

**CMCM - Cheetah Mobile, Incorporated
Q2 2014 Earnings Call
August 19, 2014 8AM EST**

Officers

Helen Zhu; Cheetah Mobile, Inc.; Director, Investor Relations
Sheng Fu; Cheetah Mobile, Inc.; CEO
Andy Yeung; Cheetah Mobile, Inc.; CFO
Xinhua Liu; Cheetah Mobile, Inc.; CMO

Analysts

Philip Wan; Morgan Stanley; Analyst
Alex Yao, JPMorgan; Analyst
Evan Zhou, Credit Suisse; Analyst
Jiong Shao; Macquarie; Analyst
Ella Ji; Oppenheimer; Analyst

Presentation

Operator: Good day, everyone, and welcome to Cheetah Mobile's second quarter 2014 earnings conference call. At this time, all participants are in listen-only mode. We will be facilitating a question-and-answer session towards the end of the conference call.

At that point, I would like to turn the call back to Helen Zhu, Cheetah Mobile's Investor Relations Director. Thank you.

Helen Zhu: Thank you, Operator. Welcome to Cheetah Mobile's second quarter 2014 earnings conference call. With us today are Mr. Sheng Fu, the Company's CEO, and Mr. Andy Yeung, the Company's CFO. Following management's prepared remarks, we will conduct the Q&A session.

Before we begin, I will refer you to the Safe Harbor Statement in our earnings release, which also applies to our earnings conference call today, as we will make forward-looking statements.

At this time, I would now like to turn the call over to our CEO, Mr. Sheng Fu.

Sheng Fu: (Spoken in foreign language).

Helen Zhu: (Interpreted). Hello, everyone, and thank you for joining us. Today, we would like

to highlight the progress we have made this past quarter in terms of mobile users, mobile monetization, our overseas business and mobile offerings in Q2.

Sheng Fu: (Spoken in foreign language).

Helen Zhu: (Interpreted). First, Cheetah Mobile users, engagement, and numbers of users from overseas markets grew at an impressive rate in the quarter. As of the end of the second quarter, our applications have been installed on 652 million mobile devices globally, up 32% quarter-over-quarter.

Mobile MAUs increased 28% quarter-over-quarter, reaching 284 million in the quarter. Most notably, about 67% of our mobile MAUs were from overseas markets, representing a significant year-over-year increase. This strong growth and levels of engagement of our users have propelled Cheetah Mobile into a market-leading position in both the overseas and domestic mobile internet industry, and validates the strong market demand for our product portfolio.

Sheng Fu: (Spoken in foreign language).

Helen Zhu: (Interpreted). Second, revenue generated from our mobile business jumped ten-fold year-over-year and 42% quarter-over-quarter to RMB76.2 million in the second quarter.

During the quarter, we experimented with innovative ad formats such as contextual native ads, which significantly drove up mobile revenue, exceeding management expectations. Especially, we embedded app distribution-related ads into our products, and launched the most non-intrusive mobile ads in the market.

We also utilized big data to analyze user preferences, and recommended targeted ads, especially games, to our users.

Furthermore, our successful innovation has allowed us to combine mobile ads with our utility products, further boosting the distribution of our mobile apps and games. For example, "Don't Step on the White Tiles," one of our popular games, reached 120 million global downloads, and has been featured 60 times on the Google Play homepage.

In addition, we acquired HongKong Zoom Interactive during the quarter. HongKong Zoom Interactive operates a mobile advertising business. Its customers include Google, Facebook, and global mobile advertising networks such as InMobi, Millennium Media, among others. HongKong Zoom has rich advertiser resources and proprietary technology and know-how. With HongKong Zoom Interactive, Cheetah Mobile is expected to further strengthen its global mobile monetization capabilities.

Sheng Fu: (Spoken in foreign language).

Helen Zhu: (Interpreted). Third, we further deepened our penetration in overseas markets. In

June, 67% of mobile MAUs were from overseas markets, mostly from the US and Europe. This equals to more than 190 million mobile MAUs outside of China. According to App Annie, Cheetah Mobile was the number two brand in the Google Play non-game app categories worldwide in June, right behind Facebook.

