PPDF - PPDAI Group Inc.
Third Quarter 2018 Unaudited Financial Results
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Jacky Zuo, Deutsche Bank
Alex Tse, UBS
Robbie Lee, Generation Capital
Michael Prouting, 10K Capital

Presentation

Operator: Hello, ladies and gentlemen, and thank you for participating on our Third Quarter 2018 Earnings Conference Call for PPDAI Group Incorporated, also known as Paipaidai. At this time, all participants are in listen-only mode. After management's prepared remarks, there will be a question-and-answer session. Today's conference call is being recorded.

I would now like to turn the conference over to your host, Mr. Jimmy Tan, Investor Relations Director for the Company. Jimmy, please go ahead.
Jimmy Tan: Hello, everyone, and welcome to Paipaidai's third quarter 2018 earnings conference call. The Company's results were issued via newswire services earlier today and are posted online. You can download the earnings release and sign up for the Company's distribution list by visiting the IR section of our website at ir.ppdai.com.

Mr. Cliff Zhang, our Chairman and Co-Chief Executive Officer; Mr. Feng Zhang, our Co-Chief Executive Officer; and Mr. Simon Ho, our Chief Financial Officer, will start the call with their prepared remarks and conclude with a Q&A session.

During this call, we will be referring to several non-GAAP financial measures to review and assess our operating performance. These non-GAAP financial measures are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the U.S. GAAP. For information about these non-GAAP measures and reconciliation to GAAP measures, please refer to our earnings press release.

Before we continue, please note that today's discussion will contain forward-looking statements made under the safe harbor provisions of the U.S. Private Securities and Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, the Company's results may be materially different from the views expressed today.

Further information regarding these and other risks and uncertainties is included in the Company's filings with the U.S. Securities and Exchange Commission. The Company does not assume any obligation to update any forward-looking statements except as required under applicable law.

Finally, we posted a slide presentation on our IR website providing details of our results for the quarter.

I will now turn the call over to our Chairman and Co-CEO, Cliff. Please go ahead.

Cliff Zhang: Hello, everyone, and thank you for joining our third quarter 2018 earnings conference call today.

During the third quarter, we continued to focus on driving healthy results and maintaining robust and above-standard regulatory compliance. Despite the numerous headwinds faced by the industry during the period, we are particularly pleased with the following three metrics.

Firstly, our loan origination volume declined by only 12% quarter-over-quarter, significantly less than the industry average and exceeding our expectations. Secondly, operating revenue increased slightly quarter-over-quarter. And thirdly, our 90-day-plus and total delinquencies declined quarter-over-quarter.

Also, our continued efforts to grow both our user and borrower bases has been showing encouraging results. The number of registered users reached approximately 84 million, and the number of cumulative borrowers exceeded 13.4 million at the end of September. The industry continues to experience significant change and consolidation, and to our benefit, our business continues to demonstrate strength as exemplified by our continued market share gains.

We continue to invest in technology and artificial intelligence, as it is the heart of PPDAI. By leveraging our technological capabilities, deep industry expertise and big data, we are suitably positioned to provide our cutting-edge suite of technologies as a service to a wide range of third-party financial service providers, including banks, consumer finance institutions and online lenders. We're encouraged with the positive progress that the number and the diversity of financial service providers that are working with us continues to expand. We believe that this acceptance by external third parties validates PPDAI's strong technological capabilities.

As we look ahead, we are confident that our core strengths, our keen focus on the regulatory complexities of the current environment position PPDAI to continue to capture the enormous potential of China's consumer finance market.

Now, I would like to pass the call over to our Co-CEO Feng to discuss an update of our business.

Feng Zhang: Thank you, Cliff, and hello, everyone. I am Feng Zhang, Co-CEO along with Cliff.

The third quarter has been challenging for the industry as a whole, and our performance remained much more resilient than the overall industry. In fact, after our last earnings call, where we discussed a slowdown in loan origination volume in July and August, retail investors' confidence in our platform recovered significantly in September, concluding the quarter on a positive note.

In September, our loan volume reached RMB5.2 billion, rebounding 13% month-over-month, and recorded our highest monthly loan volume for the third quarter of 2018. We believe that this sharp recovery validates our business model, not only highlighting our management capability and compliance framework, but also solidifying our leadership position in the industry.

