock Exchange. While the success of an IPO transaction is subject to market conditions and relevant approvals, we're confident of the business fundamentals of our logistics unit. Other areas of reorganization and focus are going well across our businesses as evidenced by strong revenue growth for AIDC and Cainiao and narrowing losses in local services and digital media entertainment.

As I travel around to speak with investors, many have asked me about the relationship between the group company and our business units in a post reorganized world. I want to make two points here. First, Alibaba growth will continue to support our operating businesses with the group's strong balance sheet. We ended the quarter with $63 billion in net cash, and we generated $27 billion in free cash flow in the last 12 months.

Alibaba has never been in a better financial position to invest for the growth of our businesses. Second, while each business is expected to operate independently and interact with each other based on arm's-length market principles, the group will use our resources to ensure long-term strategic synergies can be realized. We have businesses that are very symbiotic with each other, and their relationships are highly strategic. For example, Cainiao supports the logistics needs of our e-commerce businesses and Alibaba Cloud provides superior technology capabilities to all of our own businesses.

Eddie and my job is to balance the short-term goals of each business unit against the opportunities for long-term value creation. Now let me say a few words about capital management, our focus on unlocking value to improve shareholder returns. We are looking at four areas in capital management. Number one, enhanced return on invested capital of our operating businesses.

We have undertaken a review of our operating businesses and ways to enhance ROIC, return on invested capital. In the fiscal year ended March '23, our ROIC was in the single digits. Obviously, there's room for improvement, and we are targeting to lift our ROIC into the double digits. Number two, invest our cash flow for future growth.

The clarity of focus emerging from our reorganization has highlighted many strategic growth opportunities for investment. Given the strength of our balance sheet, Alibaba is well-positioned to capture these opportunities. Later on, Eddie will discuss our growth strategy and priorities for investment. Number three, monetize the value of noncore assets.

Our balance sheet carries $67 billion in equity securities and other investments, as well as investment in equity method investees. In addition, we have operating businesses that tie up capital but generate low growth. Not all of these investments are core to -- not all of these investments are core but strategic to our business. We are evaluating creative ways to monetize the value of these assets in order to return value to shareholders.

Number four, speaking of returning value to shareholders. This may take the form of our share repurchase program or cash distributions via dividends. We already have a share repurchase plan that still gives us $13 billion in dry powder as of today. In addition, as we have just announced, the company will pay an annual dividend.

Our capital management activities are dynamic and remain a top priority for our management team and our board of directors. Now I turn to Eddie for his remarks.

Eddie Wu -- *Chief Executive Officer*

Investors, friends, welcome to everybody. Thanks for joining this quarter's earnings call. It's exciting for me to speak with you on today's earnings call as CEO of Alibaba Group for the first time. So in addition to updating you on the progress we've made in all of our businesses over the past quarter, I'd also like to share with you my thinking about Alibaba's future development strategy and business plans.

Through 24 years of development, Alibaba has grown into a group that spans e-commerce, cloud computing, local services, logistics, digital media and entertainment, new retail, and many innovative new businesses. Today, the world is at the starting point of a new era. Rapid technological advances are profoundly reshaping all industries, all products, and all of our daily life scenarios. Virtually, any prediction made to date is bound to underestimate the future.

As the penetration rate of Internet users reached a ceiling, the driver of growth in this sector will be technology, especially AI. Therefore, I've defined the following three directions as the key priorities for Alibaba's next decade: our technology-driven

Internet platform businesses, AI-driven technology businesses, and global commerce network. In light of Alibaba's huge and complex set of businesses, as well as rapidly evolving market and technology trends, we intend to transform Alibaba and embrace the future through the following three key initiatives: first, establishing a highly nimble and fast decision-making governance structure and corresponding incentive system. Today, Alibaba must contend with fast-evolving new technologies, as well as new changes and expectations in the market.

No matter how successful our business models have been in the past, we need to turn over a new page and start afresh. We need to reawaken our entrepreneurial mindset and improve our decision-making systems. To that end, we initiated corporate governance reforms this year and continue to move quickly ahead with developing fast and nimble decision-making systems. Going forward, we want each of Alibaba's different businesses to face the market more independently and autonomously.

On that basis, we're exploring corresponding incentive systems that strike the right balance between independents and cooperation across the business groups so as to maximize synergy for development. Secondly, conducting a strategic review of existing businesses, focusing on the long term and maintaining high-intensity investments in core businesses. After years of development, we are keenly aware that outstanding business models are extremely rare. And going forward, we will give each of the existing business a different level of priority based on market size, business model, and product competitiveness and will distinguish between core and noncore businesses.

Core businesses are where we will keep our long-term focus, intensively invest resources, pursue R&D, enhance user experience, and make sure that our products and services are constantly evolving to meet our users' needs to keep them vital and competitive for the long term. As for the noncore businesses, we will realize the value of these assets by turning them profitable as soon as possible or through other means of capitalization. Thirdly, firmly committing to investing strategically for the future. The Alibaba Group will strengthen its strategic incubation initiatives, the highest priority for major investments we placed on services and products that meet user demands and that are AI-driven.

We will resolutely invest in revolutionary products for the future as well, taking a patient, long-term approach, adopting a three-year window for evaluation and proof of value. In this way, we'll nurture new businesses and new growth drivers for Alibaba into the future. Next, I'll share our three-year development strategies and goals for each of the business groups and companies and how they will capture market opportunities. We'll start with Taobao and Tmall Group.

Taobao and Tmall Group is committed to three core strategies: to putting users first, building an ecosystem for brands and merchants that thrive on realizing AI technology-driven innovation. Despite competition in the market, this quarter, Taobao and Tmall Group maintained steady revenue growth and accelerated DAU growth. In the next three-year strategic cycle, putting users first is the top priority for

Taobao and Tmall Group, and in particular, the focus will be on the following three areas. First is what we call universal Taobao.

Taobao is universal or omnipotent in that it has a vast assortment of goods and services it can supply. We must resolutely be an integrated platform that meets the needs of all tiers of consumption demand, serving the largest consumer base in order to increase consumer purchase frequency. This represents an important choice for Taobao and Tmall to maintain growth in today's competitive landscape. The second is consumer tiers and price competitiveness.

