

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

Thank you, Rob. Hello everyone, thank you for joining our earnings call today. We have finished an extraordinary quarter and have delivered an outstanding fiscal year. Despite the impact of COVID-19 pandemic, Alibaba achieved a historical milestone of \$1 trillion in GMV across our digital economy this fiscal year, a strategic goal that we set for ourselves five years ago. We at Alibaba have always been aiming for the stars while keeping our feet on the ground. The \$1 trillion GMV milestone reflects the [Indecipherable] of Alibaba's digital economy and as well as strong execution at the end and a clear strategic vision. Our sale has now reached one-sixth of China's total retail sales, which was about \$6 million last year and we believe there is still tremendous potential for growth.

Digital adoption and transformation in retail are accelerating due to the COVID-19 pandemic reshaping consumer behavior and enterprise operations. On the consumer side shopping online has become a habit for more people and in more product categories. On the retail side, online sales is no longer an option, but a necessity for the brick-and-mortars. We believe this is a new normal that will stay even after the pandemic is over.

I would like to review the past quarter's performance in the context of the impact and the recovery from the COVID-19 pandemic. On July 23 -- on January 23, right before the Chinese New Year holiday, China announced the lockdown of Wuhan, the center of the pandemic. The lockdown measures implemented in other provinces and cities led to large scale economic disruption in late January and February, which negatively affected our domestic e-commerce business during the period. However, China quickly contained the pandemic by implementing measures such as strict social distancing, mass testing coverage, centralized mobilization of medical resources, and started to reopen the country for business in late February. By March 9, China had full recovery of logistic operation national wide except for Hubei province where Wuhan is and normal life began to return for most of the people in the country when in Wuhan, the 10 weeks lockdown was lifted on April 8. Since March, we have seen a healthy recovery in our China retail marketplaces. As of March 31, 2020 active consumers on our China retail marketplaces reached 726 million, a net increase of 15 million versus the previous quarter.

Mobile MAUs of our China retail marketplaces reached 846 million in March 2020, an increase of 22 million over December 2019. This reflects how strong consumer mindshare and healthy user stickiness. Since the new fiscal year began in April, the quarter-to-date paid GMV of our China retail marketplaces has experienced year-on-year growth at a similar rate to the December quarter's level. For the past several years, we have been investing to grow our new retail business in fresh food and grocery, Freshippo and Taoxianda, which have played an important role in supplying daily necessities to people impacted during the pandemic and it has become wildly popular among consumers.

In the past quarter both Freshippo and Taoxianda delivered stellar growth of more than 100% year-on-year. Approximately 60% of Freshippo's GMV came from online

orders up by 10 percentage points year-over-year. As lockdown measures eased in China starting in April demand and the popularity of our grocery business have remained strong. We believe the consumer habit of buying fresh food and groceries online will continue after the pandemic and online and offline integration will drive the new retail model to the next stage of development. We have been investing for years to build a new retail tech knowledge infrastructure, which will help us further strengthen our market leadership in this sector.

As the leading cross-border import platform in China, Tmall Global has become an ever more important destination for Chinese consumers to buy imported products as they could not travel abroad during the pandemic. The market outside of China, our international retail marketplaces such as Lazada and AliExpress attracted over 180 million annual active consumers as of March 2020. Lazada's order volume grew more than 100% year-on-year during the fiscal year and completed the March quarter with a strong finish despite the impact of the COVID-19 pandemic.

During February and March 2020, our cross-border marketplace, AliExpress GMV growth was negatively impacted mainly by the supply chain and the logistic disruptions caused by COVID-19 pandemic. We are seeing signs of recovery in certain major markets starting in April, but there are still uncertainties ahead.

Revenue from our local consumer services business decreased by 8% year-on-year in the past quarter due to the impact of COVID-19. In April, year-on-year growth of our food delivery GMV turned positive as lockdown measures eased, restaurants began reopening and people began returning to work in China.

Alibaba Cloud continued its rapid growth in the past fiscal year with revenue reaching RMB40 billion, an increase of 62% year-on-year. During the pandemic, our public cloud business grew rapidly driven by increased consumption of video content as well as wide adoption of remote working and learning. Our cloud computing infrastructure and fixed data business have also played a key role in enabling businesses to quickly resume operation and production. We believe the pandemic will further accelerate digital transformation of enterprises. All industries including public sectors will choose to move their technology infrastructure to the cloud.