In addition, Clean Master and CM Security were once again awarded the top spot in AV-Test's latest assessment of Android security for the fourth consecutive time in 2014. The AV-Test is conducted by an independent services supplier for global IT Security and Antivirus Research based in Germany. Based on AV-Test's results, Clean Master and CM Security achieved 100% detection rate, had no false-positives, and maintained high performance in areas such as power, CPU and data usage.

Moreover, our growing global brand attracted more well-known handset suppliers. As of today, more than 20 handset makers preloaded Clean Master on their devices. Some of our new handset partners include HTC, Prestigio, a European-based handset maker, Micromax, an Indian-based handset maker, among others. We believe these partnerships will further increase our user growth and enhance our brand awareness in the overseas market.

Sheng Fu: (Spoken in foreign language).

Helen Zhu: (Interpreted). Fourth, moving on to our mobile products, we are focusing on differentiating features and services, while developing a product portfolio matrix. According to App Annie, in June, the top three most downloaded mobile apps in the Google Play tools categories worldwide were all developed by us. They were Clean Master, Battery Doctor, and CM Security.

Also, Photo Grid ranked number one in the photography category in Google Play by monthly downloads in the United States.

According to iResearch, in June, Clean Master and Battery Doctor were the top two mobile utility applications in China in terms of monthly active users. These achievements enable us to cross-promote our other apps.

For example, during the quarter, we launched an extremely light and fast mobile browser, CM Browser, which was cross-promoted by our other core apps. As a result, CM Browser was one of the top 40 most downloaded mobile apps in Google Play in July.

Our strong performance reflects not only the speed of our technical teams, but also our ability to recognize opportunities for product enhancements and our responsiveness to user feedback. During the quarter, we launched multiple updates for our mobile apps with a number of differentiating features.

Sheng Fu: (Spoken in foreign language).

Helen Zhu: (Interpreted). Looking ahead, we will continue investing in expanding our mobile platform, especially in utility mobile apps; further penetrate the global market, especially in the US and Europe markets; and strengthen our strategic partnerships with leading internet and mobile internet companies globally. We believe that these initiatives will allow us to further enhance our brand awareness, user growth and engagement, as well as strengthen our global mobile monetization capabilities.

Sheng Fu: (Spoken in foreign language).

Helen Zhu: Now, I will turn the call over to our CFO, Mr. Andy Yeung, for our financial highlights.

Andy Yeung: Thank you, Mr. Fu, and good evening, everyone. We are excited to announce second quarter financial results that exceeded our previous guidance. In addition to stronger than expected user growth, the success of our new product rollouts, our quarterly revenues growth continued on a strong trajectory, setting another new record this quarter.

As Mr. Fu mentioned, we made significant progress in mobile monetization. Not only is mobile a material revenue contributor, it is also an increasingly important driver of our top line growth.

Mobile revenues dramatically increased by over 1,000% year-over-year to reach RMB76 million, which now accounts for 20% of our total revenue, up from only 4% a year ago.

Looking forward, we expect our strong business momentum to continue into the third quarter, as we continue to make investments that will drive user growth and expand our product and service offerings.

Now, moving to our financial results -- before we get started, I would like to clarify that all financial numbers we are presenting today are in RMB amounts unless otherwise noted.

For the second quarter, total revenues were RMB380 million, representing an increase of 139% year-over-year increase, and 21% quarter-over-quarter, exceeding the high end of our guidance by 10%.

Revenues from online marketing services were approximately RMB283 million, a 112% increase from the prior year period, and a 22% increase from the prior quarter. The increase was largely due to higher revenues from key online marketing customers, which was driven by significant growth in our user traffic.

While we continue to see robust demand from our top three customers, we saw even stronger demand growth from our other key advertising customers that will help us further diversify our revenue base.

In addition, we also experienced significant growth in our mobile advertising business as we began to ramp up our mobile advertising business overseas.

Revenues from IVAS segment were RMB85 million, up 571% year-over-year and 18% quarter-over-quarter. This increase was primarily driven by the increase in both the number of games published and the number of paying users.

In addition, the Company also expanded into online lottery services.

Revenues from internet security services and others were RMB12 million, down 3% year-over-year, but up 6% quarter-over-quarter. The year-over-year decrease was primarily due to the Company ceasing to promote subscription services in a strategic reorientation which started in 2011.

