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NQ - NQ Mobile Inc. Conference Call to Address False Allegations

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## PRESENTATION



**Operator**

Ladies and gentlemen, thank you for standing by, and welcome to the NQ Mobile Inc conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session (Operator Instructions). I must advise you that this conference is being recorded today, Friday, October 25, 2013.

I would now like to hand the call over to Mr. Matt Mathison. Thank you, sir. Please go ahead.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Thank you. And good morning to everyone in the US; good evening to you in Asia. We appreciate you all joining us on this very necessary conference call to provide you a detailed response to the short report that was published yesterday. We appreciate you joining us on such short notice.

Before we begin, let me read over the obligatory safe harbor statement. This presentation may contain certain forward-looking statements made under the Safe Harbor provision of the US Private Securities Litigation Reform Act of 1995.

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from our current expectations. NQ Mobile does not assume any obligation to update any forward-looking statements except as required under applicable law.

Now, with that out of the way, let me introduce you to the participants on our conference call today. We have our Co-founder and Co-CEO, Dr. Henry Lin. We have our co-founder and COO, Vincent Shi. We have our Co-CEO, Omar Khan; our CFO, KB Teo; as well as our EVP of Finance, Bingshi Zhang.

We also have with us tonight our Chief Strategy Officer, Will Jiang; our Chief Commercial and Product Officer, Gavin Kim; our VP of Business Development, [Jifong Dong]; our VP of Product, [Chico Yong]; as well as many other business product and unit leaders.

After our prepared remarks we will open up the call for Q&A. Let me just make mention that with many Chinese speakers in the room with us during the Q&A session, we may pause for translation, so bear with us.

Now, before we get into the heart of the matter, I want to share with you a few words and perspective. I remember in a college class going over a number of different crisis management case studies. In the early 1980s when Johnson & Johnson found itself in a major crisis, when several people had died from their bread-and-butter drug Tylenol,

I remember a few important things about that case study. First, Johnson & Johnson didn't do anything to be put in that major crisis moment. It wasn't the result of their faulty equipment. It wasn't the fault of poor training or of unclean work conditions.

See, Johnson & Johnson found themselves in that moment, in that crisis, because of someone else's sickening choices to lace some of the Tylenol with cyanide. And people ended up dying as a result.

But the reason that case study is frequently used, is that Johnson & Johnson decided to tackle the issue head-on and speedily. They didn't just recall drugs in one particular state; or even, after they found the case, they didn't turn back production. Rather, they took it off the shelves and ultimately came out with a tamper-proof lid that removed the possibility of that type of heinous crime to be done again, before ramping up production.

They seized the moment. They took full responsibility. They acted quickly. They didn't care about whether or not it was their fault or not.

As I was settling in last night in my hotel in Beijing after a very good day in headquarters here, preparing for our 8th anniversary event -- which, by the way, was a wonderful event and celebration of our eighth year as a Company today -- the news came out.



I sent an email to the team. I texted several other team members. Omar joined me in my room immediately, and we all decided to head into the office. Not just the senior management; not just the capital markets group; but an extended team.

When we got to the office late that night, there was no panic. There was no hand-holding. There was no one feeling sorry for themselves. There was resolve. There was determination. And especially, there was calmness and confidence. See, the truth and the facts are on our side.

As we all broke into our respective product groups and areas and started to work through the many different things that needed to be done to address this malicious and false attack, there was great teamwork.

See, it is in those moments when true colors shine. It is in those times when people, when teams, and when companies set themselves apart.

I am extremely proud to be part of this team. We all collectively feel like the opportunity is finally here, once and for all, to end the constant rehashing of many of the same old concerns and same old questions -- to once and for all change the mindset of the investment community.

As you can already see from our earlier-released press release, we are addressing this head-on and with the attitude of complete transparency. Now, we can't promise you this morning's conference call will be perfect. We can't promise you that we'll be 100% complete with every single allegation that was put forth in this report. It was just merely 14 or 15 hours ago.

But we can promise you that we are resolved to completely and transparently respond to these allegations. We will do everything in our power to answer the questions, to provide anyone with the access and the ability they need to do proper due diligence, independent and third-party.

Whether it is listing out our cash balances account by account; whether it's providing you with the information on all 5,000 of our retail partners in Greater China; whether it's listing out our preload or pre-installed deals for you one by one, you can see that we are not just talking -- we are walking.

Now, we have a share buyback in place. We're ready to use it aggressively. Right now we're in our quiet blackout period. The Board of Directors is working hard on exploring other options and we can utilize to work around this period. We will keep you posted on the matter. There will be other complete and full action.

Now, as I turn our attention to addressing these allegations point by point, let me just make a few other brief comments.

Number one, we welcome investors and analysts and partners to do due diligence on our business, our products and our strategy.

Let us start with the single most important thing -- cash. As already released in our press release, we have provided the bank accounts, the bank names, the account numbers -- obviously, etched out for most of the numbers; but the exact balances.

We will make available in a complete and transparent and conclusive manner, where our cash resides. We welcome anyone, including third party independent sources, the opportunity to verify on your own and check the Company's cash.

Now, given the nature of the report and its intentions, we would expect a response from the authors suggesting that we could easily make up the details of the table of our bank accounts and screenshots. We welcome everyone to verify for themselves the cash balances.

Remember, cash is king. Cash is the ultimate determinant of a business; its prospects; its performance; its reality. NQ Mobile is proud of its strong balance sheet and stands ready to show its cash to anyone seeking to verify its validity and existence. It is the cash that matters. It is the cash that definitively stands between the false and misleading allegations and the reality of our business.

Finally, one other point about the cash is in regards to the classification of cash and term deposits as Level 2 assets. This is entirely consistent with US GAAP's guidance of fair value measurement.



For fair value measurement, US GAAP establishes a three-tier hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1 -- observable inputs that reflect quoted prices, unadjusted for (inaudible) assets. Level 2 -- other inputs that are directly or indirectly observable in the marketplace, like term deposits. Level 3 -- unobservable inputs which are supported by little or no market activity.

The report tries to put fear into our investor in the capital markets community by suggesting that a Level 2 asset is something to be worried about. In fact, it is not.

Based on this proper guidance, we reclassified our cash and cash equivalents as term deposits from Level 1 to Level 2 in 2012. This approach has been very similar and followed by many other peer companies both in China and out.

Regardless, cash is ultimately the king. It is either there or it is not there, and we welcome everyone to verify it independently.

Now, moving on. As we go through the report in each of its sections, each -- we will have different members communicate this with -- I'm going to take the first section.

The report states -- the vast majority of NQ's China revenue is fraudulent. I'm going to talk about the Yidatong section. We have clearly and completely disclosed the relationship with Yidatong in our public disclosure documents as well as directly via Company response to a previous short allegation report, that this particular report cited many times.

One of the main topics raised in the report is about the many quote-unquote ghost addresses, as purported evidence that the Company either is not real or is, quote, actually NQ, unquote.

Many companies have operational addresses that differ from where their registered addresses are. This is similar to a US company that incorporates in Delaware and has office addresses in Delaware; but if one were to go to those addresses they would find no such employees or operations of said company. This is similar to a Cayman or a BVI structure corporation or business as well.

In the case of Yidatong specifically, SPs are required to have registered entities at each province where they have carrier contracts. SP contracts renew annually, with some of the main requirements including steady performance of revenue, minimal complaints, as well as an office registration in the province.

Since most settlement activities actually occur via automatic billing systems, many SPs only have registered office addresses without actual employees or staff in those locations. Given the report's lack of understanding generally with regard to the SP business model, it would be understandable to be confused or question these different types of address locations.

To make this easy for anyone wishing to do their own due diligence or background work on Yidatong specifically and independently, we are providing their operational address here. By the way, this operational address has been given to others who have decided to do proper due diligence on companies in the past. Anyone can do this meaningful due diligence and can actually visit their operating facilities, not just their registration offices.

The office of Tianjen Yidatong Technology Development Company is located at Beijing Fengtai District South 4th Ring, No. 188 West Road, Headquarter Center District, 16 No. 20 Building, 3rd Floor.

Now, again, we will make this available for anyone who wants to -- it's -- as I know, it's difficult to write that down as I'm speaking.

Another key point that the report misstates is related to Yidatong's SAIC [5] financials and the \$2.9 million revenues for 2012. The report concludes that Yidatong needed to generate at least \$20 million -- \$20.2 million in revenues to, quote-unquote, match up with NQ's disclosed revenues from this channel during that year.

Very similar to our business, or many other similar businesses that report net revenues, Yidatong reports net revenues associated to the portion that would be earned by them for their services, and not the gross amount that is being passed through the carriers on behalf of the developers like NQ.

In fact, we have approximately \$20 million in revenues flow through Yidatong in 2012, as fully disclosed in our financials, and Yidatong's portion or their net revenues from NQ would be in the mid to high single digits, given our contract with them, which again we have also disclosed. The SAIC financials actually confirm our revenues, and Yidatong's position with NQ as well as their other customers as well.

The report continues to suggest that because it subscribed to and paid for NQ Mobile's apps via carrier billing on 17 different prepaid SIMs in order to see whether Yidatong shows up as the service provider, it must be a sham counterpart.

NQ has an intelligent business and operations support system that's able to offer an effective billing channel for any particular subscriber base on carriers, carrier plan, et cetera. We have diversified channels covering China as well as international markets. A sample of 17 phone numbers is hardly convincing evidence. Yidatong is one of the channels, an important one, that we collect payment from.

The report alleges that the loan contracts between Yidatong and NQ are suspect. Interestingly, as a Company we have voluntarily disclosed each such contract in its entirety. Yidatong has paid in full all such contracts, on time and on the agreed-upon terms. Our decision to disclose such regular business contracts is further evidence that we go out of our way to be transparent about this relationship.

As for the report's lack of understanding related to the industry and how SPs are needed and utilized, let us restate some facts. Carrier billing proves to be the most effective micro-payment method for amounts less than CNY10. Most in-app purchases for games, music and books are settled using carrier billing. Google Play adopts a similar approach internationally by working directly with the carriers.

This is even more so evident in China, as most of the app developers who do not have a direct relationship with the carriers, leverage SPs as an effective payment channel. Online payment companies are mostly used for e-commerce purchases for transactions that are greater than CNY100.

Besides this, from a business standpoint, removing or reducing additional steps to pay for an app is a sound business decision. Utilizing other payment methods, adding unnecessary friction and additional steps to make payment, which result ultimately in reduced user acquisition.

