

Daniel Zhang -- *Chairman and Chief Executive Officer*

Thanks, Rob. Hello, everyone. Thanks for joining our earnings call today. Alibaba has delivered another strong quarter, thanks to deeper adoption accelerated by COVID and the rapid economic recovery in China following effective control of the pandemic.

According to National Bureau of Statistics, China's economy continued to recover in the September quarter with GDP growth reaching 4.9% year over year and the retail sales resuming positive growth year over year. Digitalization is now universally recognized as a way forward in the post-pandemic world. And as I shared during investor day, Alibaba is best positioned to enable everyone to capture the opportunity of digitization. Our China retail marketplaces continued its healthy growth this quarter.

Annual active consumers on our China retail marketplaces reached 757 million for the 12 months ended September 30, 2020, representing a quarterly net increase of 15 million, while our mobile MAUs reached 881 million. This reflects Taobao's continuing strong consumer mind share, healthy user stickiness and engaging user experience as a leading consumer community globally. Tmall online physical goods GMV excluding unpaid orders, grew 21% year over year this quarter. FMCG continued to be the fastest-growing category with 28 GMV growth year over year, of which food and healthcare increased 38% and 50% year over year, respectively.

In addition, growth rate of Tmall apparel is now higher than what it was during the pre-COVID December quarter. For Tmall electronics, GMV growth slowed down during the quarter partially due to the delay in iPhone's new model release date this year relative to last year. In October, we saw growth of over 50% year over year in Tmall's mobile phone category. This past quarter, we upgraded the Taobao mobile app homepage for user feedback has been incredibly positive.

The new homepage features a more immersive user experience and enhanced content distribution in the recommendation feed. We saw a marked increase in both user time spent as well as page views of both product listings and content in response to the changes which sets the stage of potential monetization opportunities in the future. Taobao Deals, our marketplace for value-conscious consumers, continued its strong growth during the quarter. Mobile MAU exceeded 17 million in September which represents net add of 30 million MAUs since June.

Consumers who use both Taobao app and the Taobao Deal app to make purchases showed faster growth in purchase frequency and average spending compared to those who only use Taobao app. We kicked off the 2020 November 11 Global Shopping Festival. And this year, we extended the festival from 24 hours to an 11-day campaign with two shopping windows. The first window is from November 1 to November 3, and the second is November 11.

We have made this change for a number of important reasons. We want to give consumers more time to browse and get the deal while easing pressure on the

logistic infrastructure. This helps consumers receive their package sooner and enjoy a better shopping experience. Our merchants will also benefit from more exposure and selling opportunities that will help them recover from the impact of pandemic.

November 11 this year goes beyond online shopping for physical goods. Alipay, together with our local service platforms, will also offer digital vouchers for services and experiences such as dining, beauty treatments, travel and entertainment. Our usual and fun interactive engagement centers this year aim to create a delightful shopping experience for our consumers and a better platform for brand expression for our merchants. On November 1, the first day of November 11, over 100 brands each surpassed over RMB 100 million GMV within the first 111 minutes.

On the same day, 357 new brands on our platform become the top seller in their respective subcategories. Our new retail businesses, Freshippo and Taoxianda, continued their rapid growth during the quarter. Many consumers started ordering fresh produce and groceries online from their neighborhood stores during the pandemic, and this has become a habit in the post-pandemic environment. Serving the local neighborhood through online channels has become a necessity for all brick-and-mortar businesses.

In October, we invested USD 3.6 billion to acquire a controlling stake in Sun Art. The purpose of this investment is to further strengthen our explorations in New Retail by driving deeper digital transformation of the hypermarket model to leverage Sun Art's competitive advantage in supply chain and to create more synergies between Sun Art and Alibaba's digital ecosystem. Ele.me's average daily number of paying customers in December quarter grew 45% year over year due to the acquisition of high-quality merchants and addition of highly engaged content. Alipay continued to play an important role in Ele.me's new user acquisition.

Through category expansion and service differentiation, Ele.me is also expanding from a food delivery platform to a destination for on-demand delivery service and in-store consumption services. Our businesses related to international markets continued to enjoy rapid growth. As the leading cross-border import platform in China, Tmall Global GMV grew 37% year over year during the quarter excluding unpaid orders. The number of brands and merchants on Tmall Global as of December 30, 2020, grew at a double-digit rate year over year.