DingTalk, our digital collaboration platform for enterprises played a key role during the pandemic. Millions of more enterprises and users in China are now using DingTalk to stay connected and work remotely. DingTalk also made significant penetration in the education sector as schools adopt the platform for their teachers and students. In March 2020, DingTalk conducted an average of over one million active classroom sections on each school day.

DingTalk's number of daily average active consumers during a working day grew significantly to 155 million in March. As offices and schools reopen in China, DingTalk's number of active users came down from the peak level, but still maintain at more than 100 million DAU. In the past quarter, our digital media and entertainment business delivered healthy growth in paying subscribers and the user

time spent as users' consumption of video content increased significantly during the pandemic.

Youku will continue its focus on production and distribution of original and exclusive content while ensuring cost efficiencies and return on investment. During the past quarter, we leveraged our platform technology and other resources across the Alibaba ecosystem to support population impacted by the COVID-19 pandemic within China and around the world. We also implemented a comprehensive set of financial and business support measures to help alleviate the near-term challenge faced by our business customers and partners.

As of March 31, 2020, Alibaba together with Ant Financial have contributed approximately RMB3.4 billion in value in the form of donations, subsidies, and tech support. To name a few examples we waived fees, reduced commissions, and offered logistics subsidies to our merchants. We work with Ant Financial and other partners to advance working capital funds for our merchants to provide liquidity and to facilitate one-year loans with preferential interest rates. We use the RMB1 billion special fund we established in January to procure medical and related supplies for parts of China affected by the pandemic.

Our logistics subsidiary, Cainiao offered free delivery of medical supplies to destinations around the world through its extensive global logistics network. Our self-operated fresh food and grocery chain, Freshippo committed to more than 200 remaining open for business even during the period when lockdown measures were in effect. Freshippo also worked with the supply chain to keep our commitment to not raising prices as well as maintaining adequate stock on the shelves.

We made available AI technology for over 550 hospitals in China to help in improving the speed and efficiency of their COVID-19 diagnosis during CT lung scans. The Alibaba Foundation through combined efforts with Jack Ma Foundation and the Joe and Clara Tsai Foundation donated over 200 million units of personal protective equipment, testing kits and ventilators to over 150 countries and regions.

In April 2020, we further announced the 2020 Spring Thunder initiative, which aims to help export-oriented SMEs to explore opportunities in the China domestic market through our China retail marketplaces and expand into new markets through our international, wholesale, and retail marketplaces such as alibaba.com and AliExpress; to develop digitalized manufacturing clusters, to accelerate the digital transformation of China's agriculture sector; and alleviate financing challenges faced by SMEs by working with Ant Financial and its partners.

The battle against the COVID-19 pandemic is not over, although China has made good progress in fighting and controlling the spread of the coronavirus with most business reopening and the people returning to normal life, the threat of the pandemic is still looming in the rest of the world and the timing and the pace of recovery is still uncertain.

At the same time tensions between the U.S. and China have added another layer of uncertainty to the post-COVID-19 world. Despite the uncertainties in the macroeconomic and the geopolitical environment. There is one thing weak and certain, the world is moving toward digital-first and digital everything. In the past two decades, Alibaba has developed comprehensive infrastructure and capabilities, built on digital technology for business, financial services, logistics, cloud computing and big data to prepare for this new era. We believe our infrastructure and capabilities will play an important role in enabling all industries to embrace digital transformation and the customers to embrace a digital lifestyle.

In addition, we aim to empower SMEs around the world including both in America to have access to the Chinese and other global consumer markets and create new jobs. This is a task that Alibaba must undertake to fulfill our vision to make it easy to do business anywhere and it is also the fundamental assurance for our sustainable growth in the future.

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

Maggie Wu -- *Chief Financial Officer and Head of Strategic Investments*

Thank you, everyone, and Daniel.

I'd like to start with prepared remarks by addressing COVID-19's impact on our financials and recent trends. Back in February given the potential uncertainties of COVID-19 pandemic, we guided the market that our overall revenue growth rate would be negatively impacted for the March quarter and that some of the businesses, such as China retail marketplaces and local consumer services might show negative revenue growth. I'm pleased to report we delivered better than expected March quarter results.

The government took effective measures to limit the spread of the virus through lockdown, social distancing measures, and travel restrictions. With the virus spread under control in China, these restrictions started to ease in early March and this led to a recovery of supply chain and logistic delivery capacity. This in turn enabled a quick recovery for our China retail marketplaces and improving fundamentals for local consumer service businesses.

