

主持人 Operator:

大家好！欢迎各位出席天鸽互动控股有限公司的 2015 年第一季度业绩公告电话会议。
（主持人提示）我在此提醒大家，今天的电话会议内容将被录音。（主持人提示）

Hello, everyone. Welcome to Tian Ge Interactive Holdings Limited's First Quarter 2015 results announcement conference call. (Operator Instructions) I must advise you that this conference is being recorded today. (Operator Instructions)

接下来，我将交由天鸽互动的投资者关系总监柯霆钧先生主持会议，请继续。

At this point, I would like to turn the call over to Mr. Kenneth Ke, Tian Ge's Investor Relations Director. Please proceed.

柯霆钧 Kenneth Ke:

大家好！感谢各位出席天鸽互动控股有限公司的 2015 年第一季度业绩公告电话会议。

Hi everyone. And thank you for joining Tian Ge Interactive Holdings Limited's first quarter 2015 earnings conference call.

会议开始前提醒大家，除历史事实外，本次电话会议中其他所有陈述都是前瞻性陈述，是基于管理层对天鸽及其行业的预期，假设，预测和估计。此类陈述只于此日前有效，并随时发生改变，天鸽公司并无责任对其改变进行修正。

Before we begin, I will remind you that in this call, we will make “forward-looking statements” that are based on our current expectations, assumptions, estimates and projections about Tian Ge and its industry. All statements other than statements of historical fact we may make during this call are forward-looking statements. These forward-looking statements speak only as of the date hereof and are subject to change at any time, and we have no obligation to update these forward-looking statements.

出席今天电话会议的有公司董事会主席、执行董事兼首席执行官-傅政军先生、公司执行董事兼首席运营官-麦世恩先生及公司首席财务官-姜显森先生。傅总将以中文进行介绍，并由公司进行翻译。麦总及姜总将分别以英语介绍。于电话会议后，我们将把今天的旁白稿上载到公司投资者关系网站上。

Joining us on today's call are Mr. Mike Fu, the Company's Chairman, and CEO; Mr. Richard Mai, COO; Mr. Paul Keung, CFO. Mike will speak in Chinese, and we will translate his comments into English; while Richard and Paul will present in English. Shortly after the call, we will provide a transcript in English on our website.

现在，有请傅主席为我们介绍。

At this time, I would now like to turn the conference call over to our Chairman, Mr Mike Fu.

傅政军 Mike Fu:

我们欣然宣布公司 2015 年第一季度业绩。我们的整体业务稳中有升，而财务表现亦令人满意，至于用户方面，我们的互动平台持续受到用户爱戴，继续成功吸纳新用户，令我们 2015 年首季的月度活跃用户及季度付费用户均有所提升，同时房间数量亦录得增长。于管理层来说，公司的第一季度表现仍然良好。我们对未来的收入、盈利及现金流抱有极大信心。

We are pleased to announce the Company's 2015 First Quarter Results. Our overall business remained stable with steady growth, and financial performance was satisfactory. In terms of our users, our interactive platforms continued to be a big hit among users and is attracting new users steadily making our 2015 First Quarter MAU and QPU recorded an increase. Our number of rooms has increased too. From Management point of view, our First Quarter performance was satisfactory and we have high confidence towards our future revenue, profits and cash flows.

我们在 2014 年全年业绩上提到我们在 2015 年定下了的 3 大目标，包括：

- 1) 第一，积极拓展移动端业务；
- 2) 第二，让我们的收益及用户总费延伸至移动及新垂直业务，其中包括 O2O KTV、医疗保健及财经；
- 3) 第三，我们期望凭藉我们的研发能力及生态系统来建立各种合作，从而为股东获得可观的回报。

During our 2014 Annual Results, we mentioned about the 3 key initiatives for 2015, including:

- 1) First, we will actively expand our mobile business;

- 2) Second, we will expand our revenue and user spend to mobile and new vertically-integrated businesses including O2O KTV, healthcare, finance;
- 3) Third, by leveraging on our R&D capabilities and ecosystem, we expect to build more cooperative partnerships in order to bring more significant returns to shareholders

移动端的活跃用户已经增长到占总体的 15%，这给我们的业务带来两个影响。第一，移动端带动用户使用时长的增长以及提高了粘性；虽然移动的 ARPU 还低于 PC，但是我们看到移动端的付费率更高，付费的频率更频繁，我们认为长期来看移动的用户生命周期价值跟 PC 一致甚至更高。

Our mobile MAU increased to 15% of total MAU, and it has two major benefits and impact to our business. First, mobile increases the time spent and stickiness of our many to many users, and although ARPU may be lower on a monthly or quarterly basis, we are seeing a higher paying ratio, more frequent spending patterns, and we believe no major change in lifetime value of the customer.

