Cheetah Mobile Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Cayman Islands)

(Jurisdiction of incorporation or organization)

Building No. 8

Hui Tong Times Square

Yaojiayuan

South Road

Beijing 100123

People’s Republic of China

(Address of principal executive offices)

Thomas Jintao Ren

Chief Financial Officer

Cheetah Mobile Inc.

Building No. 8

Hui Tong Times Square

Yaojiayuan South Road

Beijing 100123

People’s Republic of China

Tel: +86-10-6292-7779

Email: IR@cmcm.com

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

American depositary shares, each representing ten Class A ordinary shares

CMCM

The New York Stock Exchange

Class A ordinary shares, par value US$0.000025 per share

* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares, each representing ten Class A ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

NONE

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

NONE

(Title of Class)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐ Yes ☐ No

The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting StandardsCodification after April 5, 2012.

Indicate by check mark which financial accounting standard the registrant has elected to follow in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial accounting standard the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act.

☐ Yes ☐ No

(ApPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No
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</tbody>
</table>
INTRODUCTION

In this annual report, except where the context otherwise requires and for purposes of this annual report only:

- “Cheetah Mobile Inc.,” “we,” “us,” “our company” or “our” refers to Cheetah Mobile Inc., its subsidiaries and, in the context of describing our operations and consolidated financial data, also includes our variable interest entities and, in certain periods prior to January 2017, the subsidiaries of our variable interest entities;
- “ADSs” refers to American depositary shares, each of which represents ten of our Class A ordinary shares;
- “China” or the “PRC” refers to the People’s Republic of China, excluding, for the purposes of this annual report, Hong Kong, Macau and Taiwan;
- “Ordinary shares,” prior to the completion of our initial public offering in May 2014, refers to our ordinary shares, par value US$0.000025 per share and, upon the completion of the offering, to our Class A and Class B ordinary shares, par value US$0.000025 per share;
- “RMB” or “Renminbi” refers to the legal currency of China;
- “US$,” “U.S. dollars,” “$,” or “dollars” refers to the legal currency of the United States;
- “€,” “Euro dollars” or “Euro” refers to the legal currency of the eurozone;
- “¥,” “Japanese Yen” or “JPY” refers to the legal currency of Japan;
- “Kingsoft Corporation Limited” or “Kingsoft Corporation” refers to Kingsoft Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 3888);
- Number of “monthly active users,” in reference to all of our products, refers to the number of computers, tablets or smartphones on which one or more of our products have been installed or downloaded and that accessed the internet at least once during the relevant month; and number of “monthly active users,” in reference to an individual product, refers to the number of computers, tablets or smartphones on which such product has been installed or downloaded and that accessed the internet at least once during the relevant month. A single device with multiple applications installed is counted as one user. A single person with applications installed on multiple devices is counted as multiple users. Multiple persons using a single device are counted as one user. The number of monthly active users for our mobile products is based on our internal statistics;
- Number of mobile devices on which our applications have been “installed,” as of a specified date, refers to the cumulative number of mobile devices on which one or more of our applications have been installed as of the specified date;
- “Hong Kong Listing Rules” refers to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
- “Overseas revenues” or “revenues from overseas markets” refers to revenues generated by our operating legal entities incorporated outside China. Such revenues are primarily attributable to customers located outside China, based on our customers’ registered addresses; and
- “Variable interest entities” or “VIEs” refers to those entities incorporated in PRC consolidated in our financial statements and over which our subsidiaries exercise effective control through a series of contractual arrangements.
This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by words or phrases such as “may,” “could,” “should,” “would,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “likely to,” “project,” “continue,” “potential,” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our business strategies, plans and priorities, including growth strategies as well as investment and acquisition plans in China and overseas;
- our ability to retain and attract users, customers and business partners, and increase their spending or level of engagement with us;
- our ability to expand and improve our product and service offerings;
- our ability to monetize the user traffic on our platform;
- our future business development, results of operations and financial condition, including the seasonal trends of our results of operations;
- expectations regarding our user growth rate and user engagement;
- expected changes in our revenues and cost or expense items;
- competition and changes in landscape in our industry;
- relevant PRC and foreign government policies and regulations relating to our industry;
- general economic and business condition globally and in China; and
- assumptions underlying or related to any of the foregoing.

You should not place undue reliance on these forward-looking statements and you should read these statements in conjunction with other sections of this annual report, in particular the risk factors disclosed in “Item 3. Key Information—D. Risk Factors.” These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. Moreover, we operate in a rapidly evolving environment. New risks emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in any forward-looking statement. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law.
PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. Selected Financial Data

The following table presents the selected consolidated financial information of our company. The selected consolidated statements of comprehensive income (loss) data for each of the three years ended December 31, 2019 and the selected consolidated balance sheets data as of December 31, 2018 and 2019 have been derived from our audited consolidated financial statements, which are included in this annual report beginning on page F-1. The selected consolidated statements of comprehensive income (loss) data for each of the two years ended December 31, 2015 and 2016 and the selected consolidated balance sheets data as of December 31, 2015, 2016 and 2017, excluding the financial data of Kingsoft Japan Inc., or Kingsoft Japan, have been derived from our audited consolidated financial statements that are not included in this annual report. Our audited consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. Our historical results do not necessarily indicate results expected for any future period. You should read the following selected financial data in conjunction with the consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report.

In January 2016, we obtained control of Kingsoft Japan. See “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions—Transactions and Agreements with Kingsoft Corporation and its Subsidiaries—Purchase of Equity Interest in Kingsoft Japan”. As we and Kingsoft Japan were under common control by Kingsoft Corporation both before and after our acquisition of control over Kingsoft Japan, the consolidated financial data presented below have been prepared as if we had owned the assets and liabilities of and operated Kingsoft Japan throughout the periods presented, and the consolidated financial data for the year ended December 31, 2015 have been retrospectively adjusted accordingly. The consolidated financial data set forth below as of and for the year ended December 31, 2015 may not necessarily reflect the results of operations, financial position and cash flows we would have experienced with respect to Kingsoft Japan if we had owned and operated Kingsoft Japan throughout that year.
Starting from January 1, 2018, we adopted ASC Topic 606, Revenue from contracts with customers or ASC 606, which reclassifies value added tax from the cost of revenues to net against revenues. The consolidated statement of comprehensive income (loss) data for the years ended December 31, 2018 and 2019 presented below have been prepared in accordance with ASC 606, while the consolidated statements of comprehensive income (loss) data for the years ended December 31, 2015, 2016 and 2017 presented below have been prepared in accordance with ASC Topic 605, Revenue Recognition or ASC 605.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2015(1)</th>
<th>2016(1)</th>
<th>2017(1)</th>
<th>2018(2)</th>
<th>2019(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td><strong>Selected Consolidated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Statements of Comprehensive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income/ (Loss) Data:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>3,773,877</td>
<td>4,564,650</td>
<td>4,974,757</td>
<td>4,981,705</td>
<td>3,587,695</td>
</tr>
<tr>
<td><strong>Utility products and related services</strong></td>
<td>3,465,239</td>
<td>3,870,995</td>
<td>3,439,563</td>
<td>3,119,483</td>
<td>1,573,030</td>
</tr>
<tr>
<td><strong>Mobile entertainment</strong></td>
<td>281,671</td>
<td>693,195</td>
<td>1,496,443</td>
<td>1,778,867</td>
<td>1,871,543</td>
</tr>
<tr>
<td><strong>AI and others</strong></td>
<td>26,967</td>
<td>460</td>
<td>38,751</td>
<td>83,355</td>
<td>143,122</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>(956,353)</td>
<td>(1,543,817)</td>
<td>(1,780,089)</td>
<td>(1,540,633)</td>
<td>(1,241,932)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>2,817,524</td>
<td>3,020,833</td>
<td>3,194,668</td>
<td>3,441,072</td>
<td>2,345,763</td>
</tr>
<tr>
<td><strong>Operating income and expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Research and development</strong></td>
<td>(695,185)</td>
<td>(905,854)</td>
<td>(684,863)</td>
<td>(668,918)</td>
<td>(787,329)</td>
</tr>
<tr>
<td><strong>Selling and marketing</strong></td>
<td>(1,505,951)</td>
<td>(1,650,581)</td>
<td>(1,656,505)</td>
<td>(1,910,044)</td>
<td>(1,558,315)</td>
</tr>
<tr>
<td><strong>General and administrative</strong></td>
<td>(447,984)</td>
<td>(561,834)</td>
<td>(407,410)</td>
<td>(430,826)</td>
<td>(587,457)</td>
</tr>
<tr>
<td><strong>Impairment of goodwill</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(545,665)</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>48,494</td>
<td>84,988</td>
<td>990</td>
<td>35,938</td>
<td>22,091</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(2,600,626)</td>
<td>(3,033,281)</td>
<td>(2,747,788)</td>
<td>(2,973,850)</td>
<td>(3,456,675)</td>
</tr>
<tr>
<td><strong>Operating profit/(loss)</strong></td>
<td>216,898</td>
<td>(12,448)</td>
<td>446,880</td>
<td>467,222</td>
<td>(1,110,912)</td>
</tr>
<tr>
<td><strong>Other income/(expenses)</strong></td>
<td>21,479</td>
<td>(56,448)</td>
<td>986,385</td>
<td>802,501</td>
<td>745,225</td>
</tr>
<tr>
<td><strong>Income/(Loss) before income taxes</strong></td>
<td>238,377</td>
<td>(68,896)</td>
<td>1,433,265</td>
<td>1,269,723</td>
<td>(365,687)</td>
</tr>
<tr>
<td><strong>Income tax (expenses)/benefits</strong></td>
<td>(63,740)</td>
<td>12,189</td>
<td>(57,602)</td>
<td>(117,000)</td>
<td>(7,904)</td>
</tr>
<tr>
<td><strong>Net income/(loss)</strong></td>
<td>174,637</td>
<td>(56,707)</td>
<td>1,375,663</td>
<td>1,152,723</td>
<td>(373,591)</td>
</tr>
<tr>
<td><strong>Less: Net (loss)/income attributable to noncontrolling interests</strong></td>
<td>(1,710)</td>
<td>23,818</td>
<td>27,469</td>
<td>(14,186)</td>
<td>(59,614)</td>
</tr>
<tr>
<td><strong>Net income/(loss) attributable to Cheetah Mobile Inc.</strong></td>
<td>176,347</td>
<td>(80,525)</td>
<td>1,348,194</td>
<td>1,166,909</td>
<td>(313,977)</td>
</tr>
<tr>
<td><strong>Earnings/(Losses) per share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic</strong></td>
<td>0.1285</td>
<td>(0.0580)</td>
<td>0.9573</td>
<td>0.8048</td>
<td>(0.2514)</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>0.1236</td>
<td>(0.0580)</td>
<td>0.9366</td>
<td>0.7839</td>
<td>(0.2514)</td>
</tr>
<tr>
<td><strong>Earnings/(Losses) per ADS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic</strong></td>
<td>1.2845</td>
<td>(0.5805)</td>
<td>9.5728</td>
<td>8.0478</td>
<td>(2.5140)</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>1.2360</td>
<td>(0.5805)</td>
<td>9.3656</td>
<td>7.8393</td>
<td>(2.5140)</td>
</tr>
<tr>
<td><strong>Weighted average number of shares used in computation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic</strong></td>
<td>1,372,863,321</td>
<td>1,387,254,551</td>
<td>1,394,303,326</td>
<td>1,403,089,609</td>
<td>1,369,041,418</td>
</tr>
<tr>
<td><strong>Diluted</strong></td>
<td>1,426,810,939</td>
<td>1,387,254,551</td>
<td>1,425,154,838</td>
<td>1,440,414,849</td>
<td>1,369,041,418</td>
</tr>
</tbody>
</table>

(1) VAT is presented in cost of revenues rather than net against revenues in accordance with the legacy revenue accounting standard (ASC 605)
2) VAT is presented as net against revenues rather than in cost of revenues in accordance with the new revenue accounting standard (ASC 606).

3) Share-based compensation expenses were allocated in cost of revenues and operating expenses as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>1,523</td>
<td>1,490</td>
<td>762</td>
<td>206</td>
<td>524</td>
</tr>
<tr>
<td>Research and development</td>
<td>142,777</td>
<td>148,211</td>
<td>20,691</td>
<td>14,224</td>
<td>59,771</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>18,206</td>
<td>13,830</td>
<td>39</td>
<td>8,967</td>
<td>3,818</td>
</tr>
<tr>
<td>General and administrative</td>
<td>153,234</td>
<td>142,618</td>
<td>51,824</td>
<td>61,721</td>
<td>63,327</td>
</tr>
<tr>
<td>Total</td>
<td>315,740</td>
<td>306,149</td>
<td>73,316</td>
<td>85,118</td>
<td>127,440</td>
</tr>
</tbody>
</table>

4) Each ADS represents ten Class A ordinary shares.

<table>
<thead>
<tr>
<th>Year Ending December 31,</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selected Consolidated Balance Sheets Data:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,843,233</td>
<td>1,411,000</td>
<td>2,317,488</td>
<td>2,783,843</td>
<td>983,004</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>29,234</td>
<td>361,499</td>
<td>1,395,694</td>
<td>930,610</td>
<td>1,369,118</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,926,551</td>
<td>5,541,134</td>
<td>7,448,931</td>
<td>8,292,636</td>
<td>7,011,744</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,720,585</td>
<td>2,066,221</td>
<td>2,165,754</td>
<td>1,835,765</td>
<td>1,745,119</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,912,106</td>
<td>2,339,956</td>
<td>2,293,721</td>
<td>2,010,241</td>
<td>2,017,197</td>
</tr>
<tr>
<td>Total mezzanine equity</td>
<td>—</td>
<td>—</td>
<td>649,246</td>
<td>687,847</td>
<td>—</td>
</tr>
<tr>
<td>Total Cheetah Mobile Inc. shareholders’ equity</td>
<td>2,854,067</td>
<td>3,012,352</td>
<td>4,293,361</td>
<td>5,476,465</td>
<td>4,932,278</td>
</tr>
<tr>
<td>Total equity</td>
<td>3,014,445</td>
<td>3,201,178</td>
<td>4,505,964</td>
<td>5,594,548</td>
<td>4,994,547</td>
</tr>
</tbody>
</table>

5) On January 1, 2019, we adopted ASC 842, the new lease standard, using the modified retrospective basis and did not restate comparative periods.

We present our financial results in RMB. This annual report contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. The conversion of RMB into U.S. dollars in this annual report is based on the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to Renminbi in this annual report were made at a rate of RMB6.9618 to US$1.00, the exchange rate on December 31, 2019 set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System. We make no representation that any RMB or U.S. dollar amount could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.
D. Risk Factors

Risks Relating to Our Business and Industry

Our mobile monthly active users in our key markets, including the United States, Europe and China decreased in the past year and may continue to decrease in the future, which would materially and adversely affect our business, financial condition and results of operations would be materially and adversely affected.

The size of our user base and our users’ level of engagement in our key markets are critical to our success. Our business and financial performance have been and will continue to be significantly determined by our success in retaining and engaging active users in our key markets. We have been consistently anticipating user demand and developing innovative products and services to attract and retain users. However, the internet industry, including the mobile internet industry, is characterized by constant and rapid technological changes. As a result, users may switch from one set of products to others more quickly than in other sectors. Our success will become increasingly dependent on our ability to increase levels of user engagement and monetization in our key markets. Our user engagement could be adversely affected if:

• we fail to maintain the popularity of our existing products for users in China, the United States, and Europe;
• we are unsuccessful in launching new and popular applications in a cost-effective manner to further diversify our product offerings and increase user engagement;
• technical or other problems prevent us from delivering our products or services in a rapid and reliable manner or otherwise affect user experience;
• strategic investments or acquisitions that we make to diversify or improve our products or services offerings fail to generate the favorable results or synergies that we anticipate;
• there are user concerns related to privacy, safety, security or other factors;
• our competitors may launch or develop products and services similar to ours, which may result in a loss of existing users or reduced growth in new users;
• products adopting new technologies displace our products;
• there are adverse changes in our products or services that are mandated by, or that we elect to make to address, legislation, regulatory authorities or litigation, including settlements or consent decrees;
• we fail to provide adequate customer service to users; or
• we do not maintain our brand image, or our reputation is damaged.

We received in the past and may continue to receive, complaints from users regarding our mobile applications primarily regarding privacy settings and certain third-party website promotion activities on our mobile applications. While we did not incur any material costs to address the complaints, we may need to incur substantial expenditures in the future. If we are unable to address user complaints timely or at all, our reputation may be harmed, and our user base in China, the United States, and Europe may continue to decline. Our efforts to avoid or address any of these events could require us to incur substantial expenditures to modify or adapt our products, services or infrastructure. If we fail to retain our user base in our key markets, or if our users decrease their engagement with our products in these markets, our business, financial condition and results of operations would be materially and adversely affected.

Because a limited number of customers contribute to a significant portion of our revenues, our revenues and results of operations could be materially and adversely affected if we were to lose a significant customer or a significant portion of its business.

Currently, a limited number of customers contribute a significant portion of our revenues. Our customers primarily comprise mobile application developers, mobile game developers, mobile advertising networks,
e-commerce companies and search engines to which we refer traffic and sell advertisements and individual customers. In 2017, 2018 and 2019, our five largest customers in aggregate contributed approximately 44.7%, 41.3% and 35.0% of our revenues, respectively. We expect that a limited number of our customers will continue to contribute a significant portion of our revenues in the near future. If we lose any of these customers, or if revenues generated from a significant customer are substantially reduced due to, for example, increased competition, a significant change in the customer’s business policy or operation, suspected breach or violation to the underlying contract or policy, any deterioration in customer relationship, or significant delays in payments for our services, our business, financial condition and results of operations may be materially and adversely affected. For example, some of overseas business partners have discontinued the placement of ads on mobile phone lock screens since May 2017 and January 2018, respectively, which adversely affected our revenues from utility products and related services. In addition, on November 26, 2018, a third party made certain allegations about some of our products. Although we have made a number of public statements to clarify the matter, these allegations did cause a disruption to our business, and as a result, our revenues from utility products and related services decreased by 49.6% from RMB3,119.5 million in 2018 to RMB1,573.0 million (US$226.0 million) in 2019. Furthermore, on February 20, 2020, our Google Play Store, Google AdMob and Google AdManager accounts were disabled, which adversely affected our ability to attract new users and generate revenue from Google. Google has been our largest customer since 2017, and contributed 21.9% of our total revenue including revenues from the mobile advertising business and revenues from the purchase and consumption of virtual items by users via Google as a channel in 2019.

We are subject to risks and uncertainties faced by companies in a rapidly evolving industry.

We operate in the rapidly evolving internet industry, which makes it difficult to predict our future results of operations. Accordingly, our future prospects are subject to the risks and uncertainties experienced by companies in this evolving industry. Some of these risks and uncertainties relate to our ability to, among others:

- successfully implement our plan to further develop and monetize our mobile platform both in China and globally;
- offer new, innovative products and services and enhance our existing products and services with innovative and advanced technology to attract and retain a larger user base;
- retain existing customers, attract additional customers and restore collaborations with lost customers, and increase spending per customer;
- maintain our relationships with important suppliers, such as bandwidth suppliers, on favorable terms;
- respond to evolving user preferences and industry changes;
- respond to competitive market conditions;
- upgrade our technology to support increased traffic and expanded product and service offerings;
- maintain effective control of our costs and expenses;
- respond to changes in the regulatory environment in China and overseas markets and manage legal risks, including those associated with intellectual property rights; and
- execute our strategic investments and acquisitions and post-acquisition integrations effectively.

If we fail to address any of the above risks and uncertainties, our business may be materially and adversely affected.

Additionally, certain of our technologies, such as artificial intelligence technologies, are characterized by rapid technological changes, new product introductions, enhancements, and evolving industry standards. The prospects of our products and business based on such technologies would depend on our ability to develop new products and applications in new markets that develop as a result of technological and scientific advances, while
improving the performance and cost-effectiveness. New technologies, techniques or products that might offer better combinations of price and performance than our products could emerge. It is important that we anticipate changes in technology and market demand. If we do not successfully innovate and introduce new technology into our anticipated product lines or effectively manage the transitions of our technology to new product offerings, our business, financial condition and results of operations could be harmed.

**If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.**

We face intense competition in our businesses. In the mobile space, we compete with other mobile application developers, including those developers that offer products purported to perform similar functions as Clean Master, Security Master, CM Launcher, mobile casual games and our artificial intelligence-related products. In the internet space, we mainly compete with 360 Security Technology Inc., or 360, in China’s internet security and anti-virus market. In the mobile utility product space, we mainly compete with CooTek (Cayman) Inc., a global mobile internet company that offers mobile utility applications in the overseas markets. In the mobile games space, we mainly compete with Voodoo, a French-based global mobile casual game publisher. In the artificial intelligence space, we compete with other companies offering similar product offerings in China. In addition, we compete with all major internet companies for user attention and advertising spend.

Some of our competitors have longer operating histories and significantly greater financial, technological and marketing resources than we do and, in turn, have an advantage in attracting and retaining users and customers. If we are not able to effectively compete in any aspect of our business or if our reputation is harmed by negative publicity relating to us, our products and services or our key management, our user base may decrease, which could make us less attractive to customers, and our business, financial condition and results of operations may be materially and adversely affected.

**We have a limited operating history in international markets. If we fail to meet the challenges presented by our globalized operations, our business, financial condition and results of operations may be materially and adversely affected.**

Our business has continued to experience some challenges in the international markets. Revenues from overseas markets decreased to RMB3,010.6 million in 2018 from RMB3,335.5 million in 2017, and further decreased to RMB2,199.6 million in 2019. While we recently chose to scale back from the international markets, our existing overseas business may continue exposing to a number of risks, including:

- challenges in formulating effective marketing strategies targeting mobile internet users from various jurisdictions and cultures, who have a diverse range of preferences and demands;
- challenges in identifying appropriate local business partners and establishing and maintaining good working relationships with them. Our business partners primarily include third parties that promote our platform and applications, and mobile advertising networks, such as Baidu and Tencent, through which advertisers place their advertisements on our mobile applications. In addition, we work with game developers for our game publishing business;
- challenges in introducing innovative in-game purchase features to convert our mobile game users to paying users;
- local competition;
- challenges in meeting local advertiser demands as well as online marketing practices and conventions;
- differences in user and advertiser reception and perception of our applications internationally;
- challenges in building direct sales operations in the domestic market;
- fluctuations in currency exchange rates;
• compliance with applicable foreign laws and regulations, including but not limited to internet content requirements, foreign exchange controls, cash repatriation restrictions, intellectual property protection rules and data privacy requirements;

• exposure to different tax jurisdictions that may subject us to greater fluctuations in our effective tax rate and assessments in multiple jurisdictions on various tax-related assertions, including transfer pricing adjustments and permanent establishment; and

• increased costs associated with doing business in foreign jurisdictions.

Our business, financial condition and results of operations may be materially and adversely affected by these and other risks associated with our increasingly globalized operations.

Our business has been and is likely to continue to be materially adversely affected by the outbreak of COVID-19 in China.

Recently, there was an outbreak of a novel strain of coronavirus (COVID-19), which has spread rapidly to many parts of the world. In March 2020, the World Health Organization declared COVID-19 a pandemic. The pandemic has resulted in quarantines, travel restrictions, the temporary closure of stores and facilities, and reducing budgets for advertising and marketing globally for the past few months.

Consequently, our results of operations will likely be adversely, and may be materially, affected, to the extent that COVID-19 harms the Chinese and global economy in general. Any potential impact to our results will depend on, to a large extent, future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by government authorities and other entities to contain COVID-19 or treat its impact, almost all of which are beyond our control. Potential impacts include, but are not limited to, the following:

• temporary closure of offices, travel restrictions or suspension of services of our customers and suppliers have negatively affected, and could continue to negatively affect, the demand for our services;

• our customers in industries that are negatively impacted by the outbreak of COVID-19, including healthcare, travel, offline education, franchising, auto/transportation and real estate/home furnishing sectors, may reduce their budgets on online advertising and marketing, which may materially adversely impact our revenue from online marketing services;

• our customers may require additional time to pay us or fail to pay us at all, which could significantly increase the amount of accounts receivable and require us to record additional allowances for doubtful accounts. We have provided and may continue to provide significant sales incentives to our customers and distributors during the outbreak, which may in turn materially adversely affect our financial condition and operating results;

• the business operations of our distributors have been and could continue to be negatively impacted by the outbreak, which may negatively impact our distribution channel, or result in loss of customers or disruption of our services, which may in turn materially adversely affect our financial condition and operating results;

• any disruption of our supply chain, logistics providers or customers could adversely impact our business and results of operations, including causing us or our suppliers to cease manufacturing our robotic products for a period of time or materially delay delivery to customers, which may also lead to loss of customers, as well as reputational, competitive and business harm to us;

• many of our customers, distributors, suppliers and other partners are small and medium-sized enterprises (SMEs), which may not have strong cash flows or be well capitalized, and may be vulnerable to an epidemic outbreak and slowing macroeconomic conditions. If the SMEs that we work
with cannot weather COVID-19 and the resulting economic impact, or cannot resume business as usual after a prolonged outbreak, our revenues and business operations may be materially and adversely impacted;

• the global stock markets have experienced, and may continue to experience, significant decline from the COVID-19 outbreak and the private and public companies that we have invested in could be materially adversely affected, which may lead to significant impairment in the fair values of our investments and in turn materially adversely affect our financial condition and operating results; and

• corporate social responsibility initiatives we put forth in response to the outbreak, such as, our efforts to leverage our technology, products and services to help contain the epidemic, may negatively affect our financial condition and operating results.

Because of the uncertainty surrounding the COVID-19 outbreak, the financial impact related to the outbreak of and response to the coronavirus cannot be reasonably estimated at this time, but our consolidated results for the first quarter of and full year 2020 may be adversely affected. We expect our total revenues in the first quarter of 2020 to decrease year over year, and there is no guarantee that our total revenues will grow or remain at the similar level year over year in the next three quarters of 2020. We may have to record downward adjustments or impairment in the fair value of investments in the first quarter of 2020, if conditions have not been significantly improved and global stock markets have not stabilized from recent fluctuations.

If users do not widely adopt versions of our applications developed for various mobile devices, our business could be adversely affected.

The number of people who access the internet through mobile devices is increasing dramatically. The varying display sizes, functionality, and memory associated with mobile devices make the use of our applications on such devices more difficult and the versions of our applications developed for these devices may not be compelling to users, manufacturers or distributors of devices. Each manufacturer or distributor may establish unique technical standards for its devices, and our applications may not work or be compatible with these devices. Some manufacturers may also elect not to include our applications on their devices. As new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our applications for use on these mobile devices and we may need to devote significant resources to the creation, support, and maintenance of our applications tailored for such devices. If we are unable to attract and retain a substantial number of mobile device manufacturers, distributors, and users to adopt and use our applications, or if we are slow to develop products and technologies that are more compatible with mobile devices, our business could be adversely affected.

If major mobile application distribution channels change their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected.

We rely on third-party mobile application distribution channels such as Google Play and iOS App Store and various advertising platforms to distribute most of our mobile applications to users. In China, where Google Play is not available, we collaborate with similar local distribution channels to distribute our mobile applications. We expect a substantial number of downloads of our mobile applications will continue to be derived from these distribution channels. As such, the promotion, distribution and operation of our applications are subject to such distribution channels’ standard terms and policies for application developers, which are subject to the interpretation of, and frequent changes by, these distribution channels. On February 20, 2020, our company’s Google Play Store, Google AdMob and Google AdManager accounts were disabled, which adversely affected our ability to attract new users and generate revenue from Google. According to Google, the decision was made because some of our company’s apps had not been compliant with Google policies, resulting in certain invalid traffic. If iOS App Store or any other major distribution channel changes their standard terms and conditions in a manner that is detrimental to us, or terminate their existing relationship with us, our business, financial condition and results of operations may be materially and adversely affected.
If our utility products and related services fail to optimize system performance or provide attractive personalized experiences, we may lose users, and our business, financial condition and results of operations may be materially and adversely affected.

Our users rely on our utility products and related services to optimize the performance of their mobile devices, provide real time protection against security threats, and gain personalized mobile device experience. Our applications are highly technical and complex and, when deployed, may contain defects or security vulnerabilities. Some errors in our products may only be discovered after a product has been installed and used by our users.

Our applications for users rely on our cloud-based data analytics engines to optimize system performance and protect against security threats. The data analytics engines include our most up-to-date security threats library and application behavior library in the cloud, and our applications only include a subset of these libraries on the users’ end devices. If our data analytics engines do not function properly, or if the infrastructure supporting the data analytics engine malfunctions, our applications may not achieve optimal results.

Our cloud-based data analytics engines employ a heuristic, or experience-based, approach to detect unknown security threats and behavior of unknown mobile applications. However, new malware and malicious applications are constantly appearing and evolving, and our detection technologies may not detect all forms of security threats or malicious applications encountered by our users. In addition, our applications may not work properly with the Windows, Android or iOS operating systems if we cannot promptly upgrade our applications following any changes or updates to these operating systems. We previously experienced system disruption due to compatibility issues resulting from an update to the Windows operating system.

Any of these defects, vulnerabilities or failures could result in damage to our reputation, decrease in our user base and loss of customers, and our business, financial condition and results of operations may be materially and adversely affected.

If any system failure, interruption or downtime occurs, our business, financial condition and results of operations may be materially and adversely affected.

Although we seek to reduce the possibility of disruptions and other outages, our applications may be disrupted by problems with our own cloud-based technology and system, such as malfunctions in our software or other facilities or network overload. Our systems may be vulnerable to damage or interruption caused by telecommunication failures, power loss, human error, computer attacks or viruses, earthquakes, floods, fires, terrorist attacks, change of relevant laws, regulations or policies and similar events. Our IT systems may not be fully redundant or backed up, and our disaster recovery planning may not be sufficient for all eventualities. Despite any precautions we may take, the occurrence of natural disasters, policy changes or other unanticipated problems at our hosting facilities or similar events affecting our ability to use necessary online resources could result in interruptions in the availability of our products and services. In particular, we may be required to expand and adapt our technology and infrastructure to continue to reliably store, process and analyze user content as well as to ensure smooth delivery of high quality content. Any interruption in the ability of our users to use our applications could damage our reputation, reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead users to seek alternative products.

We mostly use third party cloud-based services, such as AWS, instead of self-owned servers. These third-party services may experience downtime from time to time, and we have limited control over the quality and reliability of these services. Any scheduled or unscheduled interruption in our ability to use such services could result in service disruption, which could result in an immediate, and possibly substantial, loss of revenues. If any such incidents take place, our brands and user perception of the reliability of our systems may be adversely affected.
As most of our core mobile utility products are created for Android devices, a decrease in the popularity of the Android ecosystem may materially and adversely affect our business.

Most of our core mobile utility applications are created for Android devices. Any significant downturn in the overall popularity of the Android ecosystem or the use of Android devices could materially and adversely affect the demand for and revenues generated from these mobile utility applications. Although the Android ecosystem has grown rapidly in recent years, it is uncertain whether it will continue to grow at a similar rate in the future. In addition, due to the constantly evolving nature of the mobile industry, another operating system for mobile devices may eclipse Android and decrease its popularity. To the extent that our mobile utility applications continue to mainly support Android devices, our utility related products and services would be vulnerable to any decline in popularity of the Android operating system.

If our newly developed or sourced games cannot achieve continued popularity, our mobile game revenues may be materially and adversely affected.

We derive a portion of our revenues from mobile game business. Revenues from mobile game business increased to RMB925.0 million in 2018 from RMB624.0 million in 2017, and further increased to RMB1,173.0 million in 2019.

We have developed widely popular mobile games in-house and have grown some acquired or jointly-operated third-party games into popular games in the past. These games attracted a large user base which in turn helps generate significant advertising revenues for us. We have also been trying to add in-game purchase features to our existing and future games, which may increase the monetization efficiency of these games.

If our newly developed or sourced games cannot achieve continued popularity, our existing flagship games cannot retain popularity, or the in-game purchase features are not well received by our users, our mobile game business may be materially and adversely affected.

We have been named as a defendant in putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

We will have to defend against a putative shareholder class action lawsuit described in “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings,” including any appeals of such lawsuit should our initial defense be unsuccessful. We are currently unable to estimate the possible loss or possible range of loss, if any, associated with the resolution of this lawsuit. In the event that our initial defense of this lawsuit is unsuccessful, there can be no assurance that we will prevail in any appeal. Any adverse outcome of this case, including any plaintiff’s appeal of a judgment in this lawsuit, could have a material adverse effect on our business, financial condition, results of operation, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from this matter. The litigation process may utilize a significant portion of our cash resources and divert management’s attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to this matter, and we cannot predict the impact that indemnification claims may have on our business or financial results.

We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, service marks, patents, domain names, trade secrets, proprietary technologies know-how and similar intellectual property as critical to our success, and we rely on trademark and patent law, trade secret protection and confidentiality and invention assignment agreements with our employees and third parties to protect our proprietary rights. See “Item 4. Information on the Company—B. Business Overview—Intellectual Property” for a description for our intellectual property. There can be no assurance that any of our
pending patent, trademark or other intellectual property applications will be issued or registered. Any intellectual property rights we have obtained or may obtain in the future may not be sufficient to provide us with a competitive advantage, and could be challenged, invalidated, circumvented, infringed or misappropriated. Given the potential cost, effort, risks and disadvantages of obtaining patent protection, we have not and do not plan to apply for patents or other forms of intellectual property protection for certain of our key technologies. If some of these technologies are later proven to be important to our business and are used by third parties without our authorization, especially for commercial purposes, our business and competitive position may be harmed.

Monitoring for infringement or other unauthorized use of our intellectual property rights is difficult and costly, and we cannot be certain that we can effectively prevent such infringement or unauthorized use of our intellectual property, particularly in countries where laws may not protect our proprietary rights to the same extent as in the United States. From time to time, we may need to resort to litigation or other proceedings to enforce our intellectual property rights, which could result in substantial cost and diversion of resources. Our efforts to enforce or protect our intellectual property rights may be ineffective and could result in the invalidation or narrowing of the scope of our intellectual property or expose us to counterclaims from third parties, any of which may adversely affect our business and operating results.

In addition, it is often difficult to create and enforce intellectual property rights in China and other countries outside of the United States. Even where adequate, relevant laws exist in China and other countries outside of the United States, it may not be possible to obtain swift and equitable enforcement of such laws, or to enforce court judgments or arbitration awards delivered in another jurisdiction. Accordingly, we may not be able to effectively protect our intellectual property rights in such countries. Additional uncertainty may result from changes to intellectual property laws enacted in the jurisdictions in which we operate, and from interpretations of intellectual property laws by applicable courts and government bodies.

Our confidentiality and invention assignment agreements with our employees and third parties, such as consultants and contractors, may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of such unauthorized use or disclosure. Trade secrets and know-how are difficult to protect, and our trade secrets may be disclosed, become known or be independently discovered by others. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider confidential and proprietary. If we are not able to adequately protect our trade secrets, know-how and other confidential information, intellectual property or technology, our business and operating results may be adversely affected.

We may be subject to intellectual property infringement lawsuits which could result in our payment of substantial damages or license fees, disruption to our product and service offerings and reputational harm.

