Mr. Fu Sheng: Thank you, Helen. We have began 2016 on a solid notes [with] revenues coming in at the high end of our guidance. But we have to admit that we were too optimistic when we made our full-year 2016 plan. At that time, we thought the quarter-to-quarter decline in first quarter would simply be seasonality, and this change would get better in the second quarter.
However, revenues have not grown as anticipated in the early part of the second quarter. As a result, we expect our revenue and profits for the full year 2016 to be lower than what we have initially planned.

Three key factors contributed the weakness in our expected mobile advertising revenues growth, which is a key driver for our overall growth.

First, declines in eCPMs from some of our third-party advertising platform partners in the international market. Second, lower than expected progress in building an effective direct sales force. And third, lower than expected time for us to execute our (inaudible) strategy.

We have taken a series of measures to grow our revenues in the near term. For example, we enhanced product promotion in key developed markets. In addition, our newly acquired mobile games (inaudible), our [code video] game offerings to adjust long-term strategical users.

We have began implementing a two-pronged approach to boost our long-term growth prospects. These efforts include aggressively investing in new content products to increase user engagement, as well as changing our direct sales operations globally, while recognizing the challenge that lay ahead.

I'm confident that with focus and determination, we will be able to build our sustainable and a profitable business model. We are very confident in Cheetah Mobile's future because, first of all, look from the overall market advertiser still has strong demands for global mobile advertising service, especially there's ecommerce and brands advertisers, and video remains a fast-growing ad format.

Secondly, some of our recent launched content product already show some early encouraging progress. We have a number of content products now in the product pipeline ready to be launched in the coming quarters.

Third, during the first quarter, we have adjusted and expanded the direct customers' sales team. This already directly contributed to the reaccelerate growth of our mobile advertising rev in China in the first quarter, to replicate successful experience of our space.

We recently hired Todd Miller as our Global Sales Vice President. Todd, who was Vice President of Yahoo prior to joining Cheetah, he worked for Yahoo for 13 years and managing [multiple] sales team. We have no doubt that Todd will help expand our overall sales efforts in North America and Europe.

In addition, I would like to emphasize that we will continue to invest in data analytics heavily, even if we are facing some short-term hurdles in becoming a leading global advertising platform.
We said in March we remain confident that our business strategy is on the right track, and we will continue to aggressively execute the strategic managing user acquisition, user engagements, revenue growth and profitability for the long term sustainable growth.

With that, I will hand the phone over to our CFO, Andy.

Mr. Andy Yeung: Thank you, Sheng. Hello, everyone. We continue to grow our user base, revenues, and profitability in the quarter, driven by our solid mobile and overseas performance.

Before I walk you through the details of our financial performance, I would like to point out that we gain control of Kingsoft Japan on January 29, 2016, as Cheetah Mobile and Kingsoft Japan were under common control by Kingsoft Corporation. Both before and after the closing of the [combination] in accordance at ASC 805-50, our unaudited financial information mentioned below, unless otherwise stated, has been prepared as if Kingsoft Japan had been controlled by Cheetah Mobile through the preceding -- through the period presented.

In addition, all financial number are in RMB, unless otherwise noted. Total revenue grew by 57% year over year, to RMB1.12 billion in the first quarter. Excluding the impact of Kingsoft Japan consolidation, total revenue grew by 63% year over year, to RMB1.096 billion. This strong performance was again driven by our organic business growth, particularly in mobile and global operation.

Our platform, mobile revenues grew by 111% year over year, to RMB827 million for the first quarter. Mobile revenue accounted for 74% of our total revenues in the quarter, up from 55% in the prior-year period.

In March, Cheetah had approximately 651 million mobile monthly active users worldwide, a 47% increase from a year ago.

PC revenue declined by 9% year over year, in the first quarter. The decreases in PC revenues were mainly due to the migration of Internet traffic from PC to mobile in China.

By region, overseas revenues were RMB634 million for the quarter, up 116% year over year. Overseas revenues accounted for 57% of our total revenues or 77% of our mobile revenues in the quarter, up from 41% total revenues or 75% of mobile revenues in the prior-year period.