As you know, we have been working hard to increase the amount of institutional funding on our platform, and our efforts have been bearing fruit. In October, the increased institutional funding helped to drive our loan volume to RMB5.6 billion, representing an 8% increase month-over-month. The proportion of our loan volume funded by institutional investors has risen from 10% in the second quarter to 14% in the third quarter, and further increased to 18% in October.

Now, turning to credit. On our last call, I talked about our improved delinquency in the second quarter, and the slight uptick in our delinquency during the summer, which is attributable to industry-wide credit tightness in July and August. The duration of this uptick is minor and very different from what we experienced at the end of last year. In fact, since July and August, delinquency trends on our platform have already stabilized.

And now, to briefly touch on regulations. As mentioned on our previous call, the central regulatory authorities launched a nationwide inspection process for P2P platforms and imposed a deadline of December 31, 2018 for the completion of such inspections. I am pleased to report that we are on track to complete these compliance checks by the end of the year. We firmly believe strengthened regulations and industry consolidation are necessary steps that represent a significant positive for the longer-term health and the sustainability of the industry.

With that, I will now turn the call over to our CFO, Simon Ho, who will discuss our financial results for the quarter.

Simon Ho: Thank you, Feng, and hello, everyone.

During the quarter, despite the industry volatility, we maintained healthy profitability with our non-GAAP operating margin at 41.9%, and we continued to demonstrate disciplined cost management.

Our balance sheet continues to be strong with approximately RMB3.5 billion of cash and short-term liquidity, and our quality assurance fund remains sufficiently funded. The total balance of the fund is approximately RMB4.1 billion, equivalent to 18.8% of the total outstanding loans protected by the fund. PPDAI remains financially sound and well positioned for the future.

Now, let me briefly go over the financial results for the third quarter. In the interest of time, I will not walk through each item line-by-line on this call. Please refer to our Earnings Release for more details.

Operating revenues for the third quarter of 2018 decreased by 12% to RMB1.1 billion from RMB1.25 billion in the same period of 2017, primarily due to lower loan origination volume for the quarter. The impact of applying the new revenue standard resulted in an increase in revenue of approximately RMB136 million.

Loan facilitation service fees decreased by 22% to RMB707 million for the third quarter of 2018 from RMB907 million in the same period of 2017, primarily due to lower loan origination volume during the third quarter of 2018. On a quarter-over- quarter basis, our average transaction fee rate has increased approximately to 7%.

Post-facilitation service fees increased by 20% to RMB240 million for the third quarter of 2018 from RMB200 million in the same period of 2017, primarily due to the adoption of the new revenue standard.

Non-GAAP adjusted operating income, which excludes share-based compensation expenses and a write-back of provision for expected discretionary payments to investors in investment programs protected by the investor reserve funds was RMB454 million for the third quarter of 2018, representing a decrease of 21.5% from RMB579 million in the same period of 2017.

Other income was RMB251 million for the third quarter of 2018, compared with RMB121 million in the same period of 2017 due to increased gains from the quality assurance fund.

Net profit increased by 20% to RMB649 million for the third quarter of 2018 from RMB541 million in the same period of 2017.

We maintained a solid balance sheet and ample liquidity. As of September 30, 2018, we held cash and cash equivalents of about RMB1.65 billion and short-term investments mainly in wealth management products of about RMB1.6 billion.

Next, let me give an update of our share buyback. Since March, when we started our share repurchase program, which currently stands at a maximum size of USD120 million, we have bought back approximately USD66 million of our shares.

Let me also give an update on our recent loan volume trends. As Feng mentioned earlier, in October, we originated RMB5.6 billion of loans, representing an 8% increase month-over-month, complemented by increased institutional funding on our platform. This means that for the first 10 months of 2018, we originated RMB49.5 billion of loans. In November, we expect loan originations in the range of RMB5.5 billion to RMB6 billion.

Before I hand the call over to Q&A, I'd like to make a few concluding remarks. PPDAI has exhibited remarkable resilience and a pronounced recovery during a challenging third quarter for our industry. We have solid financials and healthy profitability.

Importantly, we are maintaining our focus on adhering to, and complying with, the current regulatory process. The industry is undergoing a significant transition, and we are a clear beneficiary of the rapid market consolidation that is underway. Looking forward, we believe that we are well positioned, and we are increasingly optimistic about PPDAI's future opportunities.

With that, I will conclude my prepared remarks. We will now open the call to questions. Operator, please continue.