第二，我们在移动端的营销费用虽然花的很少，但是已经看到有不少来自移动端的新用户。所以，我们在移动端会加大投入，研发新的 App，会尝试在我们的实时社交社区中增加更多小而新的平台。

Second, with limited marketing, we are already starting to see many first time users enter the many to many communities. Based on these emerging user feedback, we are increasing our investment in new mobile apps and exploring adding new and small platforms to our live social community.

在智能电话的持续爆发性增长的拉动下，我们相信这数字于 3 至 5 年会超过 50%。

Under the explosive growth pull of smartphones, we believe this number will exceed 50% in the coming 3-5 years.

至于新垂直业务，它将会是我们未来的主要增长动力，我们期望，于未来 3 至 5 年，用户于这些新业务的用户消费将超过 50%。

As for the new vertical business segment, it will be our major growth catalyst in the future. We expect to see these new verticals to contribute to at least 50% of our revenue and user spend.

在 O2O KTV 方面，公司已经与一家位于温州的 KTV 连锁龙头百嘉乐集团签署战略合作协议。此战略合作能有效的将天鸽的内容延伸至百嘉乐集团旗下的的百嘉乐品牌卡拉OK 连锁店，内容包括游戏、线上线下互动及聚会、虚拟主播及竞赛、网上支付和虚拟礼物。

In terms of O2O KTV business, the Company made great progress and signed a strategic alliance agreement with the leading KTV chain in Wenzhou, BJL Entertainment. This strategic alliance would allow Tian Ge to expand its content offering inside BJL Entertainment's Jolly100 branded chain karaoke facilities to include games, online to offline interaction and parties, virtual hosts and competitions, online payment and virtual gifts.

在游戏方面，我们在 2015 年进一步拓展了游戏业务并与游戏开发供应商发布了一款新游戏『烽火佳人』，另外一款新游戏『战歌联盟』将在 2015 年第二季度发布。我们相信，新推出的游戏能够在短期内为公司带来收入贡献。

In terms of games, we further expanded our gaming business in 2015 by cooperating with gaming developers and launched a brand new game called "Feng Huo Jia Ren", another new game called "Zhan Ge Lian Meng", which will be launched during Second Quarter of 2015. We believe, the new launches will bring in revenue contributions in short term.

在移动健康管理业务方面，我们在 2015 年初收购杭州希禾后，我们的 B2B 业务进展加速，新增的签约医院及体检中心的数量剧增。

In terms of mobile healthcare management business, after acquiring Hangzhou Xi He in early 2015, we see speeding B2B progress with the rapid signing of additional hospitals and check-up center network.

除了积极发展国内业务，我们 2015 年也开始布局进军海外市场。近期我们与 MS Capital 签订战略投资及合作协议，成立合资公司天鸽日本，针对日本用户提供实时社交娱乐视频服务。

Apart from actively expanding our China business, we also began entering the overseas market in 2015. We recently signed strategic investment and collaboration agreement with MS Capital, forming the Tian Ge Japan Joint Venture, which provides live social video services to Japanese users.

最后，在互联网+的大气候拉动下，加上天鸽互动成熟的核心业务，我们对公司的未来发展，利润前景及自由现金流增长，是充满信心的。现在，请我们的首席财务官-姜显森先生，让他更详细介绍公司的财务情况。

Last but not least, under the positive momentum from “Internet +”, together with the mature core business of Tian Ge, we have high confidence towards Tian Ge’s future development, profitability prospect and free cash flow growth. Now let me pass the time to our CFO – Paul Keung to go through the details of our financial performance.

Paul Keung:

Thanks Mike and hello everyone.

感谢 Mike，大家好！

Let me first go through our financial highlights for 1Q 2015, next I will hand over to Richard to share more specific details about our operations.

让我先汇报我们 2015 年第一季的业绩，然后我会把时间交给 Richard 更详细分享我们的营运情况。

Let me first clarify that all the figures I'm giving today are in Chinese RMB. And all the percentage changes refer herein are year-over-year comparisons.