NQ did receive its own SP license from the MIIT in 2007. However, we maintain that it's better to utilize third parties whose entire business and organization is around the SP process. We're able to leverage this knowledge and pricing and support better, by using third parties who are entirely focused on that particular job function.

One factor of the business that the report shows a clear lack of knowledge about, is related to the relationships between the content partner and service provider. NQ has a very deep and good relationship with Zhejiang and Shanghai carriers.

As one of the biggest content partners for Yidatong, as clearly disclosed, NQ is required to be notified when there are customer complaints. In order to better facilitate customer support via those channels, we leave our contact information with the carriers in addition to Yidatong.

Additionally, we have provided certain operational support for Yidatong in regional business areas, including hosting email support. Again, this has nothing to do with the contractual relationship between NQ as a content provider and Yidatong as a service provider.

The last paragraph regarding Yidatong might be the most telling of the nature of this report and its intentions. The citation of an endearing microblog exchange just prior to NQ's IPO, between two individuals, as some form of evidence for something illicit or ludicrous, is something that we find disgusting. Being excited and proud about the company, NQ going public, is neither a suspicious behavior or worth of such egregious allegations.

Now I'm going to turn the call over to our co-CEO Omar Khan, who is now going to go over, you know, more parts of this report related to third party payment channel and prepaid cards. Omar?

**Omar Khan** - NQ Mobile Inc. - Co-CEO

This report raises some questions that have existed in previous attacks, that being our market share and user totals in China. The Company breaks down the specific number of users, pre-installs, prepaid, and handsets for each channel of acquisition. And for each region, including a complete list of retail points in Greater China.

We have never before disclosed this information for competitive purposes, but will be completely transparent about all of these channels of users, and will open up this information for anyone who chooses to engage with us and continue due diligence.

As far as prepaid cards go, NQ Mobile has over 5,000 locations selling our prepaid cards in China. The report only sampled two retail shops provided. Additionally, online sales of prepaid cards have never been a method of collecting payment. So, the report's allegation regarding that channel, do not follow the basic understanding of our business.

We welcome all investors to conduct their own due diligence. As we have always said, the China market is highly fragmented, and we utilize many different channels for customer acquisition.

We have three main distributors that cover 5,000 stores and we sell approximately 600,000 cards per month, mostly 3-month cards, at an average ARPU of CNY11, net to NQ. Again, at an average ARPU of CNY11, net to NQ. We will openly share this list of distributors and retailers with anyone that would like to conduct their own due diligence on this business.

Moving on to pre-installation. There are over 350 million smartphones sold in China annually. NQ Mobile has pre-installation agreements with an expansive range of respected and important handset [manufacturers].

I will go through the July sample of the total pre-installation activations by exact smartphone model in China. We can make more of this data available through direct due diligence, but I'm giving you a sample.

You will notice that we have a remarkable channel of customer acquisition via the preload relationships in China. This type of acquisition channel is completely missed by the report's research methodology and analysis.

The complete list of pre-installation devices by model number and activated or registered users of those devices, equals -- totals, for the month of July, 3,547,760 registered users acquired from that channel. That number is made up by 63 different handsets.

I'm going to read the top ten, just as a sampling. The GT-I9300 accounted for 258,956. The GT-I9100 accounted for 134,321. The GT-S5360 accounted for 128,814. The GT-I9500 accounted for 115,486. The GT-S5830I accounted for 98,137. The GT-S7562 accounted for 97,035. The GT-97100 (sic - GT-P7100) accounted for 88,307. The GT-I9082 accounted for 73,257. The GT-I8190 accounted for 72,124. And the GT-I9070 accounted for 67,715.

You can just see that there -- this is just a sampling. We have incredible data on our channels. And there is a long, long list available for anyone who chooses to do due diligence on our partner channels. I've been and have worked for OEMs for the better part of my career. And we have strong OEM partners and channels.

Let me move on to carrier prepaid cards. NQ Mobile has signed an agreement with [One Nine Pay], one of the largest carrier prepaid card space payment processor in China since the year 2008. The claim that we only recently just started the prepaid card carrier -- the carrier prepaid card billing -- is just flat-out false, given this history.

Moving on to customer support. NQ Mobil's customer support team is responsible for product and technical troubleshooting, and post-sales support for existing premium customers. Providing presale support or direction to the nearest retail location, is not part of the training that the support staff receive. Given the expansive and fragmented retail marketplace in China, expecting a support staff that is trained to provide technical assistance or post-sale support for users, is quite difficult.



Of course, the report's findings related to our customer support training is helpful, and as we are always working on improving, we now have some additional action items from this to enhance the scope of our support staff training.

I will now hand the call over to our Chief Commercial and Chief Product Officer, Gavin Kim, who will touch on the technology side.

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**Gavin Kim** - NQ Mobile Inc. - Chief Commercial Officer & Chief Product Officer

NQ Mobile was one of the first software companies to focus on mobile security, specifically in the domain of malware and security on smartphones.

NQ has a longstanding history and expertise in this space, and NQ vigorously and unequivocally reaffirms the approach that NQ takes to provide mobile security protection for customers on smartphones globally.

Several points are cited as being problematic in the approach that NQ takes in providing mobile security, with no effort to state the source or the pedigree of the quote, top-flight, unquote, software engineers contracted, notwithstanding that these engineers were likely compensated for their services.

First, customer private data. NQ unequivocally denies that customer identifiable and sensitive private data is transmitted and maintained in China.

Our NQ Mobile Security 7.0 software maintains strict caution on transportation of non-China consumer private data to China. NQ has always been very clear on this, and has gone the extra step to have sought -- also sought TRUSTe privacy certification, seeking their expert guidance in this particular area, as the protection of our customers' private data is important to NQ and to NQ's business.

The report claims that NQ Mobile Security 7.0 specifically collects and uploads a copious amount of consumer private data and creates a risk to users' privacy because of the amount and type of data collected, as well as the sensitivity of the specific data that the report claims NQ collects.

And then there is the reality of NQ Mobile Security 7.0. We will be explicit and clear about what information we do and do not collect, why we collect it, and where we store it.

The report claims that NQ collects the following data. SMS, MMS, email, contacts, call logs, call conversations, location information, phone number, IMSI, IMEI, ICCID, ESN, phone model, applications list, analytics, favorites, network connection, and downloading.

This is a very large list. Let me be absolutely clear about what NQ Mobile Security 7.0 collects. We collect contacts, phone number, IMSI, IMEI, ICCID, ESN, phone model, and the applications on the phone.

Let me further provide additional clarity on where and how we use the data that we collect.

First, contacts. NQ does collect contacts. It is used to provide a contacts backup service in the United States. Data does not leave US borders and is maintained specifically on Amazon Cloud.

The phone number and related hardware data, IMSI, IMEI, ICCID and ESN, NQ does collect. This information does make it to our China data center. It's used specifically for billing and application authentication purposes only.

Phone model. NQ does collect phone model. This information is used to aid in application optimization on various device models, and it is also maintained in our NQ data center in China.

Applications on the phone, This information is collected by NQ Mobile Security 7.0. It is used to provide cloud scanning services conducted in the United States. Data does not leave the US border, and it is also maintained on Amazon's cloud.



Let me be clear that NQ is and has always been transparent with customers about the data we collect, as well as maintaining strict controls about where we store that data. Our process is aligned with our privacy policy, and most importantly, adheres to the standards that NQ expects from its own business, and also that of experts in the industry.

Next, cloud engine and data transport to China. NQ has always been very transparent in methodology and the capabilities of NQ Security's core technology and the approach that NQ takes in the architecture of our security platform.

NQ deploys our security engine and technology capabilities through a cloud and client configuration. The use of NQ's cloud, in fact, is considered one of the absolute strengths in NQ's core technology, and several patents have been filed in this area, including some recent research that NQ (inaudible) developed and published, working with NC State in 2012, that we call our risk rank algorithm.

NQ's cloud engine, which is located in NQ's data center in China, supports virus detection on a global scale. That data that is used -- the data that is used, specifically applications, is anonymized for use for cloud detection purposes only, and is disaggregated from any personally identifiable customer data altogether.

Furthermore, data that is specific to a phone number or device -- IMEI, IMSI, ICCID, ESN, which we do transport to China -- is used specifically and only for purposes of billing, and are for premium-paying customers only, which is done in our NQ data center. NQ's data center houses NQ's BOSS system -- Business Operations Support System -- which provides global billing and authorization services.

Next, let me turn my attention to TalkingData. The report also refers to the sharing of data with TalkingData. TalkingData is a company very similar to a better well-known company known as Flurry.

TalkingData is a co-partner of NQ Mobile. We have a contracted relationship with them and they provide global industry-level reporting as well as application optimization, much in the same way that Flurry does with other companies.

Next, let me turn my attention to uploading malware to use with phones. It's a common process for companies to update software from servers. In fact, this is a state-of-the-art behavior for many application providers, and NQ does not use this approach uniquely. The common practice followed and one strictly adhered to by NQ's own internal policies and NQ's customer-first philosophy, is that the user must acknowledge and accept a particular update.

Without such acceptance and explicit permission from the user, our service cannot independently execute or remotely execute code on a user's device at NQ's own will.

Next, I'll return my -- I'll turn my attention to Virus Broadcast data. The report claims that NQ is attempting to trick users by sharing the latest two viruses reported in a feature called Virus Broadcast. Unfortunately, the report simply does not understand what the function is intended to do.

To be clear, on installation, NQ Mobile Security 7.0 pre-installs a virus database on the device. With that installation, NQ also prepackages the latest virus broadcast feed, which is for informational purposes, as well. Packaging this with the installation file avoids then, for the user, to have to separately download another file after install.

This is a free service for users to see what the latest viruses are that have been recorded in our database globally. It is not specific to any particular user's device. So, on installation, Virus Broadcast will show the user the latest two viruses in the virus broadcast at the point of installation. After the database is updated, the virus broadcast will update as well, with the latest information.

Next, let me turn my attention to the application NQ for Men. The application cited as NQ for Men was originally created in 2011 as a marketing test application that was based on an older version of an app that we now call Call Blocker.



This was one of several apps that were test-marketed, and features were split, to create the current Call Blocker as well as other apps like NQ Vault. The intent of Call Blocker is to whitelist and blacklist callers. Vault -- NQ Vault, on the other hand, was marketed as a privacy tool to create a safe place for personal content.