China has a consumer market with multi-tiered value propositions. We have the most diverse consumer base and also have China's manufacturing advantage. That means in any category, there's a sufficiently rich assortment of supply with different value propositions to meet the needs of different consumers. Accordingly, we have to execute a multi-tier market strategy within one app.

Taobao is a super app that integrates all three mainstream sales formats: live streaming content-driven sales, brand marketing-driven sales, and everyday low-price product sales, making it the most comprehensive platform. The Taobao app can accommodate different product tiers from branded goods to white label goods and the whole range of value propositions they represent. We intend to make Taobao a universal consumer app that connects to an all-inclusive and highly diversified marketplace, leveraging AI and next-generation operating models. At the same time, we must execute a price competitiveness strategy.

Price competitiveness is the strongest force at work for both branded goods and non-branded goods. We will continue to leverage our platform model to optimize product efficiency, enhance supply chain efficiency, and adopt price competitiveness as a core strategy across all product tiers. In terms of user value, Taobao remain committed to its positioning as an Internet consumption platform. It is not a retail company.

In line with our identity as an Internet consumption platform, we will prioritize our strategy of putting users first with improving platform stickiness and customer retention as our core goals. From the operational perspective, we will adopt user purchase frequency as the highest priority KPI for platform operations above GMV as purchase frequency is the most direct measure of users' recognition of an Internet consumption platform. Taobao's diverse monetization products can support our strategic shift to putting users first. We're convinced that only with more users can we generate more market opportunities for merchants.

These investments will create a virtuous win-win cycle for users, merchants, and platform. Next, I will describe our strategy for the cloud intelligence group. Given the uncertainties in the current environment, following evaluation, we have decided not to pursue a full spin-off of cloud intelligence group. Alibaba Group will continue to invest strategically in cloud intelligence group in the long term.

At the same time, cloud intelligence group will continue to maintain its independent operation to be managed by its CEO and overseen by its board. In this quarter, we saw the AI boom bring about continued growth in demand for computing power and large model services. Cloud computing is the infrastructure of the digital economy. It's a business model that achieves network effects with computing resources and a service model that features both network effects and scale effects.

With the advent of the AI era, typified by large models and the demand for AI transformation and innovation across all industries, IT investment will grow exponentially and demand for cloud computing will expand exponentially as well, creating a huge incremental opportunity. The cloud intelligence group will resolutely implement a strategy of driving growth with AI and of prioritizing public cloud. It will scale up its technology investments in AI-related software and hardware. Regarding driving growth with AI, we see a fundamental paradigm shift underway in computing worldwide.

We stand at the inflection point in this shift from traditional computing to AI computing. In the future, incremental demand for cloud computing will be driven by demand for AI, and most AI computing will run in the cloud. Going forward, we will do two things. First, we will build the most open cloud in the AI era, providing stable and efficient AI infrastructure for all industries and enabling all sectors to go intelligent.

Second, we will build an open and prosperous AI ecosystem. At the recently concluded Apsara conference, we announced a comprehensive upgrade of our AI infrastructure, the artificial intelligence platform, P-A-I, PAI, and our large model Tongyi Qianwen 2.0, which has hundreds of billions of parameters, as well as eight vertical models, also a one-stop model application development platform, Alibaba Cloud Bailian. In this AI era, we now have in place a full stack cloud computing system for AI development and are ready to better support demand for AI-driven computing power. This quarter, we began proactively managing the quality of our cloud revenue and achieved enhanced profitability.

Alibaba Cloud has advantage in terms of pricing power, high renewal rates and highly scalable cloud computing infrastructure, and application service products. Going forward, we'll be selective about all of our products and business models. We will reduce project-based revenue exposure, invest more in core products for public cloud, and continue to enhance the cloud business as revenue quality. By prioritizing public cloud, we will continue to reach scale effects and technological dividends.

Going forward, we're extremely optimistic about the long-term development prospects of AI-plus cloud computing in combination. Next, let's turn to Alibaba international digital commerce. We're convinced that there's huge growth potential in international markets in the coming years. Our core strategies include, first, building a world-leading digitalized supply chain network.

Alibaba already boasts the richest supply assortment in the world, plus an initially completed cross-border, plus local global logistics network. Over the next few years, we'll accelerate our efforts to build a world-leading digitalized supply chain network, leveraging multiple world-leading merchandise centers plus our high-efficiency logistics network covering major international markets. Second is building world-leading AI-plus overseas digital retail technologies. Within Alibaba international digital commerce, we will build unified core technology capabilities for AI-plus digital retail, to drive efficiency enhancements and user experience innovations across platforms and regional markets.

For example, by leveraging AI and other technologies to solve for translation across languages and transnational customer service, we can empower large numbers of merchants to truly make the leap from local to global. That represents a huge market opportunity and dividend. Thirdly, achieving breakthroughs in key emerging regional markets in the next few years. At present, Alibaba international digital commerce has relatively high penetration of users in just a few regional markets, such as Southeast Asia and Turkey.

There's huge potential to grow user penetration in the majority of international markets. Leveraging our existing resources and footprint, we will scale up our investment in selected high-potential regional markets and capitalize on highly certain growth opportunities. Next, let's turn to our Cainiao strategy. Cainiao continues to focus on building out its global smart logistics network and on reinforcing its end-to-end capabilities in cross-border logistics solutions.

Revenue maintained relatively rapid growth this quarter. Over the next three years, Cainiao's core strategies will be, first, to accelerate construction of its global smart logistics network, scale up its investments in technology, grasp the historic opportunity of cross-border e-commerce growth, and achieve rapid growth in its international business by offering innovative products for cross-border e-commerce platforms and merchants; and secondly, to continue to differentiate itself in China and maintain healthy business growth. Cainiao will continue to empower the industry with technology capabilities, helping brands and manufacturers to achieve higher levels of logistics, digitalization, and intelligence, providing brands and consumers with high-quality multiplatform, all-channel supply chain and logistics solutions. Next, let me share with you our strategy for the local services group.

