

**QuantaSing Group (QSG)**  
**Q4 2023 Earnings Conference Call**  
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Executives

Leah Guo, Associate Director of Investor Relations

Peng Li, Founder, Chairman and CEO

Tim Xie, CFO

Analysts

Katie Wong, CICC

Steve Silver, Argus Research

Howard Halpern, Taglich Brothers

Hunter Diamond, Diamond Equity Research

Pat McCann, Noble Capital Markets

**Presentation**

Operator: Operator: Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to QuantaSing's earnings conference call. (Operator Instructions). We will be hosting a question-and-answer session after management's prepared remarks. Please note that today's event is being recorded.

I will now turn the conference over to Leah Guo, Investor Relations Associate Director of the company. Please go ahead, ma'am.

Leah Guo: Thank you. Hello, everyone, and welcome to QuantaSing's earnings call for the fourth quarter of fiscal year 2023. With us today are Mr. Peng Li, our founder, chairman and CEO, and Mr. Tim Xie, our CFO. Mr. Li will give a general business overview for the quarter; then Tim will discuss the financials in more detail. Following their prepared remarks, Mr. Li and Tim will be available for the Q&A session. I will translate for Mr. Li.

You can refer to our fourth fiscal quarter financial results on our IR website at [ir.quantasing.com](http://ir.quantasing.com). You can also access a replay of this call on our IR website when it becomes available a few hours after its conclusion.

Before we continue, I would like to refer you to our safe harbor statement in our earnings press release, which also applies to this call, as we will be making forward-looking statements. Please note that all numbers stated in the following management's prepared remarks are in RMB terms. And we will discuss non-GAAP measures today, which are more thoroughly explained and reconciled to the most comparable measures reported in our earnings release and filings with the SEC.

I will now turn the call over to the CEO and Founder of QuantaSing, Mr. Li.

Peng Li: Okay. Hello, everyone, and thank you all for joining us today. Despite the challenges presented by the current state of China's economy, we find ourselves well-placed to benefit from new opportunities in the adult learning market. While the fourth quarter of our fiscal year is usually a period of moderation, we recorded an impressive 31.7% year-over-year growth in revenue from the same period last year.

Additionally, our adjusted net margin has improved significantly, reaching 10.9% compared to 0.7% during the same period last fiscal year. Our success was fueled by our robust pipeline visibility, diverse revenue streams, and an effective strategic approach.

I would now like to reflect on our recent success and broader performance and share some operational updates. As of June 30, 2023, we had around 94.3 million registered users, representing a significant increase of 60.6% compared to the previous year. The number of paying learners rose as well, increasing by 29.9% compared to the previous year. Our focus on flexible and scalable business models has allowed us to quickly add more courses. This in turn attracts more users and fosters consistent growth.

We offer a diverse array of courses, each thoughtfully tailored to our distinct customer groups. For instance, for our financial literacy content, we offer accessible courses that guide beginners through topics such as asset management and achieving stable returns. Our learners can further explore specialized courses like financial analysis and family asset allocation. We diligently update and enhance our courses to align with shifts in industry policies. This ensures our learners have access to the most up-to-date market insights.

Our focus on improvement has led to better customer experiences. Thanks to our operational enhancements, our user survey shows that our financial literacy course completion rate now stands at an impressive 97%.

We are constantly updating our intelligent learning tools to act as learning companions for our users. These tools use engaging AI interactions to assist the users in pulling key financial metrics from financial statements.

During the fourth quarter, we once again co-authored the Financial Literacy White Book with industry experts and authoritative organizations in China. This was our third straight year doing so. The White Book assesses the financial literacy of Chinese residents across various demographics. This research serves as a guiding light for the institutions seeking to expand financial learning across the nation. Our participation reflects our solid standing in the realm of financial literacy. We take immense pride in our contribution and are eager to help enhance financial literacy levels within society.

Beyond our financial literacy efforts, we have also taken steps to boost user engagement and enhance our online course repurchase rate. During the fourth quarter, we organized a series of offline competitions. One such event was a calligraphy competition targeted at senior adults. Participants applied what they learned from our courses, showcasing their learning outcomes while enjoying face-to-face interactions with fellow learners. The participants created around

400 calligraphy works during the competition. To determine a winner, we engaged our broader community in a voting process.

This type of offline event motivates learners to stick with their studies. It also encourages them to invite friends to join our courses. We believe that these offline competitions help foster a tight-knit sense of community among our learners. We see them as both a means of promoting courses and as a way to build community.