For our China retail marketplaces, Tmall online physical goods GMV, excluding unpaid orders, grew 10% in the March quarter. Although only 10% growth, we did see robust demand of FMCG and consumer electronics categories as home furnishing consumers cooked at home and upgraded home appliances and [Indecipherable] products. These two categories combined grew 25% on our Tmall platform.

On the other hand, discretionary product categories such as apparel and accessories, home furnishing, and auto parts experienced negative growth. Starting in April, Tmall online physical goods GMV saw strong growth, a strong recovery, and has continued to further improve in May.

Local consumer services recorded 8% decline in revenue this quarter reflecting mass closures of restaurants and the local merchants. However, social distancing measures also led to increased demand for groceries and other daily necessities. Starting in April, GMV growth of food delivery businesses turned positive as lockdown measures eased. Restaurants began reopening and people began returning to work in China.

For our international commerce business, which represents around 7% of total revenue in fiscal 2020, the timing and pace of the recovery is uncertain as demand in countries outside China may be further impacted by COVID-19.

So let's take a look at the March quarter financial highlights. Our total revenue was RMB114 billion, it grew by 22% year-over-year. The increase was mainly driven by the growth of the China commerce retail business especially new retail businesses in grocery category and cloud computing. We continue to be successful at expanding product offerings on our platform that cater to the needs of different consumer segments.

The decrease of non-GAAP free cash flow was due to a one-off of AliExpress payment service restructuring. For this, we had full disclosure of this in our earnings release. This is mainly due to the overseas regulation requirement change as AliExpress began the process of restructure so that it no longer hosts consumer funds before they are released to the merchants. If we take that impact out our non-GAAP free cash flow would have been over RMB2 billion.

Let's take a look at the revenue in detail. China commerce retail goods 21%; customer management revenue grew 3%. The growth of customer management revenue was primarily due to the increase in revenue from recommendation fees and Taobao Live. This new revenue stream partially offset by a decrease in volume of day clicks and average unit price per click. These are the big plate and PPC, I'm talking about is for the search business P2P, so this is impacted because of COVID-19.

Commission revenue decreased 2% primarily due to the effects of the COVID-19 impact. These impacts including cancellation of some orders as a result of logistic disruptions in February, weakness in apparel categories, our waiver of annual service fees for the first half of 2020 as part of our support to merchant customers.

In the national retail revenue grew 8% to RMB5.4 billion. The increase was primarily due to the growth of Lazada and Trendyol and partially offset by the exclusion of revenue from AliExpress Russia which was no longer consolidated since October 2019. So we have a JV in Russia right now. Cainiao's revenue reached RMB5 billion growing at 28% year-on-year. This was primarily due to the increase in the volume of orders fulfilled from our fast-growing cross-border and international commerce retail businesses. And our local consumer service experienced negative growth this quarter, I just talked about. So for Ali Cloud, it's still growing strongly at 58%, and let's take a look at the March quarter cost trend. Cross-border revenue excluding SBC was 62% of revenue. The increase was primarily due to a revenue mix shift toward

direct sales businesses, the new retail businesses, such as our new retail and also as consolidation of Kaola, and partially offset by a decrease in delivery cost of our local consumer services.

Let's turn to segment profitability. Our market-based core commerce adjusted EBITDA reached RMB34 billion, decreased 2%, but core commerce adjusted EBITDA grew 2% to RMB28 billion. This is because losses in our four strategic commerce initiatives were narrowed compared to the prior year driven by the ongoing improvement of China logistic network, higher demand for Freshippo, and the lower variable costs required for our local consumer service business.

Now I would like to mention about the innovation initiatives. When you look, the adjusted EBITDA loss was RMB3.1 billion, which is up from RMB1.9 billion from a year ago. The increase was primarily due to our aggressive investment in net income to provide remote work collaborations capabilities to enterprises and the schools free of charge during the COVID-19. As a result, daily active users on DingTalk achieved a fourfold increase to over 100 million, a peak at about 155 million.

So March quarter, our international financial, the share of results of equity in SBC in the quarter reached 3.5 billion. The year-over-year increase in shares of the results of the equity investee was mainly due to our share of profits and financials in December quarter as we take it's profit in one-quarter lag, partially offset by used by a decrease in our share of results of Suning.