In October, we announced an investment in Dufry, an international travel retailer, to set up a strategic joint venture in China to explore the travel retail market. Lazada, our leading e-commerce platform in Southeast Asia, continued to grow over 100% year over year in order volume despite new waves of COVID-19 in many markets. AliExpress, our international cross-border marketplace continued its business recovery aimed at the ongoing impact of the pandemic. Cainiao Network continued to expand both its domestic services and global smart logistics infrastructure.

Its consumer-facing services in China includes Cainiao Post which operates a network of community stations, campus stations and smart pickup lockers; and Cainiao Guoguo which offers crowd-sourced parcel pickup and delivery service

through its mobile app. These two services continued to grow rapidly during the quarter. Overseas, Cainiao has established in-market local logistics networks in 15 countries and regions by collaborating with global partners. During our investor day, we announced that Cainiao is expected to achieve positive operating cash flow this fiscal year.

We are happy to see the progress of Cainiao's business development and improvement in its financial results. At the same time, Cainiao will continue to invest for the future to create long-term value. Alibaba Cloud delivered strong revenue growth at 60% year over year during the quarter with public sectors and financial services contributing the highest growth. We announced at our investor day that Alibaba Cloud is expected to turn profitable by the end of this fiscal year.

We believe cloud computing is fundamental infrastructure in the digital area, but it is still in early stage of growth. We are committed to further increasing our investments in cloud computing. As you may know, Ant Group closed its IPO subscription on October 30 with oversubscription from institutional and retail investors. However, on November 3, Ant Group announced that it was notified by the relevant regulators that its proposed A Share listing on the Shanghai Stock Exchange was suspended due to the material matters relating to the regulatory interview of its ultimate controller, executive chairman and the chief executive officer, by the relevant regulators and the recent proposed change in the fintech regulatory environment.

Consequently, the concurrent proposed H Share listing on the Hong Kong Stock Exchange was also suspended. As Ant Group's major shareholder, Alibaba is actively evaluating the impact on our business in response to the recent proposed change in the fintech regulatory environment and will take appropriate measures accordingly. During the investor day, I had shared my view that digitalization is the biggest opportunity of our time. Alibaba is fully prepared to capture the opportunity with the solid foundation that we built over the past 20 years.

Looking forward, We will continue to drive our business with our three strategies: domestic consumption, cloud computing and data intelligence and globalization. We look forward to exploring the future of this digital area together with you. Now, I will turn it over to Maggie, who will walk you through the details of our financial results. Thank you.

Maggie Wu -- *Chief Financial Officer*

Thank you, Daniel. Thank you, everyone for joining us. Let me start with the financial highlights for the quarter. During the September quarter, we continued to acquire new users and consumers from both top-tier cities and less developed areas in China.

Average spending of consumers on our China retail marketplaces continued to improve across all city tiers which was primarily driven by increase in purchase frequency reflecting our ongoing success in broadening product offerings, improving user engagement and meeting diverse customer needs. Our total revenue was RMB

155 billion, up 30% year on year. The increase was mainly driven by the robust growth of our China commerce retail, cloud computing and Cainiao logistics. Our GAAP net income in September quarter was RMB 26.5 billion.

The year-on-year decrease was mainly because in the same quarter last year, we booked a significant onetime gain upon the receipt of a 33% equity interest in Ant Group. Excluding onetime gain and other items, non-GAAP net income in September quarter was up 44% to RMB 47 billion. Our free cash flow in the quarter increased by 33% to RMB 41 billion. Our solid revenue and robust profit growth reflect the value we created for our customers and enable us to reinvest into our business for the longer term.

Now, let's look at our revenue in more detail. We continued to strengthen our multiengine drivers to sustain long-term revenue growth. Our businesses have become more diversified and more integrated as we provide more value-added service to merchants on our retail marketplace globally. The value we added is reflected not only in our main revenue sources, such as CMR, but also other revenue drivers such as Cainiao, cloud, local service and international retail.

Overall CMR which now includes commission revenue, grew 20%. The increase was mainly driven by growth in average spending per merchant and the number of paying merchants. CMR accounts for 45% of overall revenue since revenues from other new business grew even faster. Within CMR revenue, our search revenue continued to show healthy growth.