Third parties, including our competitors, may assert claims against us for alleged infringements of their technology patents, copyrights, trademarks, trade secrets and internet content. Our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement of other rights of third parties by us or our users. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, is uncertain and still evolving. If a claim of infringement brought against us in China or another jurisdiction is successful, we may be required to pay substantial penalties or other damages and fines, enter into license agreements which may not be available on commercially reasonable terms or at all or be subject to injunction or court orders. We may be subject to injunction or court orders or required to redesign our products or technology, any of which could adversely affect our business, financial condition and results of operations. Even if allegations or claims lack merit, defending against them could be both costly and time-consuming and could significantly divert the efforts and resources of our management and other personnel. In addition, regardless of the outcome of the lawsuit, we could suffer reputational harm.
For example, we changed our corporate name, company logo and trademark to reflect our new name Cheetah Mobile in the first half of 2014. Cheetah is commonly used in corporate names in China, the United States and elsewhere. Although we believe in good faith that our use of Cheetah Mobile does not infringe on any third-party intellectual property rights and we have filed trademark applications in certain categories in China, third parties may bring trademark and other intellectual property infringement claims against us, which could distract our management attention and result in us incurring significant cost to defend ourselves.

Further, we license and use technologies from third parties in our applications. These third-party technology licenses may not continue to be available to us on acceptable terms or at all, and may expose us to liability. Any such liability, or our inability to use any of these third-party technologies, could result in disruptions to our business that could materially and adversely affect our operating and financial results.

Some of our applications contain open source software, which may pose increased risk to our proprietary software.

We use open source software in some of our applications, including our Cheetah Browser, which incorporates Chromium browser technology, and will use open source software in the future. In addition, we regularly contribute source code to open source software projects and release internal software projects under open source licenses, and anticipate doing so in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to sell or distribute our applications. Additionally, we may from time to time face threats or claims from third parties claiming ownership of, or demanding release of, the alleged open source software or derivative works we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These threats or claims could result in litigation and could require us to make our source code freely available, purchase a costly license or cease offering the implicated applications unless and until we can re-engineer them to avoid infringement. Such a re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, our use of certain open source software may lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Additionally, because any software source code we contribute to open source projects is publicly available, our ability to protect our intellectual property rights with respect to such software source code may be limited or lost entirely, and we are unable to prevent our competitors or others from using such contributed software source code. Any of these risks could be difficult to eliminate or manage and, if not addressed, could adversely affect our business, financial condition and results of operations.

We do not have internal manufacturing capabilities and rely on third-party contract manufacturers to produce our products. If we encounter issues with these contract manufacturers, our business, brand and results of operations could be harmed.

In 2018, Cheetah Mobile and Beijing OrionStar Technology Co., Ltd. or Beijing OrionStar introduced several robotics products, including Cheetah Translator, a portable AI-based voice translation device that allows translations with a single touch from Chinese into English, Japanese, Korean and certain other languages, and vice versa. We do not maintain our own manufacturing capabilities and rely on contract manufacturers to produce our products. We assign the production of these products to third-party manufacturers. We may experience operational difficulties with our manufacturers, including reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control, failures to meet production deadlines, insolvency of the manufacturers, increases in manufacturing costs and longer lead time required. Our manufacturers may experience disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases or other problems. In addition, we may not be able to renew contracts with our contract manufacturers or identify manufacturers who are capable of producing new products we target to launch in the future.
We are susceptible to supply shortages, long lead time for raw materials and components, and supply changes, any of which could disrupt our supply chain and harm our results of operation.

Most of the components and raw materials used to produce our AI-driven products, such as, Cheetah Translator, a portable AI-based voice translation device that allows translations with a single touch from Chinese into English, Japanese, Korean and certain other languages, and vice versa, are sourced from third-party suppliers, and some of these components are sourced from a limited number of or a single supplier. We also rely on licensing from certain third-parties to use certain technologies necessary for our AI-driven products. Therefore, we are subject to risks of shortages or discontinuation in licensing, supply, long lead time, cost increases and quality control issues with the limited sources of suppliers. In addition, as many of electronics component suppliers are concentrated in East and Southeast Asia, there have been industry-wide conditions, natural disasters and global events in the past that have caused material shortages for components. While component shortages have historically been immaterial, they could be material in the future.

In the event of a component shortage or supply interruption from suppliers of key components, we will need to identify alternate sources of supply, which can be time-consuming, difficult and costly. We may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to meet our production requirements or to fill our orders in a timely manner. This could cause delays in shipment of our products, harm our relationships with our customers, distributors and users, and adversely affect our results of operations.

Our operating results could be materially harmed if we are unable to accurately forecast consumer demand for our products and services or manage our inventory.

To ensure adequate inventory supply for our products, we procure raw materials and components based on sales and production forecasts. The ability to accurately forecast demand for our products and services could be affected by many factors, including changes in customer demand for our products and services, sales promotions by us, sales channel inventory levels, and unanticipated changes in general market and economic conditions. In addition, as we continue to introduce new products and services, we may also face challenges managing the production plan of our existing products, which may in turn affect the inventory management for our existing products. If we or our customers fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which may cause our gross margin to suffer and could impair the strength of our brand. On the other hand, in the case we experience shortage of products, we may be unable to meet the demand for our products, and our business and operating results could be adversely affected.

Our business depends substantially on the continuing efforts of our management team, key employees and skilled personnel, and our business operations may be severely disrupted if we lose their services.

Our future success depends substantially on the continued efforts of our management team and key employees, in particular, Mr. Sheng Fu, our chief executive officer. The loss of Mr. Fu or any of our management team members could harm our business. In addition, if our key employees were unable or unwilling to continue their services with us, we may not be able to replace them easily, in a timely manner, or at all, which could result in significant disruptions to our business. The integration of any replacement personnel could be time-consuming, expensive and cause additional disruption to our business. If any of our management team members or key employees joins a competitor or forms a competing company, we may lose customers, know-how and staff.

Each of our executive officers and key employees has agreed to non-competition obligations. However, these agreements may not be enforceable in China, where our executives and key employees reside, in light of uncertainties relating to China’s legal system. If any of our executive officers or key employees violates the
terms of their non-competition or other employment agreements with us, or their legal duties by diverting business opportunities from us, it will result in our loss of corporate opportunities. Although we have adopted a code of business conduct and ethics to help restrict conflicts of interest involving directors and officers, any violation of this code by our directors or officers may materially and adversely affect our business operations, prospects and reputation.

**Allegations or lawsuits against us or our management may harm our reputation and have a material and adverse impact on our business, results of operations and cash flows.**

We have been, and may become, subject to allegations or lawsuits brought by our competitors, customers, business partners, short sellers, investment research firms or other individuals or entities, including claims of breach of contract or unfair competition. Any such allegation or lawsuit, with or without merit, or any perceived unfair, unethical, fraudulent or inappropriate business practice by us or perceived malfeasance by our management could harm our reputation and user base and distract our management from our daily operations. Allegations or lawsuits against us or our management may also generate negative publicity that significantly harms our reputation, which may materially and adversely affect our user base and our ability to attract customers. In addition to the related cost, managing and defending litigation and related indemnity obligations can significantly divert management’s attention. We may also need to pay damages or settle the litigation with a substantial amount of cash. All of these could have a material adverse impact on our business, results of operations and cash flows.

**Our chief executive officer, Mr. Sheng Fu, is named in a lawsuit filed by Qihoo in Hong Kong, and there is uncertainty as to the outcome of this lawsuit and its impact on us.**

In September 2011, Mr. Sheng Fu, our chief executive officer, was named as a defendant in a lawsuit filed by Qihoo 360 Technology Co., Ltd., or Qihoo, the previous U.S. listed entity of 360, in the High Court of the Hong Kong Special Administrative Region. The complaint was subsequently amended in May 2012, July 2012 and January 2014. The amended complaint alleges that Mr. Fu has breached his contractual obligations of confidentiality, non-competition, non-solicitation and non-disparagement under the agreements Mr. Fu had entered into with a subsidiary of Qihoo prior to his resignation from the subsidiary in August 2008. The complaint asserts that Mr. Fu was a product manager of Qihoo and was responsible for, and participated in, product design and research of certain anti-virus products, including 360 Anti-virus and 360 Safe Guard, and had access to the related confidential information, trade secret, technology and know-how.

In connection with the above claims, the complaint specifically alleges that Mr. Fu: (i) used confidential information of Qihoo to develop, by himself or through Beijing Conew Technology Development Co. Ltd., or Beijing Conew, and Conew Network Technology (Beijing) Co., Ltd., or Conew Network, an anti-virus product released around May 2010 that was allegedly substantially similar to Qihoo’s 360 Anti-virus and 360 Safe Guard and infringed upon the confidential information, trade secrets and other rights of Qihoo; (ii) engaged in or dealt with businesses and products that directly competed with the businesses and/or products of Qihoo within the 18-month restricted period; (iii) employed employees of Qihoo within the 18-month restricted period, including Mr. Ming Xu, our former president, who was the then director of technology of 360 Safe Guard, a division of Qihoo; and (iv) publicly made certain negative statements about Qihoo.

Qihoo is seeking a court declaration that Qihoo’s repurchase of its shares previously granted to Mr. Fu under Qihoo’s share incentive plan at a nominal value was valid, a court order that Mr. Fu cease to use any confidential information or know-how of Qihoo, damages for disparagement, and a court order that Mr. Fu account to Qihoo for any profits that he earned as a result of the alleged breach.

Mr. Fu joined us in October 2010 when we acquired Conew.com Corporation for which Mr. Fu served as the chief executive officer prior to the acquisition. Our product offerings do not include, and are not derived from, the anti-virus products referenced in the complaint. Mr. Fu believes that Qihoo’s allegations are without
merit and intends to contest them vigorously. However, it is inherently difficult to predict the length, process and outcome of any court proceedings. Any litigation, regardless of the merits, can be time-consuming and can divert Mr. Fu’s attention away from our business. Should Qihoo prevail in the lawsuit against Mr. Fu, Mr. Fu’s reputation may be harmed and he may be ordered to cease using such confidential information. Moreover, although we have not been named as a defendant in the lawsuit, we cannot guarantee that Qihoo or 360 will not initiate proceedings against us in the future, which could adversely affect our reputation, business and results of operations.

We have made and intend to continue to make significant capital investment in a number of strategic investments, acquisitions and partnerships, which may not be successful and may have a material and adverse effect on our business, reputation and results of operations.

We have made and intend to continue to make significant capital investment in strategic investments, acquisitions and partnerships to complement our organic business expansion. We have also made a number of investments in securities and minority investments in companies with strategic value for us. These investments and acquisitions require a significant amount of capital, which decreases the amount of cash available for working capital or capital expenditures. In 2017, 2018 and 2019, we have paid for investments and acquisitions in an aggregate amount of RMB462.0 million, RMB529.5 million and RMB523.1 million (US$75.1 million), respectively. If these investments and acquisitions do not perform as we have expected, become less valuable to our business due to a change in our overall business strategy, or if the industry, regulatory or economic environments deteriorate, they could result in significant impairment of goodwill, intangible assets and investments. In 2017, 2018 and 2019, our impairment of investments were RMB275.0 million, RMB94.9 million and RMB168.0 million (US$24.1 million), respectively, primarily due to some non-cash write-downs of certain investment assets, as we considered the fair value of such investment assets less than carrying value. As our market capitalization was lower than the carrying amount of the net assets, we performed impairment assessment for the goodwill of all reporting units using the two-step process, and recognized impairment loss of RMB545.665 (US$78,380) for the year ended December 31, 2019. These write-downs were the result of lower-than-expected performance and financial position of the investment assets. In addition, acquisitions of businesses and assets may increase our capital and expenses in integrating new businesses and personnel into our own, require significant management attention and result in a diversion of resources away from our existing business, which in turn could have an adverse effect on our business operations. Further, acquisitions could result in increased leverage, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities of the acquired business. The costs of identifying and consummating acquisitions may also be significant. In addition to possible shareholders’ approval, we may also have to obtain approvals and licenses from relevant government authorities for the acquisitions and comply with applicable laws and regulations, which could result in increased costs and delays.

In the future, if appropriate opportunities arise, we may acquire additional assets, products, technologies or businesses that are complementary to our existing business. However, we may fail to select appropriate acquisition targets, negotiate acceptable arrangements (including arrangements to finance acquisitions) or integrate the acquired businesses and their personnel into our own. In addition, strategic partnerships could subject us to a number of risks, including risks associated with sharing proprietary information and non-performance by third parties. We may not be able to monitor or control the actions of our strategic partners and, to the extent any such strategic partner suffers negative publicity or harm to its reputation from events relating to its own business, we may also suffer negative publicity or harm to our reputation by association.

If we fail to effectively resume our growth or implement our business strategies, our business and operating results could be harmed.

Our business experienced the first full year revenue decrease in 2019. Total revenues decreased to RMB3,587.7 million in 2019 from RMB4,981.7 million in 2018. As our business continues to face some challenges, we may not be able to resume our growth in the near future. In addition, resuming our growth
requires significant expenditures and allocation of valuable management time and resources. To execute our business plan and strategy, we need to continuously improve our operational and financial systems, procedures and controls, and expand, train, manage and maintain good relations with our employee base. Further, we must expand and continue to engage or maintain our relationships with a growing number of users, customers and business partners. Resumed growth could also strain our ability to maintain reliable service for our users, customers and business partners. We operate in a dynamic and rapidly evolving market and investors should not rely on our past results as an indication of our future operating performance. Any failure to effectively manage our growth or implement our business strategies may materially and adversely affect our business and results of operations.

**We rely on certain assumptions to calculate our mobile monthly active user and mobile installation figures, and real or perceived inaccuracies may harm our reputation and adversely affect our business.**

We derive the number of mobile monthly active users of our applications using a combination of our internal statistics and data provided by a third-party research firm, and we derive the number of mobile devices installed with our applications using our internal statistics. Our internal statistics have not been independently verified. While we believe third-party data we use are reliable, we have not independently verified such data. Furthermore, there are inherent challenges in measuring usage across our large user base. For example, we calculate the number of active users of our mobile applications based on the number of unique devices. We count each device on which one or more of our mobile applications have been installed or downloaded as a single user. As such, a single individual using our applications on multiple devices is counted as multiple users, while multiple individuals sharing a device on which our applications are installed or downloaded is counted as a single user.

Since 2018, the Android 8 operating system discontinued to support for publishers with multiple applications to measure the number of monthly active users by unique device. The move caused difficulties for publishers like us to measure the number of our overall mobile monthly active user by devices given that we have a rich mobile product portfolio and there may be multiple of our applications installed in a single Android device. We have already begun to adjust our models to respond to Google’s policy adjustment. However, our measures of user base and user activity may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in methodology. If customers or investors do not perceive our user metrics to be accurate representations of our user base or user activity, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and customers may be less willing to allocate their spending or resources to us, which could negatively affect our business and operating results.

**Our results of operations are subject to seasonal fluctuations due to a number of factors, any of which could adversely affect our business and operating results.**

We are subject to seasonality and other fluctuations in our business. Revenues from our utility products and related services are affected by seasonality in advertising spending in both China and the overseas markets. In 2019, revenues from our utility products and related services accounted for 43.8% of our total revenues. We believe that such seasonality in advertising spending affects our quarterly results, resulting in significant growth in our revenues from utility products and related services between the third and the fourth quarters but a decline from the fourth quarter to the next quarter. In addition, revenues from our mobile game operation are affected by the numbers of holiday seasons in both China and the overseas countries, given that our players tend to spend longer time on our games during their holidays. We believe that such seasonality caused by player behavior affects our quarterly results, resulting in soft second quarter gaming revenues as there are less holidays in the second quarters. Thus, our operating results for one or more future quarters or years may fluctuate substantially or fall below the expectations of securities analysts and investors. In such event, the trading price of the ADSs may fluctuate significantly.
If we fail to build, maintain and enhance our brands, incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

We believe that building, maintaining and enhancing our brands are critical to the success of our business and our ability to compete. Well-recognized brands are important to increasing our number of users and expanding our business.

Many factors, some of which are beyond our control, are important to maintaining and enhancing our brands and may negatively impact our brands and reputation if not properly managed, such as:

• our ability to provide a convenient and reliable user experience as user preferences evolve and we expand into new applications;

• our ability to increase brand awareness among existing and potential users and customers through various marketing and promotional activities;

• our ability to adopt new technologies or adapt our applications to meet user needs or the expectations of our customers;

• our ability to maintain and enhance our brands in the face of potential challenges from third parties;

• actions by third parties, through whom we collect revenues and perform other business functions, that may affect our reputation; and

• our ability to differentiate our brands and products from those of Kingsoft Corporation.

As we expand, we may conduct various marketing and brand promotion activities. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the outcomes we expect. In addition, any negative publicity in relation to our applications, regardless of its veracity, could harm our brands and reputation.

Non-compliance on the part of third parties with whom we conduct business could disrupt our business and adversely affect our results of operations.

Third parties with whom we conduct our business, including our game developers, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may disrupt our business. Any legal liabilities of, or regulatory actions against, such third parties may affect our business activities and reputation and, in turn, our results of operations. For example, we conduct part of our online game publishing services through joint operating arrangements, in which we cooperate with game developers to publish their games through our mobile and PC applications. The online game industry is highly regulated in China and many other jurisdictions, and online game operators like our game developers are generally required to obtain licenses and permits, to complete filing procedures for specific mobile games and to comply with various requirements when conducting business. We require our game developers to provide their licenses, permits or filing documents relating to the relevant online games before entering into cooperation arrangements with them, but we cannot assure you that our existing or future game developers will continue to maintain all applicable permits and approvals, and any non-compliance on their part may cause potential liabilities to us and disrupt our operations.

If we fail to obtain and maintain the requisite licenses and approvals or otherwise comply with the laws and regulations under the complex regulatory environment applicable to our businesses in China as well as our outbound investment, or if we are required to take actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected.

The internet industry, including the mobile internet industry, is highly regulated in China. Our VIEs are required to obtain and maintain applicable licenses and approvals from different regulatory authorities in order to
provide their current services. Under the current PRC regulatory scheme, a number of regulatory agencies, including but not limited to the State Administration of Press, Publication, Radio, Film and Television, or SARFT, which has been reformed and become National Radio and Television Administration, or NRTA, the Ministry of Culture, or MOC, which were consolidated with the National Tourism Administration and has been reformed and become the Ministry of Culture and Tourism, or MCT, Ministry of Industry and Information Technology, or MIIT, the State Council Information Office, or SCIO, and the Cyberspace Administration of China, or CAC, jointly regulate all major aspects of the internet industry, including mobile and PC internet businesses. Operators must obtain various government approvals and licenses for relevant internet or mobile business.

We have obtained Internet Content Provider Licenses, or ICP Licenses, for the provision of internet information services Internet Culture Operation Licenses for the operation of online games and music entertainment products, and Computer Information System Security Products Sales License for our mobile and PC security applications. These licenses are essential to the operation of our business and are generally subject to regular government review or renewal. However, we cannot assure you that we can successfully renew these licenses in a timely manner or that these licenses are sufficient to conduct all of our present or future business.

Pursuant to the Decision of Ministry of Culture and Tourism on Abolishing Provisional Administration Measures of Online Games and the Measures for the Administration of Tourism Development Plans, which was promulgated by the MCT on 10 July 2019, the Provisional Administration Measures of Online Games was abolished. On May 14, 2019, the general office of MCT promulgated the Notice on Adjustment of the Approval Scope of Internet Cultural Operation Licenses and Further Regulating the Approval Work, or the No. 81 Notice. According to the No. 81 Notice, the MCT no longer assumes the online game industry management responsibility. Upon receiving the No. 81 Notice, the provincial cultural and tourism administrative departments no longer approve and issue the Internet Culture Operation Licenses covering business scope of “operating gaming products through the internet” or “operating gaming products through the internet, including the issuance of virtual currency”. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Online Games and Foreign Ownership Restrictions.

A number of online games currently offered on our platform are developed by and jointly operated with game developers, whereas several online games were developed and are currently operated by us. We are required to obtain an Internet Publishing License from SARFT for the operation and distribution of games through mobile and PC internet networks. As it is difficult to acquire Internet Publishing License in practice, we have not obtained an Internet Publishing License from SARFT for the operation and distribution of games on mobile and PC internet. Due to the lack of Internet Publishing License for operating and distributing games through mobile and PC internet networks, we may be prohibited from carrying out the abovementioned activities and may be subject to administrative penalties, such as warnings, fines or even criminal liabilities. Additionally, each online game is also required to be filed with SARFT prior to the commencement of its operations in China. While we endeavor to comply with the registration requirements, a few developers of the games we publish (including our subsidiaries), who have contractual obligations to file the games with SARFT, have not made such filings. We cannot assure you that we or our game developers will be able to obtain all the required permits, approvals or licenses or complete all the required filings in a timely manner, or at all. If we or any of such game developers fails to do so, we may have to modify our online game publishing services in a manner disruptive to our business or may not be able to continue to operate the affected online games, which may adversely affect our business and results of operations. Besides, our subsidiary is operating the website of www.duba.com, providing links pertaining to news reporting and commentary on politics, economy, military affairs, diplomacy, public emergencies and other public affairs, which eventually will be viewed by users of other websites. Pursuant to regulations relating to internet news information services, the abovementioned activities may be regarded as providing internet news information reprinting services and communication platform services, and the operator of the website of www.duba.com may be required to obtain an internet news information service license, or an INIS License. However, our subsidiary has not obtained such license. Therefore, our subsidiary may be
prohibited from carrying out the abovementioned activities and may be subject to administrative penalties, such as warnings, fines, or even criminal liabilities.

Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws and regulations governing our current business activities and new industries or businesses we may expand into. For example, we once commenced an online lottery sales business in April 2014 but suspended such business in March 2015 due to regulatory uncertainty in China. We have then disposed of and deconsolidated the online lottery business in May 2016. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities’ implementation or interpretation of these laws and regulations. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, or otherwise fail to comply with the laws and regulations, we may be subject to various penalties, such as confiscation of revenues that were generated through the unlicensed internet or mobile activities, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

Our subsidiaries are operating the websites of www.duba.com and www.v.duba.com, and have edited and arranged the information pertaining to audio/video programs broadcasted on the internet on their websites, users can access internet audio/video programs by clicking the links on such websites. Pursuant to relevant regulations on audio/video program transmission through the internet, such activities falling into the scope of Category III internet audio/video program services and the operators of such websites shall obtain an internet audio/video program transmission license issued by the SARFT. However, our subsidiaries have not obtained such license. Therefore, our subsidiaries may be prohibited from providing audio/video programs service and may be imposed by administrative penalties, such as warnings, fines, or even criminal liabilities. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Broadcasting Audio/Video Programs through the Internet” for further details.

Pursuant to NDRC Order 11, any sensitive outbound investment project carried out by overseas enterprise controlled by a PRC natural person shall be subject to a verification and approval procedure, and any non-sensitive outbound investment project, with the total investment amount from any Chinese investor via overseas enterprise under its control exceeding US$300 million, shall be reported to NDRC before the implementation of the project. On February 12, 2017, Kingsoft Corporation have entered into a voting proxy agreement with Mr. Sheng Fu, which became effective on October 1, 2017. According to such agreement, Kingsoft Corporation have delegated to Mr. Sheng Fu its approximately 39.9% voting power of our company. Mr. Sheng Fu has approximately 47% voting power of our company so far. As we and our overseas subsidiaries may be considered as companies under control of Mr. Sheng Fu pursuant to NDRC Order 11, verification and approval procedure or reporting may be required when we or our subsidiaries make investments outside China. While we endeavor to comply with NDRC Order 11 and other regulations regarding outbound investment, we cannot assure you that our existing or future subsidiaries will maintain all applicable outbound investment procedures in a timely manner, and any non-compliance on their part may cause potential liabilities to us and disrupt our operations. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Outbound Investment” for further details.

Actual or alleged failure to comply with data privacy and protection laws and regulations could damage our reputation, discourage current and potential users from using our applications and subject us to damages, administrative penalties and criminal liabilities, which could have material adverse effects on our business and results of operations.

Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation, business and results of operations. We are subject to the data privacy and protection laws and regulations adopted by PRC and foreign governmental agencies. Data privacy laws restrict our storage, use, processing, disclosure, transfer and protection of non-public personal information provided to us by our users.
In recent years, new laws and regulations were issued by the standing committee of the PRC National People’s Congress, MIIT, CAC and other authorities, such as the Supreme People’s Court of PRC and the Supreme People’s Procuratorate of PRC, to enhance the legal protection of information security and privacy on the internet. The laws and regulations also require internet operators to take measures to ensure confidentiality of user information. In 2019, CAC, MIIT and other authorities have carried out special campaigns against illegal acts of mobile internet application programs collecting and using personal information, several new guidelines and circulars were released for App operators as a reference for self-assessment, management mechanisms, technical safeguards and business procedures, in respect of personal information protection. We are also subject to regulations under U.S. state law regarding the publication and dissemination of our privacy policy with respect to user data. It is possible that we may become subject to additional U.S. state or federal legislation or rules and regulations of governmental authorities outside China regarding the use of personal information or privacy-related matters. The General Data Protection Regulation (GDPR) (EU) 2016/679 is a regulation in EU law on data protection and privacy for all individuals within the European Union. It addresses the export of personal data outside the EU. The GDPR became enforceable on May 25, 2018. Failure to comply with GDPR may result in punitive actions from EU authorities, reputation damage, user loss, and revenue loss. Complying with any additional or new regulatory requirements could force us to incur substantial costs or require us to change our business practices.

While we strive to protect our users’ privacy and comply with all applicable data protection laws and regulations, any failure or perceived failure to do so may result in proceedings or actions against us by government entities or others, and could damage our reputation, discourage current and potential users from using our applications and subject us to damages, administrative penalties and criminal liabilities. From time to time we may be subject to claims or allegations of infringement of users’ privacy or breach of data protections laws. Negative publicity in relation to our applications, regardless of its veracity, could seriously harm our reputation, which in turn may discourage current and potential users from using our applications, which could have material adverse effects on our business and results of operations. In addition, user and regulatory attitudes towards privacy are evolving, and future regulatory or user concerns about the extent to which personal information is used by, accessible to or shared with customers or others may adversely affect our ability to share certain data with customers.

Any significant breach of the security of our computer systems could significantly harm our business, reputation and results of operations and expose us to lawsuits brought by our users and customers and to sanctions by governmental authorities in the jurisdictions in which we operate and may result in significant damage to our internet security brand. We cannot assure you that our IT systems will be completely secure from future security breaches or hacking incidents. Anyone who is able to circumvent our security measures could misappropriate proprietary information, including the personal information of our users, obtain users’ names and passwords and enable hackers to access users’ other online and mobile accounts, if those users use identical user names and passwords. They could also misappropriate other information, including financial information, uploaded by our users in a secure environment. These circumventions may cause interruptions in our operations or damage our brand image and reputation. Our servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could cause system interruptions, website slowdown or unavailability, delays in communication or transactions, or loss of data. We may be required to incur significant additional costs to protect against security breaches or to alleviate problems caused by such breaches. Any significant security breach or attack on our system could result in a material adverse impact on our reputation, business prospects and results of operations.
Our business is subject to complex and evolving laws and regulations regarding privacy, data protection, and other matters both within and outside China. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

In addition to PRC laws and regulations, we face additional regulatory risks and costs outside China as our products and services are increasingly offered in overseas markets. Our overseas revenues accounted for 61.4% of our total revenues in 2019. We are subject to a variety of laws and regulations in foreign jurisdictions that involve matters central to our business, including privacy and data protection, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, national security, electronic contracts and other communications, virtual currencies, competition, protection of minors, consumer protection, telecommunications, taxation, and economic or other trade prohibitions or sanctions. The introduction of new products, services or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. In addition, foreign data protection, privacy, and other laws and regulations can be more restrictive than those in China and in the United States.

Similar to PRC laws and regulations, these foreign laws and regulations are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. For example, regulatory or legislative actions affecting the manner in which we display content to our users could adversely affect user growth and engagement, and legislations implementing data protection requirements or requiring local storage and processing of data or similar requirements could increase the cost and complexity of delivering our services.

The existing and proposed laws and regulations, as well as any associated inquiries, investigations, or actions, can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices.

The successful operation of our business depends upon the performance and reliability of the internet infrastructure in China and the safety of our network and infrastructure.

Our business depends on the performance and reliability of the internet infrastructure in China. Almost all access to the internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. A more sophisticated internet infrastructure may not develop in China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China’s internet infrastructure. In addition, the internet infrastructure in China may not support the demands associated with continued growth in internet usage. Although we believe we have sufficient controls in place to prevent intentional disruptions, we expect our network and infrastructure may experience attacks specifically designed to impede the performance of our products and services, misappropriate proprietary information or harm our reputation. Because the techniques used by hackers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate them effectively. The theft, unauthorized use or publication of our trade secrets and other confidential business information as a result of such an event could adversely affect our competitive position, brand reputation and user base, and our users and customers may assert claims against us related to resulting losses arising from security breaches. Our business could be subject to significant disruption and our results of operations may be affected.

We may not be able to achieve our profitability in the future. In addition, we may not be able to obtain additional capital in a timely manner or on acceptable terms, or at all.

We have incurred losses before and in 2019, and we may not be able to regain our profitability in the future as we continue to develop our mobile application business, invest in mobile game businesses, artificial
intelligence, expand our markets across the world and begin to sell smart devices in both China and the overseas markets. Our future revenue growth and profitability will depend on a variety of factors, many of which are beyond our control. These factors include our ability to successfully continue to timely anticipate and adequately address the evolving needs of our users, customers and business partners, as well as our ability to attract new users, increase user engagement, effectively design and implement monetization strategies, and compete effectively and successfully. Our ability to achieve and sustain profitability is also affected by market and regulatory development related to, among others, mobile applications, online marketing, mobile games and artificial intelligence in China and overseas. In addition, if we are unable to achieve profitability again, it may become more difficult for us to raise sufficient capital to satisfy our anticipated capital expenditures and other cash needs, in which case our business, results of operations and financial condition may be materially adversely affected.

We have granted, and may continue to grant, options, restricted shares and other types of share-based incentive awards, which may result in increased share-based compensation expenses.

We adopted a share award scheme, or the 2011 Plan, in May 2011, a 2013 equity incentive plan, or the 2013 Plan, in January 2014, and a restricted shares plan, or the 2014 Plan, in April 2014, pursuant to which we are authorized to grant options, restricted shares, restricted share units and other awards to our directors, officers, other employees and consultants, as each plan may provide. In addition to our share incentive plans, we have also granted share-based incentive awards in connection with certain investments and acquisitions made by us. See “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Awards.” In 2017, 2018 and 2019, we recorded RMB73.3 million, RMB85.1 million and RMB127.4 million (US$18.3 million), respectively, of share-based compensation expenses. The amount of these expenses is based on the fair value of the share-based incentive awards we granted, and the recognition of unrecognized share-based compensation expenses will depend on the forfeiture rate of our unvested share-based awards. Expenses associated with share-based compensation have affected our net income and may reduce our net income in the future, and any additional securities issued pursuant to share-based incentive awards will dilute the ownership interests of our shareholders, including holders of the ADSs. We believe the granting of share-based incentive awards is of significant importance to our ability to attract and retain key personnel, employees and consultants, and we will continue to grant share-based incentive awards in the future. As a result, our share-based compensation expenses may increase, which may have an adverse effect on our results of operations.

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance rules; these practices may afford less protection to shareholders than they would enjoy if we comply fully with the NYSE corporate governance rules. In addition, we are also a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

The NYSE corporate governance rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance rules. As we rely on the home country practice exemption as described above, our investors may have less protection afforded to shareholders of companies that fully comply with NYSE corporate governance requirements. We may also opt to rely on additional home country practice exemptions in the future.

Furthermore, because we qualify as a foreign private issuer under the Securities Exchange Act of 1934, as amended, or the Exchange Act, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. public companies, including (i) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act, (ii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time, and (iii) the rules under the Exchange Act
requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events. As a result, you may not be provided with the same benefits as a shareholder of a U.S. domestic company.

**We may be the subject of anti-competitive, harassing or other detrimental conduct that could harm our reputation and cause us to lose users and customers and adversely affect the price of the ADSs.**

We may be the target of anti-competitive, harassing or other detrimental conduct by third parties. Allegations, directly or indirectly against us or any of our executive officers, may be posted on the internet, including in internet chat-rooms or on blogs or websites by anyone, whether or not well-founded, on an anonymous basis. In addition, third parties may file complaints, anonymous or otherwise, to regulatory agencies. We may be subject to regulatory or internal investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, our reputation could be harmed as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose users and customers and adversely affect our business and results of operations.

**If we fail to implement and maintain an effective system of internal control, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.**

We are subject to reporting obligations under the U.S. securities laws. The SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on our internal control over financial reporting in its annual report, which contains management’s assessment of the effectiveness of our internal control over financial reporting. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2019. See “Item 15. Controls and Procedures—Management’s Annual Report on Internal Control over Financial Reporting.” In addition, our independent registered public accounting firm has issued an attestation report, which concluded that our internal control over financial reporting was effective in all material aspects as of December 31, 2019.

However, if we fail to maintain effective internal control over financial reporting in the future, our management and our independent registered public accounting firm, if applicable, may not be able to conclude that we have effective internal control over financial reporting at a reasonable assurance level. Any failure to achieve and maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our consolidated financial statements, which in turn could harm our business and negatively impact the market price of the ADSs. Furthermore, we have incurred and anticipate that we will continue to incur considerable costs, management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

**We have limited business insurance coverage. Any interruption of our business may result in substantial costs to us and the diversion of our resources, which could have an adverse effect on our financial condition and results of operations.**

Insurance products available in China currently are not as extensive as those offered in more developed economies. Consistent with customary industry practice in China, our business insurance is limited and we do not carry real property or business interruption insurance to cover our operations. We have determined that the costs of insuring for related risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured damage to our systems or disruption of our business operations could require us to incur substantial costs and divert our resources, which could have an adverse effect on our financial condition and results of operations.
Any catastrophe, including natural catastrophes, outbreaks of health pandemics or other extraordinary events, could disrupt our business operations.

Our operations may be vulnerable to interruption and damage from natural or other catastrophes, including earthquakes, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks and similar events. We cannot predict the incidence, timing and severity of such events. If any catastrophe or extraordinary event occurs in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our services and products to our users and could decrease demand for our products. Because we do not carry property insurance and significant time could be required to resume our operations, our financial position and results of operations could be materially and adversely affected in the event of any major catastrophic event.

In addition to the impact of COVID-19, our business could be materially and adversely affected by the outbreak of other health pandemics, including influenza A, such as H7N9, severe acute respiratory syndrome (SARS), COVID-19 or other pandemics. Any occurrence of these pandemic diseases or other adverse public health developments in China and other countries where we operate or elsewhere could severely disrupt our staffing or the staffing of our customers or business partners and otherwise reduce the activity levels of our work force and the work force of our customers or business partners, causing a material and adverse effect on our business operations.

Risks Relating to Our Corporate Structure

If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations.

Foreign ownership of internet-based, including mobile-based, businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, distribution of online information, online advertising, distribution and operation of online games through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership of PRC companies that provide internet information services. According to the Negative List (2019 Version), foreign investment in internet news information services, online publication services, online audio-visual program services, internet cultural business (except for music) are prohibited, and foreign equity share in a value-added telecommunication business shall not exceed 50% (excluding e-commerce, domestic multi-party communication, store-and-forward, and call center), and the basic telecommunication services shall be controlled by the Chinese party. In addition, according to the Several Opinions on the Introduction of Foreign Investment in the Cultural Industry promulgated by the MOC, the SARFT, the National Development and Reform Commission, or the NDRC, and the Ministry of Commerce, or the MOFCOM, in July 2005, foreign investors are prohibited from investing in or operating, among other things, any internet cultural operating entities. Companies providing mobile internet services such as ours are governed by these rules and regulations on internet companies in China.