This quarter, the local services group achieved 16% year-on-year revenue growth, further improvement in business scale and efficiency, and both quarter-on-quarter and year-on-year growth in AACs. Over the next three years, location-based technology services will continue to evolve and develop rapidly across a wide range of sectors, benefiting all different kinds of businesses, not just those in the sectors everyone is paying attention to today, like to-home food delivery, restaurant dining and mobility, and not only in to-C businesses. We expect to see relatively fast growth in demand for location-based technology services from to-B businesses. Accordingly, the group will continue to invest resolutely in location-based technology services in both of its core local service businesses.

Amap will primarily develop mobility and to-destination technology services, and Ele.me will primarily develop on-demand to-home technology services. At the same time, the local services businesses will take advantage of opportunities to innovate their applications and enhance their capabilities, leveraging AI. The standard of success will be advancing together with the ecosystem. Next is digital media and entertainment.

DME achieved healthy growth in its revenues this quarter with enhanced synergies across these different businesses. On the back of a strong recovery in the off-line cultural consumption market, Damai recorded strong GMV growth this quarter. We had continued year-on-year improvement in profitability. On Youku, the total number of interactions during paid online broadcasting of live performance has set a new record.

And two films coproduced by Alibaba Pictures occupied the top two spots for box office receipts during the summer season. Over the next three years, DME's core strategies will include the following: one, leveraging AI and other technology innovations. DME will achieve standardized, process-based, digitalized film and drama show production capabilities within three years. We will cultivate next-generation content creators and promote the upgrading of the entertainment industry.

We will launch innovative new consumer applications that will expand the boundaries of the business. Secondly, Youku will remain committed to its top-quality content strategy while increasing the ratio of self-produced content and build stronger mindshare with its users with stable output exclusive content. Alibaba Pictures will maintain its advantages in off-line scenario coverage and market share and will continue to produce top-quality films, performances, and other self-produced content. As a leading media and entertainment company, Alibaba's DME group strives to achieve overall stable profitability as soon as possible.

Next is overall strategies for strategic level innovation businesses. As announced, the group will continue to invest in and incubate strategic-level innovative businesses for the future. We have clear-cut selection criteria: a sufficiently large addressable market, unique positioning in the market, and alignment with user demand trends and the group's strategy of driving growth with AI. Today, let me introduce you to our first batch of these strategic-level innovation businesses.

They are 1688, Xianyu, DingTalk, and Quark. 1688 is Alibaba's oldest business, serving mainstream manufacturers in China and has a solid foundation and huge potential to reinvent itself for this new era. It can leverage China-manufactured products, the most competitive anywhere, to expand from B2B into SME and consumer procurement. It also has the service capabilities to support cross-border transactions.

Xianyu or Idle Fish is the most popular secondhand goods trading platform among Chinese young consumers, but we see Idle Fish as being much more than that in the future. It can become a lifestyle platform for consumers' hobbies and interests. As for DingTalk, with the advent of the AI era, there's no unprecedented scope for imagination about its future. It's the most effective enterprise productivity tool in China.

And in the future, we believe that every individual and every company will have a personalized smart assistant powered by AI. DingTalk has the potential to become the best AI smart assistant platform for users. Quark is a search and knowledge product that's very popular with youth. In the large model era, we believe that Quark has tremendous opportunity to create a revolutionary search product for students and young people.

The strategic-level innovation businesses that I've listed out above will, in organizational terms, operate as independent subsidiaries and will not be constrained to their previous positioning within the group, enabling to face the larger market with their own strategies. The group will make continued investments in them over a three- to five-year period. In this exciting AI era, Alibaba will resolutely devote itself to driving the technology revolution and product innovation and will continue to incubate, innovative businesses and technology products and will meet new expectations and new demands of this growing market for products and services. Competition in the Internet and technology sector is a never-ending game.

No product ever enjoys a long-term moat. Any successful technology company must have the capacity to transition across technology cycles. For 24 years, Alibaba has firmly grasped development opportunities in the PC era and in the mobile era. Along the way, we've had successes, as well as failures; we gained experience and learned lessons.

Today, Alibaba has grown into a diversified business group with annual revenues of $125 billion and free cash flow of $27 billion. We're privileged to serve and support transactions and fulfillment for tens of millions of SMEs. We own the third-largest cloud computing platform globally and the deep convergence of AI-plus cloud computing will be an important impetus for our future development. Today, we stand at the beginning of a new era of technology centered on AI.

The next decade will bring dramatic change worldwide, creating immense uncertainties and opportunities in parallel. Alibaba is embarking on a new entrepreneurial journey and is fully prepared to devote its all to driving technological transformation. We possess sufficiently advanced resources, strong cash flow, agile governance mechanisms, and a strong talent pipeline. We're confident that we can both unleash new momentum in our existing businesses and create fresh new growth opportunities.

Thank you. And next, I'll hand the mic to Trudy.

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

Hi, everyone. This is Trudy, and I'm delighted to speak with you all again. Eddie has shared with you his thinking on Taobao and Tmall Group's three key strategies. He further reiterated that putting users first is the top priority and further set up three points of focus.

Here, I will present to you on our operations in the September quarter and give an overview of the just-completed Tmall 11.11 Global Shopping Festival. As a result of our ongoing efforts to attract new merchants, enhance price competitiveness, and enrich content offerings, in the September quarter, we continued to achieve rapid growth in DAUs. Even more importantly, we also saw that organic users grew at the same time. More users proactively coming to the Taobao app means user mindshare is strengthening as the Taobao app becomes more attractive.

And in this process, we specifically saw several very clear changes. First, Taobao and Tmall's rich assortment of supply constitutes a huge advantage. With a constant inflow of new merchants, new merchandise, and new content, Taobao has become more vital than ever as a universal app. We continue to invest in building our merchant ecosystem, adhering to the principles of driving with digital technology, openness, and inclusivity.