And we've also seen growth in number of clicks, CPCs which is -- and also the greater bidding intensity among merchants. Revenue from feed recommendations as a percentage of total CMR has increased to mid-teens. The increase is due to greater paying merchants' adoption as we improved the user experience that drove higher CPR and accelerated growth in consumer numbers. International commerce retail businesses revenue was up 30% for the quarter.

The increase was primarily driven by revenue growth from Lazada and Trendyol. For the September quarter, Lazada order volume grew 100% year over year. Revenue from Cainiao grew 73% year on year. This growth was mainly due to the increase in both average revenue per order and volume of orders fulfilled from our fast-growing business, mainly cross-border and international commerce retail businesses.

Revenue from local consumer services was RMB 8.8 billion, up 29%. This growth was due to an increase in average revenue per order and ongoing recovery in on-demand delivery GMV growth after pandemic. Our merchant acquisition continued to accelerate after COVID-19. By onboarding high-quality merchants and upgrading membership benefits, our paying membership experienced continuous and rapid growth.

AliCloud continued its solid revenue growth. Revenue grew 60% primarily driven by growth in the Internet, finance and retail industry customers' contribution, and the penetration rate of AliCloud among China -- Chinese-listed companies continued to

increase and ARPU growth accelerated too. Let's look at our cost trends. We continue to improve operating efficiency and maintain a healthy cost structure.

We invest the savings from operating efficiency improvements, and this was invested into strategically important businesses with strong long-term growth potential. Now let's move on to our segment reporting. For the core commerce segment, marketplace-based core commerce profitability maintained healthy growth. It increased by RMB 5.3 billion to RMB 50.9 billion.

We continue to invest in our new C businesses, in our China retail marketplaces, such as Taobao Live and Taobao Deals, both of which are showing solid growth. At the same time, developing business, such as local consumer service, Lazada, New Retail and Cainiao, continued to show solid revenue growth and improving operating efficiency. The combined losses of these developing businesses narrowed by RMB 2 billion from RMB 7 billion to RMB 5 billion. The cloud computing business revenue growth is very strong, we just talked about.

And then the adjusted EBITDA loss narrowed year on year to around RMB 156 million which represents only 1% loss margin. Again, we expect AliCloud to turn profitable in the second half of this fiscal year. For DME, we continue to focus on reducing losses in Youku through content cost control while increasing paying subscriber growth. Losses reduced by about RMB 1.7 billion to RMB 10 million for the DME segment.

For innovation initiatives and others, Increased losses were mainly due to our investment in technology, research and innovation. Overall, our businesses continued to deliver robust revenue growth and strong profit growth. The incremental profits generated are invested in key strategic businesses that increase our addressable market and drive our overall growth. Share of results of equity method investees in the quarter was RMB 4.2 billion.

We record our share of results of all equity method investees one quarter in arrears. The share of profit of other equity method investees in the quarter compared to a share of losses of other equity method in previous quarter was mainly due to a general improvement in financial performance of our equity method investees. For the quarter, free cash flow was RMB 41 billion which increased by 33% mainly due to our robust profitability growth. And cash, cash equivalents and short-term investments were RMB 406 billion, approximately USD 60 billion.

Our solid balance sheet allows us to invest not only in organic growth but also invest in business that will empower and enrich the Alibaba digital economy. Recently, we invested approximately USD 3.6 billion to acquire a controlling stake in Sun Art Retail which is the largest hypermarket retail chain in China. Our New Retail initiatives have developed the business and technology to enable our off-line retail partners to offer seamless omnichannel experience for consumers. Through this investment, we expect an even deeper collaboration with Sun Art that include increasing digitization of offline traffic and activities, synchronizing online and offline channel inventories, broadening our supply chain network and increasing Sun Art's addressable market through greater online purchases.

We expect to start consolidating Sun Art's financials in the coming December quarter. In the long run, we will focus on better serving our customers and carrying out our mission to continuously grow our business. Thank you. So let's open for the Q&A.

Rob Lin -- *Head of Investor Relations*

Hi, everyone. Similar to prior quarters, 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 this translation is for convenience purpose only. In the case of any discrepancies, our management's statement in the original language will prevail. [Foreign language] So operator, now please connect speaker and SI conference lines. Please start the Q&A session already.

Thank you.

Questions & Answers:

Operator

[Operator instructions] Our first question comes from the line of Ben Binnie Wong from HSBC. Please ask your question.

Ben Binnie -- *HSBC -- Analyst*

Hi. Good evening management. Congrats on another solid quarter. And thank you for the additional metrics like Taobao GMV, like GMV this quarter which are very helpful.