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). For the benefit of all participants on today's call, if you wish to ask your question to management in Chinese, we ask that you please kindly repeat your question in English.

Alice Li with Credit Suisse.

Alice Li: Hi, thanks for taking my question. I have two questions. The first one is on the transaction fee rate. So we found that the average transaction fee rate rose from 6.3% in the second quarter to 7.1% this quarter. Is this attributable to a lower funding cost, change in the borrower mix or higher pricing? And would you expect the transaction fee rate to continue to rise going forward? This is my first question.

And my second question is on the asset quality. If you look at the vintage delinquency ratio, the early delinquency ratio for the second quarter cohort rose. So has this been reflected in your third quarter QAF gains, and what's the latest trend of the delinquency ratio? Thank you very much.

Simon Ho: Thank you, Alice. I'll answer those two questions. Now our take rate increased to roughly 7.1% in the quarter due to slight pricing tweaks we made, and also from certain one-off fee rate testings made during the quarter. Overall, we expect our take rate to be relatively stable in the near term. We have not changed the pricing, overall pricing, for our borrowers, and we do frequently tweak our pricing structure, of course, which includes the interest investors get, our transaction fee, and if applicable, our QAF contributions.

With regards to your question on the QAF gains, now firstly, I wanted to take this opportunity to refresh everyone as to what our QAF gain represents. Our QAF gains or losses are derived from the surplus contributions by borrowers into the fund that are in excess of payouts from credit losses. The QAF contributions we demand from borrowers, which on average typically, would be over 10% of the loan amount, continues to be in excess of the credit risks, which as you can see from our disclosures, would tend to be less than 10%. So under normal conditions, as long as there is a buffer between credit losses and QAF contributions, a QAF gain should result.

Now, as to obviously why we have the gains in the third quarter that you see, which are larger than obviously previous quarters this year, is because actual credit losses were better than what we had assumed previously. So the resulting buffer for the loans we made in the past was larger than anticipated.

In terms of the delinquency trend, as Feng mentioned in his commentary, since the little uptick we saw over this summer, it's largely been stable lately. I hope that answers your questions.

Alice Li: Yes, thank you very much. May I have a follow-up question on the transaction fee rate? You mentioned that the…

Simon Ho: Sure.

Alice Li: …third quarter transaction fee rate has been affected by one-off fee rate testing. So does this mean that if we look into the fourth quarter and going forward, the stable take rate would be similar to the level in the second quarter or first quarter, those levels, say, around 6.3% rather than the third quarter's 7.1%?

Simon Ho: Sure. We mean stable versus the previous quarter, I mean, the third quarter.

Alice Li: Okay, yes. Thank you very much.

Operator: The next question comes from Daphne Poon with Citi. Please go ahead.

Daphne Poon: Hi. So I have a follow-up question on the asset quality side, I guess, more on the outlook. So we did see there's been some looming concerns about the overall macro environment that could we saw in the weaker consumer confidence and also affecting people's like that repayment ability. And we also see that some of your peers like they have been proactively tightening on no-approval reasons given these concerns. So I would like to check like what would be your view on that?

And I guess secondly would be on the balance sheet side. So we see the loan receivable on your balance sheet is almost up quarter-over-quarter. So just wondering what could be the key factor behind it. Is it mainly because of the increasing institutional funding? Thank you.

Simon Ho: Sure, Daphne. Now in terms of the -- obviously, the macro and the approval rate, we are keeping it relatively stable at this stage. And I just wanted to add that ourselves and the industry also, we've been through obviously a fairly severe credit cycle at the end of last year. I want to emphasize that we do have a prudent, experienced risk management team, and we will be nimble to responding to the environment.

And of course, what also helps us in the event of any increased credit risks is our relatively short-tenure loans. Now, the loan tenure is very short, and we have adequate quality assurance fund buffer and coverage to help us through any cycles that we come through.

So and your second question is with regards to, is that loan receivables that you mean? The loan receivables, is that correct?

Daphne Poon: Yes, yes, that's right.

Simon Ho: Yes, the loan receivables, they reflect mainly our trusts that we set up for institutional funding, and which as you know, is fully consolidated onto our balance sheet; and also from the institutional funding side, any loans that are originated by our own micro lending company. So it's a reflection of the increased institutional funding that we've had during the quarter.

Daphne Poon: Okay. Thanks.