In March, 80% of our mobile monthly active users were from the overseas market, compared to 71% in a year ago.

China revenue grew by 60% year over year in first quarter, supported by accelerated mobile advertising revenue growth, which more than offset PC revenue decline in China.
By segment, revenues from online marketing services were RMB992 million for the quarter, up 70% year over year. The increase was driven by our growing mobile user base and increase demand from our advertisers, including third-party advertising platforms.

For our mobile advertising services worldwide, as well as monetization of our light casual game through in-game advertising.

Revenue from IVAS for the first quarter were approximately RMB102 million, an increase of 5% year over year. The increase were primarily driven by growth of our mobile game publishing revenue, including the successful monetization of Piano Tile 2 in the overseas market.

Revenue from internet security services and others for the quarter were approximately RMB20 million, a decrease of 26% year over year. The decrease was primarily due to a decline in sales of the Company's air purifier product.

Moving to our cost and expenses, SBC expenses for the first quarter were approximately RMB91 million, compared to RMB46 million in the same period last year. As we said in the past, we will incur higher SBC expenses this year, mainly due to the shares and option granted to our management employees for attracting and retaining top talent, particularly in the R&D area.

To help facilitate the discussions of the Company's operating performance, the following discussion will be on a non-GAAP basis, which excludes fact-based compensation expenses.

For financial information presented in accordance with US GAAP, please refer to our press release, which is available on our website.

Non-GAAP cost of revenues for the quarter were RMB321 million, up 97% year over year. The increases were primarily due to higher traffic acquisition costs associated with our third-party advertising publishing business on the Cheetah Ad Platform, higher bandwidth cost, and Internet data center cost associated with increased user traffic worldwide and data analytics.

Non-GAAP R&D expenses for the first quarter were RMB167 million, up 38% year over year. The increases were primarily due to increased headcount associated with our step-up investments in big data analytics and new product development, especially the development of our new content-driven products. At the end of the quarter, we had approximately 1,700 R&D personnel.
Non-GAAP sales and marketing expenses for the first quarter were RMB438 million, up 75% year over year. Increases were primarily due to spending on promotional activities for our mobile business, including the continued global promotions of Piano Tile 2.

As Sheng mentioned, we plan to aggressively expand our direct sales operations in North America and Europe that may result in higher personnel-weighted selling and marketing expenses.

Non-GAAP G&A expenses for the first quarter were RMB88 million, up 33% year over year. The increases were mainly due to increased headcount associated with being a publicly listed company and higher staff benefit costs.

Non-GAAP operating profit for the first quarter was RMB114 million, an increase of 10% year over year.

Non-GAAP net income for the first quarter was RMB102 million, an increase of 33% year over year. Excluding Kingsoft Japan consolidation impact, non-GAAP net income for the first quarter was RMB102 million, an increase of 32% year over year.

Non-GAAP diluted earning per ADS for the first quarter increased by 32% year over year to RMB0.71 or $0.11.

Adjusted EBITDA for the first quarter was RMB151 million, an increase of 11% year over year. Adjusted EBITDA is a non-GAAP measure that is defined as earnings before interest, tax, depreciation, amortization, other non-operating incomes, and share-based compensation expenses.

Now let me give you our second-quarter revenue guidance. We currently expect and estimate total revenues for the second quarter to be between RMB975 million to RMB1 billion, representing a 10% to 13% year-over-year increase.

The implied sequential declines was primarily due to lower-than-expected revenue from some of our third-party advertising platform partners in international markets. As Sheng mentioned earlier, Cheetah is facing some short-term headwind and some structural issues, and we have began to implement a number of actions and initiative to accelerate revenue growth.

This initiative involved aggressive investments in new content products and expanding our direct sales operation, will result in a short-term financial impact on our P&L and may take some time to pay off.