As a part of our growth strategy, we are eager to bring our customers new opportunities for learning. One core part of this strategy is the creation of new personal interest courses. These courses are carefully designed to meet a diverse range of interests and tap into unrealized market potential. They help to enhance our appeal and boost engagement levels. Furthermore, the repeat purchase rate for other personal interest courses has risen to 18%. By refining our course offerings, we enable learners to complete an in-depth learning cycle on our platform. For instance, in our short-video production course, we guide learners through the entire creative process. This encompasses subject selection, clip editing, content creation, and even using short videos to promote products on livestreaming platforms.

In a similar way, we have fine-tuned the content of our memory courses to be more practical, instead of theoretical. This empowers learners to apply their knowledge in real-life situations. Ultimately, this leads to a more fulfilling learning experience.

Meanwhile, our addressable market remains expansive, as outlined in Frost & Sullivan's Industry Report on the Adult Learning Market in China released on September 6, 2023. The Frost & Sullivan report affirms the significant market demand for senior citizen education. According to the report, the size of the senior adult learning market, as measured by revenue, is expected to reach RMB120.9 billion by 2027. This estimate assumes a CAGR of 34% from 2022 to 2027. We are well-positioned to cater to this demographic. Many of our thoughtfully-designed courses address the specific needs and interests of senior learners. As always, we remain committed to creating inclusive and accessible learning opportunities for people of all ages.

Our courses aimed at senior citizens are specially crafted to bring them valuable knowledge and skills. This helps provide a sense of enrichment and fosters a feeling of continued growth and success. We are actively building new courses that cater to the interests of older learners. For example, we have developed a course on standing meditation, a traditional practice that combines fitness, strength, and inner peace. Our program emphasizes a holistic approach, boosting meridian flow, vital energy, and overall physical resilience. The course has proven to be a mega-hit. It had accrued over 1.4 million registered users as of August 31, 2023, and its monthly gross billings reached around RMB17 million.

As a company that prides itself on innovation, we are dedicated to enhancing our core business while exploring new opportunities for growth. We are excited to announce the launch of a dynamic new business initiative: live e-commerce, with a strategic focus on the Chinese liquor market. Our decision to venture into live e-commerce is rooted in a multi-faceted vision. This new business requires minimal capital investment with little operational risk, while also acting as a resource to further bolster our core business. We chose Chinese liquor as our entry point to the

live e-commerce business. Chinese liquor holds an important place in Chinese society, especially when it comes to social interaction.

Our target demographic is made up of individuals that are middle-aged and older. This demographic demonstrates robust demand for Chinese liquor. In the post-Covid era, online shopping has become increasingly common, and that trend extends to the purchase of Chinese liquor.

At the forefront of online shopping today is livestreaming e-commerce. On one of the livestreaming platforms we operate on, there are over 300 million users with an interest in Chinese liquor, as indicated by a research report. This platform fosters an experience akin to wine-tasting events, allowing users to share their insights about Chinese liquor through livestreaming. Recognizing this market opportunity, we aim to provide our users with an all-in-one experience that combines goods and services into a single platform.

Our learning business model is also very mature. This is shown by our effective expansions of our QianChi and JiangZhen brands, which follows the success of our older QiNiu brand. We invest in traffic at the front end, which is then converted into our private social media groups. Through years of operation, we have built up substantial user insights. This allows us to effectively locate and acquire customers. We also have a well-developed array of marketing tools. These allow us to lock in traffic, locate loyal customers, and convert registered users to paying learners.

By leveraging our experience in the adult learning business, we are now acquiring customers for our live e-commerce business in the same way. This replicable approach gives us control over our costs and ROI, even during the early stages of a new business. Since launching the new business in June 2023, we have been very pleased with its operational results. We have generated RMB13.3 million in GMV during August. While we expect a slight adjustment in our gross margin, we are confident that this new initiative will have a positive impact on our net margin and strengthen our financial resilience.

While we maintained our revenue growth, we continued to improve our operational efficiency and expand our positive cash flow. Tim will explain our financial results in more detail later. We are leveraging AI to help improve our operating efficiency. For example, we are using AI-powered intelligent voice messages to remind learners to join our courses. AI-generated content, or AIGC, has also empowered us to provide a better, more efficient experience when learners pose questions. With AIGC, learners' questions are categorized, and draft answers are generated automatically. Tutors simply need to double-check the answers before sending them out. This has largely reduced the tutor workload during classes, and improved learners' experiences without sacrificing factual accuracy.