March quarter GAAP to non-GAAP net income, the GAAP net income attributable to shareholders was RMB3.2 billion. The year-over-year decrease was primarily due to a net loss in investment income mainly reflecting decreases in the market prices of our equity investments in publicly traded companies compared to net gain recorded in the same quarter of 2019. Non-GAAP net income attributable to shareholders increased by 12% to RMB25 billion.

Now let's look at the physical 2020 full-year results. GMV as Daniel mentioned, the Alibaba digital economy achieved an important milestone of \$1 trillion GMV, a target you probably remember that this is a target we committed to do five years to six years ago. User growth, annual active consumers in China reached 780 million including 726 million of China retail marketplaces. In other words one out of every two Chinese are buying our platform.

780 million of annual active consumers in China account for around 85% and 40% of the Chinese population in developed and the less developed areas. Our ability to attract users at a rapid pace reflects not only the diversity of product selection but also the platform has become an everyday destination for entertainment and discovery of new trends.

We continue to achieve strong revenue growth across all businesses including core commerce, cloud computing, and other business. So total revenue grew 35% to RMB510 billion. To talk about the possibility in the last 12 months we grew adjusted

EBITDA by 28% to RMB137 billion and generated RMB131 billion in non-GAAP free cash flow. This is a significant firepower for our long-term growth.

Okay. Let's turn to our business segments. All of the revenue we've talked about for each sector showed strong growth and then when you look at the adjusted EBITDA profit for the core are still growing strongly and the investment areas that these businesses, which are in the investment stage are progressing very well and loss gets narrowed.

Okay. So I would like to talk about our outlook, but before that I want to address the recent bill passed by the U.S. Senate called The Holding Foreign Companies Accountable Act. The proposed legislation would essentially prohibit a foreign issuer from being listed on a U.S. Stock Exchange, if the U.S. Public Company Accounting Oversight Board, this is PCAOB is enabled to inspect all the work papers of the issuers' auditors for three consecutive years due to certain reasons. We will closely monitor the development of this bill and I think it's important for investors to understand Alibaba's practice and issues raised under this proposed legislation.

First, there is an existing framework of the PCAOB conduct -- and the PCAOB and for its conduct an inspection of audit companies with Chinese operations. In this regard, we understand that there has been ongoing dialog among the big four accounting firms China's securities regulator CSRC, SEC, and PCAOB.

With respect to the types of information that are permitted to be exchanged to issuers with Chinese operations while maintaining compliance with Chinese law.

Number two, Alibaba's financial statements are prepared in accordance with U.S. GAAP and since our inception in 1999, we have been audited by PwC Hong Kong, PwC Hong Kong is the local affiliate of the worldwide PWC firm and its auditing standards are overseen by the PwC national office in the United States. The integrity of Alibaba's financial statements speaks for itself. We have been an SEC filer since 2014 and hold ourselves to the high standards of transparency. Each year we have received -- and qualified by the opinion of our financial statements from PwC.

Third, trust is one of our core values and transparency and integrity are essential components of building trust with all of our stakeholders. All these years we have consistently aimed to grow the business for long-term, maintain compliance with all applicable laws and delivered value for our customers, employees and investors. Investors who bought our stock in 2014 IPO have tripled their investment over the past five and a half years.

Given the above, we will endeavor to comply with any legislation whose aim is to protect and bring transparency to investors who buy securities of U.S. stock exchanges.

Looking ahead despite a challenging quarter due to pandemic, we achieved our guidance of over \$500 billion in revenue and delivered healthy, sustainable profit growth in fiscal year 2020. The reason we have been able to deliver these results is

that we sowed seeds years ago by investing in technology, in innovation, and in businesses that required far sight and long-term patients. Today the Alibaba digital economy remains strong and growing.

Looking ahead, we will continue the same strategy of delivering robust revenue growth and sustainable profit growth. Although it is difficult to predict the uncertainty of global economic and geopolitical developments. Based on our current view of Chinese domestic consumption and enterprise digitization, we expect to generate over RMB650 billion in total revenue in fiscal year 2021. We believe our commitment to invest and deepen our value proposition to customers, thereby ensuring robust revenue and profit growth.

That concludes our prepared remarks. Let's open for Q&A. Thank you.

Ron Lin -- *Head, Investor Relations*

Thank you, Maggie. However, as this is our earnings call, you are welcome to ask questions in Chinese or English. A third party translator will provide consecutive interpretation for the Q&A session. As our management will address your questions in the language you asked. Please note that the translation is for convenience purposes only, in the case of any discrepancies our management statement in the original language.

So, operator, I'd like to open it up for questions.