The question here is on Sun Art. What is the ultimate goal of the integration here? And second is that as we are expanding into more self-operated direct sales business, what are the challenges we see? Say, how do you manage like traffic allocation to our third-party merchants? Say, when a third-party merchant also selling the same category or even same SKU with our 1P products, how do we manage that? Thank you.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] Thank you. This is Daniel. Let me answer your questions. First for Sun Art, as I said in my script, I think the purpose of our investment is to leverage Sun Art footprint across the country and leverage their supply chain to generate more synergies with the multiple businesses in Alibaba.

And also, we want to further upgrade the Sun Art business model to a more digital -- fully digitalized operations. And today, we also want to even upgrade the existing hypermart to a model more community driven and to attract more young people back to stores. So that's the primary reason that -- these are primary reasons why we further invest in Sun Art, because we -- as you know, that if you want to try to rebuild such a footprint across the country, actually, it's -- obviously, it's very difficult. And we believe this is a very important physical network across the country which will be further integrated with a digital network, a digital platform.

And this supply chain also highly complementary to our business. In terms of the 1P and the 3P conflict, I will say actually, for Alibaba, we always believe in marketplace model. We always believe in partnership. So 3P is our priority.

And we do see in some categories -- in different categories actually we can leverage the power of retailers and -- to create a more integrated experience for our customers, such as fresh foods, fresh produce, such as groceries, because we have many bulky groceries where the logistic cost is quite high, while the -- it's very difficult to do a third-party model and -- based on a fast delivery network -- country fast delivery network. So in this case, we will further integrate our 1P with our off-line partners and to give people better experiences. So it's a mixture, but we still believe in partnership, and we think to enable the merchant is our first priority. And even in the 1P business, our model is quite different with other 1P.

What we do is work closely with our suppliers, with our brand partners, and not only help them to sell but also help them to market their product and market their brand. And we'll also share some of the sales data to our supplier and to our brand partners when we help them to do the retail sales. So it's quite different 1P model.[Foreign language] Thank you. This is Daniel.

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Operator

Our next question comes from the line of Thomas Chong from Jefferies. Please go ahead.

Thomas Chong -- *Jefferies -- Analyst*

Hi. Good evening. Thanks management for taking questions and congratulations on a very solid set of results. My question is about the community group purchase.

We have been seeing that a number of different players have been spending a lot of resources in community good purchase initiative. Just want to get some color. What are our strategies on this front? And a quick question is about on the cloud computing side. How should we think about the profitability trend in the second half given it's going to be profitable and about the long-term margin trend for this business? Thank you.

Operator

Ladies and gentlemen, your speaker line is experiencing some technical difficulties. Please continue to stay on line. Ladies and gentlemen, your speaker line is experiencing some technical difficulties. Please stand by while we address the situation.

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Rob Lin -- *Head of Investor Relations*

Hello? Operator?

Operator

Please go ahead.

Rob Lin -- *Head of Investor Relations*

This is Rob. Thomas, given the technical difficulties, do you mind repeating your questions again?

Thomas Chong -- *Jefferies -- Analyst*

Yes. Sure, Rob. Congratulations for having a very solid set of results. My question is about community group purchase.

Given that a lot of the industry players are spending a lot of resources in this area, how should we think about our strategies in this initiatives? And my second question is about cloud computing. How should we think about the profitability trend in the second half? And in terms of the margin profile, how we -- should we compare with overseas peers in the long run? Thank you.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] For the first question, community buying, as you said, today the market is very hot, and many players are already entering into this market. And we -- actually, we are -- also track the progress to cover the change in the market very closely, and we think that this is a very, very interesting model. And -- but as we always said, at the end of the day, we have to evaluate the effectiveness of this model by customer experience and customer value. So for Alibaba, we strongly believe this is highly relevant to consumption and relevant to the low-tier cities, even rural areas.

So we are very committed to the new, I mean, initiatives and also evolving the new models to serve the customers in these areas. And if you look at what we have in Alibaba ecosystem, actually we have another infrastructure which is very, very critical for the penetration of the low-tier cities and even rural areas with a new model and including the community buying. So I think now it's still early stage, and all the people are trying to target the customers first. But I think that the customer is always easy to change if somebody come and give them better value.

So we are well positioned and we will go after this. Thank you.