What NQ has found is that everyone has something that they consider personal on their phones. A study that NQ conducted in 2012 showed that 87% of consumers have content on their own devices that they'd rather keep private. This included family photos, roughly 52%; private contacts, 52%; office documents, 40%; text messages, 35%; and media, 31%.

NQ had found white space and a large opportunity for introduction of new product. It's no secret that NQ Vault has become an incredibly successful product for NQ globally. The report does not seem to understand or appreciate the value of creative marketing or even how software companies can test a market before wholly investing, marketing and further development.

NQ's interest in this effort is, rather, quite simple. We wish to grow traffic and users with little incremental cost to the business, and spinning test applications like this is an easy way to de-risk further investment or to better tune applications as we bring them to market. NQ does not have an issue with this; nor do we understand the report's concern with this particular effort.

Next, I'll return my attention to black hat search engine optimization. NQ unequivocally refutes the allegations by the report that NQ owns the domain addresses referenced in the report. NQ will share our complete list of domain addresses that NQ owns and uses in our business globally, to those who would like to conduct their own due diligence on our business.

The natural question that may be asked, then, is, what is the motivation for owners of these domain names to redirect traffic to NQ? It is our hypothesis that individuals or companies are interested in selling these domain names to NQ after demonstrating that they are successfully delivering page views.

Well, this is only a hypothesis. This kind of behavior is not unique in the mobile industry, or the web for that matter. NQ cannot control the behavior or actions of other parties. This allocation is groundless.

Next, let me turn my attention to the report's claims around NQ's international revenue. The report claims that North America and Europe are the largest markets for consumer security products. We believe this shows the research's lack of industry understanding.

The other claim in the report is that service providers -- SPs -- are not generally used in these markets. Again, we find value and differentiation in these channels and will provide a list of some our best SPs by region to those who wish to conduct their own diligence -- to conduct their own due diligence. These have been important markets for us, and this has also been sensitive information to NQ, but we will make this available to those who are interested.

I'm now going to hand the call over to Will, who will address NQ's acquisitions.

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**Will Jiang - NQ Mobile Inc. - Chief Strategy Officer**

Thank you, Gavin. In fact, it borders on ridiculous to have to comment about companies that we've acquired, that have to be proven to be wildly successful, like FL Mobile, NationSky, as well as Hesine. But in the spirit of transparency, we will comment on these acquisitions we made, detailed in the report, and provide some extra insights.

Regarding FL Mobile, in fact we have over nine games in the top 100 grossing board in the iTunes App Store from July to September of 2013. We're happy to share with you each game's title as well as their developer information, with all the investors.

Now, according to Pocket Gamer, Red Infinity was actually rated as a top-30 independent game developer in China. They had numerous hits in China as well as the international market on the iOS platform.



Mr. [Jung Niau], in fact who is sitting in this room with me right now, is the founder and CEO of Red Infinity. He has an undergraduate degree in computer science, and prior to founding Red Infinity in the year 2010 he was a programmer at Inventec, responsible for PC driver developments.

Mr. [Shei Bintang] is an early investor as well as an important member of the development team. Prior to joining Red Infinity, he was a senior animator at an advertising firm called [5DS] which developed TV programs for large TV stations. He is still actively and remains with Red Infinity, and he is responsible for animation and computer graphic special effects at the company.

The report calls these entrepreneurs villagers, which is very offensive and racially discriminating. Again, it points to the kind of research and purpose that was behind this outrageous allegation.

Red Infinity's registration capital has nothing to do with its success in the mobile game industry. If you go to a very reputable third party research site, App Annie, you will find links to the top-grossing games that Red Infinity has developed in the past, including a game called Bear Coin Push, before the time of acquisition, which peaked at top ten in over ten countries in the grossing board.

Going on to Hesine. Hesine is a joint venture between MediaTek and NQ Mobile, which we have discussed a number of times and provided updates over the past year.

In fact, in our most recent conference call regarding the last -- in July, we just provided an exciting update on the successful ramp of the iSMS platform for messaging, and that the daily active user with this application is nearly 2 million per day. We're very excited about the messaging platform going forward, given the strong relationship and partnership with MediaTek.

The number of smartphones that will deploy many MediaTek smartphone chips as solutions, including the [iSM] platform on top of it, is something that will be potentially exciting for us going forward.

Last, NationSky. The combination of NationSky's strong sales and channel support team, and the [treasure path] as a key BlackBerry (inaudible) value retailer to the Fortune 500 companies in China, and NQ's strong IPM product solutions including the NQ Sky platform, are very exciting and rewarding to have them as part of our business.

In the report, there was also mention of our CEOs' quotes, from Henry and Omar, on advertising. Now, the vision for NQ Mobile, is to become a true global/local Internet platform company, and this has been our vision from the very beginning.

Security is a fantastic heritage and our backbone. Gaming and advertising are both important parts of our growth strategy going forward. In fact, just last week we just announced a new product, NQ Live, that will (inaudible) our platform of products and advertising, which will play a very important role going forward.

We've rarely seen a platform business that does not expand its product and offering, especially from the core or original product or service offering. Trying to make the case that our platform has expanded, and thus the business is a fraud, is careless and false. With that, I'd like to pass the mike back to Matt.

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**Matt Mathison** - NQ Mobile Inc. - VP, Capital Markets

Sure. Thanks, Will. Before we conclude, Dr. Lin actually would like to make some closing remarks. Following his statement, we will then turn the call open for Q&A.

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**Henry Lin** - *NQ Mobile Inc. - Co-Founder, Co-CEO*

Okay. I'm Henry Lin. We are resolved and we are determined, of great confidence we have the truth on our side. NQ Mobile has always (inaudible) through all its challenges. I think it's another opportunity to come out stronger than ever. We are committed to answering all these report allegations truly.

NQ Mobile will definitely [still] become a great mobile Internet platform company in the world. Thank you for [support].

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Thanks, Henry. As we conclude, we welcome everyone to do as much due diligence as they wish on our Company. The report brings up many of the same rehashed issues about Yidatong, market share in China, brand recognition, acquisitions, et cetera.

The Company will take all appropriate legal action to defend itself against these allegations and to protect the interests of shareholders. The report misstates and misunderstands specific operating data, financial reporting, and general business practice, and makes severe allegations against the management team, its directors and Company, which are false and baseless.

With that, Operator, we'd like to open up the call for Q&A.

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## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions). Jiong Shao, Macquarie.

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**Jiong Shao** - *Macquarie Research - Analyst*

Thank you very much for taking my questions. Thank you for the entire management team who has been, you know, working non-stop for the last 24 hours to address these questions. I really don't have any left, since you answered many of them so comprehensively.

The only thing I want to follow up on is that I think you mentioned that you are currently in blackout to buy back shares. Do you have a rough date for your earnings report, and at what time specifically the blackout will be lifted?

And in the interim, is management considering some other alternatives to potentially address the -- some of the capital market actions? Thank you.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Thanks for your question, Jiong. We've announced that we will be reporting our Q3 results -- financial results on Tuesday, November 12, after the market closes. Typically blackout period, then, 48 hours after a financial report.

And again, the Board of Directors is currently working on finding other solutions. And we will keep the marketplace updated in real time if other solutions are had, that enables us to participate in a share repurchase during the blackout.

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**Jiong Shao** - *Macquarie Research - Analyst*

Okay. By the way, I think everybody on this call really appreciate you guys being super-transparent -- this -- we all understand it's a lot of work to provide all the information, but that's very much appreciated and helpful to all of us on the call.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Anytime. Anything we can do to help. We will continue to be transparent.

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**Operator**

Mark Murphy, Piper Jaffray.

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**Mark Murphy** - *Piper Jaffray - Analyst*

Omar, just to clarify, the top ten handsets that you listed with the user -- I believe they were user acquisition volumes for the month of July. I believe those were all Samsung Galaxy models. Is that correct? And can you just repeat and clarify exactly what was it that that list signified? Because I missed the details or the explanation on just what that was.

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**Omar Khan** - *NQ Mobile Inc. - Co-CEO*

Yes. Many of those are -- well, they're different manufacturers, but there's many of them represented from Samsung. And they represent pre-load that are actually a registered users. But, go ahead.

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**Will Jiang** - *NQ Mobile Inc. - Chief Strategy Officer*

Mark, this is Will. Hi. I'd just like to clarify the pre-installation figure we shared. These are the actual installations that occur at a distribution level. So, these are independent from the OEM consolidation contract that we have with other well-known OEMs.

So, the list -- the number that we shared are on top of other previously-existing OEM contracts that we have at the OEM level. So, the number we're sharing are the pre-installation resulting the actual number of registered user at the point of distribution.

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**Mark Murphy** - *Piper Jaffray - Analyst*

Okay. Thank you. Thank you. I appreciate that. And could you respond to the allegation that NQ's payment portal is cosmetic in that attempts to make payments using Alipay, Tenpay, et cetera, were unsuccessful and the allegations that Alipay and Yeepay, you know, might have stated that NQ is not a partnering merchant?

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**Will Jiang** - *NQ Mobile Inc. - Chief Strategy Officer*

Well, we've already shared -- actually, what we just -- we refuted his claim in our call earlier. Essentially, SPs are actually the most effective way of micro-billing for amounts that are less than CNY10.

Now, for services such as Yeepay and Alipay, which are traditionally used for e-commerce purchase -- now, these are classified -- are amounts which are greater than CNY100 usually.



Now, in the case of most application developers who develop games, content providers such as music and books, we all use carrier billing at the multifactor channel.

Now, with that being said, [that does not say] we do not have any user subscribing to our service, using such a service. Now, of course, because of these insignificant amounts that being incurred from this channel of payments, we've never disclosed the actual percentage, which is very insignificant compared to the traditional SP billing channel, as was the prepaid card that we're shipping to over 5,000 retailer locations.

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**Mark Murphy** - Piper Jaffray - Analyst

Okay. And regarding the classification of cash as a Level 2 asset, I believe you've clarified why you've done that. I guess my question is, given that this is apparently now causing concern, could you or would you be able to have the cash reclassified to a more common definition, or perhaps just to get it back to a Level 1 definition to kind of dispel some of these concerns, whether they're warranted or not?

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**KB Teo** - NQ Mobile Inc. - CFO

Mark, this is KB here. I think it was mentioned that in comment, but actually, this practice of classifying some of this assets Level 2, especially, you know, has also been adopted by quite a number of Chinese companies listed in the US.

So, from our perspective, I think when we do that assessment, I think we'll, you know, basically look at the -- you know, using the guidelines that's been provided by the US GAAP, and then make the judgment.