Operator: The next question comes from Sanjay Sakhrani with KBW. Please go ahead.

Steven Kwok: This is actually Steven Kwok filling in for Sanjay. Thanks for taking my questions. All right. Just the first one I have was just around the originations volume. You mentioned that September, October, and then the expectations for November is for those originations to continue the increase. As we look out into December and then into 2019, can you just give us an early indication of how we should think about that? Is the November run rate the good one to use, or do you expect that to continue to increase slightly month-over-month?

Simon Ho: So Steven, thanks very much for your question. I think for the month of December, clearly our current expectations is the similar pace of run rate that we've been seeing for the last 2 months. So I think that is a reasonable expectation. And for 2019, it's obviously still very early days. We are still in the process of doing our internal planning. Our current thinking is that given the current run rate that we're working at, we should be aiming for positive growth in loan origination volume year-on-year for 2019.

Obviously, this doesn't constitute any official guidance, but it is just our preliminary thinking at this stage. Yes, I hope that helps and of course, our major -- our main constraint on loan originations is the loan balance cap that we're subject to. So we assume obviously; we don't have any specific information as to when that cap will be lifted or relaxed.

Steven Kwok: Great. And my follow-up question is just more on a higher level. With the appointment of Feng Zhang as Co-CEO, can you just talk about the key initiatives for both Cliff and Feng over the near to intermediate term?

Simon Ho: So for this question, I think, since we have both Cliff and Feng on the line, let me have Cliff and Feng address some of this.

Cliff Zhang: Sure, okay. In our co-ceo structure, Feng will run our core FinTech business; that is our core lending and investing platform. And I will dedicate more time on developing new growth drivers for the Company and also drive our overall group strategy, which besides our core FinTech business, also includes our technology as a service business, our international business and our innovation capabilities.

And Feng is highly qualified to lead our core FinTech business, which he has established a 12-year track record at Capital One, and having served as PPDAI's Chief Risk Officer and subsequently, our COO. Feng has been running a significant part of the PPDAI's business and he's very familiar with all aspects of our business.

Feng Zhang: Okay. Yes, now I can talk briefly about the medium term, our strategy for FinTech. I think essentially first, as Simon mentioned, that in the short and medium term, the main constraint on our growth is on the P2P funding side, the cap. So one of the top priority is we will continue to build partnerships with the financial institutions on the funding side. As I mentioned earlier, we've already made significant headways on that regard, and we expect to continue to make progress on that front over the next year.

We will also expand our customer segments for our services and products. For example, we have introduced a larger ticket-sized loan ranging from averaging about 30k RMB to be precise, and we will also expand our services; for example, look to develop point-of-sale consumer financial services. We'll partner with other business partners, enable them to provide financial services to their customers. So these are just, for example, a few like top initiatives that we are aiming for in the FinTech side of our Company in the short to medium term.

Steven Kwok: All right. Good quarter. Thanks for taking my questions.

Operator: The next question comes from Anderson Cha with BNP Paribas. Please go ahead.

Anderson Cha: This is Anderson from BNP Paribas. Congratulations on your good third quarter results and thanks for taking my questions. Let me ask you three questions. First one is that do you have any guidance or target in terms of institutional funding towards 2019?

And my second question could be a little bit redundant with previous questions. So the thing is that with regards to strong out-performance of our loan origination volume in September and October. And so do you have any concern about future credit performance on the back of this strong out-performance? I'm asking this question because some of your peers are saying that they strategically decided to slow down their loan origination volume activities significantly in third quarter. So any more color on that would be appreciated.

And my last question is can you give me some color on your P&L line on the change in expected discretionary payment to IRF investors? So is this the one that you recognize on the amount which came to mature in this quarter? So based on your balance sheet, IRF margin has basically turned positive number for this quarter. So does this mean that we could expect another gain from the maturity of this program at the moment? And how long is the average remaining maturity of this program? Thank you.

Simon Ho: Hi, Anderson. Thanks very much for your questions. With respect to institutional funding, I don't think we are able to give, obviously, a guidance into 2019. It's still obviously in the plans. However, for the fourth quarter of this year, we would expect that we could be heading around in the 20% of our loan volume. So we did mention that October as a month, 18% of our loan volume came from institutions. So we hope and we expect fourth quarter to be around 20%.