Questions and Answers:

Operator

Thank you, ladies and gentlemen we will now begin the question-and-answer session.

Ron Lin -- *Head, Investor Relations*

Operator?

Operator

[Operator Instructions]. Your first question comes from the line of Binnie Wong from HSBC. Please ask your question.

Binnie Wong -- *HSBC -- Analyst*

[Foreign Speech]

Thank you, Daniel, Maggie, and Rob. My question is regarding your strategy in lower to your cities, I note that last week you issued a new release and new patch release for Taobao providing new support for merchants as well as other new features and

70% of the uptake for that new patch release has in fact been from the lower-tier cities. So can you speak to us about your strategy going forward for the lower-tier cities?

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

[Foreign Speech]

Thank you and I will take that question. Given the size and the scale of Taobao as a retail platform and where it's out today at \$700 million. The fact is that we've penetrated all segments of the market from the high-end down to the low-end and the increase in the user base over the past year 70 million, 70% of that came from the lower-tier cities.

[Foreign Speech]

Thank you. So what we're doing in the lower-tier cities is deploying a more diverse and broad range of different services including on Taobao with more value for money offerings as well as live streaming and other kinds of engagement that are targeted for those users, especially those who are looking for good value for money. And as you've noted, we have a new special price addition of Taobao which is targeted for those are users in lower-tier cities with a focus on giving them value for money offerings.

[Foreign Speech]

At the same time, we see significant potential for further growing our user base, the current figure for annual active consumers 780 million represents only 45% penetration of the population in lower-tier cities and in the rural areas of China, so there still is lots of room to grow in those regions and we intend to do so together with Alipay in driving a digitalization strategy in those areas that will convert people into consumers. Thank you.

Operator

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

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

[Foreign Speech]

Thank you. My question is regarding the long-term impact of live streaming on the industry and in particular celebrity host and KOL live streaming. The question is if merchants need to pay these celebrities, these KOLs will that impact on the profitability of our platform going forward.

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

[Foreign Speech]

Thank you. And that's a really good question. What we're seeing really is the emergence of live streaming as a new kind of sales methodology or new kind of sales channel with the emergence of these KOLs and celebrity influencers online, the role that they're really playing in the context of retail is sales. They are serving as salespeople and they make money by way of a sales commission.

[Foreign Speech]

In the long-term, how this trend will play out I think it really comes down to whether the intrinsic commercial value in terms of having online influence with some KOLs to live streaming be fully captured in an efficient and effective way. If you have a one-off sales event with a celebrity influencer, you get a user to make a one-off purchase, fine, but the question is can you then keep that user in the long-term and continue to market to them and get the full value out of that relationship. So I think it's important if you're paying money to these online influencers or celebrities that you're converting, in part that's about supplanting existing channel costs and saving costs there. But more importantly, it's about getting the new consumer into your ecosystem, so they can become a long-term consumer. And this is critical to Ali Baba because we are a diversified ecosystem with multiple channels and formats for engaging consumers. So that's precisely what we are looking at doing with these kinds of live streaming approaches. It's just one part of an overall integrated approach through which we hope to develop those long-term relationships and create long-term value.

Ron Lin -- *Head, Investor Relations*

Okay. Next question.

Operator

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

Piyush Mubayi -- *Goldman Sachs -- Analyst*

Thank you for taking my question. I have one question with regards to the guidance you provided for next year. What are the drivers of that growth assumption of guidance you provided and in particular what are the underlying macro assumptions you've made and more generally, the platform mix that you're likely the 1P versus 3P mix that you're likely to see that's underpinning that guidance? Thank you. I'll go back to the queue afterward.

[Foreign Speech]

Maggie Wu -- *Chief Financial Officer and Head of Strategic Investments*

Okay. Piyush this is Maggie. Let me try to answer your question. So we all know that we're facing risks and uncertainties, right. So, many of which we are not able to predict or control, so whether they're going to be a second wave or when will that come, how much impact will the geopolitical issue bring. We know it's hard for us to factor in. So the guidance we give basically reflects the assumption that we believe to be reasonable today.