今天我所提及的所有数据是以人民币元为单位，所有的百分比变动都是指与去年同期的比较数据。

- **Total Revenues** up 8.1% to RMB185.5 million from RMB171.6 million in the corresponding period of 2014, mainly driven by the success of our mobile games business. Excluding the VAT effect revenue increased by 14.6% YoY, as our revenues are recorded as net off 6% VAT tax after June 1, 2014.
- 总收入由 2014 年同期的人民币 1.716 亿上升 8.1%至人民币 1.855 亿，主要由我们我手游业务的成功所带动。假如我们调整数字以扣除受 2014 年 6 月 1 日后生效

的增值税改革对公司汇报收入调低 6% 的影响，我们的实际收入的按年增长应为 14.6%。

- **Revenues from games** increased by 66.7% YoY to RMB20.9 million from RMB12.6 million and the actual increase rate should have reached 76.8% excluding the VAT effect as our revenue are now recorded as net off 6% VAT tax after 1 June 2014.
- 手游收入由人民币 20.9 百万按年增加 66.7% 至人民币 20.9 百万，假如我们调整数字以扣除受 2014 年 6 月 1 日后生效的增值税改革对公司汇报收入调低 6% 的影响，实际的增长应为 76.8%。
- **Total Gross Profit** increased by 8.4% to RMB156.5 million from RMB144.3 million in the corresponding period of 2014. **Gross margin** slightly increased to 84.3% from 84.1%.
- 总毛利润由 2014 年同期的人民币 1.443 亿增加 8.4% 至人民币 1.565 亿，毛利率由 84.1% 轻微增加 84.3%。
- **Selling and marketing expenses** decreased by 2.3% year-on-year and 13.2% quarter-on-quarter to RMB48.9 million for the three months ended March 31, 2015 from the corresponding period in 2014 and the three months ended December 31, 2014, respectively, which mainly due to the adoption of our cost control policy in 2015.
- 截至 2015 年 3 月 31 日止三个月，销售及市场推广开支相比 2014 年同期按年下跌 2.3% 及相比 2014 年 12 月 31 日按季下跌 13.2% 至人民币 48.9 百万，主要由于我们于 2015 年施行了控制成本的措施。
- Sales and marketing expenses as percentage of revenues may fluctuate each quarter based on seasonality and timing of major promotion events. However, on an annual basis, we expect the ratio to remain in the low 30% of total revenues range.

销售及市场推广开支占收入百分比按季的季节性因素及推广活动而稍有波动，但按年计我们料占收入比例会维持 30% 左右。

- **Administrative Expenses** increased by 12.5% year-on-year and decreased by 7.1% quarter-on-quarter to RMB 27.5 million for the three months ended March 31, 2015 from RMB24.4 million in the corresponding period in 2014 and the three months ended December 31, 2014, respectively.

行政开支相比 2014 年同期的人民币 24.4 百万元同比增加 12.5%至人民币 27.5 百万元及较截至 2014 年 12 月 31 日止三个月的人民币 29.6 百万元季度相比减少 7.1%。

- The year-on-year increase in administrative expenses is primarily due to an increase in share-based compensation of RMB14.6 million and partially offset by the decrease of professional and consultancy fees of RMB8.3 million and business tax and related surcharges of RMB4.6 million benefiting from the VAT reform effective from June 1, 2014.
- 行政开支的增加主要是由于股份酬金开支增加人民币 14.6 百万元所致。该增加被专业及顾问费用减少人民币 8.3 百万元以及由 2014 年 6 月 1 日生效的增值税改革所导致的营业税及相关附加费减少人民币 4.6 百万元部分抵销。
- The quarter-on-quarter decrease is primarily due to the decrease in employee benefits and professional and consultancy fees.

按季的减少主要是由于雇员福利以及专业及顾问费用减少所致。

- **R&D expenses** increase by 35.7% year-on-year and decreased by 29.4% quarter-on-quarter to RMB20.5 million for the three months ended March 31, 2015, primarily due to the increase in employee benefits and new research and development investment in mobile games, and as well as the decrease in game development outsourcing costs, respectively.
- 研发开支按年增加 35.7%至人民币 20.5 百万元及按季减少 29.4%，主要是由于雇员福利和手机游戏的新研发投入增加所致，以及由于游戏开发外判成本减少所致。
- Our **Adjusted Net Profit** increased by 19.1% to RMB75.1 million from RMB63.1 million and **Adjusted Net Margin** increased to 40.5% from 36.7%.

经调整纯利由 2014 年同期的人民币 63.1 百万元增加 19.1%至人民币 75.1 百万元。经调整纯毛利率由 36.7%增加至 40.5%。

- Our **1Q 2015 Adjusted EBITDA** increased 26.0% to RMB96.7 million from RMB76.8 million.
- **2015 年首季经调整 EBITDA** 增加 26.0% 以及季度增加 20.9% 至人民币 96.7 百万元。
- Adjusted diluted earnings per share was RMB 0.056 per share. Adjusted basic earnings per share was RMB 0.061.

经调整每股摊薄盈利为人民币 0.056, 经调整每股基本盈利为人民币 0.061

Fully diluted shares outstanding as of March 31, 2015 was approximately 1.25 billion.