The number of merchants increased by over 1 million in the September quarter compared to the June quarter. At the same time, Taobao's live streaming ecosystem maintained its growth momentum. On the one hand, top-tier live streamers and agencies from other platforms continue to join the Taobao platform, such as East Buy; and the wine and spirits influencer, Li Xuanzhuo. And they're developing very well on Taobao Live.

On the other hand, merchant-operated live stream also has strong growth momentum. With more and more Tmall brand merchants taking part, the live streaming participation rate and total live streaming time are growing, and the share of GMV from merchant-operated live streaming is also increasing. More and more merchants are realizing that self-operated live streaming is much, much more than just a sales tool. It's an important and sustainable approach for brand building and user engagement on the Taobao app.

Second, in line with our value positioning as an Internet consumption platform, we've now put in place a complete matrix of sales models: brand marketing-driven sales, everyday low-priced product sales, and live streaming content driven sales. These three sales models are independent and complementary. In combination, they provide one-stop comprehensive value to Taobao app users, leveraging our universal supply. This sales matrix provides the consumer finds goods option, allowing users with specific purchase intent to find exactly what they want through fast, accurate search.

It also allows users with no specific purchase intent to have fun browsing, enabling goods to find the consumers. And even users who don't want to buy anything right away can enjoy learning encyclopedic knowledge from relevant lifestyle and consumption content, i.e., sowing seeds. As we said, there's no question that the Taobao app has everything you could want or need. The only question is, can you think of everything you need? Or going forward, even if you can't think of what you need, no matter, the Taobao app will help you do the thinking.

All you need to do is come to the Taobao app, and you will have a great experience. Different users can get exactly what they want and need and have a fun time. And besides live streaming, which I just discussed, the total time spent on short videos posted on Guang Guang more than quadrupled in the September quarter. Overall total time spent by users on the Taobao app is also growing.

And finally, in light of the clear trend of stratification in China's consumer market, we've engaged in a comprehensive exercise to build price competitiveness. We divide merchandise into three different tiers with different value propositions and manage price competitiveness by product category and by sales format. In this way, we're comprehensively strengthening the price competitiveness of merchandising. This clearly defined rigorous management matrix is generating business scale growth and operational certainty from merchants who have supply chain advantages and product competitiveness.

This supply, together with branded merchandise, creates a good price advantage on the Taobao platform, resulting in more transacting buyers and orders in the September quarter. For example, the number of 88 VIP members surpassed 30 million in the September quarter with continued growth in their GMV. And at the same time, in respect of users with low purchasing power, the scale of active consumers and conversion rate have increased significantly. In order for us to build a funner, more price-competitive, and universal Taobao app, a crucial underlying driver is technology.

In the September quarter, we continued to roll out our comprehensive AI upgrade across the entire Taobao platform. Here, I'd like to upgrade -- here I'd like to highlight a major upgrade to Alibaba's Wanxiangtai product. The Wanxiangtai Unbounded version we released in August, it enables merchants to allocate their advertising budgets across all available properties within the Alibaba ecosystem using a single interface and leverages AI to provide data analytics and insights to intelligently locate targeted users and to create AI-generated advertising content. So the upgrade enables merchants to optimize their advertising spending and to significantly enhance campaign efficiency, conversion rates, and ROI.

So the Wanxiangtai upgrade has resulted in growth in the number of advertisers. Next, I'd like to spend a little time talking about this year's 11.11. During 11.11 this year, we achieved comprehensive growth in the number of merchants, transacting buyers, orders, and GMV. Even more importantly, though, this year's 11.11 was a test of our strategy this year.

So let me share with you here the progress on several of our key initiatives as seen during this year's 11.11. So starting with price competitiveness. First, price competitiveness increased significantly with direct price reductions at everyday low prices beyond basket-based discounts for multiple purchases. Price competitiveness is what putting users first and creating value for users is really all about.

In the past, we organized merchants to provide good prices to consumers through basket-based discounts. That satisfies some consumers, but others found it too complicated. Building on all the efforts we've made over the last half year to build price competitiveness, during this year's 11.11, we successfully organized direct price reduction and everyday low-price offerings, in addition to those basket size-based discounts. This comprehensively strengthened price competitiveness on Taobao and Tmall.

As a result, we achieved satisfactory results in terms of new user acquisition, existing user retention, overall purchase conversion rates, and repurchase rates. For example, the number of 88 VIP members further grew and reached 32 million, and our enhanced price competitiveness gives us stronger confidence in every e-sales outside of large campaigns. Secondly, our product granularity-based matrix of sales models began to pay off. As I mentioned, one of our milestones in the September quarter was getting this matrix in place.

11.11 was the first real-world test of our ability to deploy all of brand marketing, everyday low price, and live streaming in a coordinated way during a large-scale campaign with granularity at the level of store and of product. By launching products with us here, large brands taking excellent advantage of Tmall's Heybox to intensively launch new products can lead new consumption trends in China. In terms of everyday low price, we achieved explosive growth with both of the Taobao Good Price Festival and 10 billion subsidy programs. In terms of the live streaming content-driven sales model, merchant-operated live streaming made huge breakthroughs with merchant-operated live streaming accounting for close to 70% of all the dozens of live streaming rooms that generated over CYN 1 billion in sales.

As a result of this test, we are more confident that the Taobao app is the best one-stop platform for merchants to manage diversified users and merchandise across all phases of product life cycles and to achieve long-term certainty for their business, and we're all the more clear about how to best serve these merchants. Third, we've begun to explore new operating models for new supply. What makes Taobao universal is the rich and diverse merchant ecosystem on the Taobao platform. They are the foundation of rich supply on Taobao.

Over the past few months, we've made some adjustments to optimize the supply mix on the platform. Building on our base of Tmall-branded merchants, we've further grown the number of channel merchants and white-label factory sellers. But not all merchants are good at online operations, and there's no reason for us to force them all to become good at everything. Some white-label merchants, for example, excel at lean manufacturing and can produce large volumes of high-quality goods at low cost.

So during 11.11, we tested semi-consignment and full consignment models targeting them. This allows the white-label manufacturers to do what they do best.