We are a Cayman Islands company and conduct part of our operations through our VIEs. Our VIEs, together with subsidiaries of our VIE, contributed a portion of our consolidated revenues in the years ended December 31, 2017, 2018 and 2019. We exercise effective control over our VIEs through a series of contractual arrangements that those entities and/or their shareholders signed with our company, our wholly-owned PRC subsidiaries, including but not limited to Beijing Kingsoft Internet Security Software Co., Ltd., or Beijing Security, and Conew Network. Our contractual arrangements with our VIEs and their shareholders enable us to exercise effective control over our VIEs and give us the obligation to absorb losses and the right to receive benefits of the VIEs, enabling us to consolidate their operating results. For a detailed description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our VIEs.”
On September 28, 2009, the General Administration of Press and Publication, or the GAPP, which later integrated with the State Administration for Radio, Film and Television to become SARFT effective from March 22, 2013, the National Copyright Administration and the Office of National Work Group for Combating Pornography and Illegal Publications jointly issued a Notice on Implementing the Provisions of the State Council on “Three Determinations” and the Relevant Explanations of the State Commission Office for Public Sector Reform and Further Strengthening the Administration of the Pre-approval of Online Games and Examination and Approval of Imported Online Games, or Circular 13. Circular 13 restates that foreign investors are not permitted to invest in online game-operating businesses in China via wholly-owned, equity joint venture or cooperative joint venture investments and expressly prohibits foreign investors from gaining control over or participating in domestic mobile game operators through indirect ways such as establishing other joint venture companies or entering into contractual or technical arrangements such as the VIE structural arrangements we adopted. As no detailed interpretation of Circular 13 has been issued to date, it is not clear how Circular 13 will be implemented.

We are not aware of any companies that have adopted a corporate structure that is the same as or similar to ours having been penalized or having had their arrangements terminated under Circular 13 since the effective date of the circular. Furthermore, as some other primary government regulators, such as the MOFCOM and the MIIT, did not join in issuing Circular 13, the scope of the implementation and enforcement of Circular 13 remains uncertain. In the event that we, our PRC subsidiaries and VIEs are found to be in violation of the prohibition under Circular 13, the SARFT, in conjunction with the relevant regulatory authorities in charge, may impose applicable penalties, which may include suspension or revocation of relevant licenses and registrations.

Based on the advice of our PRC legal counsel, Global Law Office, the contractual arrangements among our PRC subsidiaries, our VIEs, their shareholders and us, as described in this annual report, are valid, legal and binding on each of the above-mentioned parties thereto in accordance with the terms of respective contractual arrangements. However, we were further advised by Global Law Office that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations, and that these laws or regulations or interpretations of these laws or regulations may change in the future. Furthermore, the relevant government authorities have broad discretion in interpreting and implementing these laws and regulations. Accordingly, we cannot assure you that PRC government authorities will not ultimately take a view contrary to that of our PRC legal counsel.

If our corporate structure, contractual arrangements and businesses of our company, or our PRC entities, including our PRC subsidiaries and VIEs are found to be in violation of any existing or future PRC laws or regulations, the relevant governmental authorities would have broad discretion in dealing with such violation, including:

- levying fines or confiscating our income or the income of our PRC entities;
- revoking or suspending the business licenses or operating licenses of our PRC entities;
- shutting down our servers or blocking our platform, discontinuing or placing restrictions or onerous conditions on our operations;
- requiring us to discontinue or restrict our operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If the imposition of any of the above penalties were to cause us to lose the rights to direct the activities of our VIEs or our right to receive their economic benefits, we would no longer be able to consolidate such entities.
We rely on contractual arrangements with our VIEs and their shareholders for the operation of our business in China, which may not be as effective as direct ownership.

Because of PRC restrictions on foreign ownership of internet businesses in China, we depend on contractual arrangements with our VIEs, in which we have no ownership interest, to conduct our business in China. These contractual arrangements are intended to provide us with effective control over these entities and allow us to obtain economic benefits from them. The shareholders of our VIEs include, but not limited to, Messrs. Sheng Fu, and Kun Wang, who are also our employee and/or director, as well as Ms. Weiqin Qiu and Mr. Wei Liu. For additional details on these ownership interests, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our VIEs.” However, these contractual arrangements may not be as effective in providing control as direct ownership. For example, our VIEs and their shareholders could breach their contractual arrangements with us by, among other things, failing to operate our business in an acceptable manner or taking other actions that are detrimental to our interests. If we were the controlling shareholder of these VIEs with direct ownership, we would be able to exercise our rights as shareholders to effect changes to their board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if our VIEs or their shareholders fail to perform their obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under PRC law, including contract remedies, which may be time-consuming, unpredictable and expensive. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing them, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See “—Risks Relating to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.”

Substantial uncertainties exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the Foreign Investment Law, or the FIL, was adopted and approved by Second Session of the 13th National People’s Congress of China. On December 26, 2019, the Implementation Regulation for the Foreign Investment Law of the People’s Republic of China, or the FIL Implementing Regulations, was issued by the State Council. Both the FIL and the FIL Implementing Regulations came into force on January 1, 2020. The FIL and the FIL Implementing Regulations, upon taking effect, will replace the three existing laws on foreign investment (collectively “Three FDI law”), namely, the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises, and become a fundamental law of China in the foreign investment area, setting forth the basic legal framework in this regard.

According to the FIL, foreign investment may be conducted through the following four ways: (i) foreign investor, independently or jointly with other investors, set up foreign-invested enterprises in China, (ii) foreign investors obtain shares, equities, property shares or other similar rights and interests of Chinese domestic enterprises, (iii) foreign investor, independently or jointly with other investors, invests in a new project (the “Project Investment”) and (iv) other forms stipulated under laws, administrative regulations and provisions of the State Council. It is worth noting that the FIL has removed the “variable interest equity” or VIE structure from the definition of foreign investment and cancelled the standard of “actual control” to identify the foreign investment as was introduced in the draft of the proposed Foreign Investment Law published by the MOFCOM in 2015, or the 2015 Draft.

Notwithstanding the above, the FIL stipulates that foreign investment include “other forms stipulated under laws and regulations”, a catch-all clause which needs to be further clarified as to whether the VIE structure will be interpreted to fall within it. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may stipulate VIE structure as a form of foreign investment, at which time it will be uncertain whether the VIE structure through which we conduct our operations will be deemed to be in
violation of the foreign investment access requirements and how the above-mentioned VIE structure will be handled.

The services we provide and businesses we operate through our VIEs, including the internet news information services, internet publication services and other related services are subject to the foreign investment restrictions or prohibitions set forth in the Negative List (2019 Version). Where a foreign investor invests in a field or sector that is prohibited to under the Negative List, it will be ordered to stop the investment activities, dispose of the shares or assets or take other necessary measures within a specified time limit, and restore to the status to be prior to the occurrence of the aforesaid investment, and the gains of such foreign investor (if any) will be confiscated by competent authority.

If the VIE structure is deemed to be a form of foreign investment as interpreted by the FIL or future laws and regulations, we may be required to dispose of our subsidiaries, or have to take other actions to adjust our corporate structure and operations, which could have an adverse effect on our corporate structure, financial conditions and business operations.

The FIL also establishes several administration systems for foreign investment, amongst others, the information reporting system. Foreign investors or FIEs are required to submit investment information to the competent authorities through the system of enterprises registration and enterprise credibility disclosure. The FIL clearly stipulates that any company found to be non-compliant with these information reporting obligations is subject to fines and other penalties. On December 30, 2019, the MOFCOM and SAMR issued the Measures of Information Report of Foreign Investment, or the FI Information Report Measures, according to which foreign investors establishing foreign investment enterprises in China shall submit an initial report through the Enterprise Registration System at the time of completion of registration formalities for establishment of foreign investment enterprises. Where there is a change in the information in the initial report which involves change registration (filing) of the enterprise, the foreign investment enterprise shall submit the change report through the enterprise registration system at the time of completion of change registration (filing) for the enterprise. Also, the FIEs are required to submit its annual report for the previous year through the National Enterprise Credit Information Publicity System from January 1 to June 30 each year. The MOFCOM and its local departments shall supervise and inspect the compliance with the FI Information Report Measures, through random inspection and other methods.

The Foreign Investment Law and the FI Information Report Measures may also impact our corporate governance practice and increase our compliance costs. For instance, the Foreign Investment Law imposes stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment initial report and change report that are required at each investment and alteration of investment specifics, an annual report is mandatory. Any company found to be non-compliant with these information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

*Our contractual arrangements with our VIEs may result in adverse tax consequences to us.*

As a result of our corporate structure and the contractual arrangements among our PRC subsidiaries, our VIEs, their shareholders and us, we are effectively subject to PRC value-added tax and related surcharges on revenues generated by our subsidiaries from our contractual arrangements with our VIEs. The PRC Enterprise Income Tax Law, or the EIT Law, requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which the transactions are conducted. In addition, on March 18, 2015, the State Administration of Taxation, or the SAT, issued the Bulletin Regarding the Enterprise Income Tax Matter in Relation to Enterprise’s Payment of Fees to Overseas Affiliated Parties, or the Bulletin 16, to further regulate the transfer pricing issues in relation to the fees payment to affiliated parties. Among other things, the Bulletin 16
makes it clear that the fees paid to overseas affiliated parties in the following situations cannot be deducted from the taxable income when determining a PRC company’s enterprise income tax: (a) the fees paid to an overseas affiliated party which has no substantial operating activities; (b) the fees paid to an overseas affiliated party for labor service that would bring direct or indirect economic interests; (c) royalties paid for intangible properties to which the affiliated party that charges the fees only has legal title but has made no contribution to the creation of the value of such properties; and (d) the fees paid under arrangements made for listing or financing purposes.

Furthermore, on March 17, 2017, the SAT promulgated the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures, or Bulletin 6, which become effective as of May 1, 2017. The Bulletin 6 specifies further the provisions in Bulletin 16, regulating the basic rules about the income distribution of intangible properties, payments for labor service and no substantial operating activities and so on. Meanwhile, it abolished the application of Bulletin 16 since May 1, 2017. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our VIEs were not on an arm’s length basis and therefore constituted improper transfer pricing arrangements. If this occurs, the PRC tax authorities could request that our VIEs and any of their respective subsidiaries adjust their taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by reducing expense deductions recorded by such VIEs and thereby increasing these entities’ tax liabilities, which could subject these entities to late payment fees and other penalties for the underpayment of taxes. Our consolidated net income may be adversely affected if our VIEs’ tax liabilities increase or if they become subject to late payment fees or other penalties.

The shareholders of our VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business.

The shareholders of our VIEs include, but not limited to, Messrs. Sheng Fu, and Kun Wang, who are also our employee and/or director, as well as Ms. Weiqin Qiu and Mr. Wei Liu. Conflicts of interest may arise between their roles as shareholders, directors or officers of our company and as shareholders of our VIEs. We rely on these individuals to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to our company to act in good faith and in the best interest of our company and not to use their positions for personal gain. Although the shareholders of our VIEs have executed shareholder voting proxy agreements to irrevocably appoint our company or a person designated by our company to vote on their behalf and exercise voting rights as shareholders of the VIEs, we cannot assure you that when conflicts arise under those agreements or otherwise, the shareholders of our VIEs will act in the best interest of our company or that conflicts will be resolved in our favor. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Kingsoft Corporation, one of our principal shareholders, and our founders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders, which may discourage, delay or prevent a change in control of our company and could deprive our shareholders of an opportunity to receive a premium for their securities.

As of March 31, 2020, Kingsoft Corporation, one of our principal shareholders, and Mr. Sheng Fu, directly or through their holding vehicles, together beneficially own an aggregate of 55.5% of our total outstanding Class A and Class B shares, and 73.5% of the total voting power. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of any contemplated sale of our company and may reduce the price of our ADSs.
We may lose the ability to use and enjoy vital assets held by our VIEs if they go bankrupt or become subject to a dissolution or liquidation proceeding.

Some of our VIEs hold certain assets that are essential to the operations of our platform and important to the operation of our business in China, such as the ICP Licenses, Internet Culture Operation Licenses, patent applications and software copyrights for the proprietary technology. If any of these entities goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of such entities undergoes a voluntary or involuntary liquidation proceeding, the unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Doing Business in China

Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes and prior court decisions have limited value as precedents. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of any violation of these policies and rules until after such violation. Such unpredictability, including uncertainty as to the scope and effect of our contractual, property (including intellectual property) and procedural rights, could materially and adversely affect our business and impede our ability to continue our operations.

A severe or prolonged downturn in the global economy could materially and adversely affect our business and financial condition.

COVID-19 had a severe and negative impact on the Chinese and the global economy in the first quarter of 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China, even before 2020. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Any severe or prolonged slowdown in the global economy may materially and adversely affect our business, results of operations and financial condition.

We may be adversely affected by the complexity of, and uncertainties and changes in, PRC regulation on mobile and PC internet businesses and companies.

The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry, including mobile internet
companies. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violations of applicable laws and regulations. Issues, risks and uncertainties relating to PRC regulation of the internet business include, but are not limited to, the following:

- There is uncertainty relating to the evolving licensing practices and the requirement for real-name registrations. For example, we were previously required under the PRC law to request users to provide their real names and personal information only in regard to the bulletin board system services that we provide in support of our applications and online game operations. However, pursuant to the Administrative Measure on Usernames of Internet Users’ Accounts, which became effective in March 2015, we are required to request users to provide their real names and personal information for user registration regardless of the kind of internet information services that we provide. We cannot assure you that PRC regulators would not require us to implement compulsory real-name registration in the future. Furthermore, we may fail to obtain or renew permits or licenses that are or may be deemed necessary for our operations. See “—Risks Relating to Our Business and Industry—If we fail to obtain and maintain the requisite licenses and approvals or otherwise comply with the laws and regulations under the complex regulatory environment applicable to our businesses in China, or if we are required to take actions that are time-consuming or costly, our business, financial condition and results of operations may be materially and adversely affected” and “Item 4. Information on the Company—B. Business Overview—Regulations.”

- The evolving PRC regulatory system for the internet industry may lead to establishment of new regulatory agencies. For example, in August 2014, the CAC took over the administrative role to supervise internet content management in China. Since then, new laws, regulations or policies have been promulgated or announced that regulate internet activities, including internet publication and online advertising businesses, and we may not be able to fully and timely comply with such new laws, regulations or policies. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

In July 13, 2006, the MIIT issued the Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services. This circular requires foreign investors can only operate a telecommunications business in China through establishing a telecommunications enterprise with a valid telecommunications business operation license, and prohibits domestic telecommunication service providers from leasing, transferring or selling telecommunication business operating licenses to any foreign investor in any form, or providing any resources, sites or facilities to any foreign investor for their illegal operation of a telecommunication business in China. According to this circular, either the holder of a value-added telecommunications business operation license or its shareholders must directly own the domain names and trademarks used by such license holders in their provision of value-added telecommunications services. The circular also requires each license holder to have the necessary facilities, including servers, for its approved business operations and to maintain such facilities in the regions covered by its license. However, due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact such circular will have on us or the other PRC internet companies with similar corporate and contractual structures.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, mobile and PC internet businesses in China, including our business. There are also risks that we may be found to have violated existing or future laws and regulations given the uncertainty and complexity of China’s regulation of internet business.
Content posted or displayed on our mobile and PC platforms and applications such as duba.com, including advertisements, may be found objectionable by PRC regulatory authorities and may subject us to penalties and other severe consequences.

The PRC government has adopted regulations governing internet and wireless access and the distribution of information over the internet and wireless telecommunication networks. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet or wireless networks content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, fraudulent or defamatory. Furthermore, internet content providers are also prohibited from displaying content that may be deemed by relevant government authorities as “socially destabilizing” or leaking “state secrets” of the PRC. Meanwhile, the network information content service platforms are required to fulfill their primary responsibilities for management of information contents, and are required not to disseminate any illegal information as mentioned in the Provisions on Governance of the Network Information Content Ecology released by the CAC on December 15, 2019, with effect from March 1, 2020. Failure to comply with these requirements may result in the revocation of licenses to provide internet content or other licenses, the closure of the concerned platforms and reputational harm. The operator may also be held liable for any censored information displayed on or linked to their platform, and hence we may also be subject to potential liability for any unlawful actions by our users or customers on our platform. For a detailed discussion, see “Item 4. Information on the Company—B. Business Overview—Regulations.”

Since our inception, we have worked to monitor the content on our platform and applications and to make the utmost effort to comply with relevant laws and regulations. However, it may not be possible to determine in all cases the types of content that could result in our liability as a distributor of such content and, if any of the content posted or displayed on our mobile and PC platforms and applications is deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. The costs of monitoring the content on our platform and applications may also continue to increase as a result of more content being made available by an increasing number of users and customers on our mobile and PC applications.

In addition, under PRC advertising laws and regulations, we are obligated to monitor the advertising content shown on our platform and applications to ensure that such content is true, accurate and in full compliance with applicable laws and regulations. Where a special government review is required for specific types of advertisements prior to internet posting, such as advertisements relating to pharmaceuticals, medical instruments, agrochemicals and veterinary pharmaceuticals, we are obligated to confirm that such review has been performed and approval has been obtained. Violation of these laws and regulations may subject us to penalties, including fines, confiscation of our advertising income, orders to cease dissemination of the advertisements and orders to publish an announcement correcting the misleading information. In circumstances involving serious violations by us, PRC governmental authorities may force us to terminate our advertising operations or revoke our licenses.

While we have made significant efforts to ensure that the advertisements shown on our mobile and PC platforms and applications are in full compliance with applicable PRC laws and regulations, we cannot assure you that all the content contained in such advertisements or offers is true and accurate as required by the advertising laws and regulations, especially given the uncertainty in the interpretation of these PRC laws and regulations. If we are found to be in violation of applicable PRC advertising laws and regulations, we may be subject to penalties and our reputation may be harmed, which may have a material and adverse effect on our business, financial condition, results of operations and prospects.
You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in this annual report based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands. However, we conduct most of our operations in China and substantially all of our assets are located in China. In addition, all our senior executive officers reside within China and all of them are PRC nationals. As a result, it may be difficult for your to effect service of process upon us or our management residing in China. In addition, China does not have treaties providing for reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

It may be difficult for overseas regulators to conduct investigation or collect evidence within China.

Shareholder claims or regulatory investigation that are common in the United States generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests. See also “—Risks Relating to the ADSs—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law” for risks associated with investing in us as a Cayman Islands company.

Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law, which became effective on January 1, 2008, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, on July 27, 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011. The SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities’ procedures.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (d) more than half of the enterprise’s directors or senior management with voting rights habitually reside in the
PRC. SAT Bulletin 45 specifies that, when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise.

Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect the SAT’s general position on how the term “de facto management body” could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

If the PRC tax authorities determine that we or any of our non-PRC subsidiaries is a PRC resident enterprise for PRC enterprise income tax purposes, then we or any such non-PRC subsidiary could be subject to PRC tax at a rate of 25% on its worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations.

In that case, although dividends paid by one PRC tax resident to another PRC tax resident should qualify as “tax-exempt income” under the EIT Law, we cannot assure you that dividends by our PRC subsidiaries to our non-PRC holding companies will not be subject to a 10% withholding tax, as the PRC foreign exchange control authorities and the PRC tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes.

We face uncertainties with respect to indirect transfer of assets or equity interest in PRC resident enterprises by their non-PRC holding companies.

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We face uncertainties regarding the reporting on and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of ADSs or ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. Any such tax may reduce the returns on your investment in the ADSs.
Among other things, SAT Bulletin 7 and 37 substantially changes the reporting requirements in SAT Circular 698, provides more detailed guidance on how to determine a bona fide commercial purpose, and also provides for a safe harbor for certain situations, including purchase and sale of shares in an offshore listed enterprise on a public market by a non-resident enterprise, which may not be subject to the PRC enterprise income tax. In addition, SAT Circular 698 has been abolished by Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source issued by the PRC State Administration of Taxation on October 17, 2017, with retroactive effect from December 1, 2017, or SAT Circular 37. There is uncertainty as to the application of SAT Bulletin 7 and 37. SAT Bulletin 7 and 37 may be determined by the tax authorities to be applicable to the transfer of shares of our company by non-PRC resident investors, or the sale or purchase of shares in other non-PRC resident companies or other taxable assets by us, if any of such transactions were determined by the tax authorities to lack any reasonable commercial purpose. As a result, depending on whether we are the transferor or transferee in such transactions, we or the non-resident investors may become at risk of being taxed under SAT Bulletin 7 and 37, and we may have to incur expenses to comply with SAT Bulletin 7 and 37, including the withholding and reporting obligations thereunder, or to establish that we should not be taxed under the general anti-avoidance rule of the EIT Law, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors’ investments in us.

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected. The Chinese government has provided various tax incentives to our subsidiaries and VIEs in China. These incentives include reduced enterprise income tax rates. For example, under the EIT Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, an enterprise holding a valid certificate of new software enterprise or animation enterprise is entitled to an exemption of enterprise income tax for the first two years and a 50% reduction of enterprise income tax for the subsequent three years, commencing from the first profit-making year, while an enterprise qualified as key software enterprise can enjoy a preferential EIT rate of 10%. In addition, enterprises that are granted the high and new technology enterprises status shall enjoy a favorable income tax rate of 15%. Certain of our PRC subsidiaries and VIEs were eligible for preferential tax treatments as new software enterprises, animation enterprise and/or high and new technology enterprises. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation.” Any increase in the enterprise income tax rate applicable to our PRC entities in China, or any discontinuation or retroactive or future reduction of any of the preferential tax treatments currently enjoyed by our PRC entities in China, could adversely affect our business, financial condition and results of operations. In addition, in the ordinary course of our business, we are subject to complex income tax and other tax regulations and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

China’s M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand.
The M&A Rules requires that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person (the “Affiliated M&A”), the merger and acquisition applications shall be submitted to the MOFCOM for approval. Any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed.

After the implementation of the FI Information Report Measures on January 1, 2020, where a foreign investor acquires a domestic non-foreign-invested enterprise by equity, it shall submit an initial report through the enterprise registration system when handling the change registration for the acquired enterprise instead of obtaining the approval of the MOFCOM or its delegates at provincial level. However, regarding the affiliated M&A, according to the Negative List (2019 Version), a M&A of affiliated domestic companies by domestic companies, enterprises or natural persons via the companies legally established or controlled overseas, it shall still be subject to the approval by the MOFCOM under the M&A Rules.

Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People’s Congress on August 30, 2007 and effective as of August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by the MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, on August 25, 2011, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors, or the MOFCOM Security Review Regulations, which became effective on September 1, 2011, to implement the Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. Under the MOFCOM Security Review Regulations, the MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If the MOFCOM decides that a specific merger or acquisition is subject to security review, it will submit it to the Inter-Ministerial Panel, an authority established under the Circular 6 led by the NDRC and the MOFCOM under the leadership of the State Council, to carry out security review. Prior the promulgation of the Foreign Investment Law or the FIL, only principle provisions are scattered and mentioned in few articles of regulations. In this context, FIL officially established safety review system for foreign investment at the level of law for the first time. Article 35 of the FIL stipulates that the State establishes a foreign investment security review system to conduct security review on foreign investments which have or may have an impact on national security. The safety review decision made in accordance with the law is final.

The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in online marketing or mobile games business requires security review, and there is no requirement that acquisitions completed prior to the promulgation of the Security Review Circular are subject to MOFCOM review.

We have grown and may continue to grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear
whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

**PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.**

The SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Round-trip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014, which repealed SAFE Circular 75 effective from July 4, 2014. SAFE Circular 37 requires PRC residents that directly establish or indirectly control offshore special purpose vehicles, or SPVs, for the purpose of seeking offshore investment and financing and conducting round trip investment in China, to register with the SAFE or its local branch in connection with their ownership in the SPVs, and to amend the SAFE registrations to reflect any subsequent changes thereof.

To our knowledge, all our significant individual PRC shareholders have completed foreign exchange registration. However, we may not be fully informed of the identities of all our beneficial owners who are PRC citizens or residents, and we cannot compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC citizens or residents have complied with and will in the future make or obtain any applicable registrations or approvals required by, SAFE regulations. If our shareholders or beneficial owners who are PRC citizens or residents fail to complete their SAFE registration, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

**Failure to comply with PRC regulations regarding the registration requirements for employee stock ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

On February 15, 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by the SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted stock options have been subject to these regulations upon the completion of the initial public offering in May 2014. Failure of our PRC stock option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially adversely affect our business.
PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from loans to our PRC entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC entities, including PRC subsidiaries and VIEs. We may make loans to our PRC entities, or we may make additional capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Most of these financing means are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the SAFE. Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to our VIEs, which are PRC domestic companies. Further, we are not likely to finance the activities of our VIEs by means of capital contributions due to regulatory restrictions relating to foreign investment in PRC domestic enterprises engaged in mobile internet services, online advertising, online games and related businesses.

On August 29, 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 provides that Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. In addition, the SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from the foreign currency registered capital of a foreign-invested company. The use of such Renminbi capital may not be altered without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Such requirements are also known as “payment-based foreign currency settlement system” established under the SAFE Circular 142. Violations of SAFE Circular 142 could result in severe monetary or other penalties. Furthermore, the SAFE promulgated a circular on November 9, 2010, known as Circular 59, and another supplemental circular on July 18, 2011, known as Circular 88, which both tighten the examination of the authenticity of settlement of foreign currency capital or net proceeds from overseas listings. The SAFE further promulgated the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45, on November 9, 2011, which expressly prohibits foreign-invested enterprises from using registered capital settled in Renminbi converted from foreign currencies to grant loans through entrustment arrangements with a bank, repay intercompany loans or repay bank loans that have been transferred to a third party. Circular 142, Circular 59, Circular 88 and Circular 45 may significantly limit our ability to make loans or capital contributions to our PRC subsidiaries and to convert such proceeds into Renminbi, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

Furthermore, on March 30, 2015, the SAFE promulgated the Circular on the Reform of the Administrative Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 19, which became effective as of June 1, 2015. This Circular 19 is to implement the so-called “conversion-at-will” of foreign currency in capital account, which was established under a circular issued by the SAFE on August 4, 2014, or Circular 36, and was implemented in 16 designated industrial parks as a reform pilot. The Circular 19 now implements the conversion-at-will of foreign currency settlement system nationally, and it abolished the application of Circular 142, Circular 88 and Circular 36 starting from June 1, 2015. Among other things, under Circular 19, foreign-invested enterprises may either continue to follow the payment-based foreign currency settlement system or elect to follow the conversion-at-will of foreign currency settlement system. Where a foreign-invested enterprise follows the conversion-at-will of foreign currency settlement system, it may convert any or 100% amount of the foreign currency in its capital account into RMB at any time. The converted RMB
will be kept in a designated account known as “Settled but Pending Payment Account,” and if the foreign-invested enterprise needs to make further payment from such designated account, it still needs to provide supporting documents and go through the review process with its bank. If under special circumstances the foreign-invested enterprise cannot provide supporting documents in time, Circular 19 grants the banks the power to provide a grace period to the enterprise and make the payment before receiving the supporting documents. The foreign-invested enterprise will then need to submit the supporting documents within 20 working days after payment. In addition, foreign-invested enterprises are now allowed to use their converted RMB to make equity investments in China under Circular 19. However, foreign-invested enterprises are still required to use the converted RMB in the designated account within their approved business scope under the principle of authenticity and self-use. On October 23, 2019, the SAFE promulgated the Notice of Foreign Exchange of Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28, and the Notice of the State Administration of Foreign Exchange on Reducing Foreign Exchange Accounts, or SAFE Circular 29, clearly cancelling the restrictions on domestic equity investment of capital funds by ordinary foreign-invested enterprises. Operational Guidance for Handling Relevant Foreign Exchange Business under Capital Account by Banks, or the “Operational Guidance”, which is the appendix of SAFE Circular 29, further provides that the foreign exchange receipts under capital accounts of domestic institutions and the RMB funds obtained from foreign exchange settlement may be used by domestic institutions for expenditures under current accounts within their business scope, or for expenditures under capital accounts permitted by laws and regulations. However, the following expenditures are prohibited: (i) shall not be directly or indirectly used for expenditures beyond the business scope of an enterprise or expenditures prohibited by laws and regulations of the State; (ii) shall not be directly or indirectly used for securities investments or other investments or wealth management other than banks’ principal-protected products, unless otherwise expressly provided by laws and regulations; (iii) shall not be used for granting loans to non-affiliated enterprises, unless expressly permitted in the business scope; and (iv) shall not be used for constructing or purchasing real estate not for self-use (except for real estate enterprises). For detailed information, please see “Item 4. Regulations—Regulations of Foreign Currency Exchange and Dividend Distribution”.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies as discussed above, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans by us to our PRC entities or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may rely on dividends paid by our subsidiaries, including PRC subsidiaries, to fund any cash and financing requirements we may have. Any limitation on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to holders of the ADSs and our ordinary shares.

We are a holding company, and we rely on a significant amount of dividends from our subsidiaries, including our PRC subsidiaries, for our cash requirements, including the funds necessary to pay dividends and other cash distributions to the holders of the ADSs and our ordinary shares and service any debt we may incur. If our subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

With respect to our PRC subsidiaries, under PRC laws and regulations, wholly foreign-owned enterprises in the PRC, such as Conew Network and Zhuhai Juntian Electronic Technology Co., Ltd., or Zhuhai Juntian, may pay dividends only out of its accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years’ accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. At the discretion of the board of directors of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and
bonus funds are not distributable as cash dividends. On March 15, 2019, the National People’s Congress adopted the Foreign Investment Law of the People’s Republic of China, or FIL, which became effective on January 1, 2020. Upon the implementation of the FIL, Law on Wholly Foreign Owned Enterprise was repealed. The FIL sets out that the business forms, structures, and rules of activities of foreign-funded enterprises shall be governed by the Company Law of the People’s Republic of China, the Partnership Law of the People’s Republic of China, and other laws. Foreign-funded enterprises formed under the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises before the implementation of FIL Law may maintain their original business forms, among others, for five years after FIL Law comes into force.

According to the Company Law, if the aggregate balance of our statutory common reserve is not enough to make up for the losses of the previous year, the current year’s profits shall first be used for making up the losses before the statutory common reserve is drawn according to the provisions of the preceding paragraph. After we have drawn statutory common reserve, which is 10% of the after-tax profit, from the after-tax profits, it may, upon a resolution made by the shareholders’ meeting, draw a discretionary common reserve from the after-tax profits. After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to shareholders in proportion to the actual capital contribution actually paid by them, unless otherwise agreed upon by all the shareholders. We may stop drawing the profits if the aggregate balance of the statutory common reserve has already accounted for over 50% of our registered capital. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Currency Exchange and Dividend Distribution” for further details.

Any limitation on the ability of our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the EIT Law and its implementation rules provide that withholding tax rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

**Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.**

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from our initial public offerings or convertible senior notes offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict
our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

**Governmental control of currency conversion may limit our ability to utilize our cash balance effectively and affect the value of your investment.**

The PRC government imposes control on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive part of our revenues in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from the SAFE. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

**Increases in labor costs in the PRC may adversely affect our business and our profitability.**

China has experienced increases in labor costs in recent years. China’s overall economy and the average wage in China are expected to continue to grow. The average wage level for our employees has also increased in recent years.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing allowance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract Law, which became effective in January 2008 and its implementation rules effective as of September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees’ probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People’s Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which became effective on July 1, 2011. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our users by increasing prices for our products or services, our profitability and results of operations may be materially and adversely affected. Also, as the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees, and our business, financial condition and results of operations could be materially and adversely affected.

**If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.**

Under PRC law, legal documents for corporate transactions are executed using the chops or seals of the signing entity, or with the signature of a legal representative whose designation is registered and filed with the
relevant branch of the State Administration for Industry and Commerce, or the SAIC which has been restructured and named to the State Administration for Market Regulation, or the SAMR.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC entities have the apparent authority to enter into contracts on behalf of such entities without chops and bind such entities. Some designated legal representatives of our PRC entities are members of our senior management team who have signed employment undertaking letters with us or our PRC entities under which they agree to abide by various duties they owe to us. In order to maintain the physical security of our chops and the chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel of each of our PRC entities. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC entities, we or our PRC entities would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative’s fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

**Our auditor, like other independent registered public accounting firms operating in China, is not permitted to be subject to inspection by the Public Company Accounting Oversight Board and, as such, investors may be deprived of the benefits of such inspection.**

Our independent registered public accounting firm that issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor, like other independent registered public accounting firms operating in China, is currently not inspected by PCAOB. In May 2013, PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by PCAOB, the CSRC or the Ministry of Finance in the United States and the PRC, respectively. PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular the PRC’s, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress that would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as the New York Stock Exchange of issuers included on the SEC’s list for three consecutive years. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of our ADSs could be adversely affected. It is unclear if this proposed legislation would be enacted. On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk that disclosures will be insufficient in many emerging markets, including China, compared to those made by U.S. domestic companies.
In discussing the specific issues related to the greater risk, the statement again highlights the PCAOB’s inability to inspect audit work paper and practices of accounting firms in China, with respect to their audit work of U.S. reporting companies.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor’s audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

**Proceedings instituted recently by the SEC against five PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.**

In December 2012, the SEC brought administrative proceedings against five accounting firms in China, including our independent registered public accounting firm, alleging that they had refused to produce audit work papers and other documents related to certain other China-based companies under investigation by the SEC. On January 22, 2014, an initial administrative law decision was issued, censuring these accounting firms and suspending four of these firms from practicing before the SEC for a period of six months. The decision is neither final nor legally effective unless and until reviewed and approved by the SEC. On February 12, 2014, four of these PRC-based accounting firms appealed to the SEC against this decision. In February 2015, each of the four PRC-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms’ audit documents via the CSRC. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If our independent registered public accounting firm were denied, even temporarily, the ability to practice before the SEC and we were unable to timely find another registered public accounting firm to audit and issue an opinion on our consolidated financial statements, our consolidated financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to our delisting from the NYSE or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

As part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China’s, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress, which if passed, would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The proposed Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges included on the SEC’s list for three consecutive years. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected. It is unclear if this proposed legislation would be enacted. On April 21, 2020, the SEC and the PCAOB issued another joint statement reiterating the greater risk that disclosures will be insufficient in many emerging markets, including China, compared to those made by U.S. domestic companies. In discussing the specific issues
related to the greater risk, the statement again highlights the PCAOB’s inability to inspect audit work paper and practices of accounting firms in China, with respect to their audit work of U.S. reporting companies.

Furthermore, there has been recent media reports on deliberations within the U.S. government regarding potentially limiting or restricting China-based companies from accessing U.S. capital markets. If any such deliberations were to materialize, the resulting legislation may have material and adverse impact on the stock performance of China-based issuers listed in the United States.

Risks Relating to the ADSs

*The trading price of our ADSs has been volatile and may continue to be volatile regardless of our operating performance.*

The trading price of our ADSs has been and may continue to be subject to wide and sudden fluctuations due to factors including the following:

- variations in our revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- announcement of termination of partnership by important customers/vendors;
- changes in financial estimates by securities analysts;
- fluctuations in our user or other operating metrics;
- fluctuations in the stock price of Kingsoft Corporation, one of our principal shareholders, or news about Kingsoft Corporation that has an impact on us;
- failure on our part to realize monetization opportunities as expected;
- changes in revenues generated from our top customers;
- additions or departures of key personnel;
- detrimental negative publicity about us, our management, our competitors or our industry;
- short seller reports that make allegations against us or our affiliates, even if unfounded;
- regulatory developments affecting us or our industry; and
- potential litigation or regulatory investigations.

In addition, the price of the ADSs may fluctuate due to broad market and industry factors, such as the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other similarly situated companies in China that have listed their securities in the United States in recent years. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial declines in trading price. The trading performance of these Chinese companies’ securities after their offerings, including the securities of companies in the mobile and PC internet businesses, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of the ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting or other practices at other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have engaged in such practices. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions between late 2008 and 2012, which may have a material adverse effect on the market price of the ADSs.
If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.

The trading market for the ADSs may be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade the ADSs, the market price for the ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ADSs to decline.