Maggie Wu -- *Chief Financial Officer*

Hi, Thomas. Regarding your second question on the -- Go ahead.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language]

Maggie Wu -- *Chief Financial Officer*

OK. So Thomas, this is Maggie. Regarding to your second question of the profitability, first, as you can see from our September quarter reporting, cloud computing is very close to be profitable. So this quarter, we reported a loss of around RMB 150 million which represents negative 1% of EBITDA margin.

So we definitely expect to see the profitability in the following two quarters. You asked about the longer-term margin level. As I talked about during the investor day, we don't see any reason that for long term, Alibaba cloud computing cannot reach to the margin level that we see in other peer companies. Before that, we're going to continue to focus on expanding our cloud computing market leadership and also grow our profit.

Thank you.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language]

Rob Lin -- *Head of Investor Relations*

Thank you. Operator, next question please.

Operator

Thank you. Our next question comes from the line of Mark Mahaney from RBC. Please ask your question.

Mark Mahaney -- *RBC Capital Markets -- Analyst*

Thank you. Two questions, please. You talked about this recent acquisition in the travel retail space. How big of an opportunity do you think this is for the company? And how can Alibaba differentiate itself in that sector? And then secondly, can you just address the question of whether pre -- online retail growth trends, do you think that they are sustainably back to pre-COVID levels? Thank you very much.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] Thanks for the questions. I think for the first question, as you may know, that China announced a master plan to transform the entire island of Hainan into a free trade port. I think that this is a very important step to grow Hainan for another free trade port. So for Alibaba, we strongly believe that in a free trade port, our duty-free business, our travel retail business, is very, very important and -- because it's obviously more convenient for Chinese consumers to go to Hainan instead of go to other destinations to enjoy the shopping.

So that's why we invest in duty free. We are very happy to partner with Dufry to work with them to build a JV in China to leverage their supply chain in travel retail and to grow the business together with them in China. Of course, we are also working

closely with the local partners to make sure we have the right setup to grow the travel retail business. And in Alibaba, as I said, we have a lot of infrastructure relevant to these, I mean, to any new opportunities including this travel retail, because we have digital wallet, we have our travel platform and we have our China retail marketplaces which is a huge interface for the hundreds of millions of consumers.

Many of them could be a traveler and -- to a duty-free store in a free trade port. So I think we will try to leverage what we have in our big family to grow the travel retail business. Thank you. [Foreign language] Yes.

For your second question, firstly, obviously this, I mean, pandemic accelerate the digitalization pace, and the online shopping become a necessity for more and more citizens. And if you look at -- their purchase categories even expanded from apparel, consumer electronics, FMCGs to food, beverage, fresh produce, so on and so forth. So we do believe this -- I mean, this pandemic actually accelerate and the firm further penetrated the customers to encourage them to shop in a digital way. And if you look at the results in recent quarters -- in this quarter, actually we believe that we have already in China, because of the effective control of the pandemic, we -- the people's lifestyle had come back to normal, but their habit is not leaving us away.

So people continue and even enhance their purchasing behaviors online. This is what we observed. Thank you. [Foreign language]

Rob Lin -- *Head of Investor Relations*

Thank you. Operator, next question please.

Operator

Thank you. Next question comes from the line of Gregory Zhao from Barclays. Please ask your question.

Gregory Zhao -- *Barclays -- Analyst*

[Foreign language] Thank you. My first question has to do with 11.11 and looking at the Taobao guidelines. I'm wondering if you can speak to any impact that there may be on advertising or revenues with that development. And as a follow-up question, I'd like to understand more about the impact.

You spoke of the new regulations being worked out for microlending in China. I'm wondering what percentage of GMV on your retail platforms is funded via Huabei and Jiebei and if the tightening -- potential tightening of restrictions may have an impact on GMV growth.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] Thank you. Well, 11.11 is not just a shopping festival per se. It's also about engagement. It's about creating fun and interactive experiences for consumers.

And with the new upgrade, consumer time spent on the platform and page views have increased which of course is good for users, for engagement. And there's also a good opportunity to drive higher conversion as well. Now when it comes to search and browsing, these are two services that really serve different kinds of consumers. Search serves consumers who come with a clear purchase to -- a clear intention to make a particular purchase.