They're responsible for producing good merchandise, and we are responsible for helping them sell it. This pilot initiative is just getting started, and we look forward to updating you further on future earnings calls.

For Taobao and Tmall, each year's 11.11 is a large-scale test of the strategies and tactics we've been deploying since the beginning of the year. This year, the business results we achieved, the competencies we honed, and all of the feedback we received from users and merchants validated the correctness of our three key strategies of putting users first, building a prosperous ecosystem, and driving growth with technology. Chinese e-commerce market will be a highly competitive landscape for the long term. The road ahead will be long and difficult.

I will remain firmly committed to and will not change our strategies, our focus, and our investment plans guided by the principle of putting users first. As long as we resolutely stay the course of investing and upgrading, we can certainly create a universal Taobao app that is both more fun and more price competitive. Over this three-year business cycle, our rich and diversified monetization product will enable us to create a virtuous cycle for users, merchants, and the platform. Thank you.

And next, I'll be handing over to Jiang Fan.

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

Well, hi, everyone. I'm delighted to speak with you all during this earnings call. AIDC continued to maintain rapid growth this quarter amid an uncertain international market environment. This progress was a result of our sustained expansion in the different markets we serve, as well as our product and technology innovations, business model transformation, and efficiency improvement in our supply chain services, all of which realized greater value for our customers.

Next, let me provide more details, starting with the business model transformation and supply chain services upgrade. So as you know, over the past few months, AliExpress rolled out a brand-new service model called AE Choice. So put simply, we've upgraded from a pure platform, cross-border model to a business model that offers more supply chain services. On the one hand, the platform has dramatically reduced the complexity of doing business for merchants, allowing more diverse merchandise to enter the platform.

On the other hand, with the platform taking responsibility for end-to-end consumer services, delivery time has improved dramatically, greatly improving consumers' experience. AE Choice has already achieved rapid order growth over the past few months as a result of this business model transformation and supply chain services upgrade. In collaboration with Cainiao, we began piloting our global five-day delivery service in Spain and other countries, and we believe that continually enhancing services to customers is the basis for long-term development of the platform. Second, product technology innovation.

AIDC serves consumers in different countries and regions, so we need to continually optimize user experience to meet local consumer needs. We're committed to driving ongoing improvement in platform commerce efficiency and to upgrading customer experience through product and technology innovation. Over the past quarter, we continued to see the value generated by these investments. For example, we are actively leveraging AI to enhance merchant operating efficiency.

This quarter, alibaba.com launched new AI-based digital products for foreign trade. These AI products are tightly integrated throughout the entire foreign trade value chain features, include smart launch and management of merchandise, market analysis, customer interaction, real-time translation for video chats, covering many important links in the foreign trade business. Leveraging digital technology, merchants can export their goods to global markets more efficiently and achieve higher operating efficiency with certainty. Third, our progress in different regional markets around the world.

Last quarter, we achieved quite good growth in different regional markets in Turkey. Trendyol maintained rapid growth and profitability at scale while also expanding into neighboring markets. In Southeast Asia, Lazada's overall financial situation has also improved significantly. And going forward, we'll continue to focus on enhancing platform operation efficiency and on sharpening our differentiated competitive advantage so as to achieve long-term sustainable development.

In Germany, we announced the acquisition of a leading local B2B platform, Visable. Post acquisition, alibaba.com will operate two brands in Europe and will do business on multiple B2B trade platforms, furthering alibaba.com's international expansion. Looking ahead, we see some high-confidence market opportunities, including further expansion of AE Choice and opportunities in some emerging markets. Over the next few quarters, our short-term business focus will be on rapidly expanding our business scale and market share.

We will actively invest in these areas to achieve growth. The mission of AIDC is to help global SMEs engage in digital trade. During this year's 11.11, we supported merchants in multiple countries as they directly provided services to consumers in over 100 countries and help them achieve rapid business growth. Taking AliExpress as an example, with the growth of AE Choice, the volume of merchandise placed by merchants in warehouses grew by several fold compared to last year and the choice warehouses grew by several fold compared to last year, and a large number of SME merchants achieved fast sales growth during 11.11.

Going forward, we'll continue to create long-term value for global merchants and consumers through product and technology innovation and consumer service upgrades and will continue to enable merchants to achieve sustained business growth on the platform. Thank you.

Toby Xu -- *Chief Financial Officer*

Thank you, Jiang Fan. We achieved healthy financial performance in the past quarter, driven by steady business momentum and improving operating efficiency in several major businesses. Total consolidated revenue was RMB 224.8 billion, an increase of 9%. Consolidated adjusted EBITDA increased 18% to RMB 42.8 billion.

Non-GAAP diluted earnings per share was RMB 1.95, an increase of 21%. Since July 1 to November 15, we repurchased approximately $3 billion worth of our shares, which accounted for 1.3% of total shares outstanding. This is supported by our continuous generation of strong free cash flow. During the quarter, free cash flow was RMB 45.2 billion or $6.2 billion, an increase of 27%.

Over the last several months, the capital management committee and took a review on ways to improve our ROIC and potential use of cash. Our priority in cash deployment in the following quarter, firstly, an innovation for growth; secondly, reduced total shares outstanding to achieve accretive earnings per share through stock repurchases; and three, reward long-term investors via any dividend. Thus, cash will be returned to shareholders through a combination of share repurchase and dividends. Accordingly, in addition to our $40 billion share repurchase program, we are pleased to announce that our board of directors has approved an annual dividend for fiscal-year 2023 in the amount of $0.125 per ordinary share or $1 per ADS.

The aggregate amount of the dividend will be approximately $2.5 billion. Now let's look at cost trends as a percentage of revenue, excluding SBC. Cost of revenue ratio decreased 1 percentage point to 62% during this quarter. Product development expenses ratio remained stable at 5% during the quarter.

Sales and marketing expense ratio remained stable at 11% in this quarter. General and administrative expenses ratio decreased 1 percentage point to 3% in this quarter. Our net income was RMB 26.7 billion, an increase of RMB 49.2 billion, compared to a net loss of RMB 22.5 billion the same quarter last year. The increase was primarily due to a gain from the increase in fair value of our equity investments versus a net loss in the same quarter last year and an increase in adjusted EBITDA.