So, you know, from the point that, you know, a lot -- a number of other companies have also adopted Level 2. So, to watch -- that's not something that -- you know, we will consider what you say, but I think when we do it for the full year next year, I think it really -- we'll be guided fully by the guidelines.

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**Mark Murphy** - Piper Jaffray - Analyst

Understood. So, just for those of us who don't have full awareness of the -- I guess, the cash classifications for a broad swath of China-based companies, the - relative to the report, I think, stating -- I believe, stating that it had never seen this before -- had never seen cash as a Level 2 asset -- could you possibly subsequently provide us a list of the other companies you're referring to, that have classified that as a Level 2 asset?

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**KB Teo** - NQ Mobile Inc. - CFO

Yes. I think you know the companies like Perfect World, [Chonyo], and I think there could be a couple of others. But I think if you need a longer list, I -- we're to happy to provide, after the call.

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**Unidentified Speaker**

Yes.

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**Mark Murphy** - Piper Jaffray - Analyst

Yes. Okay.

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**Matt Mathison** - NQ Mobile Inc. - VP, Capital Markets

Mark, this is Matt. I make two other [company] -- yes. As KB said, Perfect World; [Chonyo]; Sina; Sohu. Right? These are all companies that I think many investors are familiar with, that have their cash classified as Level 2.

I think the important distinction to make -- actually, there's two important distinctions. Number one, this is not a classification downgrade from a conservative standpoint, which is what the claim was trying to make.

But, number two, I think most importantly, the allegation hinted at, oh, this might mean that our cash has been wealth management product -- you know, products where there has been recent news about wealth management products and their safety, and their legitimacy, and things like that.

And -- just categorically, as a Company, we do not keep any of our cash in wealth management products. These are term deposits. And -- getting the 2% or 3%. You can actually see the interest rates we're getting on those term deposits in the press release where we list out the bank account numbers with their actual interest rate. Getting that, as opposed to far less than that, given our cash balance. You know, it adds up, and it makes a tremendous amount of sense.

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**Mark Murphy** - Piper Jaffray - Analyst

Okay. Thank you. I appreciate you taking my questions. Thank you very much.

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**Matt Mathison** - NQ Mobile Inc. - VP, Capital Markets

No problem.

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**Operator**

Brian Chen, Clough Capital.

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**Brian Chen** - Clough Capital Partners - Analyst

Thank you, guys, for hosting this call. I have a question regarding Yidatong and the relationship of Rong Xu (sic - Xu Rong). You know, they make certain allegations that YDT is actually an NQ company. Could you go into a little bit more detail on that relationship?

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**Matt Mathison** - NQ Mobile Inc. - VP, Capital Markets

Yes. Absolutely, Brian. Appreciate your question. Yes. Xu Rong -- I can get you exact details. But she was an employee of NQ. In fact, on a previous short report that came out, I provided a very detailed look at her employment.

I can give you the exact start date; end date. I can give you all the details that you want. If you just hold, I'll pull that up for -- if you want it right now. Just give me one moment.

So, Xu Rong became an NQ employee on September 1, 2006. She resigned from NQ on December 31, 2008. I know the report hinted at some large ownership position in NQ, which was not true.

As an employee in the early days she was granted stock options. The total was 400,000 stock options. Those are ordinary shares, so you have to divide them by 5 to get to the ADS shares, just so you're working on apples to apples. But when she left NQ she became a majority owner of Yidatong and owns 75% of that business now.

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**Operator**

[Amy Luvouse, Brigg Corp].

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**Amy Luvouse - Brigg Corp - Analyst**

Well, you've answered most of my questions. I really appreciate that very much. I'm particularly interested in the potential for buying back the shares that I own.

And I heard you say that the blackout will last 48 hours, and then I saw a message coming from a newscast on the computer that you will be announcing a potential buyback if needed. How would that happen?

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**Matt Mathison - NQ Mobile Inc. - VP, Capital Markets**

Sure. I'd be happy to clarify that for you. We have in place currently a \$35 million buyback, of which we've already bought, I think, a little more than \$3 million of. So, we still have the vast majority of that buyback authorization in place.

We are currently in a blackout period. We will be in that blackout period until we report earnings on November 12. And then the open window occurs 48 hours after the earnings report.

So, what I -- what we've stated as a Company is, we will aggressively buy back shares. And even though we're in the blackout period, the Board of Directors is looking for other ways in which we might be able to buy shares. There's different ways. There's, you know, a pre-bought types of conditions and things that the Board is considering as well.

So, like -- I made it clear that we will keep everyone posted on that as we move forward. But we have a buyback in place and we intend to use it aggressively.

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**Amy Luvouse - Brigg Corp - Analyst**

Thank you so much.

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**Operator**

[Tariq Reid], Deutsche Bank.

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**Ro Bawa - Deutsche Bank - Analyst**

Hi. This is Ro Bawa from Deutsche Bank. I have a question for the entire Board. Will you be buying back convertible bonds that were recently issued to our investor base?



**KB Teo** - *NQ Mobile Inc. - CFO*

On this question, I think the concern would still be that we are still within the blackout period. So, I think in the post-blackout period, as what Matt mentioned earlier, for the [outlets], then we will be able to do that. So, that's something we will consider will be one of our options.

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**Operator**

Martin Wells, Wells Asset Management.

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**Martin Wells** - *Wells Asset Management - Analyst*

It's regarding the classification of the cash balances, and in particular of those then classified as Level 2. You mentioned previously some other Chinese companies such as Sina, Perfect World, that also use Level 2 classification.

But looking at, for example, Sina, they've got some Level 1 cash; whereas, looking at your most recent 20-F on both December 31, 2012 and 2011, you don't have any Level 1 cash at all. I'm wondering how you can operate your business without having any cash at all that's on hand.

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**KB Teo** - *NQ Mobile Inc. - CFO*

(Inaudible) Level 1 --

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Remember, a cash balance is reported and captures the snapshot at the end of a quarter. Right? We obviously have operating cash flow and our business is very profitable. So, it's a snapshot given at the end of any given quarter.

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**Martin Wells** - *Wells Asset Management - Analyst*

Sure. But, is that the indication of your balances at every other day of the year, or in terms of having no Level 1 cash?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Sure. Can you repeat your question? I'm sorry. The line is very scratchy right now.

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**Martin Wells** - *Wells Asset Management - Analyst*

Sure. I'm just wondering -- you mentioned that that cash is just at one particular date of the year. But, do you hold Level 1 cash 364 days of the year, and then at December 31 move it all into Level 2?

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**Unidentified Speaker**

(Inaudible).

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Sorry, we're translating right now in -- for Chinese. Just one second.



All right. Thanks for waiting. So, again, it's -- I think there's a misconception about what Level 2 cash is. Level 2 cash is still usable. And in fact we operate our business with Level 2 cash very regularly.

Again, there is this perception that this report has put out, that Level 2 cash is somehow either risky, or not usable, or not readily available, which is not the case. This is just a regular classification that US GAAP has endorsed, and that's it.

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**Martin Wells** - Wells Asset Management - Analyst

Sure. But looking at your 20-F, you've mentioned, for example, under term deposits -- and I'm reading from your 20-F here -- term deposits are time deposits with maturities over 3 months. These time deposits are classified as Level 2. And that represents, for example, \$101 million out of \$127 million.

I'm just wondering, if you're holding such a high proportion of your cash in time deposits, how can you have enough cash on hand to run the business?

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**Matt Mathison** - NQ Mobile Inc. - VP, Capital Markets

Again, term deposits are readily usable for operating the business. Oftentimes in less than a day.

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**Martin Wells** - Wells Asset Management - Analyst

But even if they've got a maturity (multiple speakers) --

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**Matt Mathison** - NQ Mobile Inc. - VP, Capital Markets

And the second part to that question is, we have great operations from cash flow. Yes. Go ahead.

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**Unidentified Company Representative**

Cash flow from operations as well.

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**Operator**

All right. Thanks.

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**Matt Mathison** - NQ Mobile Inc. - VP, Capital Markets

Operator, did we lose him? I just -- just to repeat again, there are many companies that have 100% of their cash classified as Level 2.

Again, Sohu is one of them. Perfect World is another one. You know, Sina's an example that has a portion of it in Level 2; but anyway, again, I think the misconception is somehow that Level 2 cash is not usable in real time, and that is a misconception.

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**Operator**

Jiong Shao, Macquarie.



**Jiong Shao** - *Macquarie Research - Analyst*

Thank you for taking my follow-up question. While we have the whole management team here, because the Company now has, sort of like, evolved a bit away from being a -- just a security player. You recently launched a few products such as Music Radar; such as (inaudible).

Maybe I was hoping to take this opportunity to ask a question (inaudible) -- where you see -- what's a -- and also, Muddy Waters attacked a few products. I was wondering, what's your product pipeline may kind of look like in the next couple of years? The eventual platform -- what it will look like. Thank you.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Well, I mean, obviously, we can't disclose exactly what our product pipeline is, but we have talked a lot about the investment that we've made in R&D and intellectual property, and we have unveiled -- even today, at our 8-year anniversary, we talked a lot about our future strategy. I'll talk a little bit about a couple of them.

One is a product we've just recently announced this week, which is NQ Live, a product platform that allows us to enable, you know, always-on, fully immersive engagement from the home screen in an open platform methodology, that opens it up to third party content providers, developers, carriers, OEMs, et cetera. And we've already built a very strong ecosystem for that.

So, you can see that when it comes to user engagement, that is a very valuable product which is capitalizing on very, very valuable real estate, which opens up lots of monetization schemes as well as an opportunity to drive further, deeper engagement with consumers. Advertising becomes a much larger component of monetization in that environment.

Another area that we've talked about quite a bit is search. We demonstrated today at our 8-year anniversary, not only the manifestation or the packaging of our audio search technology into Music Radar, which is the first application using that technology, but also image-based search technology that will allow us to connect images captured from the camera to connect people to merchants, products and other types of advertisers. So, these are just areas that, from an innovation perspective, are driving some of our future product pipeline.

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**Jiong Shao** - *Macquarie Research - Analyst*

Okay. Great. Thanks, Omar. Now, if I could, I want to follow up one other thing. I think a few questions are being asked about your cash already on the call.

I was wondering -- you have -- NationSky business is all -- your customers are large enterprises. And when you sell to these large enterprises for your MDM products and other products, there has to be some sort of vetting process going -- you know, you vet them; they vet you. Could you sort of elaborate on that process a bit, just so we have a better understanding?