They could be looking for a mobile phone, they could be looking for a winter coat. Whereas, recommendation feeds are there to create or to stimulate new consumption demand, things that the consumer didn't necessarily have on their mind when they came on the platform. So the two functions are mutually complementary. As you heard from Maggie in her earlier presentation, growth in advertising revenues continues to be healthy, and the performance of our recommendation feeds is good with the higher click-through rates and good opportunities for monetization going forward.

[Foreign language] And on your second question, throughout the entire history of Alibaba and with the creation of Alipay, something fundamentally important has been options available to consumers. They're free to make their choices to how they want to make their payments and fund their payments. It could be for their debit card which is linked to their account, from a credit card. Later on, we came up with Yu'e bao and also Huabei.

So on Alipay, consumers have a whole range of different options, and they can freely choose whatever option they like to fund their purchase. And the same is also true of the Alibaba marketplaces. We're providing a broad range of options and choices for consumers and providing them with a convenient and a good shopping experience, and we'll continue to focus on providing that kind of optimal experience and freedom of choice. Now you asked about the percentage of GMV that's funded via Huabei.

That's not actually something that we track. What we do track is the success rate of payments and the purchases and also the existence of that diverse range of different options and freedom for our users.

Rob Lin -- *Head of Investor Relations*

Thank you. Operator, next question please.

Operator

Thank you. Our next question comes from the line of Eddie Leung from Bank of America Merrill Lynch. Please go ahead.

Eddie Leung -- *Bank of America Merrill Lynch -- Analyst*

Thank you for taking my questions. Just two quick questions. The first one is on Taobao Deal. I'm just wondering, when you talk about the new adds, how many of the users are actually historically already shopping on Taobao? Because it seems like you hinted that there is actually not much cannibalization between the two channels.

Just -- so just wondering if you can share more color on the user profile of the new adds and how that interacts with the traditional Tmall and Taobao channel. And then the other quick question is on perhaps R&D spending. I think Maggie mentioned about the investment in R&D. I don't know whether it's by coincidence because when you look at your innovation initiative EBITDA margin, it seems like it came down a bit.

So just wondering if that's one of the reason. And if so, what are some of the projects you guys are investing in under that segment? Thank you.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] Thank you, Eddie. Let me answer your first question. I think Maggie will address your second one. In terms of the Taobao Deals user base, I would say actually, when we grow this new business, we view this -- from an operating perspective, we view this as an independent business.

So we never try to attract people from existing Taobao mobile app or to Taobao Deal. Instead, we do online marketing, we do interactive user engagement features, so on and so forth, to attract the relative users to the Taobao Deal app. And our -- the value proposition of Taobao deal is value for money. So it's very clear and well positioned.

So people go to Taobao Deals. They can enjoy their experiences with a lot of selections but all value for money. So as a result, actually we do see a very fast-growing Taobao mobile -- Taobao Deal mobile MAU. So as I said, this September, the MAU reached 70 million, net -- adding 30 million as compared to three months ago.

So if you look at the user base of Taobao, actually we -- in Taobao, we cover a very high percentage of China Internet users. So back to your question, the overlap. I do believe there is some overlap. I think it's impossible for Taobao Deal to attract a brand-new -- 100% brand-new customers because Taobao mobile app already has a very high penetration in China mobile Internet.

But I think we -- what we focus is the total spending. If we add together the spending of Taobao when people have -- if they have both Taobao mobile app and the Taobao Deal app, how their spending change. And we are happy to see people tend to spend more if they have both apps. But at the same time, we do have a lot of customers who are newly recruited by our Taobao Deal app.

And we will continue to make our efforts. At the end of the day, the valuation is the total spending and how can we have more wallet share if we can serve people with very different, I mean, value proposition services. Thank you. [Foreign language]

Maggie Wu -- *Chief Financial Officer*

OK. Eddie, on your second question about the R&D, the answer is yes, we continue to increase our investment in R&D area. This reflected in product development cost. And also, like you said, if you look at the innovation initiatives, the losses in that sector -- although it's a small segment, the losses expanded.

So we had set up the -- so including these innovation initiatives, they're our Bingbing, they're our DAMO Academy. So we set up DAMO Academy two -- three years ago. And by that time, the goal was that DAMO should be focusing on the advanced technology research development, and it should live longer than even the group, where we said we aim to list one in two years. And what projects are in it? Of course, we can't open all of these project books.

But in September, we did have the conference held in Hangzhou, and there were some introductions of DAMO research as well. So we can talk about that afterwards. DAMO Academy has many labs. We have approximately 15 labs and doing research in many technology areas.