So Daniel talked about the recovery seed of each of our businesses and particularly for like China retail local service and international business etc. So based on what we've seen today and we see this quarter-to-date transaction volume and also user activities etc have already experienced similar growth at a similar rate to the December quarter level. So that's the basic assumption that we used. And you mentioned about 1P, 3P, so you can see from our revenue breakdown sort of 2020 fiscal year, 1P business as a percentage of the total revenue already went up to around 15% and 17% and we believe that percentage is going to continue to go up, but not dramatically, but the important thing is that people are thinking about your revenue content as a portion of 1P, but 1P normally represents low margins, but look at our profit growth. I think this is another point, I want to make is that we are a group that has set strong growth for the core, and also has multiple engines, not only Taobao, Tmall, China retail marketplace, but also the new retail local services, logistics, right.

So strong revenue growth experienced for us to invest in those strategically important areas and these investment areas are doing better and better, which reflects into our office growth. Sorry, interpreter, I gave a long answer.

[Foreign Speech]

Ron Lin -- *Head, Investor Relations*

Next question, please.

Operator

Thank you. Next question comes from the line of Alex Yao from JPMorgan. Please go ahead.

Alex Yao -- *JPMorgan -- Analyst*

[Foreign Speech]

Thank you. I noted in the earlier remarks, your comments about advertising revenue in the first quarter, performing well driven by a good performance of recommendation feeds. And in that context, I'd like to ask about your plans for monetization of recommendation. I imagine that in your answer you will talk about the need to balance the interests of merchants against the desire for monetization. So given that perhaps I could go ahead and just ask the second part of the question. Namely, is there any technical or technological method that could be adopted on the

one hand, so as to fully protect the merchants' interests or even better serve the merchants interest while at the same time also providing more opportunity for monetization and if so is that something that could happen this year.

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

[Foreign Speech]

Thank you. I'll start with the latter part of your question. And the answer is yes, there is a technology that can do precisely that and the technology is AI, Artificial Intelligence, which can be applied and we are already working on applying it in a way that can ensure a good user experience in terms of balancing advertised content versus free content for users and also leveraging that technology for merchants to drive better return on their investment. So we're working in this direction and I think we're already making good progress. So in general, we are moving forward cautiously and working on growing revenues from recommendation feeds and it is our hope that we can find ever better ways to do precisely what you mentioned in your question, namely finding the best possible balance, leveraging on technology between user experience and creating value for merchants.

Joe Tsai -- *Executive Chairman*

[Foreign Speech]

Thank you. I just like to add a couple of points on top of Daniel's already very clear answer. And the keyword. I'd like to add in is a multi-engine approach. So if you look at our revenue over this 3-year period. Revenue from CMR and commissions accounted for 70% compared against 40% and what this means is that our strategic investments are starting to produce new channels of revenue, new sources of revenue. So you can see this in our figures over the 3-year period for CMR as well 90% and that's down now by 20% to about 70%. So you have all of these different new revenue areas that can be tapped into including recommendations that we've talked about, but also live streaming also Suning and many other new sources of revenue. So thirdly and in conclusion going forward, yes, we will continue to, as we said on Investor Day, to take a prudent approach and moving forward with monetization.

Operator

Thank you. 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 my question. My question is more about the spending power of the buyers' post virus. Can management comment about the overall spending powerhouse of consumers these days? And with that, can

you comment about the trend in ASP and all you can see that we would expect as people speeding up the migration to online. Thank you.

[Foreign Speech]

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

Okay. Let me answer this question. First of all, I think on our platform, we are such a huge consumer platform we have different tiers of consumers around us. So what we see is that consumers, they engage with us and find what they want in different categories, in different pricing ranges, but we do see some shift of the product categories up in this quarter because of the pandemic. For example, we see very strong growth in food and grocery business and because people, when people stay at home, they have to cook at home, they are unable to go to the restaurant, so they need more food and more groceries, which are all daily necessities. So that's why we see very strong growth in our FMCG categories and food categories.

Our FMCG category grows, like, I think take an example like starting from the new fiscal year, our FMCG categories in Tmall grow nearly like, I remember 40%, around 40%, which is a very strong indicator that people spent more on our platform in these categories. Well, because of the pandemic, people spent less on like apparel or like fashion because people wear face masks and they don't even need this makeup. So I think the spending is still there, but the focus is quite different.

And in terms of the general I mean spending power, I would say, China is a famous high saving rate country and we do see people remain in their consumption, remain in a very strong consumption power to continue their -- to maintain their lifestyle. So far we haven't seen any big change, I mean change in terms of the consumption, power, but as I said before, I think the category, the product categories they try and we do see some difference.

[Foreign Speech]

Let me clarify one point. When we talk about beauty, what we see is like skincare still remained very strong. For makeup as I said when ladies wear a face mask, then the need for makeup is getting lower. So that's squeezing the situation.