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**Gavin Kim** - *NQ Mobile Inc. - Chief Commercial Officer & Chief Product Officer*

Yes. Hi. This is Gavin. Most of the large enterprises that we sell to -- they do follow a classic RFP process. The RFP process is one that's used quite universally. It's used in China. It's used in the United States. It's not only just about technology and core product capabilities, but it is a balance sheet review, also ensuring that the company has sufficient longevity and it's an ongoing concern.

So, that is part of any process that we generally do have to follow. And again, that is something that is not unique. China's not unique. The United States [is] a very universal process, especially in large bids.

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**Jiong Shao** - *Macquarie Research - Analyst*

Right. Right. Okay. Could you remind us, how many large enterprise customers you have with your NationSky business?

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**Gavin Kim** - *NQ Mobile Inc. - Chief Commercial Officer & Chief Product Officer*

Well, right now, regarding mobile services, we have over 1,200 large enterprises with employee over several thousand. And with regard to MDM, we've said on previous earning calls that we have over 20 customers that are using our NQ Sky platform.

And once again, our pipeline are very strong. We are -- expect to see larger deals coming through the pipeline for the rest of the year and into the next. So, we also have plans for continuous updates for our NQ Sky platform as well.

In fact, at our 8th anniversary celebration this year, we've just announced our new strategy in terms of entering into verticals such as finance and mobile healthcare as part of our vertical industry focus for the enterprise business.

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**Jiong Shao** - *Macquarie Research - Analyst*

Uh-huh. Okay. I recall GE access -- GE Healthcare, sorry, is an MDM customer. Could you sort of highlight a few other sort of flagship customers -- customer wins for the MDM business?

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**Gavin Kim** - *NQ Mobile Inc. - Chief Commercial Officer & Chief Product Officer*

Sure. GE Healthcare is actually a partner of ours that work with us for one of the large hospitals in China. In addition to this win, we also have, for example, Anbang Insurance, which is one of the largest insurer in China.

In addition, we also have several banks. We have state-owned banks adopting our solution. And, as I said, the -- [IPPT], for example, is also a customer of ours, as well as [PIPC].

So, as you can see, we really see that banks, financial services, as well as insurance industry, stands out as a vertical for us. So, going forward, we will see more and more of applicable usage cases for the finance industry.

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**Jiong Shao** - *Macquarie Research - Analyst*

Okay. That's great. They must have vetted you pretty in-depth before they signed you up, obviously. Okay. Thank you very much for taking my follow-up questions.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Thanks, Jiong.

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**Operator**

William Huang, Barclays Capital.

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**William Huang** - *Barclays Capital - Analyst*

I have a -- one question about your security products. Because Muddy Waters claimed on the report that NQ has about only 1.5% market share in terms of mobile security.

Can management tell us a bit more details regarding where NQ Mobile security users are located? And maybe, what are the major cities or province in China that include most of the maybe NQ users? And what is the estimated maybe market share from management's perspective? Thank you.

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**Gavin Kim** - *NQ Mobile Inc. - Chief Commercial Officer & Chief Product Officer*

Hi. I think -- let me answer this question in several segments. Number one, we've repeatedly said that online acquisition is one of the channels for us to acquire users.

However, it's not a major channel for us as of today, mainly because of the high cost incurred in channels such as [91] or other online portals, mainly because some of these download data and the way they help application developers to promote the user download, can be easily faked, mainly because the downloads are not usually tracked and the statistics can be easily manipulated. We've actually done pilots in these channels, and the results -- the returns on these investments do not yield a [notably] positive return for our business.

Hence, for other channels such as pre-installation with OEMs and pre-installation with the distribution channels, as well as prepaid card selling -- sales at retailers, proves to be a more effective go-to-market channel for us in terms of monetization for premium users.

As we shared earlier, we do have users from first-tier cities all the way down to three -- third- to sixth-tier cities. Now, this is validated through our express channels of retailers and also the OEMs we have relationship with.

In case you've missed, it's the list that we shared earlier. In fact, most of phones that are pre-installed with our products, have -- are in the retail price between CNY500 and CNY1,500, which tends to be a very popular model among third- to six-tier cities as well as coastal cities.

Now, we believe, from our internal billing and operative support system, that's where most of our premium paying users are located.

Now, going back up on your earlier question about market shares -- currently, our Company don't make independent assessment of our market share. In fact, we've never disclosed a single report that's coming from the Company, on our market share.

Now, we see different market reports, varying pretty drastically from the like of (inaudible) [iResearch]; QI Media; [Q Sino-MR].

Now, the way we see this, are really depending on the [federal] base. Each (inaudible). Now, because China's such a huge city -- such a huge country, with over 350 million smartphones shipped this year, taking a sample base of less than a few thousand really don't tell the story of each one's prospective market share.

Hence -- well, we believe in the current -- well, I'll give you a consensus, is that we do see Tencent and [Chibu] as competitors in this market. And we believe they have similar market share in the market.

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**William Huang** - *Barclays Capital - Analyst*

Okay. Thank you. I just want to follow up one thing, is that, because you -- is -- that means that actually the user base are very fragmented across the -- China, right? So, maybe according to the -- maybe just, like, August or September's number -- can you guys comment, like, on maybe top three or top five cities that maybe include many -- like, most of the NQ users? Thank you.

**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. We're going to pause for one second, for translation. Hold on one second.

So, it would be Guangdong, Zhejiang, Jiangsu and Henan Province.

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**William Huang** - *Barclays Capital - Analyst*

Okay. Thank you.

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**Operator**

Andy Yeung, Oppenheimer.

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**Andy Yeung** - *Oppenheimer & Co - Analyst*

I have -- one question's regarding your channel partner, Yidatong. And I just wanted -- I don't know -- you guys have addressed that earlier.

And, just wondering if you can go back there -- do some clarifications regarding when Xu Rong actually worked for NQ, and when did she acquire the part-ownership of Yidatong? And if she have any relationship with the Company's management? Is that a (inaudible) party transactions?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Okay, Andy. One second. We're translating, okay? One second.

Okay. So, Andy, just to clarify again, we said that Xu Rong became an employee on September 1, 2006; resigned officially December 31, 2008. Yidatong was a service provider that was formed, I believe, in 2005. And she ended up -- when she left the Company she ended up becoming the majority shareholder and bought 75%, as I stated before.

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**Andy Yeung** - *Oppenheimer & Co - Analyst*

Okay. So, you said she left in 2008 and then acquired Yidatong at that time?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Correct.

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**Andy Yeung** - *Oppenheimer & Co - Analyst*

Okay. Okay. Yes. I would have an impression that before, you know, she only worked there for, like, 6 months and acquired Yidatong in 2007.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. So, again, when she effectively resigned from the Company was at the end of 2008. And, again, she became the majority owner of Yidatong when she left.

**Andy Yeung** - *Oppenheimer & Co - Analyst*

Okay. Got it. And there's no personal relationship or other relationship between Yidatong and NQ as company, right?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. No. No personal relationship. Of course, business relationship; but no personal relationship, no.

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**Andy Yeung** - *Oppenheimer & Co - Analyst*

Okay. Okay. Great. That's fantastic. And one more questions -- help us understand a little bit about the cash reclassifications. What prompted that?

And also, I think someone earlier have also asked about, what do you do with the working capital? It seems like all the cash, you reclassify, or have been put into term deposit. Do you actually withhold any cash that's not in a term deposit or CB, and that you can -- right away, accessible? And is that on the list that you provided earlier in the day?

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**KB Teo** - *NQ Mobile Inc. - CFO*

On your question on the term deposit and cash, I think largely our cash is in term deposit, and then the rest is in working capital, operating cash flow, whether at the NQ level, Feiliu or NationSky.

So, let me just clarify on your question about the cash reclassification and what motivated that.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Hold on one second.

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**Unidentified Speaker**

(Inaudible).

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**KB Teo** - *NQ Mobile Inc. - CFO*

So, essentially, I think that's really the assessment that we make, using this guideline under GAAP. And the nature of the -- our term deposit and cash, really requires reclassifying it from Level 1 to Level 2.

It's something that management has said, and feel comfortable. Because really I want to [totally] dispel this conception that Level 2 means that you can't use cash. I mean, they are operating cash that we are using, right? Operating our business. So, around \$20 million, \$30 million I -- are those cash that we use for operation, and then the rest is in term deposit.

So, the classification does not entail ability to use the cash, whether on the cash and cash equivalents side or on the term deposit side.

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**Andy Yeung** - *Oppenheimer & Co - Analyst*

Right. I guess we can agree that. Like, as long as you have the cash, it does not matter if you classify it as classification 1 or classification 2 -- or, Level 1/Level 2 cash. As long as it is there and you have access to it if you need it. But, just so (multiple speakers) --

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**KB Teo** - *NQ Mobile Inc. - CFO*

Exactly.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Exactly, Andy. And if you --

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**Andy Yeung** - *Oppenheimer & Co - Analyst*

Just trying to understand (multiple speakers).

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

If you look at the table that we provided in the press release --

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**Andy Yeung** - *Oppenheimer & Co - Analyst*

Uh-huh.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. So, if you look at the table that we provided in the press release, those term deposits add up to somewhere around \$106 million.

The remainder of our cash and cash equivalents are in working capital accounts, as KB just mentioned, that are used both from -- cash from operations, and used to fund the business on an operating level; and then the rest of the cash is obviously the proceeds that are from the CB.

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**KB Teo** - *NQ Mobile Inc. - CFO*

So, even on the term deposit, actually, we can terminate them and use the cash as we want. So, I think if it's not mature, the 60% -- I mean, the 70% hasn't matured, then we may need to sacrifice some interest; but, really, we can just terminate it and use the cash as we want.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

So, as you said, Andy, it does not impact our operational capability.

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**Andy Jeung**

Right. Okay. Great. And then, is it possible to have, like, PWC or one of the independent auditors to provide some information regarding the rationale behind -- they -- reclassifying some of these cash levels? And, again, like, verify the bank account information?





**KB Teo** - *NQ Mobile Inc. - CFO*

(Inaudible). We'll do that and get back to you.

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**Andy Jeung**

Great. Thank you.

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**Operator**

Kenny Fried, individual investor.

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**Kenny Fried** - *Private Investor*

Thanks for this call. It's very helpful. Hey, do you think, regarding the -- I think your explanation of the cash is very logical, and I appreciate that.