We mentioned about the logistics robust [Foreign language] AI related and voice recognition, and so they have a full list of research projects going on.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language]

Rob Lin -- *Head of Investor Relations*

Thank you. Operator, next question please.

Operator

Thank you. Our next question comes from the line of Alex Yao from JP Morgan. Please ask your question.

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

Thank you management for taking my question. Congrats on the very strong bottom-line growth. If I look at the quarterly numbers from very high level, my read is there are two different trends that drive the numbers. And number one is a moderate growth for the marketplace-based e-commerce business with perhaps a 4 to 5 percentage point margin decline, i.e., that the platforms such as Taobao and the Tmall are growing low teens at the profits because the margin is going down.

And then the second trend is pretty much everything else contribute more profit or less loss. So blended result was very healthy. So my question number one is to what extent is the marketplace, e-commerce and margin decline structural versus a one-off or perhaps there are still lingering impact from the COVID or is it more because of

the step-up in new initiatives such as Taobao Deal or Juhuasuan? The second part of the question is to what extent is the noncore -- nonmarketplace business and margin improvement structural, i.e., they are moving into the financial return stage, versus just a group-level financial budget allocation to balance the group-level financial performance? Thank you. [Foreign language]

Maggie Wu -- *Chief Financial Officer*

OK. Alex to answer your question I think first of all, I want to reiterate that we look at the business as a holistic business. The group is becoming so big. We have so many business lines that when we talk about Alibaba, you tell H-to-H growth, we do look at overall.

At the same time of course we have the -- a target operating. The emphasis is on each of different businesses. So you talked about core -- our core market-based adjusted EBITDA growth. I think before I address that, people should look at our overall profit growth of 28% year on year.

So that is probably one of the few among the peers, global technology peers, that still have over 20% growth nowadays. So -- and then market-based business adjusted EBITDA, I should say that the growth rate for that part of EBITDA also is -- reflects our investment in our core core. So if you look at our Juhuasuan, right, and also you mentioned Juhuasuan and also our investment in sales and marketing to acquire customers, new buyers, these are all the investments we voluntarily make to expand the business. And so I think whether it's structural -- I should say that they're a big part of that investment, our discretionary.

And then for the noncore business, you've seen that within the core commerce, right, there are many new initiatives including local consumer service, Lazada, New Retail, direct import, logistics, China, etc. Almost every one of these businesses, they're showing narrowing of their losses. So this is why when you look at the combined losses for this noncore -- this is also core but non-Taobao and Tmall. This part of the combined loss was approximately RMB 5 billion compared to RMB 7 billion the same quarter last year.

And then we go beyond the -- our core commerce to the other areas like cloud computing, DME, innovation initiatives, the combined losses also decreased quite significantly because of this business either getting the scale effect or the operating efficiency. The leverage come out. So the combined losses for this part was RMB 4.7 billion versus RMB 6.5 billion the same quarter previous year.

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language]

Rob Lin -- *Head of Investor Relations*

OK, thank you. Operator, we'll take the last question now please.

Operator

Certainly. Our last question comes from Alicia Yap from Citigroup. Please ask your question.

Alicia Yap -- *Citi -- Analyst*

Hi. Thank you. [Foreign language]

Unknown speaker

My question has to do with GMV growth in particular on Taobao. We noted from your press release that in the September quarter, you reported GMV growth on Taobao as being in the high -- as being in the teens. I'd like to know if that includes Taobao Deals or not. I'd also like to know on Taobao Deals what the monetization model is there.

Are you currently monetizing Taobao Deals? Are you still in an early period of development where you're trying to make things easier for the merchants and there's little or no monetization happening today? And how many further quarters do you think you can sustain that relatively high rate of growth in Taobao's GMV?

Daniel Zhang -- *Chairman and Chief Executive Officer*

[Foreign language] Thank you. So when it comes to GMV and the way we look at GMV, we have Taobao and Tmall, and we look at that GMV separately. And there may be some merchants on Taobao who are also present on Taobao Deals, but they would have been separately recruited and onboarded onto there. So that's how we look at GMV, and it's not by mobile app.

In terms of where Taobao Deals is at to date in the overall China retail marketplace, it's growing. It's in a phase of very fast growth in terms of user acquisition. The numbers there are growing fast, and we're working now on driving GMV growth.