Regarding content development, we are implementing a four-in-one interface that combines transcripts, videos, presentation slides, chat, and course refinement. At the same time, we also embraced the template-driven bulk generation of short videos, infographics, and more. This has greatly enhanced our content development efficiency.

To conclude, despite the present state of the macro, we continue to refine our operations to meet persistent demand from individuals seeking an improved quality of life and overall well-being. At the same time, we are strengthening our position as a reliable partner in corporate learning and development. Our ability to innovate and explore new ideas has generated outstanding outcomes for our business. Despite a seasonal lull, we generated robust year-over-year top-line growth, and our operational focus remains solid.

With strong pipeline visibility, we made the decision to strategically expand into live e-commerce. This will leverage our existing strengths to enhance profitability. As we navigate the ever-changing dynamics of the market, we are confident in our ability to generate sustainable, long-term growth and success. We are grateful for the continued trust and partnership of our shareholders.

With that, I will turn the call over to Tim to discuss the details of our financials.

Tim Xie: Thank you. Before I go into the details of our financial results, please note that all amounts are in RMB terms, that the reporting period is the fourth quarter of fiscal year 2023 ended on June 30, 2023, and that in addition to GAAP measures, we will also be discussing non-GAAP measures to provide greater clarity on the trends in our actual operations.

For the fourth quarter of fiscal year 2023, we grew our total revenues by 31.7% year-over-year and 2.6% quarter-over-quarter to 828.3 million, mainly driven by the growth from other personal interest courses.

Among our revenues, revenues from individual online learning services grew by 25.2% year-over-year to 721.1 million, or 87.1% of total revenues, mainly due to continued demand for other personal interest courses, consistent with our strategy to diversify course offerings. Our gross billings for individual online learning services increased by 23% year-over-year to 748.8 million.

Revenues from enterprise services increased by 102% year-over-year to 103.8 million, or 12.5% of total revenues, primarily driven by continued robust demand from both existing and new enterprise customers for marketing services.

Gross profit was 712.2 million, representing a gross margin of 86%, compared to 82.9% in the same period last year.

Total operating expenses decreased to 664.7 million from 726.7 million last year. To break this down, sales and marketing expenses were 573 million, representing a change of 7.8% year-over-year, as we adjusted our staffing budget and increased spending on marketing and promotional activities for other personal interest courses. As a percentage of total revenue, non-GAAP sales and marketing expenses, which excluded share-based compensation, decreased to 67.8% from 75.1% a year ago.

Research and development expenses were 53.6 million, representing a decrease of 59.6% year-over-year, primarily driven by a decrease in share-based compensation. As a percentage of total revenue, non-GAAP R&D expenses, which excluded share-based compensation, decreased to 5.5% from 6% a year ago.

General and administrative expenses were 38 million, representing a decrease of 39.3% year-over-year, primarily due to decreases in share-based compensation. As a percentage of total revenue, non-GAAP G&A expenses, which excluded share-based compensation, decreased to 3.2% from 4.6% a year ago.

Net income was 52.7 million. Excluding share-based compensation, adjusted net income was 90.4 million, representing an adjusted net margin of 10.9% during the quarter.

Basic and diluted net income per share were RMB0.31 and RMB0.30 respectively during the quarter. Adjusted basic and diluted net income per share were RMB0.54 and RMB0.52 respectively during the quarter.

Turning to our balance sheet. As of June 30, 2023, our company held 930.6 million in cash and cash equivalents and short-term investments, compared to 399.1 million as of June 30, 2022.

Lastly, I want to provide some color on our outlook. For the first quarter of fiscal year 2024, which ends on June 30, 2024, we expect revenues to be between 780 million and 810 million, representing a year-over-year increase of between 18.3% and 22.8%. These projections take into consideration the current market conditions prevailing in the industry.

We remain committed to providing high-quality, personalized online learning services and offering a diverse range of courses. At the same time, we are exploring new business opportunities to improve our profitability. These initiatives helped drive our strong performance in the fourth quarter of fiscal year 2023.

Moving forward, we will be utilizing AI to optimize our cost structure and expenses, enabling us to operate more efficiently and effectively. With our strong financial position and diversified revenue streams, we are well-equipped to overcome any challenges that may arise and capitalize on growth opportunities, while continuing to generate value for our customers and shareholders.