Our non-GAAP net income, which excluded net gains or losses from investment fair value changes and other items, was RMB 40.2 billion, an increase of RMB 6.4 billion. As of September 30, 2023, we continue to maintain a strong net cash position of RMB 457.8 billion or $62.7 billion. Free cash flow this quarter was RMB 45.2 billion, an increase of 27%. The increase was primarily due to an increase in profitability and a decrease in capital expenditure, partly offset by net changes in working capital.

Now let's look at the segment results, starting with Taobao and Tmall Group. Revenue for Taobao and Tmall Group was RMB 97.7 billion, an increase of 4%. Customer management revenue increased by 3% to RMB 68.7 billion, primarily due to the increase in merchants' willingness to invest in advertising, partly offset by the modest decline in Taobao and Tmall online GMV. Execution of our strategies, especially that of price competitiveness strategy, has resulted in increase in order volume and more consumers.

Direct sales and other revenue increased 6% to RMB 23.9 billion, primarily due to strong sales, driven by the consumer electronics and appliances. China commerce wholesale business revenue increased 18% to RMB 5.1 billion, primarily due to an increase in revenue from value-added services provided to paying members. Taobao and Tmall Group adjusted EBITDA increased by 3% and to RMB 47.1 billion. The increase was primarily due to narrowing losses in certain businesses and increase in profit from customer management services, partly offset by the increase in investment in user acquisition and retention, as well as the increase in investment in content.

Alibaba international digital commerce group revenue was RMB 24.5 billion, an increase of 53%. Revenue from international commerce retail business increased by 73% to RMB 19 billion. The increase in revenue was primarily due to strong combined order growth of AIDC's retail businesses, driven by the solid performance of all major retail platforms, the revenue contribution from AliExpress' AE Choice, and improvement in monetization. Revenue from our international commerce wholesale group businesses increased by 9% to RMB 5.5 billion.

The increase was primarily due to an increase in revenue generated by cross-border-related value-added services. AIDC's adjusted EBITDA was a loss of RMB 384 million. Loss is significantly narrowed primarily because of improved margins of Lazada and Trendyol, partly offset by the increase in investment in new business, such as AliExpress AE Choice. Total revenue from Cainiao grew 25% to RMB 22.8 billion, primarily contributed by the increase in revenue from cross-border fulfillment solutions.

During this quarter, Cainiao rolled out its premium five-day delivery service for consumers in eight countries and regions. Importantly, the service enhanced AliExpress Choice's overall shopping experience, and order volume for Choice ramped up rapidly during the quarter. Cainiao adjusted EBITDA was a profit of RMB 906 million, compared to RMB 125 million in the same quarter last year. The increase was primarily because of improved operating results from cross-border fulfillment solutions, technology, and other services, as well as domestic logistics services.

Local service group revenue in September quarter grew 16% to RMB 15.6 billion, primarily due to strong growth in both Ele.me and Amap businesses. During the quarter, Ele.me's orders volume grew year over year and quarter over quarter, driven by increasing number of transacting users and higher purchase frequency per user. During this quarter, all the growth of Amap increased rapidly due to a strengthening position as a comprehensive to-destination service platform, as well as strong travel demand during the summer season. During an eight-day holiday period from September 29 to October 6, the combined mid-autumn festival and National Day holiday, Amap recorded an all-time high of over 280 million peak DAU as the Chinese economy experienced a strong recovery in travel demand.

Local services group adjusted EBITDA was a loss of RMB 2.6 billion this quarter, compared to a loss of RMB 3.3 billion in the same quarter last year, primarily due to the continued narrowing of losses from our to-home business, driven by Ele.me's improved unit economics per order and increasing scale. Revenue from cloud intelligence group was RMB 27.6 billion in this quarter, an increase of 2% year over year. Revenue growth was mainly driven by Alibaba consolidated businesses. Revenue, excluding Alibaba consolidated businesses, slightly decreased, primarily due to our continued effort to improve revenue quality by reducing the revenue from project-based contracts that are of low margins, which was mostly offset by an increase in revenue from our public cloud products and services.

Going forward, we will continue to enhance the quality of our revenue by reducing certain low-margin, project-based contracts. During this quarter, our public cloud revenue represented over 70% of our external cloud revenue and grew healthily year over year, reflecting the stickiness in demand from customers across major industries. Part of the public cloud revenue growth was driven by the strong demand for model training and related services and cloud infrastructure. Looking forward, the revenue from model training and related services may be constrained in the foreseeable future given the expanded export control rules imposed by the U.S.

to further restrict the export to China of advanced computing chips and semiconductor manufacturing equipment. We believe the long-term growth opportunities driven by AI services have just begun. AI will enable the rapid innovation of all industries and the demand for AI-driven cloud computing services will continue to grow significantly in our view. We will continue to explore our native solutions to fulfill the needs of our customers.

Cloud adjusted EBITDA was increased by 44% to RMB 1.4 billion, primarily due to increase in revenue from public cloud products and services, as well as improving operating efficiency. Businesses within the DME segment continued to achieve synergies. On September 19, Alibaba Pictures announced its acquisition of Damai, aiming to leverage Damai's leading position in off-line permormance market to expand influence in the off-line entertainment industry. During the quarter, Damai maintained its industry-leading position with triple-digit GMV growth and improving profitability.

Revenue from our DME group was RMB 5.8 billion, an increase of 11% and primarily driven by the strong revenue growth of off-line entertainment business of Damai and Alibaba Pictures, as well as the increase in Youku subscription revenue, partly offset by the decrease in Youku's advertising revenue. Adjusted EBITDA was a loss of RMB 201 million, compared to a loss of RMB 362 million. The improved adjusted EBITDA was mainly due to the increase in profitability of Damai and Alibaba Pictures. Lastly, I'd like to note that starting from this quarter, we reclassified the revenue of our DingTalk business, which was previously reported under cloud intelligence group to all others, the purpose of which was to provide DingTalk with greater autonomy and to promote innovation and enhance competitiveness.