Moving on to our costs and expenses, first, I would like to discuss our stock-based compensation expenses. SBC expenses were RMB52 million in the quarter. As we previously stated, we will incur higher SBC expenses this year, largely due to shares and options granted to our management team and employees before the Company's IPO in May. Share-based compensation is an important tool for the Company to attract and retain top talent and help us to stay competitive. It is an important strategic investment that we will continue to make prudently. N

Now, to help facilitate the discussion of the Company's operating performance, the following discussion will be on a non-GAAP basis, which excludes stock-based compensation expenses. For financial information presented in accordance with US GAAP, please refer to our press release which is available on our website.

Cost of revenues was RMB82 million, an increase of 178% year-over-year mainly due to higher bandwidth and IDC costs, as well as costs associated with our mobile game business.

Gross profit for the quarter was RMB299 million, a 131% year-over-year increase.

Gross margin for the quarter was 78.5%, slightly down from the same period last year, but slightly up from the previous quarter. The sequential improvement was mainly due to higher contribution from our online marketing services.

R&D expenses were RMB89 million, an increase of 79% over the corresponding prior year period. This was primarily due to an increase in the number of R&D personnel, as the number of R&D employees grew approximately 66% year-over-year.

Selling and marketing expenses were RMB116 million, an increase of 308% year-over-year mainly due to promotional expenses for our mobile business.

On a quarter-over-quarter basis, selling and marketing expenses increased only 4%.

As stated previously, 2014 will remain an investment year for acquiring mobile users and developing our mobile game business.

G&A expenses increased by 14% year-over-year to RMB29 million due to increased professional service fees associated with being a public company.

Non-GAAP operating profit was RMB65.5 million, an increase of 150% year-over-year, and 97% quarter-over-quarter.

Non-GAAP operating margins were 17.2% compared to 16% in the prior year period, and 10.6% in the prior quarter.

Non-GAAP net income increased by 302% year-over-year and 100% quarter-over-quarter to RMB65 million.

Non-GAAP diluted earnings per ADS increased by 224% year-over-year and 75% quarter-over-quarter to RMB0.49.

Now, let me provide you with our third quarter revenue guidance. We currently expect total revenues to be between RMB430 million and RMB440 million, representing a 132% to 137% year-over-year increase. Please note that these forecasts reflect the Company's current and preliminary view on the market and is subject to change.

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

Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). Philip Wan, Morgan Stanley

Philip Wan: Congratulations on a very good quarter. My question is about your mobile advertising business. Could you share with us how much of your mobile advertising revenue in Q2 is from outside of China? And then also, what's your plan to monetize your overseas traffic in the coming quarters and maybe your internal target by the end of this year? Thank you.

Andy Yeung: Philip, do you want to translate that into Chinese for Mr. Fu or do you want to do it (inaudible)?

Philip Wan: (Spoken in foreign language).

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Right, so the second quarter, our mobile revenues and overseas mobile revenues are growing -- both are very fast.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Right, so the mobile revenue growth are coming from both overseas and domestic sales.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Right. So at this point, we don't want to disclose precise percentage of revenue coming from overseas, but what we can say is that the growth is very strong.

And I think, if I may add, if you look at mobile revenues this year, it's very significant. So we have about 20% of revenue coming from mobile now and while in overseas is growing very fast, it's also not a significant amount for our revenue base. It's becoming more material. As we mentioned earlier, the mature cost related to our overall revenues and will be a big driver for our growth going forward.