However, we would like to emphasize that Cheetah Mobile operational direction and history have changed over times in today's fast-changing mobile world, and we have successfully evolved with it.
With that in mind, we are confident that we are on the right track. So again, please note that this forecast reflects the Company's current and preliminary view and is subject to change.

Before we conduct the Q&A session, I would like to remind investors and analysts that on March 16th, 2016, the Company Board of Directors have approved a share repurchase program, where the Company may purchase its ADS with an aggregate amount up to $100 million over the next 12-month period.

The share repurchase plan does not require the Company to acquire a specific number of shares. At May 18, 2016, no ADS were repurchased by the Company. The Board's decision reflect our belief that our share approximately under value and demonstrate our confidence in the long-term outlook for our business.

And this concludes our prepared remarks for today. Operator, we are now ready to take questions.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions) Please pose your question in Chinese and then translate it into English, if possible. Also, in consideration for others, please limit yourself to one question. If you have additional questions, you may reenter the question queue. At this time, we will pause momentarily to assemble our roster. Wendy Huang of Macquarie.

Wendy Huang: Thanks management for taking my questions. (Spoken in Chinese) My question is about the now you are resetting the growth expectation for the top line, previously you gave a bottom line guidance. So with the reset of the revenue growth and how will you actually control your cost? And how should we expect the bottom line for this year? Thank you.

Mr. Andy Yeung: Wendy, thank you. This is Andy. So I will take this question. So as we mentioned, like we are obviously looking into the second quarter and see lower growth than we had expected before. So overall, for full year, we do expect both the top line and also the bottom line to likely come in below what we have targeted before for the full year 2016.

However, as we mentioned before, this year we would continue to try to drive synergy and leverage from our (inaudible) expenditure takeaway. And if you look at that, we have already beginning to show some result in that.

So for the full year we still expect to maintain profitability and we will control costs and because if you look at the way we actually invest in R&D or in sales and marketing, generally we look at what we put in there and how much we can make in return.
So but it probably both in the growth rate and also profitability would come in for 2016 significantly below what we have previously targeted at the beginning of the year, just because the revisions in term of how we expect revenue to come in in the second quarter.

Wendy Huang: Thanks, Andy. Just want to clarify. So you just mentioned that you are still trying to be profitable. But I think previously you were targeting not just being profitable, but actually RMB1 billion, non-GAAP net profit.

Mr. Andy Yeung: Yes. Right. Obviously, like if you look at the growth trajectory in the second quarter, you know it's going to be probably significant [haircut] in term of our overall growth expectation right now.

So with that significant haircut in growth, it's unlikely that we'll achieve what we have set out to achieve in 2016, unfortunately. And so it will be higher reductions, I think. But we will continue to maintain cost control to make sure that we're profitable and we'll try to [generate] and control costs, given the new revenue expectation that we have. And we would adjust our plan if we need to going forward.

Wendy Huang: But how would 2016 end up being compared to 2015, last year? Although you were only guiding like breakeven but you ended up having like RMB0.5 billion net profit, so even if we are using the new second-quarter revenue gross guidance, actually, you can still have like 10% to 13% revenue growth.

So should we expect the profit dollar [amount] to be better than last year still, despite of the reset of the growth expectation?

Mr. Andy Yeung: I think if you expect that, I think [there are probably] margins, given that the expectation that we have and also the cost run rate that we have, I think that would probably be a little bit too optimistic. But we will try to maintain cost control.

And again, like last year, we outperformed our profitability expectation because a couple factors, one of them being that our top line was actually growing faster than we have forecast in 2015. So today, this year, we have the opposite [event] happening right now. And so we probably would not be as aggressive in term of the profitability forecast.

So again like right now we [calibrate] expectation for our top line so we would calibrate our expenses as well. But it's unlikely we're going to achieve what we have set out at the beginning of the year. We'll be quite significantly lower than that. And when you want a run rate for the second quarter, which I think is quite a bit lower than we have forecast before, so I would not be aggressive in probably forecasting when you have [slowing] top-line growth.