- 截至 2015 年 3 月 31 日全面摊薄股份数量为 12.5 亿股。

As of March 31, 2015, we had no debt and \$1.67 billion RMB in **cash, cash equivalents**, term deposits, and principal-protected structured deposit.

截至2015年3月31日, 我们没有任何债务, 现金及现金等价物, 定期存款及保本结构性存款为人民币16.7亿。

For the three months ended March 31, 2015, our capital expenditures were approximately RMB32.0 million, mainly related to the purchase of our new office space located in Beijing, renovation expenses, office supplies, and purchase of other network equipment. The aforementioned new office purchase transferred to our fixed assets in February 2015 with total amount of approximately RMB46.2 million.

截至 2015 年 3 月 31 日止三个月, 我们的资本开支约为人民币 32.0 百万元, 主要有关购买我们位于北京的新办公室, 装修费用, 办公室用品及其他网络器材, 而其已于 2015 年 2 月拨入我们的固定资产, 总款额约为人民币 46.2 百万元。

We are very satisfied with our ability in attracting users and the growth in both active users and paying users.

我们非常满意我们吸引客户的能力及于活跃用户及付费用户的增长。

- **Monthly Active Users (“MAU”)** increased by 34.9% YoY to 16.4 million in the first quarter 2015 from the corresponding period in 2014.
 - **Quarterly Paying Users (“QPU”)** increased by 24.2% YoY to 769,000 in the first quarter 2015 from the corresponding period in 2014.
 - The **Quarterly Average Revenue Per User (“QARPU”)** decreased by 18.8% YoY to RMB225 in the first quarter of 2015, mainly due to the increase in more frequently paying mobile users.
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- 2015 年首季月度活跃用户按年增长 34.9%至 16.4 百万
 - 2015 年首季季度活跃用户按年增长 24.2%至 76.9 万
 - 2015 年首季季度用户平均收入按年下跌 18.8%至人民币 225, 主要因为更活跃的移动支付用户增加所致。

In 2015, we continue to see a healthy growth trend, which means there will be a breakthrough in this year and an upward trend in the number of users.

于 2015 年, 我们继续看到健康的增长趋势, 正正代表于年内我们有机会突破及于用户数量方需呈现上升势头。

At this point, let me hand over the call to our COO, Richard, who will discuss in more details of our recent development and future strategies.

现在我会把时间交给公司执行董事兼首席运营官麦世恩先生分享集团的新发展及未来策略。谢谢大家!

Richard Mai:

谢谢 Paul。各位好!

Thank you Paul, Hello everyone!

我们 2015 年的首季季度业绩, 体现出 3 方面的健康运营趋势。

Reflecting on our 1Q 2015 results, we are seeing three positive trends in our operations.

首先, 我们于实时社交视频平台移动化的投入, 令我们录得强劲的用户增长及用户体验的提升。今天, 我们所有的主要小区均有 Android 及 IOS 版本。

First, our investment into integrating mobile across our live social video communities is resulting in strong user growth and an improved user experience. Today, we offer Android and IOS versions for all our major live social video communities.

2015 年首季，我们的 MAU 按年增长约 35%。我们的季度付费用户 QPU 从 2014 年同期的约 619,000 人增长至 2015 年 1 季度的约 769,000 人。我们一直致力令付费更简便，及提供更多、更灵活的付费方式。同时，无线网络向 4G 及 LTE 的转移，将大幅提升整体的用户体验。

We experienced 35% growth in our MAU in 1Q2015. Our quarterly paying user (QPU) in 1Q 2015 also experienced a double digit growth to approximately 769,000 from 619,000 in the corresponding period of 2014. We continue to make payment easier, adding more payment options and flexibility - and the shift to 4G and LTE is helping to improve the overall user experience.

刚刚傅总有提到，来自移动端的活跃用户已经增长到占总体的 15%。移动端带动用户使用时长的增长以及提高了粘性；虽然季度和月度的移动 ARPU 还低于 PC，但是我们看到付费率更高，付费频率更频繁，我们认为长期来看移动的用户生命周期价值跟 PC 端一直甚至更高。

As mentioned by Mike, our mobile MAU increased to 15% of total MAU. Mobile increases the time spent and stickiness of our many to many users, and although mobile ARPU may be lower on a monthly or quarterly basis, we are seeing a higher paying ratio, more frequent spending patterns, and we believe that the lifetime value of the customer is similar or even higher.