[Foreign Speech]

Ron Lin -- *Head, Investor Relations*

Next question. Operator, next question.

Operator

Thank you. Our next question comes from the line of Jason Helfstein from Oppenheimer. Please go ahead.

Jason Helfstein -- *Oppenheimer -- Analyst*

Thank you. I just want to go a little bit deeper into that last point, you said that online physical goods GMV grew 10% and then you did breakdown that, you saw a 25% in these categories that benefited were more COVID related offset by areas where they didn't spend money. What do you think is a kind of more reflective of Consumer Health? Is it that 10% number or really is it that kind of 25% and consumers have the ability right now to spend more, they're just not because they don't need the items consistent to what you talked about not needing makeup, if you're, wearing a mask for example and maybe talk about how that relates to your outlook for the next quarter? Thank you.

[Foreign Speech]

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

Okay. Let me answer this first. As we said before our China retail, our Tmall will grow like 10% in the March quarter and in Tmall we have our FMCG and consumer electronics. The combined growth rate in the March quarter for these categories on Tmall was about 25%. But if you want to get a big picture of the future development, I think in my remarks, I gave you a very clear, I mean our latest, I mean indicator, which is starting from the new year, the quarter-to-date, overall speaking, our China retail marketplace growth rate is similar to those in the December quarter. So I think that's basically the big picture of where we are today, but we do hold people realize understand that there is still uncertainties about containing the pandemic. So we will closely monitor the situation, but we strongly believe that the consumption power in China is still very strong, but we will take our advantage in the digital platform to continue our leading position.

[Foreign Speech]

Yeah, let me add one more point which is like, if you look at the past fiscal year, we generated \$1 trillion GMV in Alibaba ecosystem, but if you look at our China retail marketplaces, the GMV we generated last fiscal year was about like RMB6.5 trillion and, if we look at the -- if we look at what happened in the March quarter, I think we should have achieved a higher GMV, if without this pandemic obviously. But we are very confident that in the new year, I think we will achieve another like a net add of like an RMB1 trillion -- at least RMB1 trillion GMV in our China retail marketplace, which is I think, still, a very strong number compared to the size of our business in China.

[Foreign Speech]

Ron Lin -- *Head, Investor Relations*

Okay. Next question.

Operator

Thank you. Next question comes from the line of Gregory Zhao from Barclays. Please go ahead.

Gregory Zhao -- *Barclays -- Analyst*

[Foreign Speech]

Thank you and congratulations on the strong performance. My question relates to cloud services. We know that internationally players like Microsoft and Google, who have already achieved a significant scale in terms of the size and the revenues continue to be able to maintain rapid growth in their revenues and even acceleration. Looking at China, however, in the cloud space Alibaba and its competitors seem to be seeing a different trend where things are somewhat slower. So I'm wondering if you could compare for us please the China market versus the international for cloud, what are the differences underlying that picture and what are the short-term bottlenecks and how would it be possible potentially to make a big leap forward in terms of accelerating revenue and profit growth in the cloud.

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

[Foreign Speech]

Thank you. Well, first I'd like to say that in the past year Alibaba Cloud Intelligence hit a very important milestone namely reaching revenue of RMB40 billion and even in the March quarter achieving 58% growth. So we don't see a slowdown at all, we think the growth is good.

[Foreign Speech]

We see this growth coming from several different areas. One is the demand across all sectors of the economy to get on to the cloud. And if you look at Chinese IT spending, in the future we can expect to see more and more spending going forward as organizations get themselves on the cloud.

[Foreign Speech]

The second thing I would point to is that the cloud is not just a way of providing infrastructure, infrastructure on the cloud to lower IT-related operating costs. It's also an opportunity for companies to leverage on big data and cloud-enabled computing capacity to achieve better efficiencies and drive value for the business and different kinds of algorithms and analytics will be developed in the cloud for different sectors for different verticals, different product solutions to meet those needs, and unleash new value for them. So it's not just about saving costs on IT infrastructure, it's about driving value as well.

[Foreign Speech]

In Ali, the value proposition that we offer is cloud plus intelligence. So we're not just about providing cloud services, it's a combination of cloud plus intelligence. Now in different countries cloud services are defined differently, it's true in China and internationally as well. There are different definitions, but to us, it's just about shifting traffic onto the cloud to save costs, that's kind of a low-value-added offering and that's not really what Alibaba is focusing on higher value-added cloud-enabled offerings that can truly create value for clients in the sector.