The sale or perceived sale of substantial amounts of our ADSs or ordinary shares could adversely affect their market price.

Sales of substantial amounts of our ADSs in the public market, sales of our ordinary shares, or the perception that these sales could occur, could adversely affect the market price of the ADSs and could materially impair our ability to raise capital through equity offerings in the future. Ordinary shares held by our pre-IPO shareholders may be sold in the public market subject to the restrictions in Rule 144 under the Securities Act. In addition, ordinary shares issued pursuant to our share incentive plans are eligible for sale in the public market subject to restrictions of Rule 144 under the Securities Act or through registration under the Securities Act, as applicable. In addition, we have granted certain shareholders Form F-3 registration rights and the piggyback registration rights. Registration of these shares under the Securities Act may result in these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Any market sales of securities held by our significant shareholders or any other shareholder may have an adverse impact on the market price of the ADSs.

Our articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.

Our currently effective fourth amended and restated articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights, and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, represented by ADSs or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of the ADSs may fall and the voting and other rights of the holders of our ordinary shares and the ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company with limited liability incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, as amended from time to time, the Companies Law (2020 Revision) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have
more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our existing articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. Currently, we do not plan to rely on home country practice with respect to any corporate governance matter. However, if we choose to follow home country practice in the future, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of our board of directors or our controlling shareholders than they would as public shareholders of a company incorporated in the United States.

Judgments obtained against us by our shareholders may not be enforceable in our home jurisdiction.

We are an exempted company incorporated in the Cayman Islands and a substantial majority of our assets are located outside of the United States. A significant percentage of our current operations are conducted in China. In addition, a significant majority of our current directors and officers are nationals and residents of countries other than the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

There are uncertainties as to whether Cayman Islands courts would:

- recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct how the Class A ordinary shares underlying your ADSs are voted.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of our ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which are carried by the underlying Class A ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the Class A ordinary shares underlying your ADSs in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our fourth
amended and restated memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders to convene a general meeting is fourteen calendar days. When a general meeting is convened, you may not receive sufficient advance notice of the meeting to permit you to withdraw the Class A ordinary shares underlying your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to cast your vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. Furthermore, under our fourth amended and restated memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the Class A ordinary shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the Class A ordinary shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the Class A ordinary shares underlying your ADSs are voted, and you may have no legal remedy if the Class A ordinary shares underlying your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders’ meeting.

The depositary for the ADSs will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs if you do not give voting instructions to the depositary to direct how the Class A ordinary shares underlying your ADSs are voted, except in limited circumstances, which could adversely affect your interests.

Under the deposit agreement for the ADSs, if you do not give voting instructions to the depositary to direct how the Class A ordinary shares underlying your ADSs are voted, the depositary will give us a discretionary proxy to vote the Class A ordinary shares underlying your ADSs at shareholders’ meetings unless:

- we have failed to timely provide the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made on a show of hands.

The effect of this discretionary proxy is that if you do not give voting instructions to the depositary to direct how the Class A ordinary shares underlying your ADSs are voted, you cannot prevent the Class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our Class A and Class B ordinary shares are not subject to this discretionary proxy.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of the ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in the ADSs as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the
amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

Accordingly, the return on your investment in the ADSs will likely depend entirely upon any future price appreciation of the ADSs. There is no guarantee that the ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in the ADSs and you may even lose your entire investment in the ADSs.

You may not receive dividends or other distributions on our Class A ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of the ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on Class A ordinary shares or other deposited securities underlying the ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Class A ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our Class A ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of the ADSs.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

Our dual-class voting structure will limit your ability to influence corporate matters, and could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and the ADSs may view as beneficial.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any
circumstances. Save for certain limited exceptions, upon any transfer of Class B ordinary shares by a holder thereof to any person or entity which is not an affiliate of such holder, such Class B ordinary shares shall be automatically and immediately converted into the equal number of Class A ordinary shares. All of the ordinary shares held by our shareholders prior to the completion of the initial public offering were re-designated as Class B ordinary shares upon completion of the offering. Kingsoft Corporation, one of our principal shareholders, and Mr. Sheng Fu, directly or through their holding vehicles, beneficially own an aggregate of 55.5% of our total outstanding shares, representing 73.5% of our total voting power as of March 31, 2020, which give them considerable influence over matters requiring shareholders’ approval, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADSs on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks that it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason in accordance with the terms of the deposit agreement. As a result, you may be unable to transfer your ADSs when you wish to.

We have incurred increased costs as a result of being a public company, and the costs may continue to increase in the future.

As a public company, we have incurred significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the NYSE, impose various requirements on the corporate governance practices of public companies. These rules and regulations increase our legal and financial compliance costs and some corporate activities more time-consuming and costly. For example, in comparison with a private company, we need an increased number of independent directors and have to adopt policies regarding internal controls and disclosure controls and procedures. In addition, we incur additional costs associated with our public company reporting requirements. We expect to continue to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC and the NYSE.

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. We and certain of our current and former officers have been named as defendants in a putative securities class action filed on November 30, 2018 in the U.S. District Court for the Southern District of New York: Marcu v. Cheetah Mobile Inc., et al., Case No. 1:18-cv-11184. The action was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in our ADRs between April 21, 2015 and November 27, 2018. The action alleges that we made false or misleading statements regarding our business and operations in violation of the Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On February 8, 2019, the court entered an order appointing lead plaintiffs in this action. On February 13, 2019, the court approved a scheduling stipulation for the filing of the plaintiffs’ amended complaint and defendants’ responsive pleadings. On March 28, 2019, an amended complaint was filed. On May 16, 2019, a motion to dismiss the amended complaint was filed. On October 2, 2019, a second amended complaint was filed. On November 6, 2019, a motion to dismiss the second
amended complaint was filed, which is currently pending before the Court. The action remains in its preliminary stages. Such lawsuit could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the lawsuit. Any such lawsuit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

We believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for the taxable year ended December 31, 2019, which could subject United States investors in the ADSs or Class A ordinary shares to significant adverse United States income tax consequences.

We will be a “passive foreign investment company,” or “PFIC,” if, in the case of any particular taxable year, either (a) 75% or more of our gross income for such year consists of certain types of “passive” income or (b) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income (the “asset test”). Although the law in this regard is unclear, we treat our VIEs as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements.

Based on the market price of our ADSs and the composition of our assets, we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2019, and we will likely be a PFIC for our current taxable year ending December 31, 2020 unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income.

If we are a PFIC in any taxable year, a U.S. holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation”) may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or Class A ordinary shares and on the receipt of distributions on the ADSs or Class A ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the United States federal income tax rules and such holders may be subject to burdensome reporting requirements. Further, if we are a PFIC for any year during which a U.S. holder holds the ADSs or our Class A ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds the ADSs or our Class A ordinary shares. For more information see “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Considerations.”

Item 4. Information on the Company

A. History and Development of the Company

Our company is a holding company incorporated in the Cayman Islands in July 2009 as a wholly-owned subsidiary of Kingsoft Corporation, a Cayman Islands company publicly listed on the Hong Kong Stock Exchange (Stock Code: 3888) since October 2007. We changed our name from the previous Kingsoft Internet Software Holdings Limited to Cheetah Mobile Inc. in March 2014.

In August 2009, we established our wholly-owned Hong Kong subsidiary, Cheetah Technology Corporation Limited, or Cheetah Technology. Following our incorporation in July 2009, we underwent a series of restructuring transactions in 2009 and 2010. After the restructuring, Zhuhai Juntian, which was originally a wholly-owned subsidiary of Kingsoft Corporation in China, became a wholly-owned subsidiary of Cheetah Technology in December 2009. Zhuhai Juntian incorporated Beijing Security as its wholly-owned subsidiary in
China in November 2009. Through a series of VIE contractual arrangements established in January 2011, Beijing Cheetah Mobile Technology Co., Ltd., or Beijing Mobile, an entity previously consolidated in Kingsoft Corporation’s group, became our VIE. We established Cheetah Mobile America, Inc. in the United States in November 2012.

In October 2010, we acquired 100% equity interest in Conew.com Corporation, a company incorporated in the British Virgin Islands in October 2008. As part of the acquisition, we acquired 100% equity interest in Conew Network and obtained effective control over Beijing Conew through contractual arrangements among Conew Network, Beijing Conew and Beijing Conew’s shareholders.

Beijing Cheetah Network Technology Co. Ltd., or Beijing Network, was incorporated in China in July 2012 as our VIE and has been consolidated in our financial statements since its incorporation. We exercise effective control over our VIEs, such as Beijing Mobile and Beijing Network, through contractual arrangements among them, their shareholders and our applicable PRC subsidiaries, Beijing Security and Conew Network. For a detailed description of our contractual arrangements with the VIEs, see “—C. Organizational Structure—Contractual Arrangements with Our VIEs.”

Beijing Mobile incorporated a subsidiary, Suzhou Jiangduoduo Technology Co., Ltd., or Suzhou Jiangduoduo, in China in January 2014, through which we started to conduct online lottery sales in April 2014. In March 2015, we suspended our online lottery sales in response to the PRC government’s regulatory measures. In May 2016, we sold a majority interest in, and ceased to consolidate, Suzhou Jiangduoduo.

In May 2014, we completed our initial public offering, in which we offered and sold 138,000,000 Class A ordinary shares represented by ADSs. The ADSs are listed on the NYSE under the symbol “CMCM.”

Since September 2016, we have incorporated Live.me Inc. (“Live.me”), a Cayman Islands company, and several subsidiaries including Hong Kong Live.Me Corporation Limited, to operate our live streaming business. In December 2016, Live.me Inc. entered into an agreement to issue certain number of shares to one of its management members. In April 2017, Live.me Inc. raised an aggregate of US$60 million from a group of investors as well as our company. In November 2017, Live.me Inc. raised US$50 million from Bytedance Ltd. as its Series B financing. Following the foregoing transactions, we held approximately 52.1% equity interest in Live.me Inc., and have retained control over the LiveMe business. On September 30, 2019, Live.me amended its share incentive plan to (i) increase the number of shares to be issued under the current plan and (ii) issue shares under the plan into a trust for the benefit of current and future recipients of Live.me share incentive awards. Subsequent to the deconsolidation, the Group owns 49.6% voting rights of Live.me. The remaining interests is accounted for equity investment using the fair value option in accordance with ASC825-10.

During 2017, we completed a business combination, which we expected to enhance our expertise in hardware services. The total purchase consideration was RMB41.5 million.

In September 2017, Beijing Security completed capital injection into Beijing OrionStar, an artificial intelligence company incorporated in China and controlled by Mr. Sheng Fu, the chief executive officer and director of our company. As a result, we, through Beijing Security, hold approximately 29.6% of then equity interest in Beijing OrionStar and have a two-year warrant to subscribe to additional equity interests amounted to US$62 million at the same valuation of our capital injection in September 2017. In July and September 2018, Beijing Security acquired additional equity interest in Beijing OrionStar through exercising part of the foregoing warrant. In 2019, Beijing Security fully exercised its warrant in Beijing OrionStar. Subsequent to the consummation of the transaction, we, through Beijing Security, hold 38.7% equity interest in Beijing OrionStar.

Since July 2018, we have incorporated Cheetah Mobile Seal Inc., a Cayman Islands company, and several subsidiaries including Zhuhai Baoqu Technology Co., Ltd., to operate our PC business. In August 2018, Cheetah Mobile Seal Inc. entered into an agreement to issue certain number of shares to several management members who run such PC business.
Since January 2019, we established CheePop Holding Inc., a Cayman Islands company, together with its subsidiaries to focus on certain games developed and operated by one of our game teams. In February 2019, CheePop Holding Inc. entered into an agreement to issue certain number of shares to the management members and key employees.

During 2019, we completed a business combination, which we expected to enhance our expertise in hardware services. The total purchase consideration was RMB25.0 million (US$3.6 million). We have grown organically and through acquisitions, partnerships and investments in recent years. In 2017, 2018 and 2019, we have paid for investments and acquisitions in an aggregate amount of RMB462.0 million, RMB529.5 million and RMB523.1 million (US$75.1 million), respectively.

We have continued to return to our shareholders. In September 2018, our board of directors had approved a share repurchase program of up to US$100 million of our outstanding ADSs for a period not to exceed 12 months. We funded repurchases made under this program from its available cash balance. In 2019, we had repurchased approximately 4.5 million ADSs for approximately US$32 million under this program. We cancelled all the repurchased Cheetah ADSs. In 2019, our board of directors approved a special cash dividend of US$0.50 per American Depositary Share (“ADS”), or US$0.05 per ordinary share in August 2019. The aggregate amount of cash dividends were approximately US$72 million, which was funded by cash on our balance sheet.

Our principal executive offices are located at Building No. 8, Hui Tong Times Square, Yaojiayuan South Road, Beijing 100123, People’s Republic of China. Our telephone number at this address is +86-10-6292-7779. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., of 801 Second Avenue, Suite 403, New York, NY 10017.

Voting Proxy Agreement between Kingsoft Corporation and Mr. Fu

On February 12, 2017, Kingsoft Corporation entered into a voting proxy agreement with Mr. Sheng Fu, our chief executive officer and director, pursuant to which Kingsoft Corporation agreed to delegate voting rights pertaining to up to 399,445,025 Class B ordinary shares of our company that it owns to Mr. Fu. Upon Kingsoft Corporation’s shareholder approval and signing of a definitive agreement between Mr. Fu and our company in relation to our acquisition of equity interest in Beijing OrionStar, Kingsoft Corporation have delegated approximately 38%, which increased to 39.9% as of March 31, 2020, voting power of our company held by Kingsoft Corporation to Mr. Sheng Fu, effective October 1, 2017. The voting proxy agreement also provides for additional rights and obligations of Kingsoft Corporation and Mr. Fu, including, among other things, (a) prohibitions on Mr. Fu from participation or investment in any businesses competing with the principal businesses of our company and Kingsoft Corporation, (b) Mr. Fu’s obligation to use best efforts to retain our core management team, (c) Kingsoft Corporation’s right to revoke the voting proxy in the event that Mr. Fu breaches the aforementioned undertakings, and (d) agreement to increase the size and change the composition of our then nine-member board of directors, such that there would be 11 directors, including three directors from our management, one director designated by Kingsoft Corporation, one director designated by Tencent Holdings Limited, and six independent directors.

The voting proxy agreement may be terminated upon (i) revocation by Kingsoft Corporation based on a breach of certain undertakings by Mr. Fu, among other things, undertakings (a) and (b) in the above paragraph, (ii) mutual agreement by both parties, or (iii) disposal by Kingsoft Corporation of all of its equity interest in our company.

B. Business Overview

We are a leading mobile internet company with strong global vision. We have attracted hundreds of millions of monthly actively users through an array of mobile utility products such as Clean Master released in 2012 and
Cheetah Keyboard released in 2016. Leveraging our success on utility products, we launched mobile entertainment products in late 2015, including live streaming platform LiveMe and mobile games such as Piano Tiles 2 and Bricks n balls.

Our proprietary cloud-based data analytics engines form the core of our utility products. For users of our utility applications, the data analytics engines perform real time analysis of mobile applications, program files and websites on their devices for behavior that may impair system performance or impose security risks.

Over the past years, we had made significant investments in artificial intelligence and, together with Beijing OrionStar, one of our invested companies, we have accumulated deep knowledge in image recognition, voice recognition, natural language processing, text to speech and other AI related technologies. The recent outbreak of COVID-19 has increased customer demand for our robotics products and solutions, while robotics business will not generate significant revenues in the near term.

Although substantially all of our mobile and PC applications are free to our users, our large user base presents monetization opportunities for us and our customers. We generate revenues from our utility products and related services primarily by providing advertising services to advertisers worldwide, and also by selling advertisements and referring user traffic on our mobile and PC platforms. Recently, we began to introduce some premium services for our utility products, which have been well received by our users. We also generate revenues from mobile game business. Our portfolio of mobile games has attracted a massive user base, which also provides ample advertising revenue opportunities. In addition, users of our games can purchase in-game virtual items.
Our Core Offerings for Mobile Users and Customers

The table below sets forth some basic information of our core mobile and PC offerings for users, and AI products offered to customers.

<table>
<thead>
<tr>
<th>Name</th>
<th>Operating System</th>
<th>Date of Launch or Acquisition</th>
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<tbody>
<tr>
<td><strong>Utility Products</strong></td>
<td></td>
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<tr>
<td>Clean Master</td>
<td>Android</td>
<td>September 2012(L)</td>
</tr>
<tr>
<td>Security Master</td>
<td>Android</td>
<td>January 2014(L)</td>
</tr>
<tr>
<td>Battery Doctor</td>
<td>Android</td>
<td>September 2011 (L)</td>
</tr>
<tr>
<td>Cheetah Browser / CM Browser*</td>
<td>Windows</td>
<td>June 2012(L)</td>
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<tr>
<td></td>
<td>iOS</td>
<td>June 2011 (L)</td>
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<td>iOS</td>
<td>June 2011 (L)</td>
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<tr>
<td>CM Launcher</td>
<td>Android</td>
<td>December 2014(L)</td>
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<tr>
<td>Cheetah Keyboard</td>
<td>Android</td>
<td>December 2016(L)</td>
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<tr>
<td>Photo Grid</td>
<td>Android</td>
<td>May 2013(A)</td>
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<td></td>
<td>iOS</td>
<td>May 2013 (A)</td>
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<tr>
<td>CM Locker</td>
<td>Android</td>
<td>December 2014(L)</td>
</tr>
<tr>
<td>Duba Anti-virus</td>
<td>Windows</td>
<td>November 2000(L)</td>
</tr>
<tr>
<td><strong>Mobile Entertainment Products</strong></td>
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<tr>
<td><strong>Self-developed Games</strong></td>
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<tr>
<td>Piano Tiles 2</td>
<td>Android</td>
<td>Late 2015 (L)</td>
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<td></td>
<td>iOS</td>
<td>Early 2016 (L)</td>
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<tr>
<td>Rolling Sky</td>
<td>Android</td>
<td>Late 2017 (A)</td>
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<td>Dancing Line</td>
<td>Android</td>
<td>Late 2017 (A)</td>
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<td></td>
<td>iOS</td>
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<td>Arrow.io</td>
<td>Android</td>
<td>September 2016 (L)</td>
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<td>iOS</td>
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<tr>
<td><strong>Licensed Games</strong></td>
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<td>Tap Tap Fish</td>
<td>Android</td>
<td>October 2016 (P)</td>
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<td></td>
<td>iOS</td>
<td>October 2016 (P)</td>
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<tr>
<td>Tap Tap Dash</td>
<td>Android</td>
<td>January 2018 (P)</td>
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<td></td>
<td>iOS</td>
<td>January 2018 (P)</td>
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<td>Bricks n Balls</td>
<td>Android</td>
<td>January 2018 (P)</td>
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<td></td>
<td>iOS</td>
<td>January 2018 (P)</td>
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<td><strong>Others</strong></td>
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<td><strong>AI-driven Products</strong></td>
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<tr>
<td>Cheetah Voicepod</td>
<td></td>
<td>March 2018</td>
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<tr>
<td>Cheetah Translator</td>
<td></td>
<td>April 2018</td>
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<tr>
<td>Cheetah GreetBot</td>
<td></td>
<td>November 2018</td>
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L: date of launch; A: date of acquisition; P: date of publish.
* CM Browser was officially launched in June 2014.

Utility Products

Clean Master

Clean Master is a junk file cleaning, memory boosting and privacy protection tool we launched in September 2012 for mobile devices. Clean Master also features application management functions.
Clean Master utilizes our cloud-based application behavior library to identify junk files associated with the applications installed on users’ end devices. Our data analytics engine can also identify junk files generated by unknown applications, which allow Clean Master to effectively clean these junk files.

As our cloud-based data analytics engines continue to evolve, Clean Master becomes more precise in identifying and cleaning junk files.

**Security Master**

Security Master, an upgraded version of CM Security launched in January 2014 on the Android platform, is an anti-virus and security application for mobile devices. It also features junk file cleanup and unwanted call blocking functions.

Powered by the dual-mode local and cloud-based application behavior library and our security threats library, CM Security is able to efficiently identify junk files and threats installed on users’ mobile devices. Our data analytics engines also enable CM Security to identify threats not previously indexed in our application behavior and security threats libraries.

**Battery Doctor**

Battery Doctor is a power optimization tool for mobile devices we launched in July 2011. Battery Doctor optimizes battery usage by utilizing our cloud-based application behavior library that contains power consumption characteristics of a number of mobile applications. Our data analytics engine can also identify power consumption characteristics of unknown applications, which allows Battery Doctor to effectively manage the power settings for these applications.

**Cheetah Browser and CM Browser**

Cheetah Browser is our high speed, safe web browser available for both PCs and mobile devices. We launched the PC edition in June 2012 and the mobile edition in June 2013. Cheetah Browser PC edition is a dual-core web browser, integrating the functionality of both the Chromium open-source rendering engine and the Internet Explorer rendering engine. The integrated Internet Explorer rendering engine provides maximum compatibility with pages across the internet, while the Chromium browser kernel operates at higher speeds. Cheetah Browser’s intelligent core switching engine analyzes each web page visited and selects the fastest and most compatible rendering engine for that page.

CM Browser is a light and fast mobile browser that we officially launched in June 2014, targeting overseas markets. CM Browser can protect users from malicious threats without compromising browsing speed.

**CM Launcher**

CM Launcher was released in December 2014 on the Android platform that provides personalized experience in using smart phones. For example, it offers tens of thousands of different themes for mobile phones, which allow users to choose their favorite styles and preferences. It also has imbedded security features that protect users’ personal info and app data and block viruses and malware.

**Cheetah Keyboard**

Cheetah Keyboard was launched in December 2016 on the Android platform and is an artificial intelligence-enabled application. It makes typing more efficient and fun by suggesting words, phrases and even sentences according to the context of the conversation, creating 3D key stroke effects, and introducing thousands of keyboard themes. It was featured four times by Google Play on its global homepage in the second half of 2017.
**Photo Grid**

Photo Grid is an easy-to-use photo collage application for mobile devices that we acquired in May 2013. Photo Grid allows users to quickly create professional looking collages of photos through an intuitive interface. Photos can be selected from users’ phones or from Facebook, Instagram, Flickr, Dropbox, or Google+ and then edited and arranged according to a variety of pre-defined or self-designed layouts. Users can then apply photo enhancement tools such as filters, backgrounds, stickers and text labels, making the creation of beautiful collages a simple and enjoyable experience. Users can conveniently save and share their creations through social networks such as Twitter, Facebook, Instagram or emails.

**CM Locker**

CM Locker was launched in December 2014 on the Android platform. It is a lightweight lock screen with prompt notifications and maximum security. CM Locker enables users to access essential phone functions easily and quickly.

**Duba Anti-virus**

Duba Anti-virus is an internet security application offered free for both PC and mobile devices. It incorporates anti-virus, anti-malware, anti-phishing, malicious website blocking and secure online shopping in a single lightweight installation package and leverages the power of our cloud-based data analytics engines to protect our users against known and unknown security threats and malicious applications.

*Anti-virus and anti-malware.* Duba Anti-virus can perform periodic or on-demand scan of program files and processes present on our users’ devices and test them against our cloud-based whitelisted and blacklisted security threats library. Program files that match the blacklist will be removed or quarantined automatically by Duba Anti-virus.

Program files that do not match any of the samples included in the cloud-based security threats library will be further analyzed using our cloud-based data analytics engines which can effectively identify unknown threats by employing a heuristic, or experience-based, approach to analyze the code and behavior of the unknown program files. By functioning as a sensor for our cloud-based data analytics engines, Duba Anti-virus can leverage the discovery of an unknown security threat on a single user’s device to protect the devices of our entire user community.

*K+ defense.* Duba Anti-virus includes a K+ defense system that integrates with our analytic engines and provides multi-layer comprehensive protection against a broad range of security threats to users’ computers.

- **System protection.** The K+ defense system protects against malicious alteration of system configurations, prevents remote intrusion by hackers, blocks malicious websites, automatically scans downloaded files for malwares and protects web browsers from unauthorized alternation.

- **Online shopping protection.** The K+ defense system blocks phishing and malicious shopping websites, prevents online shopping webpages from being altered or login information being intercepted by Trojan horses installed on users’ computers and provides security module plug-in to enhance browser security. Critical processes such as online payments can be conducted in a secure virtual environment free of interference by malware.

**Vulnerability fixing.** Duba Anti-virus provides a one-click solution to scan and fix vulnerabilities in computer configurations that could create an elevated risk level of system intrusions.
Mobile Entertainment Products

Mobile Games

Piano Tiles 2
Launched in late 2015, Piano Tiles 2 is a music-based casual mobile game. With newly launched swipe-tile gameplay and racing modes, Piano Tiles 2 brings users dual audio-visual experience. In the two years since its launch, Piano Tiles 2 has covered more than 700 music pieces by over 200 composers.

Rolling Sky
Launched in early 2016, Rolling Sky is a fast-paced casual game. Rolling Sky challenges the limits of user’s speed and reaction time with 3D visuals, which enables users to experience the imaginary traps and barriers.

Dancing Line
Acquired in late 2017, Dancing Line is a rhythm-based casual game featuring original music to help users break through each level while exploring the infinite unknown. Dancing Line combines fast-paced gameplay with a carefully selected soundtrack. Featuring different worlds of increasing difficulty, each one paints a unique picture and evokes different emotions.

Arrow.io
Launched in September 2016, Arrow.io is an online multiplayer game with a rich line of characters to choose from as users conquer the world with their bow and arrows.

Tap Tap Fish
Tap Tap fish is a relaxing yet addictive casual game in which players build an aquarium ecosystem and collect thousands of fish. Cheetah Mobile became the exclusive publisher of Tap Tap Fish in October 2016.

Tap Tap Dash
Tap Tap dash is a fast-paced casual game featuring a simple style and easy gameplay that trains users’ reaction speed and reflexes. Cheetah Mobile became the exclusive publisher of Tap Tap Dash in October 2016.

Bricks n Balls
Bricks n Balls is a classic casual elimination game, that help reminds users’ childhood. Cheetah Mobile became the exclusive publisher of Bricks n Balls since January 2018.

Others

AI-driven Products
Cheetah Voicepod
Cheetah Voicepod is an AI-based smart speaker that built top of Orion OS, a voice interactive operating system developed by OrionStar. Cheetah Voicepod features precise voice recognition, superior sound and content from top providers such as Tencent Music. Through voice instructions, the smart speaker can play various music, news and other audio programs, check time and weather conditions, set up alarms and voice reminders, and facilitate online shopping.
**Cheetah Translator**

Cheetah Translator is a portable hand-held voice translation device, powered by dual translation engines from OrionStar and Microsoft. It enables translations with a single touch from Simplified Chinese into English, Japanese, Korean and certain other languages, and vice versa.

**Cheetah GreetBot**

Cheetah GreetBot is a reception robot that focuses on the business-to-business market. Cheetah GreetBot is developed by Beijing OrionStar. Cheetah Mobile became a distributor and application developer of Cheetah GreetBot in 2018. We have already found more use cases for Cheetah GreetBot to serve customers in diverse verticals in China, including as guides in museums, receptionists in hospitals or schools, and sales assistant in convenience stores. Recently, we have deployed Cheetah GreetBot in some shopping malls in China’s tier one and tier two cities. These GreetBots are able to help consumers find shops, restaurants, cinemas and other facilities and information they look for by voice interaction.

The recent coronavirus outbreak has increased customer demand for our robotics products and solutions. Since the outbreak started, we’ve launched anti-epidemic products for hospitals to relieve some of the pressure caused by a shortage of medical personnel and the threat of cross infections. As of today, our medical robots have been deployed in some Chinese hospitals.

**Products and Services for Our Customers**

**Mobile advertising publisher**

Our portfolio of utility and entertainment products attracted a massive user base, which enabled us to become one of the leading mobile advertising publishers. We aggregated ads from Baidu, Tencent and more than 20 global mobile advertising networks on our mobile advertising operations. Our ad serving technology helps determine the best available ad to show based on comparison of bids from different ad networks.

**Duba.com personal start page**

Our duba.com personal start page provides a convenient starting point for the online experience of our users. It aggregates a large collection of popular online resources and provides users quick access to most of their online destinations such as online shopping, video, online game, travel and local information. It also incorporates search functions provided by our customers. Our large user base has turned our duba.com personal start page into a hub of third-party search traffic to e-commerce companies and search engine providers.

Users can click on links on the duba.com start page to access our customers’ websites or search information using their selected search engine. We charge fees to our customers based on different criteria such as cost per sale, cost per click, cost over a time period and cost per installation for transactions or other activities that originate from our duba.com start page. The unit price is subject to negotiation based on the traffic we bring to the customers.

**Our Cloud-Based Data Analytics Engines**

Our cloud-based data analytics engines are critical for the development and enhancement of our mobile and PC applications serving both our users and customers. Data analytics engines power our applications for users.

For our users, our data analytics engines enable our utility applications to access our most up-to-date security threat and application behavior libraries in the cloud to optimize system performance and to protect against both known and unknown security threats.

- Our security threat library contains blacklisted and whitelisted sample program files and blacklisted and whitelisted sample website addresses, which grows with time.
• We have developed a mobile application behavior library encompassing a number of mobile applications. A wide range of application behavior such as junk file creation, power usage and invasion of privacy is collected in the library.

• We can perform an automatic or on-demand scan to identify known security threats or behavior of known applications on users’ devices in a fraction of a second.

• We can automatically identify abnormal behavior of unknown applications or security threats with a minimal false identification rate, through performing a heuristic, or experience-based, analysis with our data analytics engines.

Our security threats and application behavior libraries continuously expand with new samples exchanged with other security services providers and collected by search spiders. In addition, devices with our applications installed acts as sensors for our cloud-based data analytics engines. The behavior of new third-party applications installed on these devices are analyzed to establish a risk profile and enrich our security threats library.

Our Artificial Intelligence Technologies

We have made significant investments in artificial intelligence and machine learning technologies. In 2018, we strengthened our capacity in AI by investing in Beijing OrionStar, an artificial intelligence tech company. In September 2019, Beijing OrionStar entered into a series B funding agreement with an outside investor. At the same time, we fully exercised its warrant in Beijing OrionStar to further strengthen our capacity in AI.

The recent coronavirus outbreak has increased customer demand for our robotics products and solutions. Since the outbreak started, we have launched anti-epidemic products for hospitals to relieve some of the pressure caused by a shortage of medical personnel and the threat of cross infections. As of today, our medical robots have been deployed in some Chinese hospitals.

Our Customers

Our customers primarily comprise of customers who place advertisements on our application offerings and individual customers who purchase and recharge virtual currencies used in our game applications. For our advertising services, our customers comprise direct advertisers including mobile application developers, mobile game developers and e-commerce companies, search engines and our partnering mobile advertising networks through which advertisers place advertisements on our applications, such as Baidu, and Bytedance. In 2017, 2018 and 2019, our five largest customers in aggregate contributed approximately 44.7%, 41.3% and 35.0% of our revenues, respectively.

In December 2018, Facebook suspended the advertising collaborations with us. The suspension does not impact our role as a Facebook advertising reseller through HK Zoom, a subsidiary of us. The reason cited by Facebook was that our company’s certain apps were not in compliance with Facebook’s policies. The suspension was pending a full review of our recent activities by Facebook. Since then, we had been actively communicating with and working with Facebook following receiving the notification of the suspension of collaboration and in Facebook’s full review of our recent activities in an effort to resume the normal business relationship with Facebook. These actions including having direct email communication with Facebook’s contact persons, providing written materials to demonstrate that we were indeed in compliance with Facebook’s policies, having face to face meeting with Facebook personnel to explain our business activities, and engaging a third party data auditing firm agreed by Facebook to conduct an internal review of our handling of Facebook user data in response to Facebook’s request. The review concluded that our handling of Facebook user data is compliant with the relevant data protection requirements in relevant Facebook policies. Unfortunately, Facebook has not resumed the collaboration with us.

In February 2020, our Google Play Store, Google AdMob and Google AdManager accounts were disabled by Google. According to Google, the decision was made because some of our apps had not been compliant with
Google policies, resulting in certain invalid traffic. Since February 20, 2020, we have been in continuous communication with Google to appeal the decision, clarify any misunderstanding, and adopt any requisite remedial measures to restore the disabled accounts. However, we were recently notified that Google was unable to reinstate our accounts after reviewing our appeal and additional information we provided. While we will continue to communicate with Google, and we cannot guarantee that its appeals will be successful. Google has been our largest customer since 2017, and contributed 21.9% of our total revenue including revenues from the mobile advertising business and revenues from the purchase and consumption of virtual items by users via Google as a channel in 2019.

See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Because a limited number of customers contribute to a significant portion of our revenues, our revenues and results of operations could be materially and adversely affected if we were to lose a significant customer or a significant portion of its business.”

Marketing

We remain focused on driving organic growth for our products and services by improving user experience. We use social networks, online campaigns and offline events to promote our brand, products and services. We promote our brand, products and services across major social platforms such as Weibo, WeChat and DouYin. Over the past years, our creative team has produced a number of product and branding videos for video sharing sites such as DouYin, Youku and YouTube.

We closely track user growth in key countries across the United States, Europe, India and China. We currently acquire users through continued online promotion. We also grow our traffic organically through cross-promotion.

We have implemented a number of marketing initiatives designed to promote our brand among potential users and customers globally. For example, in March 2019, our robotic products were displayed at the International Consumer Electronics Show (CES). In October 2019, we attended the World Internet Conference, and our robotic products were displaced on the 70th Anniversary of the Founding of The People’s Republic of China. In December 2019, Mr. Sheng Fu, Cheetah Mobile’s Chairman and Chief Executive Officer shared his thoughts about the development of the AI industry at the 2019T-EDGE and the 2019 IFX—GEEKPARK.

Competition

We face intense competition in all lines of our business. For our utility products and related service, we generally compete with other mobile utility application developers that offer products claiming to perform similar functions as our utility applications, such as Clean Master, Security Master and CM Launcher. For our mobile game business, we compete with other mobile game developers, mobile game publishers and mobile advertising platform that focus on mobile casual games. We also compete with other companies providing AI-driven products and services in China.

In the internet space, we mainly compete with 360 in China’s internet security and anti-virus market. In the mobile utility product space, we mainly compete with CooTek (Cayman) Inc., a global mobile Internet company that offering mobile utility applications in the overseas markets. In the mobile games space, we mainly compete with Voodoo, a French-based global mobile casual game publisher. In the artificial intelligence space, we compete with other companies offering similar product offerings in China. In addition, we compete with all major internet companies for user attention and advertising spend.

Intellectual Property

Our trademarks, patents, copyrights, domain names, proprietary technology, know-how and other intellectual property are vital to the success of our business. We protect our intellectual property rights through
patent, trademark, copyright and trade secret protection laws in the PRC, Hong Kong, Japan, the United States and other jurisdictions. In addition, we enter into confidentiality and non-disclosure agreements with our employees and customers. The agreements we enter into with our employees also provide that all software, inventions, developments, works of authorship and trade secrets created by them during the course of their employment are our property.

Patents. As of March 31, 2020, we had 1868 patents in China and 92 patents outside China relating to our software and other proprietary technology. Of such total 1960 patents, 1722 patents were either independently or jointly held by Zhuhai Juntian, Beijing Security, Conew Network, Beijing Antutu Technology Co., Ltd., or Beijing Antutu, Guangzhou Network, and our other wholly-owned or controlled subsidiaries. 178 patents were either independently or jointly held by Beijing Mobile, Beijing Network, and our other VIEs, and 60 patents were jointly owned by our wholly-owned subsidiaries and VIEs. The 1960 patents will expire between December 2023 and June 2038. In addition to the aforementioned patents, as of March 31, 2020, we had a total of 1141 patent applications in China and 144 patents applications outside China. Among such patent applications, in relation to the proprietary technologies that are essential to the operations of our platform and important to our business, our wholly-owned or controlled subsidiaries, had independently filed 1238 patent applications, and our VIEs, had independently or jointly filed 47 patent applications. Once approved, depending on the type of patents, the patents that are in the process of application by our VIEs will normally expire 10 or 20 years after the date of application.