此外，我们在移动端的营销费用虽然花的很少，但是已经看到有不少来自移动端的新用户进入多对多的社区。所以，我们在移动端会加大投入，研发新的 App，会尝试在我们的实时社交社区中增加更多的小的新的平台。

Moreover, with limited marketing, we are already starting to see many first time users enter the many to many communities. Based on these emerging user feedback, we are increasing our investment in new mobile apps and exploring adding new and small platforms to our live social community.

其次，随着“多对多”业务日趋成熟，我们正积极扩展“线上至线下”O2O 业务，把多对多 KTV 业务伸延至线下 KTV 实体店，从而建立及创造更新更刺激的在线至线下 KTV 产品。自 2014 年起设立的 O2O KTV 试点，试营的结果令人满意，到今天，天鸽成功与温州的 KTV 连锁龙头，百嘉乐量版 KTV 建立战略合作，开拓百嘉乐品牌 O2O 卡拉 OK 业务。

Second, our “Many to Many” business is mature and stable and we will actively expand our O2O business, particularly our KTV business to extend to offline KTV physical stores, to establish and create a more exciting online to offline KTV product. We saw

satisfactory testing results from the 3 O2O KTV pilot points in Hangzhou since their establishment in 2014, and now we officially entered into strategic alliance with BJL Entertainment, the largest chain karaoke operator in the Wenzhou region to expand the Jolly100 branded O2O karaoke business.

合作内容包括由百嘉乐负责线下运营，而天鸽负责系统改造，品牌推广等，未来天鸽将与百嘉乐于温州及杭州等 10 个家分店安装最新的云端软件系统。通过两者的结合，我们双方所共同涉足的 O2O KTV 市场将是非常庞大，并有机会为股东带来极丰厚的回报。

As part of the collaboration, BJL Entertainment will be responsible for the offline operation whereas Tian Ge will be responsible for system upgrade and brand promotions etc. In the coming future, Tian Ge and BJL Entertainment plans to upgrade and install Tian Ge's new cloud-based software solution to at least 10 test locations throughout Wenzhou and Hangzhou region. Upon the cooperation, we will both access a massive O2O KTV market potentially bringing in outsized returns for shareholders.

第三点，货币化趋势维持健康。我们于 2015 年首季的季度付费转化率为 4.4%，付费转化率趋势健康。我们相信付费转化率长期将继续上升。

Thirdly, our monetization remains healthy. Our paying ratio for first quarter 2015 is 4.4% and we see healthy monetization trend, we believe the paying ratio could continue to go up over the long term.

总体来说，就目前的营运指标看来，我们对刺激用户消费的能力，增加我们的收入及对我们的实时社交视频业务的净利润抱有很大信心。

Overall speaking, based on the current operating metrics, we are highly confident towards our ability to stimulate users spending, our revenue as well as the net profit generated from our live social interactive video platform business.

我们对游戏业务尤其兴奋。我们计划于 2015 年合共发布 6 至 8 款自主开发及第三方开发手机游戏。我们最近与游戏开发供货商发布了一款新游戏『烽火佳人』，而另外一款新游戏『战歌联盟』将在 2015 年第二季度发布。长远来看，我们考虑利用我们的技术及主播体系来帮助较小的游戏公司发布游戏，以保持竞争力。

We are excited about our gaming business. We plan to launch 6 to 8 self-developed and third party developed games in 2015. We have some latest updates to share with you, we have currently launched a new game called 『烽火佳人』 with our game co-developer and another new game called 『战歌联盟』 to be launched in second quarter

in 2015. In the long run, we consider to leverage our technology and host economy to help smaller game companies to publish games and stay competitive.

除游戏外，我们亦积极投入开发新的手机应用，以扩展至新的垂直业务及检测新兴业务。自我们于 2015 年初收购杭州希禾后，我们现时已成功开发了突破性的医疗保健 APP，并将于第二季度应用于杭州希禾的客户群，为客户提供在线健康管理服务。手机应用业务目前与本集团的收益总额相比，仍然是微不足道。但通过与杭州希禾作为一家领先的云端健康管理系统供货商合作，加上天鸽的经营及技术专业，生态系统，虚拟经济体及资本实力，我们有信心于 2015 年成功发布更多新的手机应用。

Apart from games, we are actively investing in mobile applications in order to expand into new vertical business and for new business exploration. Upon acquisition of Hangzhou Xi He in early 2015, we have successfully developed a breakthrough healthcare app to be launched in second quarter in 2015 among Hangzhou Xi He customers for online healthcare management services. Mobile applications business contributes minimal revenue to the Group's overall business, but through our cooperation with Hangzhou Xi He which is a leading cloud-based health management system provider, together with the operating and technological expertise, ecosystem, virtual economies and capital strength of Tian Ge, we are confident in the success of launching more easy mobile apps in 2015.