That concludes my prepared remarks. Operator, let's open up the call for questions.

## **Questions and Answers**

Operator: Yes, thank you. We will now begin the question-and-answer session. (Operator Instructions). [Katie Wong] with CICC.

Katie Wong: I have two questions here. The first, given the recent relatively-soft capital market, how should we expect the next year growth of QiNiu in terms of the number of users, as well as the ASP? And secondly, could you please elaborate our growth strategy on the brand-new livestreaming business?

Tim Xie: Thank you. In terms of the financial literacy courses and the market trend, and also our performance I think, you asked a good question. For this market, first, I think for this, in terms of

segmentation, our -- I don't -- first, let me clarify. I think for our financial literacy courses, we treat it as a part of our categories of our total revenue. So for this kind of revenue, our management reviews our consolidated results when making decisions about resource allocation, and assessing the group performance. As such, a group has only one reportable segment. And also, in terms of the future outlook for our financial literacy courses, it is possible that we'll see year-over-year increase in the absolute dollar amount we generate. This has been in line with our strategy of developing a broad range of courses, which suit to learners with diverse interests and background.

In addition, we have taken proactive steps to identify users with low-return over investment, which is ROI, to ensure sustainable growth for our company as a whole. Doing so means we can utilize our resources more efficiently, and ensure that our course offerings get the attention of users who will genuinely be interested.

And for macro environment, now you mentioned that macroenvironment may affect the company revenue, I think let me clarify that. Our core customer base is made up of the mass public consumers. Demand for our financial literacy courses does not rely on professional investors. As such, the performance of our financial literacy courses is not tied to the performance of the capital market directly.

Second, I think it's important to note that the content of our financial literacy program covers a wide range of topics, not limited to the stock market. Even if the market underperforms or, maybe have some fluctuation, the idea of investing temporarily losses appeal to, customers will be able to leverage our courses to get knowledge in other areas of financial literacy. To this point, we have not observed a direct correlation between the stock market and growth of the registered users for our financial literacy courses. I think the key is still our business methodology to treat our revenue as a whole, and to seize market opportunity and to do our business based on the ROI and also the revenue diversification strategy.

Meanwhile, I think our average revenue per user or ARPU has maintained a steady upward trend. This is due to our focus on delivering high-quality courses and value-added services. This reflects our company's core ability to attract new users and to provide value-added services that the existing users appreciate so --

Operator: Thank you.

Tim Xie: -- hope that answers your question.

Katie Wong: Yes, that's very clear, thank you.

Operator: Thank you. Steve Silver with Argus Research.

Steve Silver: In the commentary, you mentioned that the minimal capital required to launch some of the new growth opportunities like e-commerce. I'm curious as to with that and the continued buildout of the technology platform, wondering if there are any other areas of higher capital that are expected over the next few years, or whether we should expect the company to be able to balance these investments with its growth, and continue to grow cash flows and adjusted net income consistently from current levels.

Tim Xie: Thanks for your question. In terms of the new initiative of the ecommerce, I think for the capital investment and also, maybe the cash need of the business, I don't -- I think first, all of the new initiatives are based on our current key capability, including our accumulated operating expenses in the online operating cost, livestreaming sales process and also the technology base we have built for our current platform.

And also, we can use and leverage the current experiences and system to do the livestreaming because we currently sell the online courses, and so the customers through the whole online process very smoothly and gaining a very effective result. And based on this infrastructure, we can leverage all the resources to do our live ecommerce business. So this has also proved that for the -- because you see the August number, it proved a preliminary success.

In terms of the future development, I think when we do the ecommerce, we may purchase some stocks but for the Chinese liquor, the stock turnover is very fast. And also, we collect cash, because our customers are individuals, we collect cash very quickly. And also, I think the -- overall speaking, the cash flow, the operating cash flow, I think is not so -- is not a big problem. And also, the -- also anticipate maybe a very similar cash pattern -- cash-generating pattern as that of our current system.

In terms of the technology investment, I think based on our livestreaming system, which we have developed ourselves several years ago, and improved continuously. And in this year, it's provided us a very solid base to do the live ecommerce business. There may be some slight improvements in terms of the specific business needs on system to implement which do not need a huge cash investment to the technology.