Copyrights. As of March 31, 2020, we had registered 482 copyrights, including 441 software copyrights and 41 artwork copyrights. In relation to our core proprietary technologies, Beijing Mobile and Beijing Network, and our other VIEs, independently or jointly owned 103 software copyrights, and jointly owned an additional 46 software copyrights together with Cheetah Technology, Zhuhai Juntian, Beijing Security, Conew Network or Guangzhou Network, and our other wholly-owned or controlled subsidiaries. Among the 482 copyrights, 292 copyrights were either independently or jointly registered under the name of Cheetah Technology, Zhuhai Juntian, Beijing Security, Conew Network or Guangzhou Network, and our other wholly-owned or controlled subsidiaries. All the software copyrights owned by our VIEs (excluding Beijing Conew) have been published between December 2009 and March 2020. Software copyrights are protected until the end of the 50th calendar year starting from the date of first publication.

Trademarks. As of March 31, 2020, we had registered 1810 trademarks in China. In addition, we currently had filed 321 trademark applications in China. We had 1596 registered trademarks outside China, and we had filed 388 trademark applications outside China.


As our VIEs hold a significant amount of patents and copyrights essential to our business operations, if we lose control over any of them or if any of them goes bankrupt, our business operations may be severely interrupted. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—We may lose the ability to use and enjoy vital assets held by our VIEs if they go bankrupt or become subject to a dissolution or liquidation proceeding.”

We have established policies and procedures to monitor certain key patents and trademarks for infringement or other unauthorized use, and a team of dedicated employees from the intellectual property, legal and marketing groups conduct daily searches and monitor our patents, as well as third-party patents and distribution platforms, for infringing technology and software. See “Item 3. Key Information—D. Risk Factors—Risks Relating to our Business and Industry—We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position” and “Item 3. Key Information—D. Risk Factors—Risks Relating to our Business and Industry—We may be subject to intellectual property infringement lawsuits which could result in our payment of substantial damages or license fees, disruption to our product and service offerings and reputational harm.”
Regulations

We are subject to a number of PRC and foreign laws and regulations that affect companies conducting business on the internet. We are subject to a variety of laws and regulations in foreign jurisdictions that involve matters central to our business, including privacy and data protection, rights of publicity, content, intellectual property, advertising, marketing, distribution, data security, data retention and deletion, personal information, national security, electronic contracts and other communications, virtual currencies, competition, protection of minors, consumer protection, telecommunications, taxation, and economic or other trade prohibitions or sanctions. These foreign laws and regulations are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices. For further details, see “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business and Industry—Our business is subject to complex and evolving laws and regulations regarding privacy, data protection, and other matters both within and outside China. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.”

As a significant portion of our business operations are conducted in China, we are materially affected by the laws and regulations in China. This section summarizes the principal PRC laws and regulations relevant to our current businesses, including online marketing, online game (including online mobile and PC games) operations and advertising agency, as well as foreign currency exchange and dividend distributions.

Regulations on Telecommunications Services and Foreign Ownership Restrictions

The Telecommunications Regulations, which became effective on September 25, 2000 and were respectively amended on July 29, 2014 and on February 6, 2016, and Administrative Measures on Telecommunications Business Permits (2017), which became effective since September 1, 2017, are the core regulations on telecommunications services in China. The Telecommunications Regulations set out basic guidelines on different types of telecommunications business activities, including the distinction between "basic telecommunications services" and "value-added telecommunications services." Administrative Measures on Telecommunications Business Permits (2017) set out the standards regarding the application, examination and approval, use and administration of telecommunications business permits in China. According to the Classified Catalog of Telecommunications Business (2015 Version), implemented on March 1, 2016, amended on June 6, 2019 and attached to the Telecommunications Regulations, internet information services are deemed a type of value-added telecommunications services. The Telecommunications Regulations require the operators of value-added telecommunications services to obtain value-added telecommunications business operation licenses from the Ministry of Industry and Information Technology, or MIIT, or its provincial delegates prior to the commencement of such services.

The Regulations on the Administration of Foreign-Invested Telecommunications Enterprises, or the FITE Regulations, which became effective on January 1, 2002 and were respectively amended on September 10, 2008 and on February 6, 2016, are the major rules on foreign investment in telecommunications companies in China. The FITE Regulations stipulate that the foreign investor of a telecommunications enterprise is prohibited from holding more than 50% of the equity interest in a foreign-invested enterprise that provides value-added telecommunications services, including internet information services. Moreover, such foreign investor shall demonstrate a good track record and experience in operating value-added telecommunications services when applying for the value-added telecommunications business operation license from the MIIT.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Services, or the MIIT Circular 2006, which requires that (a) foreign investors can only operate a telecommunications business in China through establishing a telecommunications
enterprise with a valid telecommunications business operation license; (b) domestic license holders are prohibited from leasing, transferring or selling telecommunications business operation licenses to foreign investors in any form, or providing any resources, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunications business in China; (c) value-added telecommunications service providers or their shareholders must directly own the domain names and registered trademarks they use in their daily operations; (d) each value-added telecommunications service provider must have the necessary facilities for its approved business operations and maintain such facilities in the geographic regions covered by its license; and (e) all value-added telecommunications service providers should improve network and information security, enact relevant information safety administration regulations and set up emergency plans to ensure network and information safety. The provincial communications administration bureaus, as local authorities in charge of regulating telecommunications services, (a) are required to ensure that existing qualified value-added telecommunications service providers will conduct a self-assessment of their compliance with the MIIT Circular 2006; and (b) may revoke the value-added telecommunications business operation licenses of those that fail to comply with the above requirements or fail to rectify such non-compliance within specified time limits. Due to the lack of any additional interpretation from the regulatory authorities, it remains unclear what impact MIIT Circular 2006 will have on us or the other PRC internet companies with similar corporate and contractual structures.

To comply with such foreign ownership restrictions, we operate our businesses in China through Beijing Mobile, Beijing Network, Beijing Conew and other companies, our VIEs or their subsidiaries. Our VIEs are directly or indirectly owned by PRC citizens. Each of these entities is controlled by our company through a series of contractual arrangements. See “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our VIEs.” Based on our PRC legal counsel, Global Law Office’s understanding of the current PRC laws, rules and regulations, our corporate structure complies with all applicable PRC laws, and does not violate, breach, contravene or circumvent or otherwise conflict with any applicable PRC laws. However, we were further advised by our PRC legal counsel that there are substantial uncertainties with respect to the interpretation and application of existing or future PRC laws and regulations and thus there is no assurance that Chinese governmental authorities would take a view consistent with the opinions of our PRC legal counsel.

**Internet Information Services**

The Administrative Measures on Internet Information Services, or the ICP Measures, issued by the State Council on September 25, 2000 and amended on January 8, 2011, regulate the provision of internet information services. According to the ICP Measures, “internet information services” refer to services that provide internet information to online users, and are categorized as either commercial services or non-commercial services. Pursuant to the ICP Measures, internet information commercial service providers shall obtain an ICP License, a sub-category of the value-added telecommunications business operation license, from the relevant local authorities before engaging in the provision of any commercial internet information services in China. In addition, if the internet information services involve provision of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other services that statutorily require approvals from other additional governmental authorities, such approvals must be obtained before applying for the ICP License.

We currently, through Beijing Mobile, Beijing Network and other companies, our VIEs or their subsidiaries, hold valid ICP Licenses, covering the provision of internet information services, issued by the Beijing, Guangdong or Hainan branch of the MIIT. Besides, the ICP Measures and other relevant measures also ban the internet activities that constitute publication of any content that propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties, among others. If an internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider’s violation of these prescriptions will lead to the revocation of its ICP License and, in serious cases, the shutting down of its internet systems.
The Administrative Regulations on Internet Forum Community Services, or the Forum Regulations, issued by CAC on August 25, 2017 and being effective since October 1, 2017, regulates the provision of internet forum community services within the PRC territory. Pursuant to the Forum Regulations, “internet forum community services” refers to services to provide an interactive community platform on the Internet to the users for releasing information, by means of forums, post bars or online communities. We currently provide forums such as http://bbs.duba.net/, as online interactive platforms for users to release information relating to our products. According to the Forum Regulations, the internet forum community services provider shall strengthen the management of the information released by users. If it discovers any information that is prohibited by laws and regulations, the internet forum community services provider should immediately stop the transmission, delete such information and report to the state or local CAC in a timely way. Besides, the internet forum community services provider shall file and verify the real identity information of the initiators or managers of the forum sections, and shall not provide information releasing services for users who fail to provide real identity information. The users’ real identity information, when kept by the internet forum community services provider, shall not be disclosed, distorted, destroyed or illegally sold or provided to others.

On November 27, 2017, MIIT promulgated Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names for Internet Information Services, which became effective on January 1, 2018. The notice provides that the domain name used by an Internet information service provider for providing Internet information services shall be a domain name registered and owned thereby pursuant to laws and regulations. Where an entity provides Internet information services, the domain name registrant shall be the entity (including a company shareholder), or the primary person in charge of, or a senior management person of, the entity. When providing access services for Internet information service providers, an Internet access service provider shall examine and verify the real identity information of domain name registrants via the Record-filing System, and shall not provide access services for those who fail to provide real identity information or whose identity information provided is inaccurate or incomplete. The foregoing provisions shall not apply to domain names that have already been record-filed in the Record-filing System prior to the effective date hereof. Nevertheless, abovementioned regulations do not prescribe any legal liability of violating such regulations.

Internet News Information Services

Under currently effective rules and regulations in the PRC, to provide internet news information services in China, including the relevant news reporting and commentary on politics, economy, military affairs, diplomacy, public emergencies and other public affairs, the service provider is required to obtain an internet news information service license, or an INIS License. Pursuant to the Provisions on the Administration of Internet News Information Services, which were jointly promulgated by the SCIO and the then Ministry of Information Industry (the predecessor of the MIIT) in September 2005 and were repealed in October 2017, internet news information service providers which are established by “non-news work units” and which republish news information, provide current event electronic bulletin services, and transmit to the public current event news report information are required to apply for an INIS License in order to provide internet news information services on current affairs and politics. On May 2, 2017, the Cyberspace Administration of China, or the CAC, promulgated Provisions on Administration over the Internet News Information Services, or the Internet News Provisions, which became effective on June 1, 2017, Pursuant to the Internet News Provisions, INIS License shall be obtained for providing to the public Internet news information services, including providing Internet news information collection and editing services, reprinting services and communication platform services, through the Internet website, application program, forum, blog, microblog, public account, instant messaging tool, Internet live streaming and other methods. It is prohibited to conduct Internet news information service activities without license or beyond the licensed scope. The collection and editing business and operational business of an Internet news information service provider shall be separated and non-public assets shall not be involved in the Internet news information collection and editing business. Any violation of the Internet News Provisions may result in penalties, including discontinuation of operations, warnings, orders to make correction within the prescribed time period, and imposition of fines and even criminal liabilities.
The CAC promulgated the Implementation Rules for the Administration of the Licensing for Internet News Information Services on May 22, 2017 and Administrative Measures on Content Management Practitioners in Internet News Information Service Providers on October 30, 2017, further prescribing more details regarding the application and administration of the INIS License.

Internet Publication and Cultural Activities

The Tentative Measures for Internet Publication Administration, or Internet Publication Measures, were jointly promulgated by the GAPP and the MIIT on June 27, 2002 and became effective on August 1, 2002. The Internet Publication Measures imposed a license requirement for any company that engages in internet publishing, which means any act by an internet information service provider to select, edit and process works (including books, newspaper, magazines, audio/video products, or edited literature, art or works on natural science, social science, engineering etc.) produced by such provider or others, and make such works publicly available on the internet or send such works to the end users through internet, so that the public can browse, read, use or download such works. The Internet Publication Measures also require the professional editorial personnel of an Internet publishing entity to examine the published content to ensure that it complies with applicable laws. Failure to do so may subject us to fines and other penalties. The provision of online games is deemed an internet publication activity; therefore, an online game operator must (i) obtain an Internet Publishing License so that it can directly offer its online games to the public in the PRC, or (ii) publish its online games through a qualified press entity by entering into an entrustment agreement. On February 4, 2016, the SARFT and the MIIT jointly promulgated the Administrative Measures on Internet Publication, which took effect on March 10, 2016 and superseded the Internet Publication Measures. The Administrative Measures on Internet Publication further strengthened and expanded the supervision and management of internet publication activities.

The Rules for the Administration of Electronic Publication, or the Electronic Publication Rules, was issued by the GAPP on February 21, 2008 and became effective on April 15, 2008 and amended on August 28, 2015. Under the Electronic Publication Rules and other regulations issued by the GAPP, online games are classified as a kind of electronic publication, and publishing of online games is required to be conducted by licensed electronic publishing entities that have been issued standard publication codes.

On May 10, 2003, the Ministry of Culture, or the MOC, promulgated the Tentative Measures for the Administration of Online Culture, or the Online Cultural Measures, which became effective on July 1, 2003 and subsequently amended on July 1, 2004, on April 1, 2011 and on December 15, 2017 respectively. According to the Online Cultural Measures, internet information services providers engaging in online cultural activities, which include the dissemination and operation of gaming products, shall either obtain a license from the provincial branches of the MOC if such activities are commercial, or complete a filing of records with the provincial branches of the MOC if such activities are non-commercial. Specifically, entities are required to obtain online cultural operating licenses from the provincial branches of the MOC if they intend to commercially engage in any of the following activities: (a) production, duplication, import, publishing or broadcasting of online cultural products; (b) publishing of online cultural products on the internet or transmission thereof via the internet or mobile telecommunication networks to computers, fixed-line or mobile phones, television sets, gaming consoles or Internet café for online users to browse, review, use or download such products; or (c) exhibitions or contests related to online cultural products. If internet information services providers engage in commercial online cultural activities but fail to obtain online cultural operating licenses, they may be ordered to shut down their websites and subject to fines and penalties of confiscating illegal gain.

On February 15, 2007, the MOC, the People’s Bank of China, or the PBOC and other relevant government authorities jointly issued the Notice on Strengthening the Administration of Internet Cafes and Online Games, or Circular 10. The Circular 10 authorizes PBOC to strengthen the administration of virtual currency in web games in order to avoid any adverse impact on the economy and financial system. This notice strictly limits the total amount of virtual currency that a web game operator can issue and an individual game player can purchase. It also distinguishes virtual transactions from real transactions through electronic commerce and that specifies virtual currency should only be used to purchase virtual items.
The Notice on Strengthening the Administration of Online Game Virtual Currency, or the Virtual Currency Notice, jointly issued by the MOC and the MOFCOM on June 4, 2009, defines the meaning of the term “virtual currency” and places a set of restrictions on the trading and issuance of virtual currency. The Virtual Currency Notice also states that online game operators are not allowed to give out virtual items or virtual currency through lottery-base activities, such as lucky draws, betting or random computer sampling, in exchange for cash or virtual money of the players.

We, through Beijing Mobile, Beijing Network and other companies, our VIEs or their subsidiaries have obtained the Internet Culture Operation Licenses from the Beijing, Guangdong or Hainan branch of the MOC (later the MCT) or MCT(formerly the MOC), which collectively cover the business scope of operating gaming products through the internet (including the issuance of virtual currency) However, among the above Internet Culture Operation Licenses, those covering the business scope of operating gaming products through the internet (including the issuance of virtual currency) are not required for operators of online games, due to the abolishment of the Provisional Administration Measures of Online Games, pursuant to a decision by Ministry of Culture and Tourism (“MCT”) on 10 July, 2019. For detailed information, See “Item 4. Regulations—Regulations on Online Games and Foreign Ownership Restrictions” for further details.

Regulations on Online Games and Foreign Ownership Restrictions

On June 3, 2010, the MOC promulgated the Provisional Administration Measures of Online Games, or the Online Game Measures, which came into effect on August 1, 2010 and were subsequently amended on December 15, 2017. The Online Game Measures governs the research, development and operation of online games. It specifies that the MOC is responsible for the censorship of imported online games and the filing of records of domestic online games. The procedures for the filing of records of domestic online games must be conducted with the MOC within 30 days after the commencement date of the operation of such online games.

All operators of online games, or Online Game Business Operators, used to be required by the Online Game Measures to obtain Internet Culture Operation Licenses. An Internet Culture Operation License is valid for three years and in case of renewal, the renewal application should be submitted 30 days prior to the expiry date of such license. An Online Game Business Operator should request the valid identity certificate of game users for registration, and notify the public 60 days ahead of the termination of any online game operations or the transfer of online game operational rights. Online Game Business Operators are also prohibited from (a) setting compulsory combat in the online games without game users’ consent; (b) advertising or promoting the online games in a way that contains prohibited content, such as anything that compromises state security or divulges state secrets; and (c) inducing game users to input legal currencies or virtual currencies to gain online game products or services, by way of random draw or other incidental means. Pursuant to the Online Game Measures, the service agreements between the Online Game Business Operators and users shall contain all the clauses of a standard online game service agreement, which was issued by MOC on July 29, 2010, with no conflicts with the rest of clauses in such service agreements. We, through Beijing Mobile, Beijing Network and other companies, our VIEs or their subsidiaries, have obtained Internet Culture Operation Licenses from the Beijing, Guangdong and Hainan branch of the MOC or MCT, which collectively cover the business scope of operating music entertainment products through the internet, and operating gaming products through the internet, including the issuance of virtual currency.

However, pursuant to the Decision of Ministry of Culture and Tourism (“MCT”) on Abolishing Provisional Administration Measures of Online Games and the Measures for the Administration of Tourism Development Plans, which was promulgated by the MCT on 10 July 2019, the Online Game Measures was abolished.

On May 14, 2019, the general office of MCT promulgated the Notice on Adjustment of the Approval Scope of Internet Cultural Operation Licenses and Further Regulating the Approval Work, or the No. 81 Notice. According to the No. 81 Notice, the MCT no longer assumes the online game industry management responsibility. Upon receiving the No. 81 Notice, the provincial cultural and tourism administrative departments...
no longer approve and issue the Internet Culture Operation Licenses covering business scope of “operating gaming products through the internet” or “operating gaming products through the internet, including the issuance of virtual currency”. The Internet Culture Operation Licenses covering the afore-mentioned business scope which were issued before the No. 81 Notice and during the valid period shall continue to be valid. Such Internet Culture Operation Licenses will not need to be renewed upon expiry.

On March 10, 2020, Beijing Municipal Bureau of Culture and Tourism issued the Special Tips on Application for the Internet Culture Operation Licenses. Pursuant to the Special Tips, the approval scope of Internet Culture Operation Licenses shall include online music, online dramas and programs, online performance, online art, online animation and exhibition, competition activities. Internet Culture Operation Licenses shall not be issued to applicants engaged in other internet operation businesses not within the afore-mentioned approval scope.

According to the aforementioned regulations, Internet Culture Operation Licenses of Beijing Network and other companies, with the business scope of operating gaming products through the internet, may not need to be renewed upon expiry. On the other hand, our Culture Operation Licenses concerning business scope other than operating gaming products through the internet that remain being subject to the approval and administration by MCT will need to be renewed upon expiry.

On July 11, 2008, the General Office of the State Council promulgated the Regulation on Main Functions, Internal Organization and Staffing of the GAPP, or the Regulation on Three Provisions. On September 7, 2009, the Central Organization Establishment Commission issued the corresponding interpretations, or the Interpretations on Three Provisions. The Regulation on Three Provisions stipulates that the MOC is authorized to regulate the online game industry, while the State Administration of Press, Publication, Radio, Film and Television, or SARFT, is authorized to approve the publication of online games before their launch on the internet. The Interpretation on Three Provisions further provides that once an online game is launched on the internet, it will be completely under the administration of the MOC, and that if an online game is launched on the internet without obtaining prior approval from the SARFT, the MOC, instead of the SARFT, is directly responsible for investigation and punishment. On July 11, 2013, the General Office of the State Council promulgated the Provisions on the Main Responsibilities, Internal Institutions and Staffing of GAPP, or the Three-Decision Provisions, which reiterates the restrictions stipulated in the Regulation on Three Provisions. Although the aforementioned provisions or regulations remain valid, according to the No. 81 Notice, the MCT (formerly the MOC) no longer assumes the online game industry management responsibility.

On September 28, 2009, the GAPP, the National Copyright Administration, or the NCA, and the Office of the National Working Group for Combating Pornography and Illegal Publications jointly issued a Notice on Implementing the Provisions of the State Council on “Three Determinations” and the Relevant Explanations of the State Commission Office for Public Sector Reform and Further Strengthening the Administration of the Pre-approval of Online Games and Examination and Approval of Imported Online Games, or Circular 13. Circular 13 explicitly prohibits foreign investors from directly or indirectly engaging in online gaming business in China, including through variable interest entity structures, or VIE Structures. Foreign investors are not allowed to indirectly control or participate in PRC operating companies’ online games (including online mobile and PC games) operations, whether (a) by establishing other joint ventures, entering into contractual arrangements or providing technical support for such operating companies; or (b) in a disguised form such as by incorporating or directing user registration, user account management or game card consumption into online gaming platforms that are ultimately controlled or owned by foreign companies. Violations of Circular 13 will result in severe penalties. However, it is uncertain whether the above prohibitions imposed by SARFT are within its authorization as stipulated in the Regulation on Three Provisions and its interpretations. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may be adversely affected by the complexity of, and uncertainties and changes in, PRC regulation on mobile and PC internet businesses and companies.”
Regulations on Anti-fatigue Compliance System and Real-name Registration System

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued a circular requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online games (including online mobile and PC games) operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be “healthy,” three to five hours is deemed “fatiguing,” and five hours or more is deemed “unhealthy.” Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the “fatiguing” level, and to zero in the case of the “unhealthy” level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online games (including online mobile and PC games) players to register their real identity information before playing online games. Pursuant to the Notice on the Commencement of Anti-fatigue and Real-name Registration of Online Games, issued by the relevant eight government authorities on July 1, 2011, which came into effect on October 1, 2011, online games (including online mobile and PC games) operators must submit the identity information of game players to the National Citizen Identity Information Center, a subordinate public institution of the Ministry of Public Security, for verification.

Pursuant to the Administrative Measures on Usernames of Internet Users’ Accounts promulgated by the CAC on February 4, 2014, which became effective on March 1, 2015, users of internet information services are required to have their identity information authenticated in order to register user accounts. The internet information service providers are required to (i) improve user service agreement, clearly indicating users not to include any illegal or malicious information in account names, head portraits, profiles or any other registration information, and (ii) be equipped with the professionals and examine the account names, head portraits and other registration information submitted by the internet users. We cannot assure you that PRC regulators would not require us to implement much stricter real-name registration in the future. See “Item 3. Key Information—Risk Factors—Risks Relating to Doing Business in China—We may be adversely affected by the complexity of, and uncertainties and changes in, PRC regulation on mobile and PC internet businesses and companies.” In addition, we require our mobile and PC game developers to comply with the requirements under the PRC law, but we cannot assure you that such commercial partners will effectively implement the anti-fatigue rules, and any noncompliance on the part of such commercial partners may cause potential liabilities to us and in turn disrupt our operations. See “Item 3. Key Information—Risk Factors—Risks Relating to Our Business and Industry—Non-compliance on the part of third parties with whom we conduct business could disrupt our business and adversely affect our results of operations.”

On December 1, 2016, the MOC promulgated the Circular on Regulating the Operation of Online Games and Strengthening the Interim and Ex Post Supervision, or Circular 32, which became effective on May 1, 2017. The Circular 32 sets requirements in relation to the following aspects of online games: (i) clarifying the scope of online game operation; (ii) regulating services for issuance of virtual props of online games; (iii) strengthening the protection of the rights and interests online game users; (iv) strengthening the interim and ex post supervision of online game operation; and (v) seriously investigating and punishing illegal operating activities. According to the Circular 32, online game publishers shall require online game users to register their real names with valid identity documents, and keep user registration information, and shall not provide recharge or consumer services in game for online game users who login as visitors and also requires that the online game publishers shall fully comply with the relevant provisions of the Parents’ Guardian Project for Minors Playing Online Games, based on which, online game operators shall impose money and time limits for minor users in game and take technical measures to screen the scenes and functions not appropriate for minors. The Circular 32 has been repealed on August 19, 2019 according to the Announcement on the Review Results of Administrative Documents issue by the MCT on August 19, 2019.
On 25 October 2019, the Notice on Preventing Minors from Indulging in Online Games, or the Notice, issued by National Press and Publication Administration and came into effect on the same day, requests online game companies to implement the real-name registration system. All online game users must use valid identity information to register their game accounts. Online game companies must require existing users to complete the real-name registration within 2 months from the date of implementation of this notice and stop providing game service to users who cannot complete real-name registration within the prescribed period. The time and duration used by minors shall be strictly controlled. Online game companies are banned from providing game services to minors in any form between 10 p.m. and 8 a.m. The length of time that online game companies provide game services to minors shall not exceed 3 hours per day for statutory holidays and 1.5 hours for other days. Paid services provided to minors shall be regulated. Online game companies shall not provide paid game services for users under the age of 8 years old. As for the paid game services provided by the same online game company, for users who are over 8 years old and under 16 years old, the single recharge amount shall not exceed RMB 50, the monthly recharge amount shall not exceed RMB 200; for users over 16 years old and under 18 years old, the amount of one single recharge shall not exceed RMB 100, and the monthly recharge amount shall not exceed RMB 400.

Regulations on Computer Information System Security Special Products

Pursuant to the Provisions for Security Protection of Computer Information Systems promulgated by the State Council on February 18, 1994 and subsequently amended in 2011, and the Measures for Administration of Detection and Sales Permits for Computer Information System Security Special Products promulgated by the MPS on December 12, 1997, producers of security special products, including hardware and software products, shall have such products detected and recognized by qualified institutions, and obtain a sales license. A new sales permit is required if an approved security product has any functional changes. “Security special products” refers to special hardware and software that is used for protecting the security of computer information system. The valid term of each sales permit is two years and the extension application shall be submitted to the competent branches of the Ministry of Public Security 30 days prior to the expiration of such term. Besides, as the upgrades of our software become more frequent and such examination and approval by the MPS may be time-consuming, we may not be able to obtain such permits for all upgrades in a timely manner, which may subject us to various penalties and adversely affect our business and results of operations. We, through Beijing Security, have obtained a sales license from the Ministry of Public Security, and are permitted to put the Kingsoft Duba 11 SP 11.9.1.042100 Antivirus Product Offline (Qualified) into the market for sale.

Regulations on Mobile Application Information Services

On June 28, 2016, the CAC, promulgated the Administrative Provisions on Information Services of Mobile Internet Application Programs, or the Mobile Application Provisions, which became effective on August 1, 2016. The Mobile Application Provisions were promulgated to strengthen the administration of information services provided by mobile applications.

Pursuant to the Mobile Application Provisions, mobile applications refer to application software obtained through pre-installation, download or other means and which operate on smart mobile devices to provide information services to users. Mobile application information service providers shall be responsible for the supervision and administration of mobile application information required by laws and regulations and implement the information security management responsibilities strictly, including but not limited to: (i) authenticating the identity information of the registered users based on mobile phone numbers and other identity information; (ii) protecting user information and using users’ personal information in a lawful and proper manner, and obtaining users’ consents for collection of personal information; (iii) establishing information content audit and management mechanism, and taking measures against any users who publish information content in violation of laws or regulations depending on circumstances, such as issuing warnings and suspension of users’ accounts; (iv) allowing users to opt out from certain functions on mobile applications, and obtaining users’ consents before accessing users’ locations, address books, cameras and recordings; (v) protecting the
intellectual property rights of others and shall not develop and publish mobile applications that infringe upon the intellectual property rights of others; and (vi) recording users’ log information and keep it for 60 days.

**Regulations on Advertising Business**

State Administration for Market Regulation, or the SAMR, which is the successor of SAIC, is the primary governmental authority regulating advertising activities in China. Regulations that apply to advertising business primarily include:

- Advertisement Law of the People’s Republic of China, promulgated by the Standing Committee of the National People’s Congress on October 27, 1994 and effective since February 1, 1995, the latest version of which became effective on October 26, 2018;
- Administrative Regulations for Advertising, promulgated by the State Council on October 26, 1987 and effective since December 1, 1987;
- Interim Measures for the Administration of Internet Advertisements, promulgated by the SAIC on July 4, 2016 and effective on September 1, 2016; and
- Administrative Provisions on Registration of Advertisement Publication, promulgated by the SAIC on November 1, 2016 and effective on December 1, 2016.

According to the above regulations, companies that engage in advertising activities including those conducted through the internet must each obtain, from the SAMR (formerly the SAIC) or its local branches, a business license which specifically includes operating an advertising business in its business scope. An enterprise engaging in advertising business within the specifications in its business scope does not need to apply for an advertising operation registration, provided that such enterprise is not a radio station, television station, newspaper or periodical publisher. Enterprises conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of advertising income and orders to cease advertising operations pursuant to Advertisement Law. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant laws or regulations. For the enterprise which is not a radio station, television station, newspaper or periodical publisher, the term of validity of the registration of advertisement publication shall be consistent with the term of validity of the approval document for relevant media.

PRC advertising laws and regulations set certain content requirements for advertisements in China, including, among other things, prohibitions on false or misleading content, superlative wording, socially destabilizing content or content involving obscenities, superstition, violence, discrimination or infringement of the public interest. Advertisers, advertising agencies and advertising distributors are required to ensure that the content of the advertisements they prepare or distribute is true and in complete compliance with applicable laws. In providing advertising services, advertising operators and advertising distributors must review the supporting documents provided by advertisers for advertisements and verify that the content of the advertisements complies with applicable PRC laws and regulations. Prior to distributing advertisements that are subject to government censorship and approval, advertising distributors are obligated to verify that such censorship has been performed and approval has been obtained. The Interim Measures for the Administration of Internet Advertisements set new requirements for internet advertising, which refers to commercial advertising that directly or indirectly promotes goods or services through websites, webpages, internet applications or other internet media in text, picture, audio, video or other forms. The Interim Measures require internet advertising publishers and advertising operators to, among other things, (i) clearly identify all internet advertising as such and distinguish paid search results from natural search results; (ii) refrain from interrupting normal internet use with advertisements, or inducing users to open an advertisement in a deceptive manner; and (iii) establish an advertising business management system and review advertisement content as required by applicable laws. The following activities are prohibited under the Interim Measures: (a) providing or using applications and hardware to block, filter, skip over, tamper with, or cover up lawful advertisements provided by others; (b) using network access, network equipment and
applications to disrupt the normal transmission of lawful advertisements provided by others or adding or uploading advertisements without permission; and (c) harming the interests of others by using fake statistics or traffic data. Violation of these regulations may result in penalties, including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. Where serious violations occur, the SAIC or its local branches may revoke such offenders’ licenses or permits for their advertising business operations.

On February 9, 2018, the SAIC, currently known as SMAR, issued a Notice on Launching Special Rectification on Internet Advertising, the rectification priorities specified therein are: (i) illegal internet advertisement relating to orientation administration, politically sensitive problems or harming national interests; (ii) internet advertisement for food, dietary supplements, medical care, drugs, and medical devices, which contain false or illegal content that may harm personal safety; (iii) false and illegal Internet advertising for financial investment, business attraction, and collections, among others, containing content deceiving or misleading consumers; (iv) false and illegal Internet advertising interfering with public order, contrary to the good social customs, having an adverse social impact, or harming the physical and mental health of minors.

Regulations on Broadcasting Audio/Video Programs through the Internet

National Radio and Television Administration, or NRTA, the successor of SARFT is the primary governmental authority regulating activities involving broadcasting audio/video programs and services in China. Regulations that apply to broadcasting audio/video programs primarily include:

- Administrative Measures for Broadcasting Audio/Video Programs through the Internet and Other Information Networks, or the Audio/Video Broadcasting Measures, issued by SARFT on July 6, 2004, effective since October 11, 2004 and updated in August 2015 (SARFT Order [2015] No. 3), which were superseded by Administrative Measures for Private Network and Directional Broadcast Audio/Video Program Service (SARFT Order [2016] No. 6 or Order 6), which was promulgated on April 25, 2016 and became effective on June 1, 2016;
- Administrative Provisions for Internet Audio/Video Program Service, commonly known as Circular 56, jointly promulgated by the SARFT and the MIIT on December 20, 2007, effective since January 31, 2008 and updated in August 2015 (SARFT Order [2015] No. 3);
- Notice on Issuing the “Catalogue of Classification of Internet Audio/Video Program Services (Provisional)”, or the Classification Catalogue, promulgated by the SARFT on April 4, 2010, effective since then and updated in March 2017 (SARFT Announcement [2017] No. 1); and
- Notice on Strengthening the Administration of Internet Audio/Video Content, or the Internet Audio/Video Content Notice, promulgated by SARFT on August 25, 2009 and effective since then.

Pursuant to the Classification Catalogue, category I internet audio/video program services relate to internet audio/video program services operated through radio stations or television stations. Category II internet audio/video program services relate to the transmission of audio/video programs on current political news and the hosting, production, reporting and broadcasting of audio/video programs on literature and art, entertainment, science and technology, finance and economics, sports, education and other topics. Category III internet audio/video program services refer to the activities of editing or arranging the information pertaining to audio/video programs broadcasted on the Internet on the same website and providing the public with the service of program searching or viewing or refer to the service of providing users with a special channel for uploading programs or information so that users can pass their source or others’ source of programs to the public via the information broadcasting system or viewing interface of the website for on-demand broadcasting to the public. Category IV internet audio/video program services relate to the transmission of radio or television program channels, internet audio/video program channels, or live streaming of online audio/video programs.

According to the above regulations, companies that engage in services relating to internet audio/video programs, which refer to the production, editing and aggregation of audio/video programs, the supply of audio/
video programs to the public via the internet, and the provision of services to third parties for upload and transmission of audio/video programs, are required to obtain an internet audio/video program transmission license issued by the SARFT and to operate the relevant business within the scope as provided in such license. Order 6 explicitly provided that foreign invested enterprises (including wholly foreign owned enterprises, joint ventures and cooperative joint ventures) shall not engage in such business in China. Pursuant to Circular 56 and the Internet Audio/Video Content Notice, internet audio/visual program service providers shall examine and ensure that the contents that they publish comply with applicable laws. Violation of these regulations may result in penalties, including warnings, orders compelling modification of operations or imposition of fines, or even criminal liabilities.

On November 18, 2019, CAC, MCT and NRTA jointly promulgated the Circular on Issuing the Administrative Provisions on Online Audio-visual Information Services (CAC Order [2019] No. 3), which was effective on January 1, 2020. According to the CAC Order [2019] No. 3, online audio-visual information services refer to the audio-visual information production, release and dissemination services provided for the public through internet sites, application programs and other online platforms. Online audio-visual information services refer to the organizations or individuals that provide the public with online audio-visual information services. Online audio-visual information service users refer to the organizations or individuals that use online audio-visual information services. An online audio-visual information service provider shall certify the real identity of each user by checking its organization code or his or her identity card number or mobile phone number or otherwise. If the user does not provide authentic identity information, the online audio-visual information service provider shall not provide the information release services for the user. An online audio-visual information service provider shall establish and improve a rumor refuting mechanism. If the provider finds that an online audiovisual information service user has produced, released or disseminated rumors by use of false images or audio and video generation technologies based on deep learning and virtual reality, the provider shall take appropriate rumor refuting measures in a timely manner, and report the relevant information to the departments of cyberspace, culture and tourism, and radio and television for the record.