近期，我们已与 MS Capital, Inc. ("MSCI") 签订战略投资及合作协议，成立合资公司天鸽日本，针对日本用户提供实时社交娱乐视频服务。天鸽日本将结合集团成熟的实时社交平台营运技术和成功的盈利模式，以及 MSCI 旗下公司于日本演艺界的强大明星网络，建立受欢迎的主播系统，同时通过培养海外用户购买及送赠虚拟礼物的消费习惯，提升集团收入并开拓海外华人用户群，扩大天鸽互动于亚洲市场的布局。

Recently, we have signed strategic investment and cooperation agreement with MS Capital, Inc. ("MSCI") to setup a joint venture company "Tian Ge Japan", to provide real time social entertainment platform for Japan users. Tian Ge Japan will leverage on the Group's mature real-time social platform technologies and successful business model, as well as MSCI extensive and strong Japanese stars network to establish another popular hosts systems. This is to, by establishing the habit of buying and sending virtual gifts among overseas users, boost the Group's revenue by expanding overseas Chinese user base and to expand the Group's Asia's footprints.

现在将是问答环节，请主持人开放线路予投资者提问。谢谢！

With that, I would like to open the call to Q&A. Operator, would you please open the line for questions. Thank you.

Question-and-Answer Session

主持人: 谢谢。我们现在会开始问答环节 (主持人指示)。Cheng Cheng, Pacific Crest Securities.

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). Cheng Cheng, Pacific Crest Securities.

Cheng Cheng: 两个关于移动端的简单问题。你们提及到移动端的付费率更高。如果把移动端的付费率与今季度的 4.4% 相比, 我很好奇移动端会有什么改变。另外, 公司投放更多的时间及资金在移动设备上, 这是否意味着会增加或减少了同类产品电脑端的投放时间或资金?

Cheng Cheng: Two quick questions on mobile. I think you guys mentioned about higher paying ratio on mobile. I'm just wondering if you compare that to the 4.4% this quarter, what would the conversion on mobile look like? And also, just in terms of the increased time and spending you're investing on mobile right now, does that mean incremental or are you seeing any cannibalistic impact to your PC time spent and PC paying currently?

Paul Keung: 感谢你的问题。我会回答问题但同时 Richard 可能也想给些意见。在本季, 我们发布了很多投资者关心的季度付费用户的数据。有关移动端的付费率, 如果你拿活跃用户的数字除以季度用户的数字, 付费率将会是你刚才提及的 4.4%。

Paul Keung: Thank you for your question. I will answer that and I think Richard may have some comments on it as well. So you will note that this quarter, we released a quarterly payer user number to be more consistent with a lot of the investor questions that focus on the quarterly figure. That ratio, if you take the quarterly payer and divide it by the active user, it's about 4.4% as you mentioned.

早前, 我们公开了月度付费用户占活跃用户约 2.5%, 移动端的付费率与这个月度付费用户比率相近。Richard 在上一个回应中提及到, 长远来说, 他期望付费用户由每月 4% 提升到 5%, 这会和现时的 4.4% 相近。我们更期望付费用户每月可提升到 6% 或更高, 而以一样的计算方式, 长远预期可以由 6% 提升到 8%。

Previously, we had disclosed monthly paying user over a monthly active user, which was about 2.5%. That ratio compared to monthly is relatively similar, meaning that Richard, in the last comment, mentioned he expected paying users to improve from 4% to 5% on a monthly basis over the long term, which would be in the 4.4%, but we expect that to probably increase to 6% or more, 6% to 8% over the long term using that same set of metrics.

你的第二个问题是关于用户数量增加。首先原本在早期时，当我们移动端的活跃付费用户由零去到约 5%，再提升到 10% 时，其实有很多用是 PC 端的旧用户，他们再回到移动端并比在 PC 端时花更多时间在我们身上。这确实是现在增加了投放在现存顾客群的时间，这对我们去年的货币化很有帮助。

Secondly, your question is about incremental users. The first thing is originally in the early stages, meaning the first going from zero to roughly 5% to 10% of our active user payers. A lot of users are essentially older users coming back and spending more time with us originally on PC. And now, that actually increased time spent for existing customer bases. That was very helpful in monetization for last year.

近期，你可能留意到 Mike 和 Richard 的评论。他们提及到我们现正有更多新用户加入这平台。他们也提及到由于有大量新用户，我们正计划在平台发布新的移动端应用程序。所以，回答你的问题，的确，现时有更多的用户加入，而这减低了 ARPU，这是因为作为首次用户，他们倾向花费较少。

More recently, you'll notice that in Mike and Richard's comments, they mentioned that we're seeing a lot of new users enter the platform. They also mentioned that we're planning to launch new mobile APPs into the platform, given we've seen the influx of new users. So more recently, the answer to your question is, yes, a lot more users coming in, but it does have the impact of reducing the ARPU as they tend to spend less money when they're a first-time user.