[Foreign Speech]

And finally, on your question as to the differences that we see in the Chinese cloud market versus the cloud market overseas. I would say that in the U.S. and in the more developed markets the SaaS and the whole ecosystem developers are more mature already whereas in China that developer ecosystem is just starting to get going and Alibaba very much looks forward to partner with developers to jointly create a very robust ecosystem in China.

Ron Lin -- *Head, Investor Relations*

Okay, next question.

Operator

Thank you. Next question comes from the line of Alicia Yap from Citigroup. Please go ahead.

Alicia Yap -- *Citigroup -- Analyst*

Hi, good evening management. Thanks for taking my questions and congrats on the strong results. My question is on, so if you could give us some color that on the subsidy measure that you help provide merchants. Do you think that is actually more effective through the commission rebate or merchants actually prefer more free traffic, and given recommended fee actually becoming quite effective for merchants? So does that mean over the next few quarters we don't have to provide more preferential commission over time or is that a separate thing and the CMI and commission growth direction will still be a bit of that work? Thank you.

[Foreign Speech]

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

Alicia, let me first answer your question. I think, first of all, we are trying to help our merchants especially SMEs during this pandemic. But we have to, first of all, we have to give a very fair and transparent policy for all the merchants on our platform. So that's why we decided to use the subsidy, to waive the annual fees and also give some reduced commissions in some of our business, but this is applied to all the merchants on our platform.

And in terms of the free traffic. This is a very interesting question. I would say when we decided to give this support to the merchants, we have to consider the user experience on our platform, because we are a marketplace platform -- we are a marketplace, we are platform model, so we have to consider the interests of both merchants and consumers. So if we give free traffic to certain, I mean merchants, I think there, I mean they are operating with their conversion rate -- their click-through rate of the products may or may not be good enough to the customers. So that's why we don't want to do this one side efforts. So we have to ensure a good user experience on our platform, but at the same time we want to satisfy our merchants to release their financial pressure. So that's how we think about this, I mean, policy.

[Foreign Speech]

Maggie Wu -- *Chief Financial Officer and Head of Strategic Investments*

Yeah, let me supplement a little bit, Alicia. So for the subsidy and preferential commission rate, these are two separate things, subsidy we are talking about like waving of merchants annual fee on the Tmall platform that's the core during the COVID-19, right, so how it's going to help them to go through this difficult time and this preferential commission rate is ongoing efforts that we have this practice also this year. And to talk about either subsidy or preferential rates, I think our operational philosophy is that we're not a believer of just burning money to grow the GMV, we believe that whatever investment we make it should be supporting the sustainable growth rather than just burn and blow away the dollars.

So if you look at our profitability, this year, we're talking about somewhere over RMB140 billion and we have like \$50 billion cash on our accounts. So they are money to invest, but we are emphasizing on helping merchants efficient and effective and sustainable way. Thanks.

Ron Lin -- *Head, Investor Relations*

Operator. Last question.

Joe Tsai -- *Executive Chairman*

[Foreign Speech] [Foreign Speech]

Operator

Okay, thank you. Final question comes from the line of Mark Mahaney from RBC. Please go ahead.

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

Thank you very much. If you were to talk about the biggest structural changes, do you think that will occur to your business or to the digital economy because of the COVID-19 crisis, what would you say they are, you highlighted increased shopping for

groceries online, but including that other things just step back, what do you think you're going to be the biggest structural changes, permanent changes in the way that consumers around the world interact digitally because of this crisis. Thank you very much.

[Foreign Speech]

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

Okay. I think on top of the new category penetration like the food and groceries, I think the other very important change is education and the customers who are not, I mean, a very, I mean experienced internal user or online shopper before COVID-19. So what we see is that during the pandemic many, many older people, they moved to online to buy everyday needs, and so it's not only about the category penetration, it's also about the user penetration. So we do see this change in the lifestyle of many, many people.

And the second thing is not about consumption, it's about the change in the way of working and change in the way of education. So that's why in my remarks, I said our DingTalk experienced very, very robust growth during the quarter, up because of they become a very important platform of more people -- for working people who stick to the net and improve the working efficiencies and for students and schools, DingTalk became a very efficient platform for online classroom. So I think this is all about a change of lifestyle, change of the way of working, change of way of education. So this is a very, very fundamental -- these are very fundamental changes. I would say this will stay ever, I mean, even after the pandemic.