Regulations on Robot Product Selling

SAMR is the primary governmental authority regulating activities involving robot product selling in China. Regulations that apply to robot product selling primarily include:

- Product Quality Law of the PRC, which was promulgated by the Standing Committee of the National People’s Congress of the People’s Republic of China on February 22, 1993 and subsequently amended on July 8, 2000, August 27, 2009 and December 29, 2018;
- E-Commerce Law of the People’s Republic of China, which was promulgated by the Standing Committee of the National People’s Congress of the People’s Republic of China on August 31, 2018 and became effective on January 1, 2019;
- Administrative Measures for Online Trading, which was promulgated by the SAMR on January 26, 2014 and became effective on March 15, 2014;
- Measures for the Administration of the Recall of Defective Consumer Goods, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine (having been restructured and named to the SAMR), on October 21, 2015 and became effective on January 1, 2016;
- Interim Provisions on the Administration of Recall of Consumer Goods, which was promulgated by the SAMR on November 21, 2019 and became effective on January 1, 2020;
- Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products, which was promulgated by the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Finance, the Ministry of Environmental Protection, the Ministry of Commerce, the General Administration of Customs and the General Administration of Quality Supervision, Inspection and Quarantine on January 6, 2016 and became effective on July 1, 2016;
Tort Law of the PRC, which was promulgated by the Standing Committee of the National People’s Congress on December 26, 2009 and became effective on July 1, 2010.

Pursuant to the above regulations, the sale of products that do not meet applicable health and safety standards and requirements is prohibited. Products shall not pose unreasonable dangers to human or property. Where a defective product causes physical injury to a person or damage to property, the aggrieved party may make a claim for compensation from the seller of the product. Sellers who selling non-compliant products may be ordered to cease production and sale of such products, or subject to fines and/or revocation of business license. Non-compliant products as well as earnings attributable to the sales of such products may also be confiscated. Where sellers are informed that there might be defects in consumer goods, sellers shall immediately notify the manufacturers and report to the provincial quality inspection departments at the places where they are located, and sellers shall immediately stop selling, leasing out and using defective consumer goods, and assisting manufacturers in implementing a recall. Otherwise the seller will be liable for tort claims.

Selling robot products is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law, as amended on October 25, 2013 and taking effect since March 15, 2014, which imposes obligations on business sellers. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of warning, confiscation of income, imposition of fines, order to cease business operations, revocation of business licenses, as well as potential civil and criminal liabilities.

**Intellectual Property Rights**

**Software Registration.** The State Council and the NCA have promulgated various rules and regulations and rules relating to protection of software in China, including the Regulations on Protection of Computer Software promulgated by State Council on January 30, 2013 and effective since March 1, 2013, and the Measures for Registration of Copyright of Computer Software promulgated by NCA on February 20, 2002, amended on June 18, 2004 and effective since the same date. According to these rules and regulations, software owners, licensees and transferees may register their rights in software with the China Copyright Protection Center or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process and registered software rights may be entitled to better protections.

**Patent.** The National People’s Congress adopted the Patent Law of the People’s Republic of China in 1984 and amended it in 1992, 2000 and 2008, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

**Copyright.** The Copyright Law of the People’s Republic of China, promulgated in 1990 and amended in 2001 and 2010, or the Copyright Law, and its related implementing regulations, promulgated in 1991 and amended in 2013 are the principal laws and regulations governing the copyright related matters. The amended Copyright Law covers internet activities, products disseminated over the internet and software products, among the subjects entitled to copyright protections. Registration of copyright is voluntary, and is administrated by the China Copyright Protection Center.

On December 20, 2001, the State Council promulgated the new Regulations on Computer Software Protection, effective from January 1, 2002 and amended in March 2013, which are intended to protect the rights
and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal persons or other organizations is automatically copyright protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the primary evidence of the ownership of the copyright and other registered matters. On February 20, 2002, the National Copyright Administration of the PRC introduced the Measures on Computer Software Copyright Registration, which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Center of China, or the CPCC, is mandated as the software registration agency under the regulations. The Measures on Computer Software Copyright Registration was subsequently amended on June 18, 2004, which allows the CPCC to establish local branches for software registration.

To address the problem of copyright infringement related to content posted or transmitted on the internet, the NCA and the MIIT jointly promulgated the Measures for Administrative Protection of Copyright Related to Internet on April 29, 2005. These measures, which became effective on May 30, 2005, apply to acts of automatically providing services such as uploading, storing, linking or searching works, audio or video products, or other contents through the internet based on the instructions of internet users who publish contents on the internet, or the Internet Content Providers, without editing, amending or selecting any stored or transmitted content.

On May 18, 2006, the State Council issued the Regulations on Protection of the Right of Communication through Information Network, which took effect on July 1, 2006 and was amended on January 30, 2013.

Since 2005, the NCA, together with certain other PRC governmental authorities, have jointly launched annual campaigns specifically aimed to crack down on internet copyright infringement and piracy in China; these campaigns normally last for three to four months every year. According to the Notice of 2013 Campaign to Crack Down on Internet Infringement and Piracy promulgated by the NCA, the Ministry of Public Security and the MIIT on July 19, 2013, the 2013 campaign mainly targeted key internet publications such as literature, music, movies and TV series, games, cartoons, software in key areas, to strengthen the supervision of audio and video websites and e-commerce platforms and strictly crack down all kinds of internet piracy.

**Domain Name.** In September 2002, the CNNIC issued the Implementing Rules for Domain Name Registration setting forth detailed rules for registration of domain names, which were amended on May 29, 2012. On November 5, 2004, the MIIT promulgated the Measures for Administration of Domain Names for the Chinese Internet, which were subsequently superseded by Administrative Measures for Internet Domain Names, effective on November 1, 2017, or the Domain Name Measures. The Domain Name Measures shall apply to Internet domain name services and related operation, maintenance, supervision and management, and other related activities that are carried out within the territory of the People’s Republic of China. According to the Domain Name Measures, the registration of domain names in PRC is on a “first-apply-first registration” basis. A domain name applicant will become the domain name holder upon the completion of the application procedure. In February 2006, the CNNIC issued the Measures on Domain Name Dispute Resolution, which were subsequently amended in June 2012 and in September 2014, and relevant implementing rules, pursuant to which the CNNIC can authorize a domain name dispute resolution institution to decide disputes.


**Internet Infringement**

On December 26, 2009, the Standing Committee of National People’s Congress promulgated the Tort Law of the People’s Republic of China, or the Tort Law, which became effective on July 1, 2010. Under the Tort Law,
an internet user or an internet service provider that infringes upon the civil rights or interests of others through using the internet assumes tort liability. If an internet user infringes upon the civil rights or interests of another through using the internet, the person being infringed upon has the right to notify and request the internet service provider whose internet services are facilitating the infringement to take necessary measures including the deletion, blocking or disconnection of an internet link. If, after being notified, the internet service provider fails to take necessary measures in a timely manner to end the infringement, it will be jointly and severally liable for any additional harm caused by its failure to act. According to the Tort Law, civil rights and interests include the personal rights and rights of property, such as the right to life, right to health, right to name, right to reputation, right to honor, right of portraiture, right of privacy, right of marital autonomy, right of guardianship, right to ownership, right to usufruct, right to security interests, copyright, patent right, exclusive right to use trademarks, right to discovery, right to equity interests and right of heritage, among others.

On May 8, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released an Interpretation on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information, or the Interpretation. The Interpretation clarified several concepts, including “citizen’s personal information,” “provision”, and “unlawful acquisition”, in relation to the crime of “infringement of citizens’ personal information” stipulated in the Criminal Law. Pursuant to the Interpretation, “citizen’s personal information” refers to all kinds of information recorded in electronic form or any other form, which can be used, independently or in combination with other information, to identify a specific natural person’s personal identity or reflect a specific natural person’s activities, including the natural person’s name, identity certificate number, communication and contact information, address, account password, property status, and whereabouts, among others.

Regulations of Internet Content and Network Security

The PRC government has promulgated measures relating to internet content through a number of governmental agencies, including the MIIT, the MOC and the SARFT. These measures specifically prohibit internet activities, such as the operation of online games, that result in the publication of any content which is found to contain, among others, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security or secrets. If an ICP License holder violates these measures, its ICP License may be revoked and its websites may be shut down by the relevant government agencies.

Information Security and Censorship

Internet content in China is regulated and restricted from a state security standpoint. Internet companies in China are required to complete security filing procedures and regularly update information security and censorship systems for their websites with local public security bureau. The PRC Law on Preservation of State Secrets, which became effective on October 1, 2010 requires an internet information services providers to immediately stop disseminating any information that may be deemed to be leaked state secrets and to report such incidents in a timely manner to the state security and public security authorities. Failure to do so in a timely and adequate manner may subject the internet information services providers to liability and certain penalties given by the Ministry of State Security, the Ministry of Public Security and/or the MIIT or their respective local branches.

On December 13, 2005, the Ministry of Public Security promulgated Provisions on Technological Measures for Internet Security Protection, or the Internet Protection Measures, which took effect on March 1, 2006. The Internet Protection Measures require all internet information services operators to take proper measures including anti-virus, data back-up and other related measures, and keep records of certain information about their users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days and submit the above information as required by laws and regulations.
The National People’s Congress, China’s national legislative body, enacted the Decisions on the Maintenance of Internet Security on December 28, 2000, which was subsequently amended and took effect on August 27, 2009, pursuant to which the following types of conduct may subject persons to criminal liabilities in China: (a) conduct that may pose a threat to security of internet, including gaining improper entry into a computer or system of strategic importance, or disseminate virus and similar destructive programs; (b) conduct that may adversely affect national security and social stability, including disseminate politically disruptive information and leaking state secrets; (c) conduct that may disrupt economic and social administrative order, including spreading false commercial information and infringing upon intellectual property rights; and (d) conduct that may violate the legal interests of any other person, including infringing upon privacy.

On December 11, 1997, the State Council approved the Administration Measures on the Security Protection of Computer Information Network with Internationally Connections, which was issued by the Ministry of Public Security on December 26, 1997, and became effective on December 30, 1997, and amended on January 8, 2011. The measures require internet service providers to provide a report of certain user information to the public security authority and assist the public security authority in investigating incidents involving breach of laws and regulations on the Internet security, and prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

On February 4, 2015, the CAC promulgated the Provisions on the Administration of Usernames of Internet Users’ Accounts, which took effect on March 1, 2015 and require internet operators like us to censor usernames, icons and profiles provided by internet users and to refuse registration of non-compliant usernames or icons.

Measures for Security Review of Network Products and Services (Trial Implementation), or the Security Review Measures, was promulgated by CAC on May 2, 2017, and effective on June 1, 2017, pursuant to which important network products and services purchased for the network and information system concerning national security shall go through network security review by the Cyber Security Review Committee. Network security review shall focus on the review of the security and controllability of network products and services, mainly including: (i) security risks of the products and services and the risks of their being illegally controlled, interfered with and interrupted from operation; (ii) security risks in the supply chain of products and key components in the course of their production, testing, delivery and technical support; (iii) risks of illegal collection, storage, process or use of relevant information of users by product and service providers taking advantage of the convenient conditions in providing products and services; (iv) risks of product and service providers impairing the network security and the interests of users by taking advantage of the reliance of users on the products and services, and etc. Besides, network security review office shall release the security evaluation reports for network products and services on non-scheduled basis.

On November 15, 2018, the CAC promulgated the Provisions on the Safety Assessment for Internet Information Services Capable of Creating Public Opinions or Social Mobilization, which took effect on November 30, 2018. For the purpose of the Provisions, Internet information services capable of creating public opinions or social mobilization include: (i) launching information services such as forums, blogs, microblogs, chat rooms, communication groups, public accounts, short videos, webcasts, information sharing, small programs, etc. or setting up the corresponding additional functions; and (ii) launching other Internet information services that provide channels for the public to express their opinions or are capable of mobilizing the public to engage in specific activities. An Internet information service provider should conduct safety assessment for itself and be responsible for the assessment results, if it falls under any of the following circumstances: (i) where it launches an Internet information service capable of creating public opinions or social mobilization, or adds relevant functions to its information service; (ii) where it uses a new technology or application leading to a major change in the functional attributes, technical realization methods, or basic resource allocation of its information service, thus causing a major change in its capability of creating public opinions or social mobilization;
(iii) where the size of users significantly changes, leading to a major change in the information service’s capability of creating public opinions or social mobilization; (iv) where illegal or harmful information is spread, indicating that it is difficult to effectively prevent and control cybersecurity risks by existing security measures; or (v) other circumstances in which safety assessment is required by the online cyberspace departments or the public security organ at or above the prefecture level in writing. After the safety assessment, if an Internet information service provider finds a potential safety hazard, it shall promptly rectify until the relevant safety hazard is eliminate; if it complies with laws and regulations, a safety assessment report shall be compiled and submitted to the local cyberspace department and public security organ through the national Internet safety management service platform.

On December 15, 2019, the CAC released the Provisions on Governance of the Network Information Content Ecology, with effect from March 1, 2020. According to the Provisions, network information content producers are encouraged to produce, reproduce and publish positive information, such as “contents of revealing highlights of economic and social development and reporting the hard work and affluent life of the people”. Meanwhile, network information content producers shall not produce, reproduce or publish any illegal information, such as information that “undermines national security, divulges state secrets, subverts the state power or jeopardize the national unity”, and shall take measures to prevent and resist the production, reproduction and publication of adverse information, such as “overstated headlines that are significantly inconsistent with the contents”. Meanwhile, the network information content service platforms are required to fulfill their primary responsibilities for management of information contents, strengthen the governance of the network information content ecology on their respective platform, and create a positive, healthy and amicable network culture. Furthermore, the Provisions note that network information content service platforms shall not disseminate any illegal information as aforementioned, and shall take precautions against and resist the dissemination of any adverse information specified in the Provisions, such as information use of exaggerated titles, with serious inconsistency between content and title, hyped gossip, scandals, misdeeds, etc.

To comply with the above laws and regulations, we have implemented measures and regularly updated our information security and content-filtering systems with newly issued content restrictions as required by the relevant laws and regulations.

Privacy Protection

On July 16, 2013, the MIIT promulgated the Regulations of Protection of Personal Information of Telecommunication Users and Internet Users, which came into effect on September 1, 2013. The regulations do not prohibit internet content providers from collecting and analyzing their users’ personal information if appropriate authorizations are obtained and if in a way that is legal, reasonable and necessary. We require our users to accept a user agreement whereby they agree to provide certain personal information to us. PRC laws and regulations prohibit internet content providers from disclosing any information transmitted by users through their networks to any third parties without the users’ authorization unless otherwise permitted by law. If an internet content provider violates these regulations, the MIIT or its local bureaus may impose penalties and the internet content provider may be liable for damages caused to its users.

On August 21, 2014, the Supreme People’s Court promulgated the Provisions of the Supreme People’s Court on Application of Laws to Cases Involving Civil Disputes over Infringement upon Personal Rights and Interests by Using Information Networks, pursuant to which if an network service provider discloses genetic information, medical records, health examination data, criminal record, home address, private events and or other personal information of a natural person online, causing damage to the person, the People’s Court should support a claim by the infringed party for recovery of damages from the infringing network service provider.

On January 5, 2015, the SAIC promulgated the Measures on Punishment for Infringement of Consumer Rights, taking effect from March 15, 2015, pursuant to which business operators collecting and using personal information of consumers must comply with the principles of legitimacy, propriety and necessity, specify the
purpose, method and scope of collection and use of the information, and obtain the consent of the consumers whose personal information is to be collected. Business operators may not: (i) collect or use personal information of consumers without their consent; (ii) unlawfully divulge, sell or provide personal information of consumers to others; (iii) send commercial information to consumers without their consent or request, or when a consumer has explicitly declined to receive such information. Failure to comply with such rule may result in penalties, including warnings, order compelling modification of existing operations or imposition of fines, or revoking the business license.

On April 11, 2017, the CAC circulated Measure on Safety Assessment for Personal Information and Important Data Export (Draft for Comment), or the Assessment Measures, pursuant to which all of the personal information and important data collected and generated by network operators within the territory of the People’s Republic of China shall be stored within the territory of China. If it is necessary to transmit such data abroad due to business needs, security assessment must be conducted in accordance with Assessment Measures. The Assessment Measures sets out two assessment procedures, self-assessment and regulatory assessment (assessment by regulatory authorities), based on the importance of the data. An Internet operator shall apply for regulatory assessment in any of the following circumstances: (i) the data to be transmitted abroad contains or contains in aggregate the personal information of more than 500,000 users; (ii) the quantity of the data to be transmitted abroad is more than 1,000 gigabytes; (iii) data involving areas such as nuclear facilities, chemical biology, defense industry, population and health, and data of large-scale project activities, marine environment and sensitive geographic information; (iv) data contains system vulnerabilities, security protection and other network security information of critical information infrastructures; and (v) personal data and important data provided by a critical information infrastructure operator. The CAC is still soliciting public comments on the Assessment Measures, and we cannot assess how it will affect our business operation in the future.

On January 23, 2019, CAC, MIIT, the Ministry of Public Security and SAMR (previously, SAIC) jointly promulgated an Announcement on Carrying out Special Campaigns against Mobile Internet Application Programs Collecting and Using Personal Information in Violation of Laws and Regulations, or the CSC Announcement. Pursuant to the CSC Announcement, App operators, when collecting and using personal information, shall strictly fulfill the responsibilities and obligations prescribed in the Cybersecurity Law, be responsible for the security of personal information obtained, and take effective measures to strengthen the protection of personal information. They shall follow the principles of legality, rightfulness and necessity, and never collect personal information irrelevant to the services provided by them; they shall indicate the rules for collecting and using personal information in a simple, concise and easy-to-understand manner, and with permission independently granted by the owner of the personal information; and they shall not coercively request user permission by means of default, bundle, or suspension of setup or use, or violate laws and regulations or any agreement with users when collecting and using personal information. App operators shall also be encouraged to provide an option for users to reject the news, current affairs and advertisements directly pushed to them. In case the App operators violate abovementioned requirements, they shall be ordered to suspend relevant business operation, cease business operation for rectification, or revoke the relevant business permit or business license. In order to implement the CSC Announcement, on March 1, 2019, the National Information Security Standardization Technical Committee, the China Consumers’ Association, the Internet Society of China, and the CAC has formulated a special working group for App illegal collection and use of personal information to promulgate the Self-assessment Guidelines on Unlawful Acts of Applications (Apps) to Collect and Use Personal Information, or the Self-assessment Guidelines. The Self-assessment Guidelines provide key points in assessing the Apps collecting and using personal information, in order for the App operators to assess the privacy policies and the collection and use of personal information of Apps. On November 28, 2019, CAC, MIIT, the Ministry of Public Security and SAMR (previously, SAIC) jointly issued the Circular on Methods for Identifying Unlawful Acts of Applications (Apps) to Collect and Use Personal Information, which aims to provide a reference for identifying unlawful acts of Apps to collect and use personal information and implement laws and regulations such as the Cyber Security Law and the CAC Announcement as above. This circular identified types of practices that may be identified as (i) failure to publicize the rules for collection and use of personal information; (ii) failure to expressly state the purpose, manner and scope of collecting and using personal information;
(iii) collection and use of personal information without consent of users; (iv) collecting personal information irrelevant to the services provided, in violation of the necessary principle; (v) provision of personal information to others without consent; and (vi) failure to provide the function of deleting or correcting personal information as required by law, or failure to publish information such as methods for complaints and reporting.

On April 10, 2019, the Ministry of Public Security issued the Guide to Internet Personal Information Protection, or the IPIP Guide. The IPIP Guide introduces four management mechanisms, technical safeguards and business procedures, in respect of personal information protection, and could be used as a reference by personal information possessors to work on personal information protection when they process such information during their lifecycle. In addition, the IPIP Guide expressly states that requirements for the safety management function of the personal information processing system shall meet those for the corresponding level of protection set out in the standard (GB/T 22239). One of the four management mechanisms illustrated in the IPIP Guide requires “designing and preparing relevant bylaws and documents that specify the general principles and security strategies regarding personal information protection, including descriptions of objectives of the concerned service provider for personal information protection, scope of protection, principles, and the security framework”.

On June 1, 2019, National Information Security Standardization Technical Committee promulgated the Circular on Issuing the Practical Guide to Cybersecurity: Specification of Essential Information for the Basic Business Functions of Mobile Internet Applications (V1.0), or the Practical Guide, in order to implement the requirements set forth in Article 41 of the Cybersecurity Law regarding the collection and use of personal information. The Practical Guide sets out the personal information essential for the normal operation of 16 basic business functions, including maps and navigation, online car-hailing, instant messaging and social networking, community social networking, online payment, news information, online shopping, short video sharing, express delivery, food delivery, transportation and ticketing, matchmaking and dating, job seeking and recruitment, financial borrowing and lending, real property trading and car trading, for the reference of all entities.

On August 22, 2019, the CAC promulgated the Provisions on the Cyber Protection of Personal Information of Children, which took effect on October 1, 2019 and applied to the collection, storage, use, transfer and disclosure of personal information of children through the network within the territory of the People’s Republic of China. According to the Provisions, a network operator, which collects, stores, uses, transfers or discloses personal information of children, shall follow the principles of righteousness, necessity, informed consent, definite purpose, security guarantee and legal use. The network operator should take measures to protect the personal information of children, which include but not limited to: (i) establishing specific rules and user agreements for, and designating personnel to specially take charge of the protection of personal information of children; (ii) in a noticeable and clear way, notifying the guardians of children of their information collection, use, transfer or disclosure, and obtaining consent from the guardian; (iii) after obtaining consent, providing the option of refusal, and definitely notifying the party concerned of the purpose, method and scope, the storage place, term and other matters in relation to the personal information of children; and (iv) taking measures such as encryption to store personal information of children. Where a child or his/her guardian finds that the personal information of a child collected, stored, used or disclosed by a network operator is wrong, he/she will be entitled to require the network operator to make corrections. Where the network operator fails to fulfill its security management responsibilities for personal information of children, leading to any major security risk or event, the CAC will conduct an interview with it and order it to rectify in due time and eliminate damages. When a network operator is investigated for legal liability due to its breach of the Provisions, it will be recorded in its credit archive and be published to the public.

Network Security

On November 7, 2016, the Standing Committee of the National People’s Congress of China promulgated the Network Security Law of the People’s Republic of China, or the Network Security Law or the Cybersecurity Law, which became effective on June 1, 2017. The Network Security Law governs the construction, operation,
maintenance and use of networks as well as the supervision and administration of network security within China. As a network operator and a provider of network products and services, we are required to take measures to assure the security of network operations. For example, we are required to (a) protect our networks from disturbance, damage or unauthorized access, and to prevent our network data from being divulged, stolen or tampered with; (b) refrain from setting up malicious programs and, in the event of identifying security defects, loopholes or other risks in our network products or services, to promptly take remedial measures, notify users and report to competent authorities; (c) formulate emergency plans for network security incidents and combat any system loopholes, computer virus, network attack, network intrusion and any other security risks in a timely manner; and (d) refrain from engaging in activities that endanger network security. In addition, we are required to take measures to ensure network security. For example, we are required to (a) keep user information strictly confidential and establish and improve user information protection system; (b) collect and use user information only if it is legal, necessary and just to do so, and only with relevant users’ consents; and (c) refrain from divulging, tampering with or damaging the user personal information that we have collected, or providing such personal information to third parties without the relevant users’ consents. Failure to comply with the Network Security Law may result in penalties, including warnings, order compelling modification of existing operations or imposition of fines, or even criminal liabilities.

On August 9, 2017, the MIIT issued the Measures for Monitoring and Handling Threat to Network Security of the Public Internet, or the Monitoring Measures which became effective from January 1, 2018. Under the Monitoring Measures, the threat to network security of the public internet refers to any network resource, malicious program, hidden security danger or security accident that exists or is spread on the public internet and is likely to do or has done harm to the public, including the Trojan virus, worm, bot process and malicious mobile code. The Monitoring Measures requires the basic telecommunications enterprises, internet-based enterprises, domain name registries and registrars, etc. to provide technical support and assistance to competent telecommunications authorities when they are inquiring into owners of IP addresses, domain name registration information, etc. Failure to comply with such requirements may result in penalties, including warnings and imposition of fines. On November 14, 2017, the MIIT issued the Emergency Response Plan for Unexpected Network Security Incidents of the Public Internet, or the Emergency Response Plan, immediately effective from the issuing date. The Emergency Response Plan applies to the handling of and response to network security emergencies that take place at basic telecommunications enterprises, domain name registration management and service agencies and internet enterprises that offer services to the general public. According to the Emergency Response Plan, unexpected network security incidents of the public internet are classified into four different levels, namely the extremely major incidents, major incidents, severe incidents and ordinary incidents. In addition, the Emergency Response Plan states that basic telecommunications enterprises, domain name agencies, internet enterprises, professional agencies of network security, and enterprises specialized in network security are required to monitor and collect in diverse ways the potential network security dangers and warning information, such as latest trend in network vulnerabilities, viruses, and network attacks, in order to analyze and evaluate the likelihood of unexcepted incidents and potential impacts caused by them.

On December 28, 2018, the SAMR and National Information Security Standardization Technical Committee jointly promulgated the Information Security Technology—Testing and Evaluation Process Guide for Classified Protection of Cybersecurity (GB/T 28449-2018), being effective from July 1, 2019. GB/T 28449-2018 set out the testing and evaluation process for three types of risks, which are risks affecting the normal operation of the system, risks of sensitive information disclosure and risks of trojans implants.

**Regulations on Outbound Investment**

The PRC government imposes supervisions on the outbound investments. The NDRC, MOFCOM and SAFE are the primary governmental authority regulating activities involving the outbound investments in China. Regulations that apply to outbound investments primarily include:

- Administrative Measures for the Verification and Approval and Record-Filing of Outbound Investment Projects, or the NDRC Order No. 9, promulgated by the NDRC on April 8, 2014, effective since
May 8, 2014 and updated in December 27, 2014 (NDRC Order No. 20), which was repealed by Administrative Measures for Outbound Investment by Enterprises, or the NDRC Order No. 11, promulgated by NDRC on December 26, 2017, effective since March 1, 2018 (NDRC Order No. 11);

• Notice of the National Development and Reform Commission on Issues Concerning the Implementation of the “Administrative Measures for the Verification and Approval and Record-Filing of Outbound Investment Projects, promulgated by the NDRC on May 14, 2014, effective since then;

• Catalogue of Investment Projects Subject to Government Verification and Approval (2016 Version), promulgated by the State Council on December 12, 2016, effective since then;

• Administrative Measures for Outbound Investment, issued by the MOFCOM on September 6, 2014, effective since October 6, 2014; and

• Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, promulgated by the SAFE on February 13, 2015, effective since then. The Annex of this notice, named Guidelines for Direct Investment Foreign Exchange Business Operations, was partially repealed according to Notice by the State Administration of Foreign Exchange of Repealing or Invalidating Five Regulatory Documents on Foreign Exchange Administration and Clauses of Seven Regulatory Documents on Foreign Exchange Administration.

According to abovementioned regulations, outbound investment projects involving sensitive countries and regions or sensitive industries shall be subject to the verification and approval by the NDRC and MOFCOM respectively. Outbound investment projects other than those involving sensitive countries and regions or sensitive industries shall be managed by record-filing by the NDRC and MOFCOM respectively. Pursuant to NDRC Order 9, sensitive countries and regions shall include: countries with no diplomatic relations with China, countries subject to international sanctions, countries and regions affected by wars, civil strife, etc., and sensitive industries shall include basic telecommunications operations, cross-border development and utilization of water resources, large-scale land development, main power transmission lines and power grids, news media and other industries. After the completion of the NDRC and MOFCOM procedures, the domestic enterprises (including all types of legal persons) can at their discretion, choose the banks in their respective places of incorporation to go through Foreign Exchange Registration of Outbound Direct Investment, and may handle subsequent formalities for opening relevant accounts, fund exchange and other services (including the inflow of profits and dividends) under outbound direct investment only after Foreign Exchange Registration of outbound direct investment is completed.

On December 6, 2016, the NDRC, MOFCOM, PBOC and SAFE (collectively, “Four Departments”), responded to media inquiries with respect to tightening outbound investment regulations. In particular, Four Departments specified closer attention shall be paid to the recent tendency of “irrational oversea investment” in real estate, hotel, film studio, entertainment, sports club and other fields, and the risks underlying certain types of outbound investments, such as investments of considerable amount unrelated to the domestic enterprise major business and investments made by limited partnerships. In addition, closer attention shall be paid to any domestic enterprises whose capitalization or value of assets are considerably smaller than the outbound subsidiaries to be established or acquired, and any domestic enterprise that applies for outbound direct investment immediately after its formation.

On August 4, 2017, General Office of the State Council promulgated Notice of the General Office of the State Council on Forwarding the Guiding Opinions of the National Development and Reform Commission, the Ministry of Commerce, the PBOC and the Ministry of Foreign Affairs on Further Guiding and Regulating the Directions of Outbound Investment, which further guides and regulates the directions of outbound investment.

On December 26, 2017, the NDRC promulgated the Administrative Measures for Outbound Investment by Enterprises, or the NDRC Order 11, which became effective on March 1, 2018 and superseded NDRC Order 9.
According to NDRC Order 11, the outbound direct investment projects carried out by the all types of legal persons shall still subject to the verification and approval or record-filing by the NDRC, as it is required by NDRC Order 9. Besides that, NDRC Order 11 shall apply to outbound investment projects carried out by the overseas enterprises that control by the domestic enterprises and PRC natural person. Under NDRC Order 11, control shall mean holding, directly or indirectly, more than half of the voting rights of an enterprise, or being able to dominate the operations, finance, personnel, technology or other important matters of an enterprise despite not holding more than half of the voting rights.

With respect to those domestic enterprises and natural persons newly covered by NDRC Order 11 who conduct outbound investment projects through controlled overseas enterprises (instead of making direct capital or interests investment, or providing direct financing or guarantee), (i) outbound investment projects involving sensitive countries and regions or sensitive industries will be subject to a verification and approval procedure; (ii) for outbound investment projects other than those involving sensitive countries and regions or sensitive industries, if the total investment from Chinese investor via overseas enterprise under its control exceeds US$300 million (inclusive), investors shall only submit a report to NDRC before the implementation of the project; if the total investment amount from Chinese investor via overseas enterprise under its control is less than US$300 million, then no pre-transaction verification, record-filing or reporting is required. According to NDRC Order 11 and Catalogue on Sensitive Industries in Outbound Investment (2018 Edition), sensitive countries and regions shall mainly include countries and regions which have not established diplomatic relations with China, or where war or civil unrest has broken out, or in which investment by enterprises shall be restricted pursuant to the international treaties, agreements, etc. concluded or acceded to by China; and sensitive industries shall include (i) research, production and maintenance of weaponry and equipment; (ii) development and utilization of cross-border water resources; (iii) news media; (iv) real estate, (v) film studio, (vi) entertainment, (vii) sports club and (ix) establishment of an equity investment fund or investment platform without specific industrial projects abroad.

In addition to the pre-transaction regulation, NDRC Order 11 strengthens interim and ex post supervision. NDRC Order 11 provides mechanisms for major adverse situation reports, project completion reports, major matters inquiries and reports in order to achieve control over outbound investments; and further improved the disciplinary measures to achieve the after-regulation of overseas investment.

Violations of the regulations regarding outbound investment may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

On January 18, 2018, MOFCOM, PBOC, State-owned Assets, Supervision and Administration Commission of the State Council, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission, State Administration of Foreign Exchange (collectively “Seven Departments”) promulgated Interim Measures for the Record-filing (Verification and Approval) and the Reporting of Outbound Investment Projects, or the Order No. 24. In particular, Seven Departments specified the procedure of record-filing and verification and approval of outbound investment. According to Order No. 24, Competent commerce departments and finance administrative departments shall be responsible for administration of the outbound investment projects of domestic investors either by record-filing or verification and approval according to their respective duties. Competent departments shall, according to their respective duties, formulate and improve corresponding measures for the record-filing (verification and approval) of outbound investment projects under the model of “ten negative lists for encouraging development”.

Order No. 24 requires that a competent department shall conduct relevant examination according to the materials submitted by a domestic investor for record-filing (verification and approval), formally accept such materials if they meet relevant requirements, and take measures pursuant to relevant provisions. The materials that shall be submitted by domestic investors for outbound investment projects shall be prescribed by competent departments. After going through the procedures for record-filing (verification and approval) of outbound investment projects, domestic investors shall handle foreign exchange registration in accordance with the requirements of foreign exchange administrations.
Violations of the regulations regarding outbound investment may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

**Regulations of Foreign Investment**

Foreign investment in the PRC by foreign investors and foreign-invested enterprises used to abide by the Guidance Catalog of Industries for Foreign Investment, or the Foreign Investment Catalog jointly promulgated by the MOFCOM and NDRC on June 28, 1995 and successively amended on December 31, 1997, April 1, 2002, November 30, 2004, October 31, 2007, December 24, 2011, March 10, 2015 and June 28, 2017. The Foreign Investment Catalog classifies industries into “the encouraged foreign-invested industries” and “the foreign-invested industries which are subject to the Special Administrative Measures for Access of Foreign Investment (the Negative List for Access of Foreign Investment)”. Except as otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not in the restricted or prohibited categories.

The Foreign Investment Catalog was later replaced by the Special Administrative Measures for Access of Foreign Investment, jointly promulgated by the MOFCOM and NDRC on June 28, 2018 and took effect on July 28, 2018, which was amended on June 30, 2019 and took effect on July 30, 2019 (the “Negative List (2019 Version)”). According to the Negative List (2019 Version), foreign investment in internet news information services, online publication services, online audio-visual program services, internet cultural business (except for music) are prohibited, and foreign equity share in a value-added telecommunication business shall not exceed 50% (excluding e-commerce, domestic multi-party communication, store-and-forward, and call center), and the basic telecommunication services shall be controlled by the Chinese party.

On March 15, 2019, the Foreign Investment Law of the PRC or the “FIL”, was approved and deliberated the Second Session of the 13th National People’s Congress of China. On December 26, 2019, the Implementation Regulation for the Foreign Investment Law of the People’s Republic of China, or the FIL Implementing Regulations, was issued by the State Council. Both the FIL and the FIL Implementing Regulations came into force on January 1, 2020. The FIL and the FIL Implementing Regulations have replaced three laws on foreign investment (collectively “Three FDI law”), namely, the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises, and become a fundamental law of China in the foreign investment area, setting forth the basic legal framework in this regard.

The FIL clearly sets forth that foreign investment may be conducted through the following four ways: (i) foreign investor, independently or jointly with other investors, set up foreign-invested enterprises in China (the “Greenfield Investment”), (ii) foreign investors obtain shares, equities, property shares or other similar rights and interests of Chinese domestic enterprises (the “M&A”), (iii) foreign investor, independently or jointly with other investors, invests in a new project (the “Project Investment”) and (iv) other approach stipulated under laws, administrative regulations and provisions of the State Council. In this way, it is made clear that, in addition to the Greenfield Investments, foreign investments via M&A, Project Investment and other permitted approach shall all fall within the jurisdiction of FIL. Besides, the FIL clearly specifies that foreign investment includes direct foreign investment and indirect foreign investment. However, there is no further explanation about what would constitute an “indirect foreign investment”.

For the management of foreign investment, the FIL officially abolishes the “case-by-case approval” system established by Three FDI law, and instead establishes the administration system for foreign investment, amongst others, (i) the negative list—the negative list consists of a list of industry sectors where foreign investments are prohibited (the “Prohibited Sectors”) and a list of industry sectors in which foreign investments are restricted (the “Restricted Sectors”); (ii)the information reporting system—foreign investors or foreign investment entities (FIEs) are required to submit investment information to the competent authorities through the system of enterprises registration and enterprise credibility disclosure; and (iii) the national security review, which will be conducted over foreign investments that affects or may affect the state security. The FIL further stipulates the legal liabilities for foreign investment in the Prohibited or Restricted Sectors and failing to report in accordance
with the requirements. Failure to comply with the FIL may result in penalties, including order the foreign investor to stop the investment activities, dispose of the shares or assets or take other necessary measures within a specified time limit, or confiscation of illegal gains.