I think what would be helpful also, is, are you able to provide actual snapshots from your bank statements from all these different accounts that you guys listed? I think actually having snapshots from actual bank statements, in my opinion, would just give me even more confidence. That's kind of first question.

And then the second question is, Matt, regarding the DSO issue that the report highlighted, I know you've addressed it before many times, but I was wondering if on this call you're able to talk about the DSO issue and why their argument is flawed, vis a vis how you see the DSOs. Thank you so much.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Well, on your first question, absolutely, yes -- can provide snapshots and screenshots of account statements and et cetera. That's no problem. And if you want to independently verify it, you can do that too. And so, that's no problem.

On your second question regarding DSOs -- again, this has been something that we have been very transparent about. As an organization we are working to improve our DSOs. The DSOs are the highest in two international regions, the Middle East and Southeast Asia markets. We are in the process of reconditioning those markets, and we will see improvement.

As addition to that, on top of that, the other areas of the business have much better collection times, whether it's our enterprise business, our gaming, our advertising business, et cetera. And overall you'll see our DSOs go down and continue to improve going forward.

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**Kenny Fried** - *Private Investor*

So, their comment that the typical DSO in those emerging markets of, like, 45 days -- it's just wrong?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Again, we work with channel partners and distributors. And, yes, absolutely. Yes.

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**Kenny Fried** - *Private Investor*

Okay. Thank you so much.

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**Operator**

[Jerry Malone, Pora Partners].

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**Jerry Malone** - *Pora Partners - Analyst*

-- the call. Just further clarification on the cash. The press release that you shared with us is very helpful on the term deposits. My math says it adds up to about CNY924 million. At current exchange rates that's about \$150 million. So, first, is that correct?

And secondly, since you just did the convert, would you share with us where the convert cash is, and give us a total number on what NQ's total cash is today? Thank you.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

I didn't catch the second part of your question. On the first part, again, I think that the amount that Omar was mentioning was not inclusive of the CB -- the convertible bond proceeds, which we did include. You can see that in the Standard Chartered Bank account in Hong Kong, which is labeled in US dollars at the very bottom, which is \$166 million. Omar was referencing the balances in CNY above.

So, that's that on your first question. Now, can you please repeat the second question?

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**Jerry Malone** - *Pora Partners - Analyst*

Sure, Matt. The second question is, the -- that's your term deposits. You have other cash that you received when you did the convert. So, I would think your total cash is about \$300 million or more. Just give us a sense of, what's your total cash balance today, including the proceeds of the convert. And where is that money?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. Absolutely. Again, at the end of Q2 we had just about \$128 million of cash on the balance sheet. If you take in the CB proceeds of \$166 million, that would be the most recently-updated cash balance. Obviously the complete analysis in detail will be revealed when we report our Q3.

But the difference in those term deposits -- that's why it's the table of term deposits -- is, we do have cash -- operating cash, in, again, our various entities which KB and Omar already disclosed, whether it's Feiliu, or enterprise business, or international markets, et cetera.

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**Jerry Malone** - *Pora Partners - Analyst*

So, just to be clear. So (multiple speakers)

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Jerry -- again, is this --

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**Jerry Malone** - *Pora Partners - Analyst*

Is the total number \$300 million?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Again, on the --

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**Jerry Malone** - *Pora Partners - Analyst*

Roughly speaking.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

More than that. Yes.

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**Jerry Malone** - *Pora Partners - Analyst*

Thank you. Okay. Thank you.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Perfect. Yes. Yes. You just mentioned the last line item of that table in the press release. It's not in CNY. That is -- that's in the Standard Chartered Bank account in Hong Kong. That was just our recently-done convertible bond proceeds. That is in US dollars.

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**Jerry Malone** - *Pora Partners - Analyst*

Oh, thanks.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

I think you added it to entire -- yes. That was --

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**Jerry Malone** - *Pora Partners - Analyst*

Thanks for the clarification.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Okay. I just wanted to be clear on that.

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**Jerry Malone** - *Pora Partners - Analyst*

Thank you.



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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

No problem.

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**Operator**

Henry Wan, Quam Asset Management.

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**Henry Wan** - *Quam Asset Management - Analyst*

First of all, I would like to ask about the DSO. By our calculation, we found that the DSO is about 180 day, which is not in line with the agreement with China Mobile and Yidatong at -- it states that these payment would be settled within one -- 30 day. Why was that?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

I'm actually -- I'm not -- I wasn't clear on exactly what -- where you got the number from and what you were referring. Can you repeat it please?

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**Henry Wan** - *Quam Asset Management - Analyst*

I mean the (inaudible) turnover days, which is about 180 days. But, referring to the agreement with Yidatong and China Mobile, the settlement day should be within 30 days. So, why was that -- the big discrepancy?

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**Unidentified Speaker**

(Inaudible).

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Sorry, we're just translating into Chinese. Just one second, okay?

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**Henry Wan** - *Quam Asset Management - Analyst*

Okay. I have a couple of follow-up questions later on.

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**Unidentified Speaker**

(Inaudible).

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Sure. So, again, the relationship and the contract times and the collection time between Yidatong and NQ Mobile -- our contract is in fact 30 days.

But you also have to take into consideration the time it takes Yidatong to collect from the carriers like China Mobile, which are typically 60 days, which is standard. Which, by the way, is why our China collection period is in the 90-100 day range.

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**Henry Wan** - *Quam Asset Management - Analyst*

Yes. But why was there such a big discrepancy? Because 60 days plus roughly 30 days is about 100 days. But by our calculation the DSO is 180 days.

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**Omar Khan** - *NQ Mobile Inc. - Co-CEO*

So, we -- I'm not sure where your 180-day calculation is coming from. Our China DSO (multiple speakers) --

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**Henry Wan** - *Quam Asset Management - Analyst*

It's come -- it's calculated using the latest figure, which is the second quarter of this year.

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**Omar Khan** - *NQ Mobile Inc. - Co-CEO*

Oh. Okay. So, we -- no. We can go back to the second quarter. I mean, I -- we've got to pull them up here. But I believe China DSOs were --

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. Right around 100 days. The only difference would be our international business, which, again, we've just addressed, and we've been very clear about the extra collection times, of which we're -- as a Company, we're continuing to work on.

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**Henry Wan** - *Quam Asset Management - Analyst*

Yes. But, to me, it says to me that, if you refers to China, the general DSO range from 100 days, but maybe international business, it's -- the DSO is 180 days. So, the DSO on average should be the weighted average. So, I don't know why that's such a big discrepancy. That's my first question.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

See (inaudible) DSOs were -- our total blended DSOs were 146 days. So --

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**Unidentified Company Representative**

As reported.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Again, as we reported and as obviously people can calculate with our accounts receivable and records received as well.

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**Henry Wan** - *Quam Asset Management - Analyst*

Okay. Thanks for that. And maybe I move on to the second questions.

As you mentioned, there is a couple of operating cash. But why was that part of cash not regarded as Level 1 -- is that -- it is regarded as Level 2. I don't know. Can you give us some explanation regarding this?



**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. Absolutely. Again, this is something that we work with Price Waterhouse on. We work under US GAAP. And again, this is not just an NQ decision to reclassify our cash balances as Level 2.

Again, let's just be very clear -- be very, crystal clear about this. There is clearly a misconception about what Level 2 cash and assets are, and what they're not. Okay? This report is trying to stir up something that they're not.

As we've worked very closely with our audit committee and with Price Waterhouse, the decision was made to classify all of our cash as Level 2 cash. That's it. That was the decision that's been made.

Again, this is not a decision that is unique to NQ. It's actually very commonplace in the industry.

And again, I will repeat what I've said before -- Level 2 cash, even though the report is trying to generate fear about what that means, is cash and term deposits. And it's been decided to classify all of our cash -- so, cash, operating cash and term deposits -- as Level 2 cash. It's not a reflection of something that's less conservative in terms of our investments.

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**Henry Wan** - *Quam Asset Management - Analyst*

Okay. And then can you sort of explain why the Muddy Waters report states that they are using Alipay but the transactions failed because in general I believe, in -- apart from these others provider you are working with, there is other possible way to pay for the NQ security. So, why is that transaction fail? Can you explain it to us?

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**Gavin Kim** - *NQ Mobile Inc. - Chief Commercial Officer & Chief Product Officer*

Well, once again, we've mentioned that we use expensive payment networks to collect payments. And the main channel -- one of the main channels are through carrier billing. The other one is through prepaid cards.

Now, I don't know why in the report he mentioned that during their [tries] they're not able to process payments via Alipay. I can -- you can try that again. During our tests, we're able to successfully subscribe to our service using Alipay on exactly the website that Muddy Waters referred to.

So -- but, coming back to the percentage of (inaudible) who are paying for wireless services, (inaudible), and also in games or other content such as music, as well as books, carrier billing proved to be the most effective way of collecting micro-payments.

This is universal, not only for China but also for US, where Google Play leverages its relationship with the likes of Verizon and other carriers to collect payments for application developers.

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**Henry Wan** - *Quam Asset Management - Analyst*

Okay. I have one last question, just to double-check, because we believe that's pretty important. So, as you mentioned, the DSO in China is roughly 100 days and the DSO in international business is 180 days. So, the weighted average should be in line with the DSO in the same quarter this year, which is roughly 145 days, right?

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**Omar Khan** - *NQ Mobile Inc. - Co-CEO*

Yes. I think it was -- if I remember it correctly, it was 146 (inaudible).

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**Henry Wan** - *Quam Asset Management - Analyst*

Okay. Thanks a lot.

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**Omar Khan** - *NQ Mobile Inc. - Co-CEO*

Yes. I mean, it's in our second quarter earnings release. So, you can go back to our investor -- ir.nq.com website. If you read through it, we actually break out DSOs. It's actually in there, in -- within the first page. I believe it's on the second set of bullets. It's one of the last couple of bullets. So, you can actually go in and see it.

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**Henry Wan** - *Quam Asset Management - Analyst*

Thank you.

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**Operator**

David Epstein, CRT Capital.

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**David Epstein** - *CRT Capital Group - Analyst*

My question's been answered, thank you.

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**Operator**

I'm sorry, did you say anything?

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**David Epstein** - *CRT Capital Group - Analyst*

My question's been answered, thank you.

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**Operator**

Jim Curran, New Salem Investment.

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**Jim Curran** - *New Salem Investment - Analyst*

A couple of simple questions. The report kind of portrayed Omar Khan as being kind of outside of the [veil] and not really knowing what's going on at the Company. Can you kind of talk about how you guys are organized as management and working together?