With regards to your second question, yes, I do see that some of our peers have obviously, significantly lowered loan volumes and some of them obviously, have claimed that on the back of credit quality, credit risk concerns. We're seeing a relatively stable environment, so we don't have significant concerns and we don't see the need to slow down on originations. And bear in mind that we've been constrained for a while, so it's not like we're doubling the pace of growth in a short period of time. So we are growing faster than before and I think having positive growth is good.

And finally, your question on the P&L, there's a write-back of I think about, what, 44.6 million in the expected sort of discretionary payments for IRF investors. Now we wrote back this amount because the actual delinquency experienced again behind the IRF loans has been better than expected. And that is the performance of obviously, the loans that were protected by our now discontinued investor reserve fund.

So we previously made a provision of 108 million in the fourth quarter of 2017. And we estimate at this point that we no longer need the full 108 million and hence, the write-back, so you should not expect there to be continued write-backs if we have, obviously, this is the best estimate. If the actual performance turns out to be as expected, then there should no longer be any impact P&L wise for us from the IRF. So that's pretty much how it works.

You can see that the size of the sort of IRF-related items on our balance sheet have wind down significantly during the year, reflecting the runoff of those loans. Now we discontinued this fund, I think, on January the 1st of 2018 and so effectively, our loans typically mature in around 12 months. So we should be pretty much close to coming to the end of the book, the book of IRF-related loans. I hope that answers your questions?

Anderson Cai: Yes, that was very clear. Thank you.

Operator: The next question comes from Jacky Zuo with Deutsche Bank. Please go ahead.

Jacky Zuo: Hi, Management. Thank you for taking my questions. Firstly, I want to have a follow-up question on funding. So can you give us more color about the institutional funding? What kind of financial institutions are you working with? What level of the funding cost? Is that higher than the P2P funding cost and what was the funding cost trend recently heading to Q4?

And the second question is about the overall industry credit infrastructure, as we earlier actually went into an agreement with the new credit bureau Baihang Zhengxin. So any progress on that? And do you see the speed of this credit infrastructure will help our credit performance in the future?

And thirdly, just a housekeeping question. I saw our tax rate went down during the quarter. So what level of tax rate we should use going forward? Thank you.

Simon Ho: Jacky, thanks very much for your question. So the average cost of our institutional funds is running around 12%, and this has been stable in the past several months. This is higher than the returns that retail investors get on the platform, which has been roughly stable at around 10%. That 10% has been stable quarter-on-quarter for retail money.

We work with a diverse range of institutions and we work with licensed financial institutions like trust companies, micro lenders, consumer finance companies and also other institutions. We so far do not have any banks on our platform, by the way, and so we're not at all affected by any potential regulation to limit banks as funding cooperation with FinTech companies. So that's the first question.

With regards to your second question about the sort of the credit infrastructure, we are of course, as you mentioned, we are among the first batch of companies involved with Baihang Credit. That's China's first commercially-run credit bureau. It's still in the early stages, but we do expect in the long term, there to be benefits coming out of this.

In terms of the overall credit infrastructure, I should also mention that as part of the registration requirement, all the P2Ps have also need to be connected with the credit information sharing system set up by NIFA, which is the National Internet Finance Association. So this also, it's another database; this is also, this is a mandatory P2P credit bureau that's run by NIFA.

And Jacky, in terms of the tax, sir, could you repeat your question on the tax side? I think I've kind of missed that.

Jacky Zuo: Yes, I observed the tax rate dropped in the third quarter; I think it went down to roughly 12%. So which level of tax rate we should expect to use?

Simon Ho: Right.

Jacky Zuo: Thank you.

Simon Ho: Sure, let me explain that. So the decline in the effective tax rate, which you just calculated to be around 12% in the third quarter, was mainly due to the increased tax deductible allowance by the government for some R&D expenses. Part of the benefit that's been recognized this quarter actually reflects activities in prior quarters. So I would guide you to look at our effective tax rate on a cumulative, say, year-to-date basis, rather than a single-quarter basis. On that basis, I don't think there should be a significant change at this moment, yes.

Jacky Zuo: Thank you.

Operator: The next question comes from Alex Ye with UBS. Please go ahead.

Alex Ye: Hi, Management. Thanks for taking my question. First of all, I have a follow-up question on the average transaction fee rate. So I understand from earlier question that you mentioned the increase was due to like a pricing tweak. But according to the other questions, your answer to other questions, your funding cost on retail side has been stable; your QAF contribution rate has been stable and you have not increased your overall pricing. So I'm wondering what was the exact reason for that? So have you tilt skew toward the lower the riskier customer cohort, and would that have any implication on your final loss rate for the 2018 vintage?