The VIE structure we adopt is commonly used by foreign investors to invest in China in the Prohibited Sectors or Restricted Sectors. The draft Foreign Investment Law, promulgated on January 19, 2015, attempted to cover the VIE structure as a form of foreign investment. However, the FIL leaves it blank and it is vague whether the VIE structure will be interpreted and regulated to fall into the scope of the FIL. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

The Interim Measures for the Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises, promulgated on October 8, 2016 and amended on June 29, 2018 by the MOFCOM, are applicable to foreign-invested enterprises that are not subject to the special administrative measures for access of foreign investment according to relevant PRC laws. On December 30, 2019, the MOFCOM and SAMR issued the Measures of Information Report of Foreign Investment, or the FI Information Report Measures. Upon its implementation on January 1, 2020, the Interim Measures for the Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises was annulled at the same time. According to the FI Information Report Measures, foreign investors establishing foreign investment enterprises in China shall submit an initial report through the Enterprise Registration System at the time of completion of registration formalities for establishment of foreign investment enterprises. Where there is a change in the information in the initial report which involves change registration (filing) of the enterprise, the foreign investment enterprise shall submit the change report through the enterprise registration system at the time of completion of change registration (filing) for the enterprise. Also, the FIEs are required to are required to submit its annual report for the previous year through the National Enterprise Credit Information Publicity System from January 1 to June 30 each year. The MOFCOM and its local departments shall supervise and inspect the compliance with the FI Information Report Measures, through random inspection and other methods.

Regulations of Foreign Currency Exchange, Foreign Debt and Dividend Distribution

Foreign Currency Exchange. The core regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, as amended in August 2008, or the FEA Regulations. Under the FEA Regulations, the Renminbi is freely convertible for current account items subject to certain rules and procedures, including the distribution of dividends, and trade- and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless the prior approval of the State Administration of Foreign Exchange, or the SAFE, is obtained and prior registration with the SAFE is made.

On August 29, 2008, the SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 142, to regulate the conversion of foreign currency into Renminbi by a foreign-invested enterprise by restricting the ways in which the converted Renminbi may be used. Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE’s approval, and may not in any case be repayment of Renminbi loans if the proceeds of such loans have not been used. Such requirements are also known as “payment-based foreign currency settlement system” established under the SAFE Circular 142. Violations of Circular 142 may lead to severe penalties including heavy fines. On November 9, 2010, the SAFE promulgated the Circular on Relevant Issues Concerning the
Strengthening the Administration of Foreign Exchange Operations, or Circular 59, and another supplemental circular on July 18, 2011, known as Circular 88, which both tighten the examination of the authenticity of settlement of foreign currency capital or net proceeds from overseas offerings like our initial public offering and requires that the settlement of net proceeds shall be in accordance with the description in the prospectus in connection with the offering. The SAFE further promulgated the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses, or Circular 45, on November 9, 2011, which expressly prohibits foreign-invested enterprises from using registered capital settled in Renminbi converted from foreign currencies to grant loans through entrustment arrangements with a bank, to repay inter-company loans or repay bank loans that have been transferred to a third party. As a result, Circular 142, Circular 59, Circular 88 and Circular 45 may significantly limit our ability to transfer the net proceeds from our initial public offering to our other PRC subsidiaries through Beijing Security and Conew Network, our wholly-owned subsidiaries in China, and thus may adversely affect our business expansion in China. We may not be able to convert the net proceeds into Renminbi to invest in or acquire any other PRC companies, or establish other VIEs in the PRC.

Furthermore, on March 30, 2015, the SAFE promulgated the Circular on the Reform of the Administrative Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or Circular 19, which became effective as of June 1, 2015. This Circular 19 is to implement the so-called “conversion-at-will” of foreign currency in capital account, which was established under a circular issued by the SAFE on August 4, 2014, or Circular 36, and was implemented in 16 designated industrial parks as a reform pilot. The Circular 19 now implements the conversion-at-will of foreign currency settlement system nationally, and it abolished the application of Circular 142, Circular 88 and Circular 36 since June 1, 2015. Among other things, under Circular 19, foreign-invested enterprises may either continue to follow the payment-based foreign currency settlement system or select to follow the conversion-at-will of foreign currency settlement system. Where a foreign-invested enterprise follows the conversion-at-will of foreign currency settlement system, it may convert any or 100% amount of the foreign currency in its capital account into RMB at any time. The converted RMB will be kept in a designated account known as “Settled but Pending Payment Account”, and if the foreign-invested enterprise needs to make further payment from such designated account, it still needs to provide supporting documents and go through the review process with its bank. If under special circumstances the foreign-invested enterprise cannot provide supporting documents in time, Circular 19 grants the banks the power to provide a grace period to the enterprise and make the payment before receiving the supporting documents. The foreign-invested enterprise will then need to submit the supporting documents within 20 working days after payment. In addition, foreign-invested enterprises are now allowed to use their converted RMB to make equity investments in China under Circular 19. However, foreign-invested enterprises are still required to use the converted RMB in the designated account within their approved business scope under the principle of authenticity and self-use. It remains unclear whether a common foreign-invested enterprise, other than such special types of enterprises as holding companies, venture capital or private equity firms, can use the converted RMB in the designated account to make equity investments if equity investment or the like is not within their approved business scope. The SAFE promulgated the Circular on the Reform and Standard of the Administrative Policy of the Capital Account Foreign Exchange Settlement, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, to relax the control over using the RMB funds converted from foreign exchange earnings under capital account to offer loans by solely prohibiting offering loans to non-associated enterprises, while setting no prohibition on loans to associated enterprises.

On October 23, 2019, the SAFE promulgated the Notice of Foreign Exchange of Further Facilitating Cross-border Trade and Investment, or SAFE Circular 28, and the Notice of the State Administration of Foreign Exchange on Reducing Foreign Exchange Accounts, or SAFE Circular 29, clearly cancelling the restrictions on domestic equity investment of capital funds by ordinary foreign-invested enterprises. SAFE Circular 28 stipulates that non-investment oriented foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the law under the premise of not violating the existing special management measures for entry of foreign investment (negative list) and the authenticity and compliance of their domestic invested projects. Where a non-investment oriented foreign-invested enterprise makes domestic equity
SAFE Circular 29 and its appendix Operational Guidance for Handling Relevant Foreign Exchange Business under Capital Account by Banks, or the “Operational Guidance”, effective as of January 1, 2020, further clarify the ways for non-investment oriented foreign-invested enterprises to carry out domestic equity investment in the form of the transfer of original currencies or the settlement of capital funds. Furthermore, the Operational Guidance provides that where a domestic institution receives the foreign exchange funds reinvested by the domestic entity or the equity transfer consideration paid with foreign exchange, it shall not open the foreign exchange capital account until it has filed an application for registering the basic information about the receipt of domestic reinvestment with a bank at its place of registration; Where a domestic institution receives reinvestment funds or equity transfer consideration in RMB from a non-investment oriented foreign-invested enterprise (the scope of business may not include the word “investment”) (including RMB funds in the direct exchange settlement income or exchange settlement pending payment account), it shall, upon application to complete registration formalities for receipt of basic information of domestic reinvestment with the bank at its place of registration and opening of the exchange settlement pending payment account, then the enterprise making the investment shall transfer the RMB funds obtained from exchange settlement based on the actual investment scale to the exchange settlement pending payment account opened by the investee or the domestic entity which receives the equity transfer consideration; where a domestic institution receives reinvestment funds or equity transfer consideration from two (or more) different investment entities, it shall complete registration formalities based on the different source entities and (or currency) respectively and open a foreign exchange capital account or foreign exchange settlement pending payment account.

The Operational Guidance further provides that the foreign exchange receipts under capital accounts of domestic institutions and the RMB funds obtained from foreign exchange settlement may be used by domestic institutions for expenditures under current accounts within their business scope, or for expenditures under capital accounts permitted by laws and regulations. However, the following expenditures are prohibited: (i) shall not be directly or indirectly used for expenditures beyond the business scope of an enterprise or expenditures prohibited by laws and regulations of the State; (ii) shall not be directly or indirectly used for securities investments or other investments or wealth management other than banks’ principal-protected products, unless otherwise expressly provided by laws and regulations; (iii) shall not be used for granting loans to non-affiliated enterprises, unless expressly permitted in the business scope; and (iv) shall not be used for constructing or purchasing real estate not for self-use (except for real estate enterprises).

Foreign Debt. A loan made by a foreign entity as direct or indirect shareholder in a FIE is considered to be foreign debt in China and is regulated by various laws and regulations, including the Regulation of the People’s Republic of China on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts, the Statistical Monitoring of Foreign Debts Tentative Provisions, the Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt, and the Administrative Measures for Registration of Foreign Debts. Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches within 15 business days after entering into the foreign debt contract. Pursuant to these rules and regulations, the maximum amount of the aggregate of (i) the outstanding balance of foreign debts with a term not longer than one year, and (ii) the accumulated amount of foreign debts with a term longer than one year, of a foreign-invested enterprise shall not exceed the difference between its registered total investment and its registered capital, or Total Investment and Registered Capital Balance. In addition, on January 11, 2017, the PBOC promulgated the Notice of the People’s
Bank of China on Full-coverage Macro-prudent Management of Cross-border Financing, or PBOC Circular 9, which sets forth an upper limit for PRC entities, including FIEs and domestic-invested enterprises, regarding their foreign debts. Pursuant to PBOC Circular 9, the limit of foreign debts for enterprises shall be calculated based on the following formula: the limit of foreign debt (the “Net Assets Limit”) = net assets * cross-border financing leverage ratio * macro-prudent regulation parameter. Net assets is calculated as the net assets value stated in the relevant entity’s latest audited financial statement. The cross-border financing leverage ratio for enterprises is two (2). The macro-prudent regulation parameter is one (1). The PBOC Circular 9 does not supersede the Interim Provisions on the Management of Foreign Debts, but rather serves as a supplement to it. PBOC Circular 9 provided for a one-year transitional period, or the Transitional Period, from its promulgation date for FIEs, during which period foreign-invested enterprise could choose to calculate their maximum amount of foreign debt based on either (i) the Total Investment and Registered Capital Balance, or (ii) the Net Assets Limit. After the Transition Period, the maximum amount applicable to foreign-invested enterprises is to be determined by PBOC and SAFE separately. However, although the Transitional Period ended on January 10, 2018, as of the date of this annual report, neither PBOC nor SAFE has issued any new regulations regarding the appropriate means of calculating the maximum amount of foreign debt for FIEs. Domestic-invested enterprises have only been subject to the Net Assets Limit in calculating the maximum amount of foreign debt they may hold from the date of promulgation of PBOC Circular 9.

On March 15, 2019, the SAFE promulgated of Issuing the Provisions on the Centralized Operation and Management of Cross-Border Capital of Multinational Companies, or Circular 7, which became effective since then, further facilitating trade and investment. Under SAFE Circular 7, multinational companies, which meets several conditions prescribe in Article 5 of Circular 7, may, under the principle of macro-prudential management, centralize the foreign debt quotas and/or overseas lending quotas of domestic member enterprises, and carry out the business of borrowing foreign debt and/or overseas lending according to commercial practices within the cap of centralized quotas. When a branch of the State Administration of Foreign Exchange at the place where the lead enterprise is located issues a notice of recordation to the lead enterprise, it shall, according to the centralized quotas that have been granted recordation, conduct one-off registration of foreign debt and/or overseas lending for the lead enterprise, so that the lead enterprise is not required to go through procedures for the registration of foreign debt (or overseas lending) on a deal-by-deal basis by currency or by creditor (or debtor).

In addition, SAFE Circular 28 reforms the administration of registration of external debts of enterprises, the administrative requirement that non-bank debtors shall undergo external debt deregistration formalities at the local foreign exchange authority is canceled. A non-bank debtor may directly undergo external debt deregistration formalities which meet relevant conditions at the bank under the jurisdiction of the foreign exchange authority to which it is affiliated. The time limit for non-bank debtors to handle external debt deregistration is canceled. The pilot program of deregistering each external debt by non-financial enterprises is carried out. Non-financial enterprises in pilot regions may complete external debt registration at two times the amount of net assets at the foreign exchange authority where it is located. Non-financial enterprises may borrow external debts within the registered amount on their own, and directly undergo such formalities as inward and outward remittance of funds and foreign exchange purchase and sale at banks, and handle international balance of payments in accordance with relevant provisions.

**Dividend Distribution.** Law on Wholly Foreign Owned Enterprises, promulgated in 1986 and amended in 2000 and 2016 respectively, and the Implementation Rules for Law on Wholly Foreign Owned Enterprises, promulgated in 1990 and amended in 2001 and 2014, are the key regulations governing distribution of dividends of foreign-invested enterprises. Under these regulations, a wholly foreign-invested enterprise in China, or a WFOE, may pay dividends only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE is required to allocate at least 10% of its accumulated profits each year, if any, to statutory reserve funds unless its reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. The proportional ratio for withdrawal of rewards and welfare funds for employees shall be determined at the discretion of the WFOE. Profits of a WFOE shall not be distributed before the losses thereof before the previous accounting years have been made up. Any
undistributed profit for the previous accounting years may be distributed together with the distributable profit for the current accounting year.

On March 15, 2019, the National People’s Congress adopted the Foreign Investment Law of the People’s Republic of China, or FIL, which became effective on January 1, 2020. Upon the implementation of the FIL, Law on Wholly Foreign Owned Enterprise was repealed. The FIL sets out that the business forms, structures, and rules of activities of foreign-funded enterprises shall be governed by the Company Law of the People’s Republic of China, the Partnership Law of the People’s Republic of China, and other laws. Foreign-funded enterprises formed under the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises before the implementation of FIL Law may maintain their original business forms, among others, for five years after FIL Law comes into force.

According to the Company Law, if the aggregate balance of the company’s statutory common reserve is not enough to make up for the losses of the previous year, the current year’s profits shall first be used for making up the losses before the statutory common reserve is drawn according to the provisions of the preceding paragraph. After we have drawn statutory common reserve, which is 10% of the after-tax profit, from the after-tax profits, it may, upon a resolution made by the shareholders’ meeting, draw a discretionary common reserve from the after-tax profits. After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to shareholders in proportion to the actual capital contribution actually paid by them, unless otherwise agreed upon by all the shareholders. We may stop drawing the profits if the aggregate balance of the statutory common reserve has already accounted for over 50% of our registered capital.

Circular 37. In July 2014, the SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Round-trip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014, which repealed SAFE Circular 75 effective from July 4, 2014. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents to seek offshore investment and financing and conduct round trip investment in China. Under SAFE Circular 37, an SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents for the purpose of seeking offshore financing or making offshore investment, using legitimate domestic or offshore assets or interests, while “round trip investment” refers to the direct investment in China by PRC residents through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 requires that, before making contribution into an SPV, PRC residents are required to complete foreign exchange registration with the SAFE or its local branch. SAFE Circular 37 further provides that option or share-based incentive tool holders of a non-listed SPV can exercise the options or share incentive tools to become a shareholder of such non-listed SPV, subject to registration with SAFE or its local branch. However, in practice, different local SAFE branch may have different views and procedures on the interpretation and implementation of the SAFE regulations, and since Circular 37 was the first regulation to regulate the foreign exchange registration of a non-listed SPV’s option or share incentives granted to PRC residents, there remains uncertainty with respect to its implementation.

PRC residents who have contributed legitimate domestic or offshore interests or assets to SPVs but have yet to obtain SAFE registration before the implementation of the SAFE Circular 37 shall register their ownership interests or control in such SPVs with the SAFE or its local branch. An amendment to the registration is required if there is a material change in the SPV registered, such as any change of basic information (including change of such PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. If the PRC residents fail to complete the SAFE registration, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

To our knowledge, all our significant individual PRC shareholders have completed foreign exchange registration in connection with our initial public offering.
Stock Option Rules. The Administration Measures on Individual Foreign Exchange Control were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, were promulgated by the SAFE on February 15, 2012, that replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by the SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with the SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to the SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies with the SAFE or its local branches.

We and our PRC citizen employees who have been granted share options, or PRC optionees, have become subject to the Stock Option Rules after we became a public company in the United States. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Option Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us or otherwise expose us to liability and penalties under PRC law.”

In addition, the State Administration for Taxation has issued circulars concerning employee share options, under which our employees working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or if we fail to withhold their income taxes as required by relevant laws and regulations, we may face sanctions imposed by the PRC tax authorities or other PRC government authorities.

Regulation on Tax

PRC Enterprise Income Tax

The PRC enterprise income tax is calculated based on the taxable income determined under the applicable Enterprise Income Tax Law, or the EIT Law and its implementation rules. On March 16, 2007, the National People’s Congress of China enacted the EIT Law, which became effective on January 1, 2008 and was amended on 2017 and 2018. On December 6, 2007, the State Council promulgated the implementation rules to the EIT Law, which also became effective on January 1, 2008 and was amended on April 23, 2019. The EIT Law
imposes a uniform enterprise income tax rate of 25% on all resident enterprises in China, including foreign-invested enterprises and domestic enterprises, unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatment available under the previous tax laws and regulations. According to the EIT Law and relevant regulations, subject to the approval of competent tax authorities, the income tax of an enterprise that has been determined to be a high and new technology enterprise shall be reduced to a preferential rate of 15%. An enterprise holding a valid certificate of new software enterprise is entitled to an exemption of enterprise income tax for the first two years and a 50% reduction of enterprise income tax for the subsequent three years, commencing from the first profit-making year, while an enterprise qualified as key software enterprise can enjoy a preferential EIT rate of 10%.

Moreover, under the EIT Law, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China may be considered PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. Though the implementation rules of the EIT Law define “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise,” the only detailed guidance currently available for the definition of “de facto management body” as well as the determination of offshore incorporated PRC tax resident status and its administration are set forth in the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or Circular 82, and the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin No. 45, both issued by the SAT, which provide guidance on the administration as well as determination of the tax residency status of a Chinese-controlled offshore-incorporated enterprise, defined as an enterprise that is incorporated under the law of a foreign country or territory and that has a PRC company or PRC corporate group as its primary controlling shareholder.

According to Circular 82, a Chinese-controlled offshore-incorporated enterprise will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions set forth in Circular 82 are met:

- the primary location of the day-to-day operational management and the places where they perform their duties are in the PRC;
- decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval of organizations or personnel in the PRC;
- the enterprise’s primary assets, accounting books and records, company seals and board and shareholder resolutions are located or maintained in the PRC; and
- 50% or more of voting board members or senior executives habitually reside in the PRC.

In addition, Bulletin No. 45 provides clarification on the resident status determination, post-determination administration, and competent tax authorities. With respect to the determination of competent tax authorities, the Announcement of the State Administration of Taxation on Revising the Administrative Measures for Income Tax Assessment and Collection for Non-Resident Enterprises and Other Documents, or Bulletin No. 22, further provides that only tax authorities located in the places of incorporation of major Chinese investors of a resident Chinese-controlled offshore-incorporated enterprises are qualified as the competent tax authorities. Bulletin No. 45 also specifies that when provided with a copy of PRC resident determination certificate from a resident Chinese-controlled offshore-incorporated enterprise, the payer should not withhold 10% income tax when paying certain PRC-sourced income such as dividends, interest and royalties to the Chinese-controlled offshore-incorporated enterprise. On April 1, 2019, the State Taxation Administration has decided to further adjust applicant materials concerning the issuance of a Certificate of Chinese Fiscal Resident.

In the event that we are considered a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income.
In addition, although the EIT Law provides that dividend income between “qualified resident enterprises” is exempted income, and the implementation rules refer to “qualified resident enterprises” as enterprises with “direct equity interest,” it is unclear whether dividends we receive from our PRC subsidiaries are eligible for exemption.

According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in public securities market), PRC tax reporting and payment obligations may be triggered. On February 3, 2015, SAT issued a new guidance (Bulletin [2015] No. 7), or SAT Bulletin 7, on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise. SAT Bulletin 7 is the latest regulatory instrument on indirect transfers, extending to not only the indirect transfer of equity interests in PRC resident enterprises but also to assets attributed to an establishment in China and immovable property in China or, collectively, Chinese Taxable Assets. Further, on October 17, 2017, SAT issued the Matters Regarding Withholding Corporate Income Tax at Source from Non-resident Enterprises (Bulletin [2017] No. 37), or SAT Bulletin 37, which replaced SAT Circular 698 and specified the withhold obligation of the transferees. According to SAT Bulletin 7 and SAT Bulletin 37, when a non-resident enterprise engages in an indirect transfer of Chinese Taxable Assets, or Indirect Transfer, through an arrangement that does not have a bona fide commercial purpose in order to avoid paying enterprise income tax, the transaction should be re-characterized as a direct transfer of the Chinese assets and becomes taxable in China under the EIT Law, and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%, and the party who is obligated to make the transfer payments has the withholding obligation. SAT Bulletin 7 and 37 have replaced SAT Circular 698 in its entirety. They provide more comprehensive guidelines on a number of issues. Among other things, SAT Bulletin 7 substantially changes the reporting requirements in SAT Circular 698, provides more detailed guidance on how to determine a bona fide commercial purpose, and also provides for a safe harbor for certain situations, including purchase and sale of shares in an offshore listed enterprise on a public market by a non-resident enterprise, which may not be subject to the PRC enterprise income tax. In addition, SAT Circular 698 has been abolished by Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source issued by the PRC State Administration of Taxation on October 17, 2017, with retroactive effect from December 1, 2017, or SAT Circular 37. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We face uncertainties with respect to indirect transfer of assets or equity interests in PRC resident enterprises by their non-PRC holding companies.”

Moreover, the PRC Enterprise Income Tax Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which the transactions are conducted. In addition, on March 18, 2015, the State Administration of Taxation, or the SAT, issued the Bulletin Regarding the Enterprise Income Tax Matter in Relation to Enterprise’s Payment of Fees to Overseas Affiliated Parties, or Bulletin 16, to further regulate the transfer pricing issues in relation to the fees payment to affiliated parties. Among other things, Bulletin 16 makes it clear that the fees paid to overseas affiliated parties in the following situations cannot be deducted from the taxable income when determining a PRC company’s enterprise income tax: (a) the fees paid to an overseas affiliated party which has no substantial operating activities; (b) the fees paid to an overseas affiliated party for labor service that would bring direct or indirect economic interests; (c) royalties paid for intangible properties to which the affiliated party that charges the fees only has legal title but has made no contribution to the creation of the value of such properties; and (d) the fees paid under arrangements made for listing or financing purposes. Furthermore, on March 17, 2017, the SAT promulgated the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures, or Bulletin 6, which became effective as of May 1, 2017. The Bulletin 6 specifies further
the provisions in Bulletin 16, regulating the basic rules about the income distribution of intangible properties, payments for labor service and no substantial operating activities and so on. Meanwhile, it abolished the application of Bulletin 16 since May 1, 2017. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our VIEs were not on an arm’s length basis and therefore constituted improper transfer pricing arrangements. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure—Our contractual arrangements with our VIEs may result in adverse tax consequences to us.”

PRC Business Tax and Value-added Tax (VAT)

On January 1, 2012, the Chinese State Council officially launched a pilot VAT reform program, or Pilot Program, applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of business tax. The Pilot Industries in Shanghai included industries involving the leasing of tangible movable property, transportation services, research and development and technical services, information technology services, cultural and creative services, logistics and ancillary services, certification and consulting services. Revenues generated by advertising services, a type of “cultural and creative services,” are subject to the VAT tax rate of 6%. According to official announcements made by competent authorities in Beijing and Guangdong province, Beijing launched the same Pilot Program on September 1, 2012, and Guangdong province launched it on November 1, 2012. On May 24, 2013, the Ministry of Finance and the State Administration of Taxation issued the Circular on Tax Policies in the Nationwide Pilot Collection of Value Added Tax in Lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries, or the Pilot Collection Circular. The scope of certain modern services industries under the Pilot Collection Circular extends to the inclusion of radio and television services. In August 2013, the Pilot Program was implemented throughout China. The Pilot Program replacing business tax with VAT was expanded to cover industries including construction, real estate, finance and consumer services in May 2016, and was later extended to all industries throughout China. With respect to all of our PRC entities for the period prior to the implementation of the Pilot Program, revenues from utility products and related services, mobile entertainment services and other licensing services were subject to a 5% PRC business tax. On November 19, 2017, the Chinese State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on VAT, or the Order 691.

On April 4, 2018, the Ministry of Finance and the State Administration of Taxation issued the Circular on Adjustment of VAT Rates, or Circular 32, which became effective as of May 1, 2018. According to the Circular 32, VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Report on the Work of the Government delivered at the Second Session of the 13th National People’s Congress of China on March 5, 2019, VAT reform in PRC was deepened in 2019, which included that the current VAT rate of 16% in manufacturing and other industries reduced to 13%, and the VAT rate in the transportation, construction, and other industries was adjusted from 10% to 9%. With respect to revenues from sales of goods, including sales of software products, licensing software without transferring its copyright and sales of other goods, they were still subject to a 16% VAT pursuant to Chinese tax law in 2018 before April 1, 2019, and will be adjusted to 13% since April 1, 2019. In addition, sales of self-developed software products or license fees from self-developed software are entitled to a VAT refund with respect to the part whose actual VAT burden exceeds 3%.

Cultural Development Fee

According to applicable PRC tax regulations or rules, advertising service providers are generally required to pay a cultural development fee at the rate of 3% on the revenues (a) which are generated from providing advertising services and (b) which are also subject to the business tax or value-added tax after the Pilot Program.
Dividend Withholding Tax

Under the old EIT Law that was effective prior to January 1, 2008, dividends paid to foreign investors by foreign-invested enterprises, such as dividends paid to us by Zhuhai Juntian and Conew Network, our PRC subsidiaries, were exempt from PRC withholding tax. Pursuant to the EIT Law and its implementation rules, dividends from income generated after January 1, 2008 and distributed to us by our PRC subsidiaries are subject to withholding tax at a rate of 10%, unless non-resident enterprise investor’s jurisdiction of incorporation has a tax treaty or arrangements with China that provides for a reduced withholding tax rate or an exemption from withholding tax. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation.”

As uncertainties remain regarding the interpretation and implementation of the EIT Law and its implementation rules, we cannot assure you that, if we are deemed a PRC resident enterprise, any dividends to be distributed by us to our non-PRC shareholders and ADS holders would not be subject to any PRC withholding tax. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise,” which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.”

Labor Laws and Social Insurance

The principal laws that govern employment include:

- Labor Law of the People’s Republic of China, promulgated by the Standing Committee of the National People’s Congress on July 5, 1994, effective since January 1, 1995 and amended on August 27, 2009 and December 29, 2018;
- Labor Contract Law of the People’s Republic of China, promulgated by the Standing Committee of the National People’s Congress on June 29, 2007 and effective since January 1, 2008 and amended on December 28, 2012;
- Implementation Rules of the PRC Labor Contract Law, promulgated by the State Council on September 18, 2008 and effective since September 18, 2008;
- Work-related Injury Insurance Regulations, promulgated by the State Council on April 27, 2003 and effective since January 1, 2004 and amended on December 20, 2010;
- Interim Provisions on Registration of Social Insurance, promulgated by the Ministry of Human Resources and Social Security (formerly the Ministry of Labor and Social Security) on March 19, 1999 and effective since March 19, 1999 and repealed by the Decision of the Ministry of Human Resources and Social Security on April 28, 2019;
- Interim Regulations on the Collection and Payment of Social Insurance Fees, promulgated by the State Council on January 22, 1999 and effective since January 22, 1999; and
- Social Insurance Law promulgated by the National People’s Congress on October 28, 2010, effective since July 1, 2011 and amended on December 29, 2018.

According to the Labor Law and Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and workplace sanitation, strictly comply with state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative penalties. For serious violations, criminal liability may arise.

In addition, pursuant to the Social Insurance Law promulgated by the National People’s Congress on October 28, 2010, which came into effect on July 1, 2011 and amended on December 29, 2018, employers in China are required to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.
**M&A Regulations and Overseas Listings**

On August 8, 2006, six PRC governmental agencies jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the 2006 M&A Rules, which became effective on September 8, 2006 and amended on June 22, 2009. “Mergers and acquisitions of domestic enterprises by foreign investors” refers to: (a) a foreign investor converts a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company, or the Equity Merger and Acquisition; or (b) a foreign investor establishes a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or (c) a foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operation of such assets, or the Assets Merger and Acquisition.

The M&A Rules provides that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person (the “Affiliated M&A”), the merger and acquisition applications shall be submitted to the MOFCOM for approval. Any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed.

After the implementation of the FI Information Report Measures on January 1, 2020, where a foreign investor acquires a domestic non-foreign-invested enterprise by equity, it shall submit an initial report through the enterprise registration system when handling the change registration for the acquired enterprise instead of obtaining the approval of the MOFCOM or its delegates at provincial level. However, regarding the affiliated M&A, according to the Negative List (2019 Version), a M&A of affiliated domestic companies by domestic companies, enterprises or natural persons via the companies legally established or controlled overseas, it shall still be subject to the approval by the MOFCOM under the M&A Rules.

The M&A Rules also require offshore special purpose vehicles formed to pursue overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the Chinese Securities Regulatory Commission, or the CSRC, prior to the listing and trading of such special purpose vehicle’s securities on any stock exchange overseas.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC legal counsel, Global Law Office, prior approval from the CSRC is not required under the M&A Rules for the listing and trading of the ADSs on NYSE because the CSRC approval requirement applies to SPVs that acquired equity interests of any PRC company that are held by PRC companies or individuals controlling such SPV and seek overseas listing, and our PRC subsidiaries were incorporated as wholly foreign-owned enterprises by means of direct investment rather than by merger or acquisition by our company of the equity interest or assets of any “domestic company” as defined under the M&A Rules, and no provision in the M&A Rules classifies the contractual arrangements between our company, our PRC subsidiaries and any of our VIEs, either by each agreement itself or taken as a whole, as a type of acquisition transaction falling under the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of Global Law Office, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.
C. Organizational Structure

Foreign ownership of internet-based and mobile-based businesses is subject to significant restrictions under current PRC laws and regulations. The PRC government regulates internet access, distribution of online information, online advertising and distribution and operation of online games through strict business licensing requirements and other government regulations. These laws and regulations also limit foreign ownership of PRC companies that provide internet information services to no more than 50%. In addition, foreign investors are prohibited from investing in or operating, among other things, any entities that operate internet cultural activities such as online games.

As a Cayman Islands company, in order for us to be able to carry on our business in China, we conduct part of our operations in China through our VIEs including but not limited to Beijing Mobile and Beijing Network. Each of Beijing Mobile (which is owned as to 35% by Mr. Sheng Fu and 65% by Ms. Weiqin Qiu) and Beijing Network (which is owned as to 50% by Mr. Kun Wang and 50% by Mr. Wei Liu) holds the requisite ICP Licenses. We have been and are expected to continue to be dependent on our VIEs to operate our business in China if the then PRC law does not allow us to directly operate such business in China. We believe that under these contractual arrangements, we have sufficient control over our VIEs and their respective shareholders to renew, revise or enter into new contractual arrangements prior to the expiration of the current arrangements on terms that would enable us to continue to operate our business in China validly and legally.

Our contractual arrangements with each of our VIEs and their shareholders enable us to:

• exercise effective control over our VIEs;
• receive substantially all of the economic benefits of our VIEs in consideration for the services provided by Beijing Security and Conew Network, our wholly-owned subsidiaries in China; and
• have an exclusive option to purchase all of the equity interests in our VIEs, when and to the extent permitted under PRC law, regulations or legal proceedings.
The following diagram summarizes our corporate structure and identifies our significant subsidiaries and VIEs as of the date of this annual report.

Notes:

1. We exercise effective control over Beijing Network through contractual arrangements with Beijing Network and Mr. Kun Wang and Mr. Wei Liu, who owns 50% and 50% equity interests in Beijing Network, respectively.
2. We exercise effective control over Beijing Mobile through contractual arrangements with Beijing Mobile and Mr. Sheng Fu and Ms. Weiqin Qiu, who owns 35% and 65% equity interests in Beijing Mobile, respectively.
3. We exercise effective control over Beijing Conew through contractual arrangements with Beijing Conew and Mr. Sheng Fu and Mr. Kun Wang, who owns 62.73% and 37.27% equity interests in Beijing Conew, respectively.
4. Percentage of ownership is calculated on fully diluted basis.

Pursuant to Catalogue of Industries for Encouraging Foreign Investment (2019 Version) and Negative List (2019 Version), Beijing Security is currently engaged in the business of technology promotion, technology development, technology service and technology consultancy, sale of computers, software, auxiliary devices and AI hardware, computer animation design, investment consultancy and advertisement design, production, agency and publication, all of which are permitted foreign investment industries under Catalogue of Industries for Encouraging Foreign Investment (2019 Version) and Negative List (2019 Version).

Conew Network is currently engaged in the business of research and development of digital technology, telecommunication technology and relevant products, self-technology transfer, technology service, technology consultancy and computer technology training, sale of self-developed products, graphic design, business consultancy and investment consultancy, all of which are permitted foreign investment industries under Catalogue of Industries for Encouraging Foreign Investment (2019 Version) and Negative List (2019 Version).
Contractual Arrangements with Our VIEs

The following is a summary of the currently effective contracts among our company, our subsidiary Beijing Security, our VIE Beijing Mobile, and the shareholders of Beijing Mobile. We have entered into substantially similar contractual arrangements with our other VIEs, including but not limited to Beijing Network.

Agreements that provide us with effective control over Beijing Mobile

**Business operation agreement.** Pursuant to the business operation agreement by and among Beijing Security, Beijing Mobile and its shareholders, Beijing Mobile and its shareholders agreed to accept and follow Beijing Security’s suggestions on their daily operations and financial management. The shareholders of Beijing Mobile must appoint candidates designated by Beijing Security to its board of directors and appoint candidates designated by Beijing Security as senior executives of Beijing Mobile. In addition, the shareholders of Beijing Mobile confirm, agree and jointly guarantee that Beijing Mobile shall not engage in any transaction that may materially affect its assets, business, employment, obligations, rights or operations without the prior written consent of Beijing Security. The shareholders of Beijing Mobile also agree to unconditionally pay or transfer to Beijing Security any bonus, dividends, or any other profits or interests (in whatever form) that they are entitled to as shareholders of Beijing Mobile, and waives any consideration connected therewith. The agreement has a term of ten years, unless terminated at an earlier date by Beijing Security. Neither Beijing Mobile nor its shareholders may terminate this agreement.

**Shareholder voting proxy agreement.** Under the shareholder voting proxy agreement by and among our company, Beijing Mobile and its shareholders, each of Beijing Mobile’s shareholders irrevocably nominates, appoints and constitutes any person designated by our company as its attorney-in-fact to exercise on such shareholder’s behalf any and all rights that such shareholder has in respect of its equity interests in Beijing Mobile (including but not limited to the voting rights and the right to nominate executive directors of Beijing Mobile). This proxy agreement shall remain valid during the existence of Beijing Mobile. Without the prior written consent of our company, existing shareholders of Beijing Mobile shall not amend or terminate this proxy agreement or revoke the or revoke the voting proxy to our company.