So in sum, I think first, we can leverage our current experiences, systems, and also the technology. And second, I think we see the livestreaming ecommerce business, its business model is very similar to that we're currently doing for the online courses selling business. We sell the courses, and also we sell the goods, the Chinese liquor through that business model, which is very similar. And also, the last point is that all of the online courses and online learning business through livestreaming; and also the online ecommerce livestreaming business has been generate a very similar financial result and business model.

I think this is my answer. I think that may help you understand the business.

Steve Silver: Okay. Thank you very much. That's very helpful, and thanks for taking the question.

Operator: Howard Halpern with Taglich Brothers.

Howard Halpern: Congratulations on the quarter, guys. Hey, guys, maybe a little bit more into the new ecommerce platform, could you describe again maybe the mechanics of it? Are you disconnecting merchants with your customer base and collecting a fee, or is there more to it than that?

Tim Xie: Yes, I think -- thanks for your question. Also, in relation to our new initiatives for the livestreaming, basically, our current business model is to acquire our learners through livestreaming free courses, and then some of the learners, we convert to our paid learners. And

basically, the business model for the livestreaming ecommerce is very similar to that. We launch our livestreaming room online to advertise and to attract the traffic to our livestreaming room and we sell the Chinese liquor to the audience.

And we have several business models. One is we purchase the Chinese liquor from the supplier, and then we will leverage our livestreaming capability and our user base to sell such kind of product - the Chinese liquor to the customers. The customer -- some of the customers is our current user, and maybe some customers who have learned our courses, and who have learned our free courses. And a majority of that may be from the new traffic, the new audience, and also, the new demographic from the -- from each source of the -- especially the short video platform, such as Douyin and Kuaishou.

And also, we have some other business models, maybe we will act as a -- because of our capability for the livestreaming, we will act as an agent to have some brands to sell their products initially. And maybe I think in the long run, we can -- because of our -- the capability to sell, especially sell the Chinese liquor through livestreaming, it's very important. I think our capability can leverage all of our resources to secure the best goods, the best Chinese liquor, the supply chain, to our current and future customer base.

Howard Halpern: Okay. That was very helpful. One final question I have is what do you envision the opportunity is to grow international beyond China? And how would that process unfold?

Tim Xie: Yes, thank you. That's a good question. We have placed our strategy to seek opportunities both domestically and overseas. And we've been keeping a close eye on the growth of the international learning market. For context, a report by Global Market Insight estimated the global elearning market to be valued at very large scale. So the Asia -- especially the Asia-Pacific market alone would value upwards of USD60 billion market value, as I remember. With increasing penetration of the internet and the mobile learning, more people than ever are turning e-learning platform to learn new skills, foster personal growth and improve their quality of life. So as part of our strategy planning, we have been continuously assessing our capabilities for international expansion.

As you know, our business is focused on the domestic market currently, and we've built up a solid foundation based on three key factors. I think the first is our solid technology support, our operation. For the past few years, our online learning platform has evolved and is now highly stable and scalable. As such, we are well-equipped to adapt to different demands, thus we could experience in different regions.

Secondly, we have built up a strong business network and a number of comprehensive partnerships over the past few years. This gives us access to valuable market resources and the insight, which have keep us at the forefront of the industry. And third, we have a healthy balance sheet, strong cash reserves, and we have been generating operating cash flow, generating positive operating cash flow. These factors provide us with a strong foundation to begin exploring opportunities in the international market.

But meanwhile, we have proven in the past that we are willing to -- we are willing and able to effectively address our operating strategy and our product and services offerings. Our approach

is open-minded and we are always seeking out our users' feedback to better address their needs. This adaptability has been key to our success, whether we are talking about the current branch QiNiu, Jiangzhen and Qianchi. As we set our sights on going global, we will continue to keep an open mind and benefit from external feedback. By doing so, we can understand what potential users want and tailor our course offerings to effectively meet their needs.

And lastly, I want to point out that we will speak to our business philosophy on a corporation methodology to try to be open-minded, and to try each kind of opportunity on an effective and efficiency maybe starting from very small scale. After we conclude that business model is successful, we will enlarge and expand this business overseas very quickly within the future. Thank you.

Howard Halpern: Okay. Thanks, and keep up the great work, guys.

Operator: Hunter Diamond with Diamond Equity Research.

Hunter Diamond: Firstly, congratulations on the results. So could you provide further insights into the adult financial learning segment? We've observed a noteworthy recovered in this area since the start of fiscal year, so if you could give more details on the performance projections for the segment going forward? And additionally, how do you perceive the competitive landscape evolving in this market?