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**Omar Khan** - *NQ Mobile Inc. - Co-CEO*

Yes, I mean, I can address it right here. I mean, that's -- I think it's actually quite laughable. But, I mean, when Henry and I formed the management team along with Vincent, we had a very specific governance model in terms of how we were governing the Company.



I also sit on the Board. I was appointed to the Board after joining, and participate on Board meetings as well as all our governance processes related to the Board.

From a day-to-day governance perspective, myself and Henry, we split responsibilities a few different ways. Obviously, I reside in Dallas, Texas, so I look after the international business from a go-to-market perspective, and that comprises of markets like North America, Latin America, Western Europe, Korea, Japan and others; while Henry looks after many of the -- obviously, our largest single market, which is Greater China, and some of the markets that have similar business dynamics.

From a functional perspective, Henry, given his background -- and I like to affectionately call him the chief propeller head of the Company. He looks after R&D, and is very, very close to the future product pipeline and investment decisions on R&D for the Company. Whereas, I tend to look after from a functional perspective, more of the sales and marketing functions as well as finance, as well as international finance and operations, along with product development; product roadmap.

From a communications and alignment perspective, obviously we have a videoconferencing facility that real-time connects Dallas and Beijing. We have management team calls regularly. We have governance meetings associated with them.

Obviously, this is a very unified management team. It extends beyond me, Henry and Vincent. Obviously we've got a very talented team sitting around the room, including all the folks that Matt mentioned earlier. It's -- the talent of the team is what really separates (inaudible). I don't -- I'm not really sure where and how they got that from but -- quite laughable, actually.

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**Jim Curran** - *New Salem Investment - Analyst*

That's great. Thanks. On your Contact Us part of your website, there's, like, no phone number for the Dallas office. And then I found the number on Google and tried to call. There was no message stating who it was. And I see there is a Dallas number now in this current release, with the bank statements. So, would we be able to call there with further questions?

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**Omar Khan** - *NQ Mobile Inc. - Co-CEO*

I mean, you can -- let me give you a couple of things, right? One is, Matt's number and Kim's number -- Kim Titus, who runs PR and communications for us, is generally at the bottom of almost every press release, if I remember correctly. And he resides in our Dallas office. I think most folks have -- I believe, Matt, your number is also out there as well.

The Dallas office does have a direct line. It's not necessarily manned all the time, but the folks who need to contact the Dallas office generally go through Kim Titus, whose number's at the bottom of every press release. We are available for you. You're welcome to stop by. 4514 Travis Street, Suite 200. And you're welcome to stop by, kick the tires, look under the hood, meet the team -- whatever you need to do.

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**Jim Curran** - *New Salem Investment - Analyst*

Great. One last thing. I mean, this is a question of verification and trust going on here. I mean, you've got good auditors. I mean, is there a way to -- for them to pay them somehow, or get them to dig in and, kind of, more third party investigator, respond to these allegations?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. Absolutely. We are going to do actually much more than that. And in fact, during this call a press release went out -- again, apologies for the timing of some of these press releases. There's obviously been a lot going on, and the news releases didn't get out before the call started.



But, the Board has formed a special committee. They have been charged and tasked with going out and hiring the most reputable global and powerful independent third party verification firm, whether it's a law firm, an audit firm; they'll ultimately decide. They'll select.

They'll spend the next several weeks making a selection of who that independent auditor and committee is going to be. And they will go and do a third party and independent verification of every allegation that this report makes. We welcome that.

And we look forward to sharing the results of that with you, obviously, and we'll keep you posted as the selection is ultimately made and that progress takes place. So, again, this is something that we welcome as a Company, and actually we're looking forward to dealing with all of these issues head-on.

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**Jim Curran** - *New Salem Investment - Analyst*

That's great. Thank you.

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**Operator**

Richard Clode, Pioneer.

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**Richard Clode** - *Pioneer Investments - Analyst*

Just on the revenues, we had some debate about, what is your true revenue number? And given Yidatong's had some allegations as well, would you be able to provide some verification from your number 2 and number 3 customer? I think in the 20-F you've got an 11% and an 8% customer. Could you name them, and could they provide verification of those revenues?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. We're going to -- we absolutely can do that. We'll leave that up to the special committee and the independent audit committee, to actually provide verification of all key customers. Bank statements, cash -- again, when we disclosed our cash balance -- again, we welcome anyone to utilize the information to do it on their own.

But we fully expect, given the nature of this report and the nature of this attack, no one to believe, right, or that -- the attacker to not believe what we reported. Which is why this special committee is so critical. And, again, independent verification of all these facts will be done independent of the Company and will obviously be shared and disclosed to everyone. So, yes.

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**Richard Clode** - *Pioneer Investments - Analyst*

And who are the number 2 and number 3 customers?

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**Omar Khan** - *NQ Mobile Inc. - Co-CEO*

Yes. Hold on one second.

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**Unidentified Speaker**

(Inaudible).



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**Will Jiang** - *NQ Mobile Inc. - Chief Strategy Officer*

China UMPay in China. You may look it up.

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**Richard Clode** - *Pioneer Investments - Analyst*

Yes. And the number 3?

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**Will Jiang** - *NQ Mobile Inc. - Chief Strategy Officer*

(Inaudible) is Info2Cell.

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**Unidentified Speaker**

Info2Cell. (Inaudible).

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Did you get that?

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**Richard Clode** - *Pioneer Investments - Analyst*

Sorry, no. I didn't catch that. China UnionPay. And the third one -- ?

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**Will Jiang** - *NQ Mobile Inc. - Chief Strategy Officer*

China UMPay. UMPay is a joint venture between China Mobile and China UnionPay. UMPay. U-M-P-A-Y. UMPay.

And the other one's Info2Cell. I-N-F-O, graphic -- numeric letter 2, and C-E-L-L.

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**Richard Clode** - *Pioneer Investments - Analyst*

And just coming back to the ownership of Yidatong -- outside of Ms. Rong Xu (sic - Xu Rong), does any employee, director -- so, directly or indirectly, hold any stake in that company?

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**Unidentified Company Representative**

Absolutely, unequivocally no.

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**Richard Clode** - *Pioneer Investments - Analyst*

Okay. Thank you.

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**Operator**

John Randolph, private investor.

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**John Randolph** - - *Private Investor*

So, my question's already been answered. Thank you.

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**Operator**

[David Shay] of New Century Company.

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**David Shay** - *New Century Company - Analyst*

Thank you for your presentation. I guess my question is mainly still on this Level 1 assets. To my knowledge, the deposit -- the term deposit cannot -- money in the term deposit cannot move.

But I guess, in China, is it different from US? When you were saying the -- you could move money from the term deposit, readily use within one or two days for the regular cash, is it because the bank regulation different? Or, you're allowed to use term deposit money -- move around just like a regular checking account? Can you please address that?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Sure. Happy to answer this question again. Level 2 is how we've worked with our auditors and decided to classify all of our cash. I consists of term deposits, which we've detailed in the press release and you can see, and operating cash.

But you are correct in that, in China, term deposits can be converted to usable cash in a day. Now, as a business we don't need to do that. We have plenty of operating cash and we generate cash flow from operations. So, that's not necessary. But it is possible, yes.

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**David Shay** - *New Century Company - Analyst*

Thank you.

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**Operator**

[Richard Carozza], Shareholder.

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**Richard Carozza** - - *Shareholder*

I have two questions. Would you consider releasing earnings sooner so that you could do a possible buyback at this very depressed price? And the second question is, do you know when the stock will open for trading today?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

So, to your first question, there is obviously a process and a timeframe for getting the earnings reports released. Of course, the Board is looking at all different possibilities. And, again, we'll just -- stay tuned. As it is right now, our earnings call is scheduled for November 12, and all things are being considered.

Number two, the question was -- remind me?

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**Richard Carozza** - *Shareholder*

Regarding the trading of the stock. Did you halt the trading of the stock yesterday? And when might it open today?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Sure. We will be in communication with the New York Stock Exchange -- have been, since the report came out, and we will work with them to open the stock up again and follow all of the normal procedures.

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**Richard Carozza** - *Shareholder*

Do you expect that it will be opening today, or -- ?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes.

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**Richard Carozza** - *Shareholder*

Thank you.

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**Operator**

John Harrell, Harrell.

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**John Harrell** - *Harrell - Analyst*

I'm just wondering if the Company has been contacted by either the NYSE or the SEC about their intervention -- their possible intervention, and halting the stock themselves, and undertaking an investigation themselves and then deciding at a later point to -- let's start trade?

It's been rather customary for Chinese stocks to be halted by these institutions when being attacked by notorious short sellers. But I'm just wondering what communication you've had with either the NYSEC (sic) or the SEC. Thank you.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

No communication with the SEC. And we obviously work closely with the New York Stock Exchange, as that's why our stock gets listed in trades, and have been and very close contact and communication with them, from the onset of this report.

**Operator**

[Nikolas Cezromek, Adram].

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**Nikolas Cezromek - Adram - Analyst**

I have three questions, and perhaps they were already answered before, but I had to miss a segment of the call, so I'm -- apologize if it was already asked.

The first question is about the -- I'm a convertible bond investor, by the way. My first question would be about the cash that you raised with the convertible bond. It is currently on an account at Standard Chartered, Hong Kong. My question was, do you plan to take back this money onshore?

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**Matt Mathison - NQ Mobile Inc. - VP, Capital Markets**

I'm sorry. Repeat the last part. Do we plan to do -- ?

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**Nikolas Cezromek - Adram - Analyst**

To take the money -- the CB money back onshore. To Beijing.

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**KB Teo - NQ Mobile Inc. - CFO**

I think it really depends on requirements. I think (inaudible) in Hong Kong with Standard Chartered, because we just received the money not too long ago. So, where there's a requirement, where we think we may need the cash onshore, then we'll bring it back. If you look at what we disclosed in our press release today, a lot of (inaudible) is actually onshore. So, we may also look (inaudible) when deciding when to bring it -- the money onshore.

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**Nikolas Cezromek - Adram - Analyst**

Okay. But that was -- the first plan was to bring back this money onshore?

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**KB Teo - NQ Mobile Inc. - CFO**

We could. I'm just saying that (inaudible) we look at -- looking at this cash, and -- because, as I mentioned, most of our cash today is onshore. So, we could, over time, bring some of this back onshore.