And my second question is on the QAF gain. So I understand the huge QAF gain for this quarter is due to the improvement in our asset quality, but the scale is almost doubling the size for the Q2. And if you look at our improvement in delinquency rate, the magnitude of the asset quality improvements seem to be not as large as in Q2. So it would be helpful if you can give us some more color on how to reconcile these two numbers. Thank you.

Simon Ho: Sure, Alex. Thanks for your questions. So first of all, in terms of the take rate, I think you're obviously very, very savvy to come up with these two questions and come up with analysis. The reality is you're right; the returns our investors are getting haven't changed very much. Over the quarter, the overall borrowing cost for our borrowers also haven't changed very much. So the answer lies in slight tweaks between the QAF contributions and also the take rate. We haven't increased the risk.

In fact, during the third quarter, there's been a little bit of a skew towards higher-quality borrowers. And I want to also highlight that. Whilst the take rate we're dealing with, the increase we're talking is in 10s of basis points; whereas the QAF contribution we talk in terms of 10, 15 percentage points. So a little bit of a tweak here and there tends to have -- would have -- what you think to be -- what you see to be a more sizable impact on the take rate. So that's the first question.

The second question, again, I think it's a very good question. There hasn't been huge changes in the delinquency rate during the quarter, so how do we justify these large QAF gains? And the answer is, the delinquency numbers that you see that we disclosed, those are actual numbers. Those are not necessarily the actual assumptions that we use when we value the QAF liabilities.

So what we're saying is that during the quarter, because the actual experience of some of the loans that we're seeing is actually better than what we had baked in and put into our valuation, hence, we've had to obviously, not write-back, but there are larger releases than normal. Does that make sense to you?

Alex Tse: Yes, yes. Thank you. Thank you very much.

Operator: The next question comes from Robbie Lee with Generation Capital. Please go ahead.

Robbie Lee: Hi, good evening, Management. Just a quick question from me. So regarding your institutional funding, i.e., the loan system model, do you expect any further regulation tightening on this front? Thank you.

Simon Ho: No, I mean the only thing that we've obviously noticed and I think all of you have seen in the news is there might be some regulations on banks cooperating with FinTech companies. But as we mentioned, we don't deal with banks, so this will not impact us. We are not aware of any other regulations in this regard.

Robbie Lee: Thank you.

Operator: (Operator Instructions). The next question comes from Michael Protting with 10K Capital.

Michael Prouting: It's Michael Prouting. Thanks for taking my question. Would you mind reminding us of the steps that remain in the regulatory process, both in terms of what you guys need to do and what you're expecting from the authorities and timelines around that? Thank you.

Simon Ho: Sure. Let me just address the regulation. So where we are right now is we are -- as we mentioned, we're on track to complete the P2P inspection process, which is required to be completed by the central government by the end of the year. So what does this inspection process include? We have completed submission of our self-inspection report. And also, the Shanghai Internet Finance Association and also the Shanghai financial regulators have also individually been onsite for their inspections on us, and the process so far has been relatively smooth.

The next stage after this inspection process is official registration of the peer-to-peer platforms. Now, we don't have specific information on when the registration will occur, but we do expect it will be sometime in 2019. The official statement with regards to registration is that once the inspection process is complete at the end of this year, the regulators will observe the platforms for a period of time, and when conditions are ready, they will begin the registration process.

So that's the formal official timeline given by the regulators. So that's the process we are running on at the moment. I hope that helps that answers your question?

Michael Prouting: It does. You don't have any additional clarity then beyond sometime in 2009? Like you don't have a sense of whether that's sooner, later or at what point that might happen next year?

Simon Ho: There is no specific information that we have at this moment. Clearly, we hope sooner than later, but there is nothing concrete at this point.

Michael Prouting: Okay. Thank you.

Operator: As there are no further questions now, I'd like to turn the call back over to Jimmy Tan for any closing remarks.

Jimmy Tan: Thank you once again for joining us today. If you have any further questions, please feel free to contact Paipaidai Investor Relations through the contact information provided on our website or in the press release. Good night.

Operator: This conference has now concluded. Thank you for attending today's presentation. You may now disconnect.