Philip Wan: (Spoken in foreign language). So my next question is would you comment on the competitive landscape, especially in the utility mobile app market? Given the success of Cheetah Mobile, would the app attract more competition and impact your progress on monetization? Thank you.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Yes, right. Our success overseas has attracted other competitors from China, and they have made a concerted effort to expand their overseas market presence. But over the past few months, as we observed, we continue to have a very large [new-issue] gap between us and our competitors and we are still going very strong in the overseas markets.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). There are three competitive advantages that we enjoy overseas. Number one is that Clean Master is mobile application alone and has enjoyed very strong leadership overseas. Its download number is only behind three applications on Facebook and it's ranked number four on Google Play worldwide.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So on Clean Master, not only is it ranked very high, but we also enjoy very good user feedback and ratings. And this is one of the areas that's very difficult for our competitors to overcome.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So if you look at our ability to cross-sell our applications, we have demonstrated that we're able to cross-sell our mobile applications very successfully. If you look at our -- the key applications that we have, Clean Master, Battery Doctor, CM Security, all ranked very high on the [tools] categories, and some of this ability is very difficult for our competitors to duplicate.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). If you look at our ability to promote our product, and we have seen quite a bit of similarities to overseas promotion which had an example. We're very familiar with Facebook app M.O.P. on the upstream, and then on the downstream, we're also developing a strong relationship with some of the best handset manufacturers to create and sell our applications.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So in terms of overseas mobile monetization, the limitation is not so much coming from a competitor, but is more in terms of our own special point of view, how fast, and how we want to promote and monetize our mobile application.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Thank you.

Philip Wan: (Spoken in foreign language), Andy.

Operator: Thank you. Alex Yao, JPMorgan.

Alex Yao: (Spoken in foreign language). So my first question starts from the recent product matrix strategy as well as the M&A activities. So after all these strategies, clearly, Cheetah Mobile has gained a very significant increase in terms of touch points with the consumers.

Then do you have some kind of backhand system to consolidate and unify the interaction between Cheetah's apps with the consumers? And what kind of features or characteristics do you have in mind to place into such a mechanism? Then lastly, does such capability will be able to open to third-party apps? Thank you.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So internally, we are continuing to strengthen our infrastructure platform. One of the features that we're developing is called Face Mark.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Our Face Mark system, it actually analyzes user behavior, so that we can give our big data analysis on the user behavior. As such without invading on the user privacy, we're able to analyze the user behavior such that we are [tuned] to what service to our user.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Yes, so another thing that we do is across platform systems that helps us provide native contextual advertising. For example, when we combine one advertising and one application, the user will not see the duplicated advertising on [another] application. And as such, we're able to provide users more targeted and more precise targeted marketing without annoying the user as much.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). The core competitiveness of our Company is not only the large user base that we have, but also, our ability to employ big data analysis, so that we can better understand our user and user behavior, discussing with Facebook, the ability to provide that kind of a (inaudible) [product].

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). In the long run, we would open up our platform to not only our own applications, or the applications that we acquire, but also to other third-party app developers. However, that would probably take a little bit longer (inaudible). Thank you, Alex. Do you have another question?

Alex Yao: Yes, sure. (Spoken in foreign language). So the second question is about ROI of user acquisition. We note that the quarterly MAU net adds has increased compared to previous quarters, but the quarterly sales and marketing costs didn't grow too much. So can you help us to understand what is driving the improving user acquisition ROI, and how to think about second half sales marketing strategy and the trend? Thank you.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). There are several factors. One is that both Cheetah Mobile and also, Clean Master, the (inaudible) for those have been increasing, and as a result, you see we have very strong organic traffic downloads for our application. And like our competitors, they spend a lot of money on marketing to acquire users, and I think you'll continue to see such strong organic downloads for our user growth.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). If you look at our two applications' metrics strategy, we have been quite successful in cross-selling our applications. So in sales, you can see that on the two

categories, the top three applications are coming from Cheetah Mobile. And that (inaudible) for our competitor to replicate, and if you look at Clean Master, of the [copied] applications, only Clean Master is also promoted also from one or two channels because organic. All the other ones, Battery Doctor, CM Security, are all through cross-sales or natural traffic downloads. So I think that's also a significant factor in terms of our high user acquisition.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). As we mentioned in our earlier questions, we have gained quite a bit of experience in terms of developing our promotional channels into fees. So if you -- and as we discussed, we were able to refine our overseas promotional strategies that help us to lower the [CPA] for our application promotions.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). This year and next year, I think we'll continue to see it as a very important year for these acquisitions. So as a result, we will continue to invest in user acquisition and especially, given the fact that once we acquire a new user, we can cross-sell other applications and we think that's very [respective]. So if you look at the remainder of the year and next year, we'll continue to invest heavily on user acquisition.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Thank you, Alex.

Alex Yao: Mr. Fu and Andy, thank you very much. Congrats on a solid quarter.

Operator: Thank you. Evan Zhou, Credit Suisse.