Within all other segments, DingTalk and intelligent information platform, among our first batch of strategic-level innovation businesses that we are integrating as future growth drivers. DingTalk's paying enterprise customers have reached over 100,000.

And during the quarter ended September 30, 2023, a number of paying enterprise customers grew around 40%. DingTalk continues to upgrade its products and services to serve more enterprises and organizations.

It has recently launched seven product lines that had been fully integrated with our proprietary Tongyi Wanxiang large models, which will continue to drive growth and price customers' adoption. Our intelligent information platform includes Quark UCWeb and other businesses. Quark provides young users with a one-stop platform for information search, storage, and consumption. During the month ended September 30, 2023, Quark continued to grow strongly with DAU up over 35%.

Revenue from all other segments remained stable at RMB 48.1 billion, primarily due to the revenue growth contributed by Freshippo, Fliggy, Alibaba Health, and intelligent information platform, partly offset by a decrease in revenue from Sun Art. Adjusted EBITDA from all other segment was a loss of RMB 1.4 billion, compared to a loss of RMB 2.9 billion in the same quarter last year, primarily due to improved operating results from Freshippo, DingTalk, and Fliggy. Thank you. That's the end of our prepared remarks.

We can open it up for 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. Please note that the translation is for convenience purpose only.

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

Thank you.

Questions & Answers:

Operator

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

Ronald Keung -- *Goldman Sachs -- Analyst*

Thank you, management team, and congratulations, Joe and Eddie. I think I'll start with the cloud kind of distribution, which is now no longer proceeding as some investors were initially hoping for an extra return from the cloud distribution. Just how should we think about ongoing reorganization and the plans? And how should we think about shareholder return on a kind of next few years basis? How do we think besides the newly announced regular dividend? And do we consider any further upsizing of the buyback or even a special dividend considering our $63 billion net cash? And given that it's two months into your role, as you see -- you like to keep prices and priorities that you have from here both for the next [Inaudible] ahead. Thank you.

Joe Tsai -- *Chairman*

Thanks very much for the question. It's a very good question. This is Joe Tsai. So if -- there are multiple ways to provide value to shareholders.

And we have previously announced a multitude of approaches from full spin-off of the cloud business to share repurchase. And we've already explained the strategic thinking and the rationale for not doing the spin-off. Now there are alternative ways to provide enhanced returns to shareholders. And right now, our thinking is that we're very excited about or multiple businesses from Taobao and Tmall Group to cloud that we should get into a phase of investing for growth.

And Eddie has laid out a very clear strategy and multiple priorities for our investments. So I think that gives you a pretty good direction of the uses of our cash, as well as thinking about how we can highlight the value of our businesses rather than some full spin-offs, investing, and creating a sustainable growth model in these kind of businesses. So I think you should think about our core businesses coming to a phase where there is a reset for sure. But I think going forward, we feel very optimistic and we feel very confident about the fundamentals and all the tools and ability that we have built up, capabilities that we have built up over the years to continue to invest and show value to our investors that way.

As far as the stock repurchase is concerned, we're under -- still executing our overall $4 billion share repurchase plan that was approved by the board. And as I said, as of today, we have $13 billion of dry powder left, and we will continue to execute that buyback. We're not going to consider a one-time cash dividend. We think, as we laid out the priority for cash use is to invest for future growth.

And then executing our current share repurchase plan and number three, as Toby has said, we have announced the dividend. So those are the plans for the uses of our cash. Thanks. Next question?

Operator

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

Alicia Yap -- *Citi -- Analyst*

Hi. Thank you. Thank you, management, for taking my question. My questions are, firstly, relate to investment plans for Taobao and Tmall Group because recently, you have been increasing your investments.

And I'm wondering if management could share with us in what areas do you think those investments have yielded results that have exceeded your expectations. And what areas do you think there's still room to do better? And is the purpose of these investments more to regain market share? Or is it more about ensuring sustainable growth of GMV and of CMR? And then finally, we noted that in this year's 11.11, there was more collaboration with WeChat. And I'm wondering if you could talk to us about that experience and how the conversion rate was of users coming from WeChat as compared to other channels.

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

Yes. Thank you. This is Trudy. Well, as Eddie has explained at Taobao and Tmall Group, we have three key strategic priorities namely putting users first, building an ecosystem for brands and merchants that drive and realizing AI and technology-driven innovation.

So those are the strategies and of course, all of the investments that we're making and we'll make will be intended to serve those strategies. So in terms of investing in users, we've made investments in building, of course, price competitiveness across the platform on increasing repurchase rate, as well as on acquiring new users. And we've seen important payoffs on the Taobao app on all the KPIs we've discussed, including time spent, as well as number of active purchasers. In terms of our investments enriching content, on Taobao, again, we're certainly seeing good payoffs from those investments.

As we mentioned earlier, a very important one is we see increase in organic users, users who proactively open up their app and come to us. We've seen an increase in user time spent. If you look at Guang Guang as well, we've achieved good growth in terms of number of users and their time spent there. So all of that really gives us all the more confidence that we need to continue with these investments, enriching the content environment.

Also, as Eddie said, AI is the defining technology of our time at a very, very important driver going forward of growth in commerce. So we will, of course, continue to invest in AI, leveraging AI capabilities to enable merchants to grow sustainably and help them develop their businesses in the long term on the platform. As another part of our effort to become a very strong content platform, we're also leveraging AI-generated content using AIDC to lower the barrier to entry and make it easier to produce compelling content. I believe that AI will be able to unlock and create fresh new experiences and a lot of fun for consumers.

It will be compelling for consumers. And an example of that is the new consumer-facing product called Guang Guang. Finally, you asked about collaboration with WeChat. This is a very initial stage, and it's influence has been very limited.

Our collaboration with WeChat has been focused on a few limited areas, one of which is traffic. In terms of co-construction systems, we also worked on enhancing recommendation capacity. And in terms of policies, we also provided RMB 100 million in subsidies, as well as bilateral policy support. Of course, Taobao is an open platform, and we stand ready to work with all partners and potential partners to provide the best services to our merchants.