Wendy Huang: Okay. (Spoken in Chinese) So my second question is about one of the reasons you provided for the slower top-line growth is actually related to your partners.
So as far as I understand it, you are working with those international partners, like the Facebook, as well as the Chinese partners like Tencent. And so last night Tencent just reported kind of below The Street expected advertising revenue gross.

So can you provide more color as to what actually partners actually has kind of also affected your business? Thank you.

Mr. Fu Sheng: Okay. (Spoken in Chinese)

Mr. Andy Yeung: (Translated) Right. So I think when we look at, I think, first of all, I think when we mentioned some lower than expected eCPM from our partners, that's referring to our international partners, especially in US.

In term of what happen in the quarter, we mentioned if you look at in the first quarter when we first initially make our 2016 plan, we expect first quarter [significant] decline from the fourth quarter. But we mainly believed that was attributable to seasonality, because from our operational history, we have seen consistent growth in revenues coming from our third-party advertising platform partners.

So we expect a seasonal rebound in the second quarter. But, obviously, that did not happen as we have anticipated. And in fact, we didn't see much rebound in April. So [as we thought], now we expect that to be a challenging problem for us.

But this is not completely our expectation. We do expect eventually a mix -- or previously we have expected sometime late this year, we may see the third-party advertising platform, maybe come as a channel for us, maybe come [frustrated] and become slowing in top growth. Hence, we have earlier announced our expansions in our sales force effort in the last quarter.

But I think the pace of this happening caught us a little surprise is a few quarters ahead of our anticipation. So but nonetheless, if you look at the size of our user base, the user [trough] that we have, and then, I think once we've solved all these issue and build up our sales force, we should be able to see revenue growth restarting again. Thanks.

Operator: A reminder to please limit yourself to one question. Evan Zhou of Credit Suisse.

Evan Zhou: Thanks for taking my questions. (Spoken in Chinese) So my question is regarding some more colors regarding what's essentially changed in April that we find the (inaudible) actually changed that actually kind of impact the numbers in a meaningful way.

And so on the [reach-through] from some of the leading advertising platforms reports in the first quarter, actually, some [leader] has been posting pretty good numbers. So is
there like a meaningful direction change of the [offers] and also of the partner strategy that this platform is planning to do? Any color would be helpful. Thank you.

Mr. Fu Sheng: (Spoken in Chinese)

Mr. Andy Yeung: (Translated) Evan, thanks for your questions. So to be very frank with you, in the first quarter our Company have major reorganization. We have reorganized our business line, including our two applications, our content products, and our game operation.

And we, during that period of time, we make mistake and we did not communicate with our partner as we should have. So that makes perhaps the reason why it sort of caught us by a little bit of surprise.

Mr. Fu Sheng: (Spoken in Chinese)

Mr. Andy Yeung: (Translated) Right. So again, to be very honest with you, we were a little bit too complacent in the first quarter when we see the sequential declines from the fourth quarter to the first quarter. We largely attributed that to [Fignale] and did not pay as much attention as we should have to the change in the revenue trend.

And when we look at it in April, we realized that and we still hoping that in the next two months, in May and June, revenue may recover. But right now it's not recovering at the way that we'd like to see it.

Mr. Fu Sheng: (Spoken in Chinese)

Mr. Andy Yeung: (Translated) So when we look at other peers and partners, they seem to have experience similar trend, then we need to hone into the issues. And so we're a little bit late for that.

In addition to that, realize that we saw, like when we actually do analysis, we see the significant declines in the eCPM. So that's the driver for that.

And also, if you look at that --

Operator: Mr. Yeung, Mr. Fu, are you ready for the next question?

Unidentified Male Speaker: Hello?

Mr. Fu Sheng: Wait one second.

Mr. Andy Yeung: One second, yes.
Mr. Fu Sheng: So we [studied] the next two or three quarter to strengthen our own sales team revenues.

Mr. Andy Yeung: Right. So if you look at our strategy going forward, I think -- I'm sure we can go back and we have done a lot analysis on what happens from first quarter and into early part of second quarter and try to analyze what happened. And we very openly share that with you guys, the three reasons that -- the key reasons that we find as the reason for the slowing [even more] significantly.