Evan Zhou: (Spoken in foreign language). So my first question is regarding the part of your [promotion] plan. Basically, do we still have to plan to maybe promote actively on some more commercial-oriented products in the next coming quarters, or we'll probably still focus on the current strategy of monetizing our existing more utility-based apps metrics? Thanks.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). First of all, we have generated better than expected revenue growth from our overseas and [pricing] markets, and that's what we will begin to expect in the second quarter. So we are very encouraged by the results and so we're looking forward to significant growth of our overseas mobile business.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). If you look at Clean Master, we have continued to see robust growth in MAU, and so ourselves, we are pretty confident that in the long run, we can very successfully monetize Clean Master type of [free] applications product.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). But as we mentioned before, the importance of Clean Master is not necessarily only monetization, but more importantly is our ability to actually cross-sell our applications.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). If you look at, in the second quarter, we rolled out a new product called CM Browser. It is a very light browser that's only 1.6 megabytes in size and then it's rated very high on Google Play by users, 4.6 out of 5. And we've been -- a couple months after its launch, we entered into the top 40 most downloaded applications in July.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Recently, we also acquired a company called Moxiu and it's a company that operates mobile desktop applications and we acquired additional 20% stake in the company.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). As we mentioned, we will continue to look forward to developing and acquire applications that have strong user engagement that are more natural to monetization.

Evan Zhou: (Spoken in foreign language). So my second question -- (spoken in foreign language). My second question is on mobile games. So we see pretty strong traction on the [other] app segment, but probably due to some seasonality issue or some execution phase, that the IVAS, the spread on online games revenue growth is relatively slower.

So my question is about what do you expect for the game segment to grow for the download? And also share some color on the progress too about the expansion of oversea publishing sources. That would be very helpful. Thank you.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). If you look at our mobile game growth, it's probably less than what you have expected, but that's probably because we take a little bit more time to develop our mobile game teams to give us that business.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Also, if you look at the Chinese mobile game industry, you also experienced quite a significant change in the second quarter. If you look at the Tencent example, it has become a very dominant competitor, a dominant market leader. So we would also give some pressure for domestic mobile game operators.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). Well, Alex, you probably are aware that our strategy is mobile and global, and so we have, for a long time, set up a strategy to focusing on mobile business. So far, our mobile game operation, we also are very optimistic that we were able to develop a very good business model by introducing Chinese games to overseas markets.

If you look at our applications overseas, our market leadership overseas, we're quite confident that we have been able to develop a very unique and strong business model for our overseas gaming operation.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So we have actually started our mobile game operation overseas recently, and we also see some very encouraging response. We have a very strong product pipeline for our overseas game operation. So we expect, or we think we'll see pretty strong growth in our overseas mobile game operation. Thank you.

Alex Zhou: Great, thanks, [Mr. Fu] and, Andy, for color.

Operator: Thank you. Jiong Shao, Macquarie.

Jiong Shao: (Spoken in foreign language). My first question is about the potential impact from acquisitions the Company has made in the last couple of months on the results and guidance. Thank you.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So let me first explain our M&A strategy. For our M&A activities, we are more focusing on the strategic values for our acquisitions, not necessarily the immediate financial returns.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). For example, our (inaudible) [technology] through our acquisitions, we usually look for technologies or applications that can strengthen our own technologies, our product portfolio, as our users enjoy. So to us, that is more important than immediate financial revenues.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). The second area of our M&A focus is an area that we are new to it. For example, for mobile monetization, we recently acquired a company called HongKong Zoom, which has a very good experienced and a very good team in mobile monetization. And so we saw that, that talent and that technology, and we wanted to make that acquisition.

Sheng Fu: (Spoken in foreign language), Andy.

Andy Yeung: (Interpreted). Right. Regarding the financial impact from some of our recent acquisitions, what we could say is that as we look at all these acquisitions, we're mostly looking at acquiring technologies and applications, and sometimes, some of the users that they have. The short-term to intermediate term financial returns have (inaudible) earning impact is relatively small. So our mobile growth is coming from organic growth.

Jiong Shao: Okay. (Spoken in foreign language). My second question is really about the mix in the mobile revenue, the advertising versus the gaming.