Tim Xie: Yes, thank you. I think, as I just mentioned, financial literacy courses are just one category of the courses that one SKU in our total interested courses package. We will treat all of our active interested courses as a whole to grow the revenue, which is still based on our methodology that of -- and also our key capabilities that we are a very capable company, which can develop -- which can seize the market trend, customer needs and customer demand, and create a tailor-made, very interesting, inclusive and accessible content for our customers, which can be proved that -- by our historical track record. For example, we have launched Jiangzhen and Qianchi step by step using the same methodology to seize the market trend and customer needs to promote short-video production courses and etc.

So as a whole, I think even though some fluctuation of the revenue for our financial literacy courses currently, we are still very optimistic in terms of the interested course revenue growth in the future because we have the key capabilities to seize the market trend and business opportunities. And two, we have a dedicated content creation team to create the content to launch the courses, which all generate very positive net results in the history. So I think in the future, even though the financial literacy courses may decrease maybe in the short term, I think as a whole of the revenue, all of the categories of our interested courses will grow, yes.

Hunter Diamond: Great, thank you for the additional color. And then just one more question and I'll open the lines to other analysts. The recent presentation alluded to inorganic growth and geographic diversification. And given the liquidity and cash investments on your balance sheet, how do you see acquisitions fitting into your investment orientation?

Tim Xie: May I repeat your question? Do you mean the potential acquisition of new businesses?

Hunter Diamond: Correct.

Tim Xie: Yes, I think even though we have generated a positive operating cash flow and also, in the latest, in the fourth quarter, we generated a huge amount of net profit, both adjusted and non-adjusted net profit. But even though we have a very solid financial position and enough financial resources, we still stick to our business discipline and business methodology to start from a small -- on a small scale to prove the business model. And only after that, we will grow the business, maybe -- even though maybe by ourself or by acquisition or from companies or from outside open to every -- each option, business opportunity, only if that we prove it is a successful business model.

Hunter Diamond: Great, that makes perfect sense. So again, thank you for taking my questions.

Operator: Pat McCann with Noble Capital Markets.

Pat McCann: Congrats on the continued growth. I have two questions. The first one has to do with the online learning side of the business. When it comes to the other personal learning courses, do you have any in the pipeline? Are you looking to expand the course offerings here in the short term in fiscal 2024?

Tim Xie: Yes, actually, I think we have a methodology to do the research, market research, and to collect customer feedback in terms of our content development, and also the course development. Basically, we have a pool to run several courses to test the market and also to get feedback from our customers. But only when we prove that the customers likes it, and also, the net results of the ROI is okay, we will extend the scale of such kind of courses. So I think actually, definitely we have a pipeline and we have a solid pool to prepare for the future growth and future revenue growth.

And I think this is our capability, and also which it has been proved in the past 4 years, we can -- and we have -- we are able to launch new courses, which cater to the customers' needs and also can develop our own business position and also our own strength in the market. So in sum, I think we have -- we definitely have the pool for our pipeline, and also we will launch such kind of courses in due course when we think it is probable.

Pat McCann: Okay. Thank you. And then on the ecommerce side of the business, is Chinese liquor -- that's currently obviously, the target market -- are you looking to -- is that something that you want to kind of stay laser-focused on that product offering for the time being, or is that sort of a launch pad to get into other products to market through your ecommerce business?

Tim Xie: Yes, I think for our business methodology, I think the focus is very important. So even though we have a very solid infrastructure in terms of the lasting technology and business model, we should focus on one thing especially after the initial stage of the ecommerce development. So currently, I think this gradually proved its platform and because we can focus this product and focus on the whole streamline of the business operation and the business flow, leveraging our current resources.

Only when the -- but actually, we are trying some small-scale of other kind of SKUs through the livestreaming. But in the current state, focus is Chinese liquor, which has proved successful initially at this stage. I think maybe in the future, we have the capability and we have the platform to enlarge our SKUs and also the product mix. But currently, I think in the short term,

we will focus on this SKU and for new initiative when we prove that it is a big success to launch and we will expand..

Pat McCann: Great, thank you. And congrats again on the quarter.

Operator: Thank you. And as there are no further questions, I'd like to turn the conference back over to management for closing remarks.

Leah Guo: Thank you again for joining our call today. If you have any further questions, please feel free to contact us or submit a request through our IR website. We look forward to speaking with everyone in our next call. Have a good day.

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