And but we also want to emphasize that we also taken few action immediately and we also have a longer term plan, as we mentioned before. Immediately we are (inaudible) of the [marketing] expenditure. We have strengthened our direct sales force. We, in fact, we have made some adjustment in China which actually help us as we accelerate growth in the China direct sales business.

And we also making good progress in term of building our overseas sales team. As we mentioned a little bit earlier, in the press release and as well as in the conference call, we have been very pleased to announce that Todd Miller previously work at Yahoo as VP of Regional Sales, has joined us as our VP of Global Sales.

I think Todd will bring a lot of experience and skill to help us to build and strengthen our direct sales efforts in North America and European market.

So and then also, if you look at our content strategy, also is beginning to -- effort, we're rolling out new products, we'll be more aggressively rolling out new products in the coming quarters. And that should help us to boast our use engagement level.

So, yes, and we do admit that we have [struck a pole] in term of from the first quarter to second quarter. Noticing the developing trend in the marketplace, we are taking a lot of actions and we're taking it very seriously, so.

Evan Zhou: (Spoken in Chinese) Second question's regarding our content-driven product, the [progress]. Could you share some color on how the progress of the development, what's the launch timeline? And in terms of the increased investment in R&D and also promoting the product, what's kind of the ballpark number that we'll be looking at for the rest of the year and maybe, too, in 2017? Thank you.

Mr. Fu Sheng: (Spoken in Chinese)

Mr. Andy Yeung: (Translated) Regarding the timeline for our content with the product rollout, I think what I meant earlier when we say it was slowed and take a little bit longer than we have expected, it's mainly because we didn't feel the urgency. I think that's part of our fault.
We were too complacent when our revenue was growing really fast, we thought we have more time to make these transitions into the content product. But obviously now the entire Company I know have a sense of urgency and are focused on the [effort].

So we do expect to roll out a number of products this year. We'll roll out quite a few, but I think there's a couple ones that will be our main products in the content [we decide]. We would love to share more with you, but given the competitive landscape, we'd rather discuss this after we launch those products.

So that's our view on the content product side.

Evan Zhou: (Spoken in Chinese) Thank you, Andy.

Operator: Thomas Chong of Citi Group.

Thomas Chong: (Spoken in Chinese) Will management consider issue new shares or using existing cash for the funding of upcoming M&A, if there's any? Thanks.

Mr. Fu Sheng: (Spoken in Chinese)

Mr. Andy Yeung: (Translated) So, Thomas, thanks. I think Fu Sheng mentioned a couple things. Basically if you look at our historical [way], we have been free cash flow positive over the past few years. There's no change in our view on that. This year we would likely to see a positive free cash flow.

And also, as we mentioned in our earning call earlier, we have a share buy back program that the Board have authorized in the previous board meeting. And we have put that plan into place. So while although we have not repurchased share up until May 18th, the plan's in place.

So again, if you look at our investment and operational cash flow requirement, I think from operational cash flow requirement, as we mentioned before we continue to be free cash flow positive. And we also have a pretty strong balance sheet right now. So if you look at our cash balance right now, including short-term investment, which is mainly CD or fixed short term deposits, we have almost RMB1.8 billion in cash.

So I think we have ample liquidity to support our investment, as well as our operation.

Now, obviously, investments itself, unless we have a very large acquisition, I think we have more than sufficient cash to handle that. But at this point, I don't think we have any plan. And we do have any plan, we'll make the announcement to the public in term of fundraising or large investment. But as I mentioned, we have not made such announcement.

Thomas Chong: Thanks, Fu Sheng. Thanks, Andy.
Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Helen Jing Zhu, IR Director, for closing remarks.

Ms. Helen Jing Zhu: Thank you all for joining our conference call today. If you have further questions, please do not hesitate to contact us. Thank you. Bye.

Mr. Fu Sheng: Thank you.

Mr. Andy Yeung: Thanks.

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