Andy Yeung: Okay. So in terms of the mobile revenue mix between mobile games and mobile advertising, I think, as we have mentioned before, we will continue focusing on both mobile advertising and mobile games. As today, on a quarter-to-quarter basis, you will see some fluctuation between the revenue mix between mobile advertising and mobile game, but overall, I think both are proven. In the long term, we're looking at more even growth on both.

As we mentioned earlier, in the second quarter, mobile game operation will be slower because some of the [season] change in China, and as we also are just beginning to ramp up our overseas game operation. In terms of our mobile advertising, we have rapidly systematic and steady in terms of how we expand our mobile advertising business, both domestic and overseas. So that's something that we want to share with you. Thanks.

Jiong Shao: Okay.

Andy Yeung: Do you have any --

Jiong Shao: (Spoken in foreign language), Andy.

Operator: Thank you. Ella Ji, Oppenheimer.

Ella Ji: (Spoken in foreign language). So my first question is relating to mobile monetization as well. I just wondered if you can share some color relating to the advertisers? What's the mix between overseas and the domestic? As well as if there's any color relating to the user behavior differences between international and the domestic users, and how is that going to affect your monetization going forward?

Also, relating to your newly launched product, such as Cheetah Browser, how long do you think it will take you to monetize meaningfully from when you launch the product?

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So I would briefly answer your question then.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So of course, if you look at the mobile user, there's some universal interest and behavior, but if you look at -- in terms of receptiveness to mobile advertising, we see that overseas users are more receptive to mobile advertising. On the other hand, in China, domestic users are more receptive to mobile game business.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So in terms of mobile monetization, I think in the near term, we don't see too much pressure to do that. I think our focus in the near term is still mobile user acquisition. However, if you look at our ability to generate revenues on mobile advertising and mobile games, we have demonstrated that there is a lot of potential there once we have a user base.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). If you look at our long-term monetization strategy, really, it's not to try to squeeze as much revenues from our users as possible, but we wanted to develop the best product possible and to acquire a user base and have very strong user loyalties. And once we have that, then I think mobile monetization will be very natural and logically easier.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). For example, for CM Browser, we have quite an [interesting] strategy in terms of user acquisition and we also have good recent feedback for our product. So in terms of our strategy there, we really are trying to continue to refine our product, such that we continue to gain users. Then once we have a strong competitive advantage over our competitors, and a very large user base, I think the mobile monetization on CM Browser will be relatively natural and easy.

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So we continue to see that strong momentum in terms of mobile revenue growth. However, again, [global] monetization is not the highest priority for us. Investment in the product is our top priority in the near term, but in terms of large-scale monetization, some big increase, significant revenue contribution from mobile would probably be next year's [volume].

Sheng Fu: (Spoken in foreign language).

Andy Yeung: (Interpreted). So if you look at us, even though monetization is not our main focus at this point, we have seen very strong momentum in our mobile revenue growth. If you look at our year-over-year growth in mobile, (inaudible) percentage, for example, but we will continue to refocus on mobile applications, developing our platform infrastructure.

As you can see, we also acquired a company called [HongKong Zoom], that would help us to further our capability in mobile monetization. So I think it's really a balance between our user growth, user acquisitions, product development, our own structured development, as well as monetization. So in short, you should expect a more gradual and steady growth in mobile (inaudible). Okay. Thank you, Ella.

Ella Ji: Thank you. (Spoken in foreign language). So my second question is relating to your revenue growth on the PC end. What's your total PC MAU for this quarter? And can you also talk about the most recent trend relating to your PC user conversion?

Andy Yeung: Ella, so as we mentioned in our press release, our key monetization for our PC platform is Duba.com and we have seen significant user growth. Our multi-active users in Duba.com increased by 70% year-over-year and 25% quarter-over-quarter to 68 million in June 2014. That's the main product for our monetization. So if you look at our PC revenue growth are mainly coming from increases in traffic.

Of course, our flagship product on mobile is actually our Duba and our software. However, we have decided that it's better for us to focus on some of the key metrics more than the overall mobile, so also our PC user base. Thank you, Ella.

Ella Ji: (Spoken in foreign language).

Helen Zhu: Thank you all for joining us today. If you have any questions, please do not hesitate to contact us. Thank you.

Andy Yeung: Thank you.

Operator: Thank you. This concludes the question-and-answer session.