Thank you. Next question?

Operator

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

Gary Yu -- *Morgan Stanley -- Analyst*

Hi. Thank you, management, and for the opportunity to ask questions. I have a question regarding the opening remarks about the target to increase return on invested capital to double digit. Can management share more about what kind of targets or how achievable this target in the next couple of years, specifically regarding the noncore business turning profitable.

Any specific business unit that we think we can -- profitable with a certain period of time.

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

OK. Gary, thank you for your question. I will take this question. Yes, as Joe mentioned, actually, we are looking very closely to our ROIC.

And we do set -- we want to increase the ROIC to double digit in the next few years. There's a few ways we will take to achieve that target. In all our businesses, if you like, actually, as Eddie mentioned, we do have core and noncore business. In addition, we will also have many of the investments sitting in our equity sort of like investments or even investing associates.

So for all those investments, we are also have a resource that we use to -- as part of the resource that we can utilize to enhance our ROIC. With respect to the core businesses, as Eddie explained, we will need to invest in innovation and growth. So for all these core businesses, the growth and the future profitability will help certainly generate more earnings, which will contribute to increase of ROIC. And with respect to the noncore business and also the investments in our balance sheet that are no longer strategic or core to us, I think, on one hand, as Eddie mentioned, we would need those business to become profitable as early as possible.

And also for some of the investments, we were also looking to the opportunity to monetize, which will give us cash and eventually, we can utilize the cash to give the return to the shareholders. So that will also help to increase our ROIC. So thank you. Next question?

Operator

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

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

Good evening, and thank you for taking my questions. I have a question regarding the core business group. So you guys discussed in the prepared remarks, you decided not to proceed with a full spinoff of the cloud business. Is the withdrawal of the spin-off in the IPO a temporary decision or a permanent decision? If market conditions change or the financial colors change, would you reconsider this decision? And then related to the operation, I think you guys decided to develop a tenable growth model for the cloud business.

Given AI shifts restriction from the U.S., can you talk about your thoughts on how this sustainable growth model will be? Thank you very much.

Joe Tsai -- *Chairman*

OK. Alex, this is a two-part question. So I'll answer the first part, and Eddie answer the second part. About the our announcement did not proceed with the full spinoff.

For us, this is -- when we announced the full spin-off, we were looking at a way to sort of a -- financial engineering way to show the value of the business. And that was when the business was operating in circumstances that we thought were predictable with our ability to project the business and communicate to investors and provide a level of transparency to investors who will independently hold the shares of cloud intelligence group. But the circumstances have changed. And right now, rather than focus on financial engineering, we rather focus on figuring out how to grow the cloud business.

A big part of that is for us to -- for the group to provide cash to make investments because the -- in the AI-driven world to develop a full-blown business based on a very networked and highly scaled infrastructure requires investment. So we would rather show investors through the -- our operations of the cloud business rather than spinning it off. And hopefully, we can enhance value to shareholders as we deliver future growth revenues and profits in the future. As far as the sustainable business model, I'll let Eddie to answer that question.

Eddie Wu -- *Chief Executive Officer*

Thank you. Well, the question you've asked really is a critical one. There have been many changes in the situation in the market. But I'll come at this in two parts.

In terms of business model, the CPU-centered traditional cloud computing business is one where we built up a strong portfolio over the last 14 years. In this part of the business going forward, as we said, we're going to place our focus on public cloud because we think public cloud is where we can achieve very strong network effects and scale effects and thereby provide very good value for money to our customers. The second part of the business going forward into the future is GPU-based AI computing. And obviously, there have been some major changes in the external environment, policy wise and otherwise that will bring about important changes in the China market.

I think going forward, what we can certainly expect to see in the China market is that there will be multiple different chips being used multiple different providers, meeting demand for AI computing power in the China market. I think cloud in China is going to play an ever more important role in supporting the development of AI in this market because cloud can allow developers to achieve much higher efficiency and not have to worry about complex issues around AI chip design. So I think that we have a complete set of offerings in place that's really well designed to support development because we've always been supporting one cloud with multiple chips, and we have these different layers, platform-as-a-service, model-as-a-service, infrastructure-as-a-service. We're able to support heterogeneous architecture at all of these different levels.

And I think that with that in place, we're well prepared to provide great value to the Chinese market. That will be the last question.

Operator

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

Jiong Shao -- *Barclays -- Analyst*

Thank you very much for taking my questions. You highlighted Choice as one the growth driver, has been one of the fastest-growing segments. I was wondering, could you expand a bit on which countries and regions Choice has entered? And you talked about revenue contribution earlier. I was wondering is there any magnitude that you can share sort of a timeline to get to unit economics breakeven? And related to that, for your AIDC business, you have a mix of sort of local e-commerce in Turkey and Southeast Asia, and you have a cross-border [Inaudible].

Longer term, what's the focus? Or do you expect sort of a 50-50 or healthy balance between the two?

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

Thanks for the question. Well, first of all, I should point out that Choice is actually based on AE. So it's not something new that's come out of nowhere. It's layered on top of a pre-existing business, AE, and AE is in over 100 different countries.

So what we've really done with Choice is we've gone from a pure platform model to platform plus Choice model, a fully entrusted model. And what we found is that the user experience with Choice is significantly better than with the pure platform model. So at this point, Choice is a major driver of growth in our business. So Choice has been launched over about a year now, and it's certainly growing very fast accounts for an increasingly higher proportion of orders.

So I would say that in a few more quarters from now, Choice will account for more than 50% of revenue from AliExpress, excuse me, number of orders, not revenue. So Choice is still a business that's in the investment stage. Its profit is negative for the time being. But with further growth, its unit economics will certainly be improving.

For now, we're placing -- the No. 1 priority for Choice is achieving growth, but unit economics and profitability will certainly optimize going forward. So as regards the local e-commerce model versus the cross-border model, in some countries, the local model works better, in other countries cross-border model works better. I wouldn't say that we have any fixed percentage in mind in terms of how to allocate the business.

It really comes down to how do you provide the best user experience and best meet user demand in those different countries and markets.