Richard Mai: 对。要补充的一点是我们看见移动端的用户增长率是比 PC 端的新用户高很多。另外我们也发现用户是很愿意付费，他们愿意在移动端上付费，不过，有部份用户是在移动端上交易的金额较细，当他们有大额的交易时会转移到 PC 上运作，这是我们所发现的，谢谢。

Richard Mai: Right. So one more thing to add is that we see the user from mobile side is with much more higher growth rate compared to our PC new users. In addition to that we also noticed that user is happy to pay -- make the payment from the mobile side, but in some case, when they note that due to the small side of the mobile. So they -- some of them will be transferred to the PC side for a larger payment, so that is kind of the issues that we noticed. Thank you.

Cheng Cheng: 好的。谢谢。

Cheng Cheng: Okay, great. Thank you.

主持人: Ming Xu, 瑞银

Operator: Ming Xu, UBS

Ming Xu: 恭喜你们有这么好的一季度业绩。我有两个问题。第一是关于 ARPU 的。我们看到这季度 ARPU 的下跌是因为有更多移动端的用户。你们可以提供移动端 ARPU 和电脑端 ARPU 的更多数据吗? 另外由于移动端的用户继续增加, 你们认为 ARPU 继续下跌会带来什么坏影响?

Ming Xu: Congratulations on the strong quarter. I have two questions. First is about the ARPU side. So we see that ARPU declined this quarter because of more mobile users. So could you provide more colors on the ARPU of respective ARPU for mobile and for PC? And as they presented a contribution of mobile users continued to increase, what kind of downside will we see in ARPU to further maybe decline?

第二个问题是关于利润的。明显地, 由于改变了税收政策, 我认为今季度盈余的基础是与过去几季不同的。你可以提供有关毛利润和经营利润的同质比较吗? 谢谢。

The second question regarding margin. So obviously, because of the tax policy change, I think the revenue base is different for this quarter than from the last few quarters. So could you provide and give us an apple-to-apple comparison for your gross margin and operating margin? Thanks.

Paul Keung: 谢谢你的问题, Ming。针对你第一条关于 ARPU 的问题, ARPU 在第一季的季度数字, 与去年的收入相比, 按年下跌 18.8%。我们没有提供特别指明移动端和 PC 端的 ARPU。我们可以说的是你真的要从两个阶段看才能知道。

Paul Keung: Okay. Thank you for your question, Ming. Regarding your first question about ARPU, decline ARPU was 18.8% year-on-year in the first quarter using a quarterly figure compared to same -- using the payments for the year-ago period. We did not provide the specifics to the mobile ARPU and PC ARPU. What we can say is you have to really look at it in two stages.

第一，很多现时的顾客现在花更多时间在移动端上，就像 Richard 较早前说，顾客的生命周期价值是大致一样的。所以你可能会看到更高的付费率。你可能留意到 ARPU 其实是相对一样的，按年来计算大概是没有改变的。虽然用户花费的平台可能不一样，但事实上移动端是成为了 PC 端的一个获取更多顾客的渠道。

One is for a lot of the existing customers that are now spending more time on mobile, what tends to happen is the lifetime value, as Richard mentioned earlier, is about the same. So you may see a higher paying ratio. You may see the ARPU actually be relatively similar, relatively unchanged on an annual basis, although where they spend it may change and the fact that mobile is actually becoming an acquisition channel for our PC clients.

第二，你问关于利润的问题，或者在第一季，我们汇报了一年前在同一基础下的盈余，那个数据是没有增值税的影响的，当时的盈余是约人民币 5.95 亿。

Secondly, as it relates to your question on margin, maybe one way to help your question is in the first quarter, had we reported revenues on the same basis as a year ago, that not having a VAT effect, the revenues would have been about RMB595 million in the first quarter.

Ming Xu: 谢谢。

Ming Xu: Okay. Thanks.

主持人: Gregory Zhao, 巴克莱银行。

Operator: Gregory Zhao, Barclays.

Gregory Zhao: 恭喜你们有好的业绩。首先,我对你们的移动端策略有一条追加的问题。我想问有什么策略去增加移动端的用户流量。另外,我们看到移动端的用户数字有增加,但与其他同业相比,我们移动端的用户仍然落后。

Gregory Zhao: Congratulations on the good results. First, I have a follow-up question to you of our mobile strategy. So I just want to check what our strategy to drive our user traffic on mobile side. And also, we saw there's some progress on the mobile-using growth, but also compared to other internet peers, our mobile competition so far is still lower.