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**Nikolas Cezromek - Adram - Analyst**

You -- when you raised the CB money, you were talking about potential acquisitions. Is that something that you are still planning to do, or, following the events from yesterday, are you changing, perhaps, the plans for this money?

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**Omar Khan - NQ Mobile Inc. - Co-CEO**

Look, our -- obviously, we were very clear about the use of the CB. It positions us very well, from a growth perspective of the Company, for the reasons that we talked about.

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But the characteristics and the criteria for how we -- independent of the CB, the characteristics and the criteria of how we evaluate M&A deals has not changed. We are still looking at them for strategic fit and also financial sense, when it comes to doing things that are accretive for the Company.

Obviously, with the stock price where it is, the economics or the equations shift a little bit. And -- but our equation does not change. We are looking at the lens of buy versus build versus lease, the exact same way we were looking at it 36 hours ago, and our discipline in terms of how we evaluate M&A has not changed; nor will it change.

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**Nikolas Cezromek** - *Adram - Analyst*

Okay. Well, the second question was about the buyback -- the CB buyback. I think you mentioned that before. I just want to confirm, is there the same kind of lockups for CBs than for the equity? And would it be possible to do a -- yes -- just -- would it be possible to do a reverse (inaudible), for example for the CB? Will you set a mandate after the lockup period? Is that something that would be possible?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Look, I'd say the Company will consider all things, and we'll make very aggressive and sound decisions with this capital. Obviously, with the stock and with the bonds trading at these levels, we're very interested about aggressively buying things back. But, again, we will be looking at all things, and the Board is considering many things.

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**Operator**

David Epstein, CRT Capital.

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**David Epstein** - *CRT Capital Group - Analyst*

I haven't carefully studied all the bullet points on the SAC -- excuse me, SAIC financials mentioned in the Muddy Waters report, and I'm not sure if you've addressed it as yet. But, can you address any allegations it might have made with respect to those?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

With respect to the Yidatong SAIC filings, or -- you would have to be more specific. I mean, we addressed those very directly. I don't know (multiple speakers) other allegations.

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**David Epstein** - *CRT Capital Group - Analyst*

In the SAIC filings, they talked about strictly the -- Yidatong, or did they talk about any others?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

They said that NQ's SAIC filings match appropriately with the GAAP. So, I don't think there's anything to address there.

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**David Epstein** - *CRT Capital Group - Analyst*

Okay. Thank you.

**Operator**

Jim Curran, New Salem Investment.

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**Jim Curran** - *New Salem Investment - Analyst*

You said in your release that you're going to take appropriate legal actions to defend yourself. Which you're doing with this call, and otherwise, I assume; but I'm just wondering, the thoughts about going after -- if there's allegations that are proved false, do you feel like there's illegalities that were committed with this report that you can make charges for?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. We are in the process of considering many things. And we will keep everyone abreast as we move forward. But we are in the process, yes.

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**Jim Curran** - *New Salem Investment - Analyst*

Okay. Thanks.

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**Operator**

[Edward Chow], Sprint Capital.

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**Edward Chow** - *Sprint Capital - Analyst*

(Inaudible).

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**Operator**

Excuse me. The line for Edward Chow is open. Please ask your question.

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**Edward Chow** - *Sprint Capital - Analyst*

(Inaudible).

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**Operator**

Excuse me. The line of Edward Chow --

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

All right. Operator, we should -- let's go ahead and move on.

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**Operator**

Timothy Nims, Private Investor.

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**Timothy Nims** - - *Private Investor*

I have a question about -- there's been a lot of concerns about the cash reporting with respect to classification of Level 1 versus Level 2. And I understand that maybe there's different regulations with respect to cash that might be classified either as Level 1 or Level 2 in the US versus China in terms of how it's moved, and without incurring penalties.

But can you actually, just to dispel any concerns that there are any issues with your cash balances, to somehow engage PWC to do like -- sort of like a special audit, agreed-upon procedure, and to issue sort of a report just to clarify that cash is what it is -- that you state that it is in your reports? I think that that would dispel a lot of the issues that everyone is asking surrounding this issue.

I think it is a legitimate concern because people expect to see cash -- operating cash as Level 1 and not Level 2. Because Level 2 is less liquid than Level 1, for example.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

So, the answer is yes. And we put out a press release and we made a bold statement that we will make available our cash balances to everyone that wants to do due diligence.

And not only that; we are obviously going to have independent -- a special independent committee do their own verification, not related to us, too. And of course we will be working with Price Waterhouse.

In fact, today, one of the banks that covers us, did their own independent audit of the cash in the banks and had their own meeting.

So, we will absolutely do all of the above. And, happy to let anyone come look at the bank statements, whether independently or directly. We will make that available and dispel any and all issues with our cash.

As we started the call, cash is king, and cash is ultimately what determines the health and the reality of the business. And we will be a full and complete open book, both directly and obviously independently with a third party independent special committee.

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**Operator**

Jeff Kone, Wall Street Capital.

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**Jeff Kone** - *Wall Street Capital - Analyst*

Most have been answered. First off, I want to say that you guys have done a pretty remarkable job given that your accusers have had months to prepare and you've had less than 24 hours, and I'm guessing no sleep. So, thank you for doing this.

Just recently, within weeks, \$172 million was raised by Morgan Stanley. Didn't they do any due diligence, and Price Waterhouse? You mentioned you're going to enlist Price Waterhouse to do -- to confirm the cash. But is Morgan Stanley saying anything here, and can you enlist their help and detail what level of due diligence they did?

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**KB Teo** - *NQ Mobile Inc. - CFO*

Certainly. I can (inaudible) that Morgan Stanley and Deutsche Bank (inaudible) the CB deal for us, they did extensive due diligence. I think, questioned -- (inaudible) look at our financials. They look at our cash. They look at the DSO issue. I think many issues that -- I mean, some of the issues that's been highlighted today.

So, they did extensive due diligence and, for them to launch the deal, they need to get very comfortable. So, in a way, I think a lot of that issue has (inaudible) validated, through that due diligence with that [start of] CB deal.

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**Jeff Kone** - *Wall Street Capital - Analyst*

And has Morgan Stanley had any comment subsequent to Muddy Waters' report?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Well, Morgan Stanley, from a research (inaudible) perspective, obviously, doesn't formally cover us, so they wouldn't -- and conversations with bankers and such would be between the Company and the bankers. But, rest assured, they are doing everything prior to the CB launch and after, and we are an open book to them, and feel good -- feel very confident.

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**KB Teo** - *NQ Mobile Inc. - CFO*

So (inaudible) we know -- I mean, we continue -- I mean, there's really nothing that we know that they are concerned about. And we -- you know, it's always a very open approach, both during that CB (inaudible), if they feel they need additional information, I think we'll be as open to them as what we say on this call -- that we'll be open to everyone, all investors and shareholders.

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**Jeff Kone** - *Wall Street Capital - Analyst*

Okay. And lastly, since this Level 1/Level 2 seems to be a topic of interest even though you guys have answered it numerous times, is it possible to just move to Level 1? At least for a period of time? Even if there is a loss of interest? I mean, there's been a great loss of market cap, and if that can dispel things, why wouldn't you just move to Level 1?

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Well, we'll take it into consideration. Having said that, doing what's best for the business and doing what's right for the business, will always be a guidepost. And everything that we're doing with our cash, how we're classifying it and what we're doing with it, is the right thing for the business.

This -- I think the main message here is, this is not an issue. This was a scare tactic by a short attack. And at the end of the day this is not an issue, and we look forward to fully dispelling that and making sure that all investors understand what it is. Because I think it caught a lot of investors off guard and I think, as most investors do their own due diligence about Level 2 and Level 1, I think they will quickly and readily see that this is not an issue in any regard.

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**Jeff Kone** - *Wall Street Capital - Analyst*

Well, Matt, I agree with you it's not an issue in reality. But in perception it seems to be an issue, and I'm just talking about putting perception corrected.



**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. That's a fair point and we will overcome perception with fact and reality and transparency, which again is why we are fully opening up the full complete details of all our bank statements, our cash balances, et cetera. And again, not just us doing it; formed a special committee, and it -- there will be a very reputable, global, independent audit of that as well. So, we will dispel perception with reality.

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**Jeff Kone** - *Wall Street Capital - Analyst*

Okay. Thank you.

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**Operator**

And we'll have one last question from the line of Anshu Sharma, Eight Investment Partners.

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**Anshu Sharma** - *Eight Investment Partners - Analyst*

Lot of questions being asked about Level 1 and Level 2 assets. I'm really confused. What seems to be the issue here? Just trying to read the extract from FASB Level 2 assets, which states -- FASB indicates that assumptions enter into the model that use Level 2 inputs, nonetheless produces reliable numbers that are represented -- representationally faithful, verifiable and neutral.

And I don't really understand where the issue between Level 1 and Level 2 -- if we just check the definition of FASB on Level 2 assets, it's -- really clarifies that that is a non-issue.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Yes. Anshu, I appreciate your comment and your question. You're exactly right. I think the issue lies in the scare tactic which caught a lot of investors not knowing the difference, off guard. And I think as people do their work and as we obviously are fully transparent, they will understand there is no issue.

You just read the definition. We've read the definition at the onset of the call. And, again, there is no issue. This perception gap will close with the facts and the reality. So, appreciate your comment.

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**Anshu Sharma** - *Eight Investment Partners - Analyst*

Great. Thanks a lot for taking my call, and congratulations on your 8th-year anniversary.

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**Matt Mathison** - *NQ Mobile Inc. - VP, Capital Markets*

Thank you.

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**Unidentified Company Representative**

Thank you, Anshu.

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**Unidentified Company Representative**

Thank you.

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**Operator**

Thank you. And we'll hand the call back to Matt Mathison for closing remarks.

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**Matt Mathison - NQ Mobile Inc. - VP, Capital Markets**

Thanks. Well, we appreciate everyone's attendance. We appreciate the question-and-answer.

Let me just restate a couple of things. Again, during the call a press release went out stating that we formed -- the Board of Directors has formed a special committee. We will keep you abreast.

We will be putting together the special committee and the Board will be selecting a third party, reputable, global firm to do a complete independent audit and verification of all of these allegations and issues. The Company stands by to deny these as false and baseless. We are here to answer any questions and to be fully transparent and help in any way that anyone wants, to provide due diligence.

As a Company, we're very excited. We have a lot of wonderful things going on. Business trends remain strong and solid, and we look forward to moving beyond this and focusing once again on the business. Thank you.

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**Operator**

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

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