还有,我认为当用户流量正在转移到移动端,移动端的 ARPU 仍然相对较低,你同意公司正面对一个矛盾吗?你认为这对 PC 方面的货币化存在着一个竞争性的影响吗?长远来说,你认为移动端的货币化和 ARPU 可以与 PC 方面相比吗?这是我第一条问题。谢谢。

And in addition, I think while the traffic is shifting to mobile and the ARPU for mobile is relatively lower, do you think that we are facing a dilemma and do you think there may be some cannibalization to our PC monetization. And in longer term, do you think the monetization and ARPU for the mobile side will be compatible to our PC side is my first question. Thank you.

Richard Mai: 感谢你的问题。第一是关于我们在移动端的策略,我们其实会有三大块的发展,第一是现有的多对多的品牌上移动端的平移,我们其实所有的平台都完成了这个转移的工作。由于多对多会有多个屏幕的演示,整体来说多对多的转移的速度会比一对多的平台稍慢。同时我们也在开发一些专属移动端的视频产品,这些产品我们预计会在今明两年会陆续上线。这回答了你关于移动端产品的问题。第二块是关于移动端的 ARPU 或者价值是否被现有的 PC 端有所影响。从我们现在来看,我们没有看到 PC 端对 ARPU 方面有影响。第三有关移动端 ARPU 整体的趋势的变化,现在的移动端的 ARPU 比 PC 端的稍低,未来我们相信移动端的 ARPU 会继续增长,我相信会比现有 PC 端的用户会更高。

Paul Keung: Okay. I'll translate your three answers. The first thing is regarding your question about the growth in our traffic and monetization being that low of other platforms, which are the fact that we are in many-to-many platform. And the many-to-many platform, there are three videos and the social interaction is much more critical as opposed to a lot of the platforms that we're looking at, is the one-to-many, where you can have a delay in the streaming of the video stream.

For that reason, we maybe appear lower today, but long term, we're very excited about the growth in the penetration rate because the latency times today have gotten much shorter, to the point where the user experience is quite compelling.

The second thing, your question about the cannibalization and its impact to ARPU, the answer is simply no, we're not seeing cannibalization to ARPU, particularly when you look at the value we're spending over a longer period of time.

Then three, regarding your question about mobile ARPU versus today and its outlook and our overall ARPU for the Company, it may appear low today, but again, over the long term, we think spending on the mobile ARPU not only will appear recent on the PC on a lifetime basis, but may even be higher.

Gregory Zhao: 好的，谢谢。第二条问题是关于 O2O 策略和在垂直产业中新增的扩充，如保健及金融产业。你预计什么时候可以看到 KTV 业务、保健或金融产业有一些具体的盈余贡献？你认为可以在平台上有一些真正的交易，特别是金融服务吗？谢谢。

Gregory Zhao: Okay. Thank you. My second question is about our O2O strategy and our added expansion in some vertical areas like healthcare and finance. So when can we expect some meaningful revenue contribution from this KTV business and some revenue contribution from the healthcare and finance services? And do you think we can get some real transaction services connected to our platform, especially for the finance services? Thank you.

Richard Mai: 感谢你的问题。对于 O2O 的一站的合作来说，我们会在战略合作开始的时候就会为对方提供线上线下互动虚拟视频兼服务，基于这个服务我们会向合作伙伴收取技术服务费用，这个费用会在第二季的财务报告出现，这部份的收入会在我们整体的收入占额不是很大，但随着更多这样的 O2O 线下的企业展开合作，这部份的收入会保持一个持续的增长。

Paul Keung: Okay. Thank you for your question. Answering first to your question about the online or offline karaoke business and the strategy, in our strategic collaboration, we began integrating an O2O interactive live social video product and technology into the cooperation. In the second quarter, there will be very small amounts of revenue used to the licensing of that technology. But more importantly, we think that revenue is going to grow substantially over the long term, although have a very small impact in the short term.

Gregory Zhao: 谢谢。

Gregory Zhao: Thank you very much.

主持人: 谢谢。(主持人指示)。由于没有更多问题, 问题环节到此结束。现在把时间交给管理层以结束补充。

Operator: Thank you. (Operator Instructions). As there are no further questions, that does conclude the session. I would like to turn the conference back over to management for any closing remarks.

Paul Keung: 感谢各位参与会议。如有更多问题, 请与投资者关系管理联络。谢谢。

Paul Keung: Thank you for everyone joining the call. Feel free to contact IR if you if you have any additional questions. Thank you.

Richard Mai: 非常感谢各位。再见。

Richard Mai: Thank you very much. Bye-bye.