**Equity pledge agreement.** Under the equity pledge agreement between Beijing Security, Beijing Mobile and its shareholders, the shareholders of Beijing Mobile have pledged all of their respective equity interests in Beijing Mobile to Beijing Security to guarantee (i) the performance of all the contractual obligations of Beijing Mobile and its shareholders under this agreement, the exclusive technology development, support and consultancy agreement, exclusive equity option agreement and other agreements concluded from time to time by and among our company, Beijing Security, Beijing Mobile and its shareholders, and (ii) the repayment of all liabilities that may be incurred under all of the aforementioned agreements. In the event of default, Beijing Security has the first priority to be compensated through the sale or auction of the equity interests pledged. The shareholders of Beijing Mobile or their successors or representatives and Beijing Mobile shall ensure that Beijing Mobile will not distribute dividends to shareholders, make property distributions, reduce capital, initiate liquidation procedures or make distributions in any other form without prior written consent of Beijing Security. This pledge will remain effective until all the guaranteed obligations have been performed or all the guaranteed liabilities have been repaid. We have completed the registration of equity pledge relating to each of our VIEs with the relevant government authorities in China.

Agreement that transfers economic benefits to us

**Exclusive technology development, support and consultancy agreement.** Under the exclusive technology development, support and consultancy agreement between Beijing Security and Beijing Mobile, Beijing Security has the exclusive right to provide Beijing Mobile with services related to Beijing Mobile’s business, including but not limited to technology development, support and consulting services. Beijing Security has the sole right to determine the service fees and settlement cycle, and the service fees shall in no event be less than 30% of the
pre-tax revenue of Beijing Mobile in relation to the relevant service. Beijing Security will exclusively own any intellectual property arising from the performance of this agreement. This agreement will be effective unless terminated according to the terms of the agreement or otherwise terminated by mutual agreement of the signing parties.

Agreements that provide us with the option to purchase the equity interest in Beijing Mobile

Loan agreements. Under the loan agreements by and among Beijing Security and the shareholders of Beijing Mobile, Beijing Security shall have made interest-free loans in an aggregate amount of RMB6.5 million to the two individual shareholders of Beijing Mobile, for the sole purpose of contributing to the registered capital of Beijing Mobile. The loans have no definite maturity date. Beijing Security may request repayment at any time, and either shareholder of Beijing Mobile may offer to repay part or all of the loan at any time. The shareholders of Beijing Mobile shall, subject to the PRC laws, repay the loans by transferring the equity interest they hold in Beijing Mobile to Beijing Security or a third party that it designates.

Exclusive option agreement. Under the exclusive option agreement by and among our company, Beijing Mobile and its shareholders, our company was granted an irrevocable exclusive option to acquire, or designate a third party to acquire, all or part of the equity interest owned by the shareholders in Beijing Mobile or to acquire, all or part of the assets owned by the Beijing Mobile at any time at an exercise price that is equal to the minimum price permitted under the PRC laws or is equal to the entire principal and interest (including all principal and interest under the existing loan agreement) owed by the existing shareholder to the Beijing Security due to the fulfillment of the registered capital paid obligations in the Beijing Mobile. In addition, this agreement stipulates that our company can provide financial support to Beijing Mobile to the extent permissible under the applicable PRC laws and regulations, regardless of whether Beijing Mobile has incurred an operational loss. The form of financial support includes but is not limited to entrusted loans and borrowings. Our company will not request repayment of any outstanding loans or borrowings from Beijing Mobile if Beijing Mobile do not have sufficient funds or are unable to repay such loans or borrowings. Unless terminated according to the agreement itself, the agreement has a term of ten years, which will automatically extend on a decadely basis.

In addition to the above contracts, the spouses of certain shareholders of our VIEs have executed spousal consent letters. Pursuant to the spousal consent letters, the spouses acknowledged that certain equity interests in the respective VIEs held by and registered in the name of his or her spouse will be disposed of pursuant to relevant arrangements under the shareholder voting proxy agreement, the exclusive option agreement and the equity pledge agreement and other agreements under contractual arrangements. These spouses undertake not to take any action to interfere with the disposition of such equity interests.

As a result of these contractual arrangements, we are considered the primary beneficiary of the VIEs as we have the power to direct activities of these entities and can receive substantially all economic interests in these entities even though we do not necessarily receive all of the VIEs’ revenues. Accordingly, we treat them as our VIEs under U.S. GAAP and have consolidated the results of operation of the VIEs and the then subsidiaries of our VIEs in our consolidated financial statements in accordance with U.S. GAAP. The VIEs and the then subsidiaries of our VIEs together contributed 7.4%, 10.2% and 16.3% of our revenues for the years ended December 31, 2017, 2018 and 2019, respectively.

In the opinion of our PRC legal counsel, Global Law Office:

• the corporate structure of our PRC subsidiaries and VIEs does not result in any violation of all existing PRC laws and regulations;

• each of the VIE agreements among us or our first-tier subsidiaries, either Beijing Security or Conew Network, Cheetah Mobile Inc., each of our VIEs and its respective shareholders (as the case may be) governed by PRC law is valid and binding, and does not result in any violation of PRC laws or regulations currently in effect; and
• each of our PRC subsidiaries and VIEs has the necessary corporate power and authority to conduct its business as described in its business scope under its business license. The business licenses of each of our PRC subsidiaries and VIEs are in full force and effect. Each of our PRC subsidiaries and VIEs is capable of suing and being sued and may be the subject of any legal proceedings in PRC courts. To the best of our PRC legal counsel’s knowledge after due inquiries, none of our PRC subsidiaries and VIEs or their respective assets is entitled to any immunity, on the grounds of sovereignty, from any action, suit or other legal proceedings, or from enforcement, execution or attachment.

We have been advised by our PRC legal counsel, Global Law Office, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. Accordingly, the PRC regulatory authorities may take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in the aforesaid business we engage in, we could be subject to severe penalties including being prohibited from continuing operations. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure” for “—If the PRC government finds that the structure we have adopted for our business operations does not comply with PRC governmental restrictions on foreign investment in internet businesses, or if these laws or regulations or interpretations of existing laws or regulations change in the future, we could be subject to severe penalties, including the shutting down of our platform and our business operations” and “—Substantial uncertainties exist with respect to the interpretation and implementation of PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.”

D. Property, Plants and Equipment

As of March 31, 2020, our principal executive offices were located on leased premises comprising approximately 40,487 square meters in Beijing, China. This facility accommodates our management headquarters, principal development, engineering, legal, finance and administrative activities. we also have offices overseas in the United States, Japan, Taiwan, and Singapore.

Our products and services are mainly deployed on various cloud service providers such as Amazon, Tencent, Kingsoft and Alibaba. We believe these arrangements are more cost-effective than acquiring our own servers. We believe that our existing facilities are sufficient for our current needs and we expect to obtain additional facilities, principally through leasing, to accommodate our future expansion plans.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report. This discussion and analysis may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” or in other parts of this annual report.

A. Operating Results

Overview

We are a leading mobile internet company with strong global vision. We have attracted hundreds of millions of monthly actively users through an array of mobile utility products such as Clean Master released in 2012 and
Cheetah Keyboard released in 2016. Leveraging our success on utility products, including live streaming platform LiveMe and mobile games such as Piano Tile 2 and Bricks n Balls. We cease to provide this service as Live.me has been disposed on September 30, 2019.

Over the past years, we had made significant investments in artificial intelligence and, together with Beijing OrionStar, one of our invested companies, we have accumulated deep knowledge in image recognition, voice recognition, natural language processing, text to speech and other AI related technologies. The recent coronavirus outbreak has increased customer demand for our robotics products and solutions. Since the outbreak started, we have launched anti-epidemic products for hospitals to relieve some of the pressure caused by a shortage of medical personnel and the threat of cross infections. As of today, our medical robots have been deployed in some Chinese hospitals. While it will may take a while for our robotics products and solutions to generate material revenues, we have already witnessed an increase in consumer awareness for our offerings as a result.

In the second quarter of 2017, we reorganized our operating segments from one operating segment into three operating segments, namely utility products and relate services, mobile entertainment business, and AI and others. The primary reason for such reorganization is that we increasingly assess the performance of our company and makes decisions in respect of the allocation of company resources by analyzing the operational results of these three business units separately. We will continually assess the reasonableness of our operating segments because we operate in a rapidly evolving internet industry with technology trend shifted, and there may be changes in our business strategy accordingly.

We generate revenues from our utility products and related services by providing mobile advertising services to our advertising customers worldwide, as well as selling advertisements and referring user traffic on our mobile and PC platforms. Recently, we began to offer premium services for our utility products. As a result, we also recognize revenues after users purchase and subscribe the premium services within our utility products. Our portfolio of mobile games has also attracted a massive user base, which also provides ample advertising revenue opportunities. In addition, users can also purchase in-game virtual items.

On the corporate level, our revenues increased from RMB4,974.8 million in 2017 to RMB4,981.7 million in 2018, but decreased to RMB3,587.7 million (US$515.3 million) in 2019 due to the decreased revenues from utility products and related services and deconsolidation of Live.me. Our net loss attributable to Cheetah Mobile shareholders was RMB314.0 million (US$45.1 million) 2019, compared to a net income attributable to Cheetah Mobile shareholders was RMB1,166.9 million in 2018 and a net income attributable to Cheetah Mobile shareholders of RMB1,348.2 million in 2017.

We have invested heavily in research and development and selling and marketing to grow our mobile business and AI business. In 2020, we expect to implement prudent cost-saving measures for our mobile business, but we will continue to invest in our AI business.
### Selected Statement of Operations Items

**Revenues**

We generate revenues from utility products and related services, mobile entertainment business and others. The following table sets forth the principal components of our revenues by amount and as a percentage of our revenues for the periods presented.

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31,</th>
<th></th>
<th></th>
<th></th>
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</tr>
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<tbody>
<tr>
<td></td>
<td>2017(1)</td>
<td>2018(2)</td>
<td>2019(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RMB (in thousands, except percentages)</td>
<td>% of revenues</td>
<td>RMB</td>
<td>% of revenues</td>
<td>RMB</td>
</tr>
<tr>
<td>Utility products and related services</td>
<td>3,439,563</td>
<td>69.1</td>
<td>3,119,483</td>
<td>62.6</td>
<td>1,573,030</td>
</tr>
<tr>
<td>Mobile entertainment business</td>
<td>1,496,443</td>
<td>30.1</td>
<td>1,778,867</td>
<td>35.7</td>
<td>1,871,543</td>
</tr>
<tr>
<td>AI and others</td>
<td>38,751</td>
<td>0.8</td>
<td>83,355</td>
<td>1.7</td>
<td>143,122</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>4,974,757</td>
<td>100.0</td>
<td>4,981,705</td>
<td>100.0</td>
<td>3,587,695</td>
</tr>
</tbody>
</table>

(1) VAT is presented in cost of revenues rather than net against revenues in accordance with the legacy revenue accounting standard (ASC 605)

(2) VAT is presented as net against revenues rather than in cost of revenues in accordance with the new revenue accounting standard (ASC 606)

**Utility Products and Related Services**

Revenues from utility products and related services accounted for 69.1%, 62.6% and 43.8% of our revenues in 2017, 2018 and 2019, respectively. Our portfolio of utility products has attracted a massive user base, which enabled us to provide mobile advertising services to advertisers worldwide, as well as refer user traffic and sell advertisements on our mobile and PC platforms. We charge fees for our online marketing services generally based on three general pricing models, which include cost over a time period, cost for performance basis and cost per impression basis. Cost for performance basis refers to, among others, cost per click, cost per installation, cost per activation and cost per sale that originate from our platform, while cost per impression refers to cost based on the number of impressions over a period. We believe that the most significant factors affecting revenues from online marketing include:

- **User base and user engagement in key markets.** We believe a large, loyal and engaged user base in key markets would help us retain existing customers and attract more customers and business partners for our utility products and related services business and at the same time gives us more pricing power. It also results in more user impressions, clicks, installations, or other actions that generate more fees for performance-based marketing. In particular, a large and engaged mobile user base is crucial for the sustainability of our utility product and related services. We plan to further improve our products and introduce more products to increase our mobile users’ engagement with our products.

- **Fee arrangements with our significant customers.** A small number of advertising platform customers have contributed a significant portion of revenues for our utility products and related services business. In overseas markets, advertising platforms provide bids to us for displaying advertisements on our apps, and the bid prices we receive may fluctuate significantly depending on who are the bidders, the type of our advertising inventories, seasonality, and supply and demand balance. In domestic market, we have revenue sharing arrangements with advertising platforms, and the portion of revenue we receive from these customers is also subject to fluctuation due to similar factors. The fee arrangements with these significant customers and the mix of these arrangements can have a significant impact on our revenues, and some of these impact may be beyond our control.

- **Ability to provide targeted advertising.** We believe that data analytics is a key factor affecting our online marketing revenues. Data analytics enable us to map our users’ interests and distribute targeted
advertising to our users. Our ability to effectively conduct user profiling and provide targeted advertising affects advertising engagement and conversion, which affects our online marketing revenues.

- **Development of online advertising industries in emerging markets.** We have a large user base for our mobile utility products in emerging markets such as India and some countries in south eastern Asia. Currently, the online advertising industries in these emerging markets are still in their early stages of development. We expect that we can benefit from the growth of the online advertising industries in these markets as internet and smartphones gain deeper market penetration.

**Mobile Entertainment Business**

Revenues from mobile entertainment business accounted for 30.1%, 35.7% and 52.2% of our revenues in 2017, 2018 and 2019, respectively. Our mobile entertainment business primarily includes LiveMe and mobile games business. In 2016, we started to monetize LiveMe by sale of virtual items in users’ live broadcasting, which is subject to revenue-sharing arrangements with the hosting users. Since September 30, 2019, we deconsolidated LiveMe’s financial results from our financial statements. Our portfolio of mobile games has attracted a massive user base, which provides ample advertising revenue opportunities. Users can also purchase in-game virtual items.

We believe that the most significant factors affecting our mobile entertainment revenues include:

- **Popularity of games on our platform.** Our revenues from game operations depend on our ability to develop, select and publish popular and engaging games. The popularity of the games we operate directly affects the number of users we attract, and the revenues generated from such games.

- **User base and user engagement for mobile games in key markets.** Our mobile entertainment revenues are affected by our ability to grow our user base and increase user engagement in key markets as a large, loyal and engaged user base would help us retain existing customers and attract more customers and business partners seeking online marketing services and at the same time gives us more pricing power. It also results in more user impressions, clicks, installations, or other actions that generate more fees for performance-based marketing or in-game purchase of virtual items.

**AI and Others**

Revenue from AI and others accounted for 0.8%, 1.7% and 4.0% of our revenues in 2017, 2018 and 2019, respectively. AI and others revenues mainly include sales of AI hardware.

**Cost of Revenues**

Cost of revenues primarily consist of traffic acquisition costs, bandwidth costs and cloud service costs, personnel costs, content and channel costs associated with our content-driven products, including LiveMe and mobile games, depreciation of equipment, amortization of intangible assets and cost of products sold.

Traffic acquisition costs represent the amounts paid or payable to third-party advertising publishers who distribute our customers’ paid links through their advertisement products.

Bandwidth and cloud service costs consist of fees that we pay to telecommunication carriers, bandwidth fees that are directly related to our business operations and technical support, and fees that we pay to cloud service providers such as Amazon for the deployment of our apps. Bandwidth and cloud service costs are affected by the amounts of our user traffic worldwide and data analytics.

Personnel costs include salaries and benefits including share-based compensation, for our employees involved in the operation and other business and maintenance of our business.
Content and channel costs consist primarily of fees borne by us under third-party game publishing arrangements, revenue sharing with content providers, commission fees paid to distribution platforms and payment channels, and amortization of license fees paid for exclusively licensed games. As we deconsolidated Live.me’s financial results from our financial statements from September 30, 2019, we expected revenue sharing with content providers, such as live video hosts and media partners, will decrease.

Amortization of intangible assets primarily represents amortization of intangible assets through acquisitions or business combinations.

Operating Income and Expenses

Our operating income and expenses consist of (i) research and development expenses, (ii) selling and marketing expenses, (iii) general and administrative expenses, (iv) impairment of goodwill, and (v) other operating income. The following table sets forth the components of our operating income and expenses for the periods indicated.

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<thead>
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<th></th>
<th>Year Ended December 31,</th>
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<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
<td></td>
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<tr>
<td></td>
<td>RMB</td>
<td>% of Revenues</td>
<td>RMB</td>
<td>% of Revenues</td>
</tr>
<tr>
<td></td>
<td>(in thousands, except percentages)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income and expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>(684,863)</td>
<td>(13.8)</td>
<td>(668,918)</td>
<td>(13.4)</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>(1,656,505)</td>
<td>(33.3)</td>
<td>(1,910,044)</td>
<td>(38.4)</td>
</tr>
<tr>
<td>General and administrative</td>
<td>(407,410)</td>
<td>(8.2)</td>
<td>(430,826)</td>
<td>(8.6)</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other operating income</td>
<td>990</td>
<td>0.0</td>
<td>35,938</td>
<td>0.7</td>
</tr>
<tr>
<td>Total operating income and expenses</td>
<td>(2,747,788)</td>
<td>(55.3)</td>
<td>(2,973,850)</td>
<td>(59.7)</td>
</tr>
</tbody>
</table>

Research and Development Expenses. Research and development expenses consist primarily of salaries and benefits, including share-based compensation expenses, for our research and development employees. These expenditures are generally expensed as incurred. Research and development expenses decreased by 17.7% year over year to RMB787.3 million (US$113.1 million) in 2019, which primarily resulted from the rise in R&D personnel for both our mobile games and AI-related businesses, partially offset by a reduction in the personnel for our utility products and related services business.

Selling and Marketing Expenses. Selling and marketing expenses consist primarily of general marketing and promotion expenses and salaries and benefits, including share-based compensation expenses, related to personnel involved in our selling and marketing efforts.

General and Administrative Expenses. General and administrative expenses consist primarily of salaries and benefits, including share-based compensation expenses, related to our general and administrative personnel, professional and legal service fees, and other administrative expenses.

Impairment of Goodwill. Impairment of goodwill consists primarily of impairment of goodwill associated with business acquisition and intangible assets relating to technology and online game licenses.

Other Operating Income. Other operating income consists primarily of government grants, subsidies and financial incentives that we received in connection with our operations not related to research and development projects.
Taxation

Taxation in Different Jurisdictions

The following summarizes the taxation in jurisdictions in which our company, significant subsidiaries and VIEs are incorporated.

**Cayman Islands.** Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gain arising in Cayman Islands. Additionally, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

**Hong Kong.** Our subsidiaries incorporated in Hong Kong were subject to Hong Kong profits tax rate of 16.5% for the years ended December 31, 2017, 2018 and 2019.

**Singapore.** Our subsidiary incorporated in Singapore is subject to Singapore corporate income tax rate of 17% in 2015. Started from 2016, the Singapore Economic Development Board (“EDB”) provides a tax holiday of a reduced corporate tax rate at 5% on incremental income from qualifying activities to our subsidiary incorporated in Singapore for ten years from 2016 to 2025 under the Development Expansion Incentive (“DEI”) scheme. In consideration of the change in business environment, our subsidiary incorporated in Singapore was no longer eligible for the DEI scheme in 2019, and our subsidiary incorporated in Singapore is subject to 17% income tax rate in 2019.

**Japan.** Our subsidiary incorporated in Japan with paid-in capital in excess of Japanese Yen (“JPY”) 100 million was subject to national corporate income tax rate of 23.4% and 23.2% since April 1, 2016 and April 1, 2018, respectively. Our subsidiary incorporated in Japan with paid-in capital of no more than JPY100 million was subject to national corporate income tax rate of 15% on the first JPY8 million of income earned and at 23.2% on any income earned in excess of JPY8 million since April 1, 2018. Local income taxes, which include local inhabitant tax and enterprise tax, are also imposed on corporate income.

**PRC.**

**Enterprise income tax.** Our PRC subsidiaries and VIEs are subject to the statutory rate of 25% in accordance with the EIT Law, with exceptions for certain preferential tax treatments. Under relevant PRC government policies, enterprises qualified as “new software enterprise” are entitled to a two-year exemption and three-year 50% reduction on enterprise income tax commencing from the first profit-making year. Enterprises qualified as “high and new technology enterprise” are entitled to a preferential rate of 15%. According to the Administrative Measures for Recognition of High and New Technology Enterprises, where the relevant department finds in the course of daily management that a recognized “high and new technology enterprise” does not meet the conditions for recognition, it shall apply to the recognition department for verification. If the verification confirms that the enterprise does not meet the conditions for recognition, the recognition department shall disqualify the “high and new technology enterprise” and advise the tax authority to recover the payment of reduced or exempted taxes under tax preferences it has enjoyed from the year when it fails to meet the recognition requirements. Our PRC subsidiaries qualified as “new software enterprise” or “high and new technology enterprise” is subject to tax holiday or a preferential tax rate of 15%. Our remaining PRC subsidiaries, VIEs and the subsidiaries of our VIEs were subject to enterprise income tax at a rate of 25% for the years ended December 31, 2017, 2018 and 2019.

**Withholding tax.** Under the EIT Law and its implementation rules, dividends, interests, rents or royalties payable by a foreign-invested enterprise, such as our PRC subsidiaries, to any of its non-resident enterprise investors, and proceeds from any such non-resident enterprise investor’s disposition of assets (after deducting the net value of such assets) shall be subject to 10% EIT, namely withholding tax, unless non-resident enterprise investor’s jurisdiction of incorporation has a tax treaty or agreement with China that provides for a reduced withholding tax rate or an exemption from withholding tax. The Cayman Islands, where our company is incorporated, and the British Virgin Islands, where our subsidiary Conew.com Corporation was incorporated, do
not have such tax treaties with China. None of our U.S. subsidiaries is an immediate holding company of our PRC subsidiaries. Under the Arrangement Between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise that receives a dividend is considered a non-PRC tax resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. According to the Circular on Several Issues regarding the “Beneficial Owner” in Tax Treaties, which was issued on February 3, 2018 by the SAT, effective as of April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements, or Circular 60. Circular 60 was repealed simultaneously upon the implementation of Announcement of the State Taxation Administration on Issuing the Measures for the Administration of Non-resident Taxpayers’ Enjoyment of Treaty Benefits, or Circular 35, which was promulgated on October 14, 2019 and became effective on January 1, 2020. According to Circular 35, if a non-resident taxpayer determines through self-assessment that he or she is eligible for treaty benefits, he or she may, when filing tax returns, or when a withholding agent files withholding returns, enjoy tax treaty benefits, and collect and retain relevant materials for review in accordance with the provisions and accept the follow-up administration of tax authorities. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%. Accordingly, our Hong Kong subsidiaries may not be able to enjoy the 5% withholding tax rate for the dividends they receive from our PRC subsidiaries if they do not satisfy the relevant conditions under tax rules and regulations and obtain the approvals as required.

**PRC business tax and VAT.** On January 1, 2012, the Chinese State Council officially launched a pilot VAT reform program, or Pilot Program, applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of business tax. The Pilot Program imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expands to nation-wide in August 2013. According to the implementation circulars released by the Ministry of Finance and the State Administration of Taxation on the Pilot Program, the “modern service industries” include industries involving the leasing of tangible movable property, research and development and technical services, information technology services, cultural and creative services, logistics and ancillary services, certification and consulting services, and radio and television services. The Pilot Program replacing business tax with VAT was expanded to cover industries including construction, real estate, finance and consumer services in May 2016, and was later extended to all industries throughout China. With respect to all of our PRC entities for the period prior to the implementation of the Pilot Program, revenues from utility products and related services, mobile entertainment services and other licensing services were subject to a 5% PRC business tax. On November 19, 2017, the Chinese State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on VAT, or the Order 691. All of our PRC entities were subject to the Pilot Program as of December 31, 2017, 2018 and 2019, or specifically, VAT of 6% in lieu of business tax for utility products and related services and mobile entertainment services that are deemed by the relevant tax authorities to be within the pilot industries. In addition, cultural business construction fee is imposed at the rate of 3% on revenues derived from our advertising services.

On April 4, 2018, the Ministry of Finance and the State Administration of Taxation issued the Circular on Adjustment of VAT Rates, or Circular 32, which became effective as of May 1, 2018. According to the Circular32, VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or
imported goods are adjusted to 16% and 10%, respectively. According to the Report on the Work of the Government delivered at the Second Session of the 13th National People’s Congress of the People’s Republic of China on March 5, 2019, VAT reform in PRC deepened in 2019, which included that the current VAT rate of 16% in manufacturing and other industries reduced to 13%, and the VAT rate in the transportation, construction, and other industries adjusted from 10% to 9%. With respect to revenues from sales of goods, including sales of software products, licensing software without transferring its copyright and sales of other goods, they are still subject to a 16% VAT pursuant to Chinese tax law in 2018, and adjusted to 13% since April 1, 2019. In addition, sales of self-developed software products or license fees from self-developed software are entitled to a VAT refund with respect to the tax burden over a tax rate of 3%. With the adoption of the Pilot Program, our revenues subject to VAT payable on goods sold or taxable services provided by a general VAT taxpayer for a taxable period is the net balance of the output VAT for the period after crediting the input VAT for the period. Hence, the amount of VAT payable does not result directly from output VAT generated from goods sold or taxable services provided. Therefore, we have adopted the net presentation of VAT.

**Effect of Different Tax Rates in Different Jurisdictions**

The following table sets forth our income (loss) before income tax and the effect of differing tax rates in different jurisdictions on our income tax expenses in each applicable jurisdiction, for the years ended December 31, 2017, 2018 and 2019.

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Year Ended December 31,</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>RMB (in thousands)</td>
<td>RMB (in thousands)</td>
<td>RMB (in thousands)</td>
<td>US$</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>Income before income tax</td>
<td>6,780</td>
<td>605,774</td>
<td>332,254</td>
<td>47,726</td>
</tr>
<tr>
<td></td>
<td>Income tax expenses computed at the PRC statutory tax rate of 25%</td>
<td>1,695</td>
<td>151,444</td>
<td>83,063</td>
<td>11,930</td>
</tr>
<tr>
<td></td>
<td>Income tax expenses computed at Cayman Islands statutory tax rate of 0%</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Effect of differing tax rates in different jurisdictions</td>
<td>(1,695)</td>
<td>(151,444)</td>
<td>(83,063)</td>
<td>(11,930)</td>
</tr>
<tr>
<td>USA</td>
<td>Income before income tax</td>
<td>31,757</td>
<td>3,452</td>
<td>1,306</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>Income tax expenses computed at the PRC statutory tax rate of 25%</td>
<td>7,939</td>
<td>863</td>
<td>326</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Income tax expenses computed at the U.S. statutory tax rate of 35% for 2017, 21% for 2018, and 21% for 2019</td>
<td>11,115</td>
<td>725</td>
<td>274</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Effect of differing tax rates in different jurisdictions</td>
<td>3,176</td>
<td>(138)</td>
<td>(52)</td>
<td>(7)</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Income (Loss) before income tax</td>
<td>703,644</td>
<td>(213,138)</td>
<td>(319,449)</td>
<td>(45,886)</td>
</tr>
<tr>
<td></td>
<td>Income tax expenses (benefits) computed at the PRC statutory tax rate of 25%</td>
<td>175,911</td>
<td>(53,284)</td>
<td>(79,862)</td>
<td>(11,471)</td>
</tr>
<tr>
<td></td>
<td>Income tax expenses (benefits) computed at the Hong Kong statutory tax rate of 16.5%</td>
<td>123,780</td>
<td>(35,168)</td>
<td>(52,707)</td>
<td>(7,571)</td>
</tr>
<tr>
<td></td>
<td>Effect of differing tax rates in different jurisdictions</td>
<td>(52,131)</td>
<td>18,116</td>
<td>27,155</td>
<td>3,900</td>
</tr>
<tr>
<td>Jurisdiction</td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
<td></td>
</tr>
<tr>
<td>Income before income tax</td>
<td>526,031</td>
<td>620,634</td>
<td>68,594</td>
<td>9,853</td>
<td></td>
</tr>
<tr>
<td>Income tax expenses computed at the PRC statutory tax rate of 25%</td>
<td>131,508</td>
<td>155,158</td>
<td>17,148</td>
<td>2,463</td>
<td></td>
</tr>
<tr>
<td>Income tax expenses computed at the Singapore statutory tax rate of 17%</td>
<td>76,916</td>
<td>105,508</td>
<td>11,661</td>
<td>1,675</td>
<td></td>
</tr>
<tr>
<td><strong>Effect of differing tax rates in different jurisdictions</strong></td>
<td>(54,592)</td>
<td>(49,650)</td>
<td>(5,487)</td>
<td>(788)</td>
<td></td>
</tr>
<tr>
<td>PRC</td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
<td></td>
</tr>
<tr>
<td>Income (Loss) before income tax</td>
<td>242,820</td>
<td>142,077</td>
<td>(589,754)</td>
<td>(84,713)</td>
<td></td>
</tr>
<tr>
<td>Income tax expenses (benefits) computed at the PRC statutory tax rate of 25%</td>
<td>60,705</td>
<td>35,519</td>
<td>(147,439)</td>
<td>(21,178)</td>
<td></td>
</tr>
<tr>
<td>Income tax expenses (benefits) computed at the PRC statutory tax rate of 25%</td>
<td>61,053</td>
<td>35,519</td>
<td>(147,439)</td>
<td>(21,178)</td>
<td></td>
</tr>
<tr>
<td><strong>Effect of differing tax rates in different jurisdictions</strong></td>
<td>348</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
<td></td>
</tr>
<tr>
<td>(Loss) Income before income tax</td>
<td>(88,228)</td>
<td>2,501</td>
<td>(244,796)</td>
<td>(35,163)</td>
<td></td>
</tr>
<tr>
<td>Income tax (benefits) expenses computed at the PRC statutory tax rate of 25%</td>
<td>(22,057)</td>
<td>625</td>
<td>(61,199)</td>
<td>(8,791)</td>
<td></td>
</tr>
<tr>
<td>Income tax (benefits) expenses computed at the French statutory tax rate of 33.33%</td>
<td>(33,958)</td>
<td>834</td>
<td>(81,515)</td>
<td>(11,709)</td>
<td></td>
</tr>
<tr>
<td><strong>Effect of differing tax rates in different jurisdictions</strong></td>
<td>(11,901)</td>
<td>209</td>
<td>(20,316)</td>
<td>(2,918)</td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
<td></td>
</tr>
<tr>
<td>Loss before income tax</td>
<td>(13,604)</td>
<td>(1,239)</td>
<td>(1,053)</td>
<td>(151)</td>
<td></td>
</tr>
<tr>
<td>Income tax benefits computed at the PRC statutory tax rate of 25%</td>
<td>(3,401)</td>
<td>(310)</td>
<td>(263)</td>
<td>(38)</td>
<td></td>
</tr>
<tr>
<td>Income tax benefits computed at the Taiwan statutory tax rate of 17% for 2017, 20% for 2018, and 20% for 2019</td>
<td>(2,313)</td>
<td>(248)</td>
<td>(211)</td>
<td>(30)</td>
<td></td>
</tr>
<tr>
<td><strong>Effect of differing tax rates in different jurisdictions</strong></td>
<td>1,088</td>
<td>62</td>
<td>52</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
<td></td>
</tr>
<tr>
<td>Income before income tax</td>
<td>24,065</td>
<td>109,662</td>
<td>387,211</td>
<td>55,618</td>
<td></td>
</tr>
<tr>
<td>Income tax expenses computed at the PRC statutory tax rate of 25%</td>
<td>6,016</td>
<td>27,416</td>
<td>96,803</td>
<td>13,906</td>
<td></td>
</tr>
<tr>
<td>Income tax expenses computed at the statutory tax rates of such other jurisdictions</td>
<td>2,158</td>
<td>17,590</td>
<td>455</td>
<td>64</td>
<td></td>
</tr>
<tr>
<td><strong>Effect of differing tax rates in different jurisdictions</strong></td>
<td>(3,858)</td>
<td>(9,826)</td>
<td>(96,348)</td>
<td>(13,842)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>RMB (in thousands)</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
<td></td>
</tr>
<tr>
<td>Income (Loss) before income tax</td>
<td>1,433,265</td>
<td>1,269,723</td>
<td>(365,687)</td>
<td>(52,528)</td>
<td></td>
</tr>
<tr>
<td>Income tax expenses (benefits) computed at the PRC statutory tax rate of 25%</td>
<td>358,316</td>
<td>317,431</td>
<td>(91,423)</td>
<td>(13,132)</td>
<td></td>
</tr>
<tr>
<td>Income tax expenses (benefits) computed at the statutory tax rates of different jurisdictions</td>
<td>238,751</td>
<td>124,760</td>
<td>(269,482)</td>
<td>(38,709)</td>
<td></td>
</tr>
<tr>
<td><strong>Effect of differing tax rates in different jurisdictions</strong></td>
<td>(119,565)</td>
<td>(192,671)</td>
<td>(178,059)</td>
<td>(25,577)</td>
<td></td>
</tr>
</tbody>
</table>
The following table sets forth the effect of tax holiday and preferential tax treatments on our income tax expenses in each applicable jurisdiction, for the years ended December 31, 2017, 2018 and 2019.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2017 RMB</th>
<th>2018 RMB</th>
<th>2019 RMB</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore(1)</td>
<td>(58,443)</td>
<td>(74,279)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>PRC(2)</td>
<td>(22,442)</td>
<td>12,835</td>
<td>84,520</td>
<td>12,141</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>(80,671)</td>
<td>(61,434)</td>
<td>84,520</td>
<td>12,141</td>
</tr>
</tbody>
</table>

(1) Our Singapore subsidiary is entitled to tax holiday by obtaining a Development and Expansion Incentive and as a result is subject to a 5% corporate income tax rate on qualifying income from 2016 to 2025. Moreover, due to change in business condition, such incentives and terminated in 2019 and the Singapore subsidiary in cooperated in Singapore became subject to 17% income tax rate since 2019. For details, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation—Taxation in Different Jurisdictions—Singapore.”

(2) Certain of our PRC entities are entitled to tax holiday as new software development enterprise or to the preferential income tax rate of 15% as high new technology enterprise. For details, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Taxation—Taxation in Different Jurisdictions—PRC—Enterprise Income Tax.”
Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years indicated. The year-to-year comparisons of results of operations should not be relied upon as indicative of our future performance.

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2017(1)</th>
<th>2018(2)</th>
<th>2019(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>4,974,757</td>
<td>4,981,705</td>
<td>3,587,695</td>
</tr>
<tr>
<td><strong>Utility products and related services</strong></td>
<td>3,439,563</td>
<td>3,119,483</td>
<td>1,573,030</td>
</tr>
<tr>
<td><strong>Mobile entertainment</strong></td>
<td>1,496,443</td>
<td>1,778,867</td>
<td>1,871,543</td>
</tr>
<tr>
<td><strong>AI and others</strong></td>
<td>38,751</td>
<td>83,355</td>
<td>143,122</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>(1,780,089)</td>
<td>(1,540,633)</td>
<td>(1,241,932)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>3,194,668</td>
<td>3,441,072</td>
<td>2,345,763</td>
</tr>
<tr>
<td><strong>Operating income and expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Research and development</strong></td>
<td>(684,863)</td>
<td>(668,918)</td>
<td>(787,329)</td>
</tr>
<tr>
<td><strong>Selling and marketing</strong></td>
<td>(1,656,505)</td>
<td>(1,910,044)</td>
<td>(1,558,315)</td>
</tr>
<tr>
<td><strong>General and administrative</strong></td>
<td>(407,410)</td>
<td>(430,826)</td>
<td>(587,457)</td>
</tr>
<tr>
<td><strong>Impairment of goodwill</strong></td>
<td>—</td>
<td>—</td>
<td>(545,665)</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>990</td>
<td>35,938</td>
<td>22,091</td>
</tr>
<tr>
<td><strong>Total operating expenses, net</strong></td>
<td>(2,747,788)</td>
<td>(2,973,850)</td>
<td>(3,456,675)</td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td>446,880</td>
<td>467,222</td>
<td>(1,110,912)</td>
</tr>
<tr>
<td><strong>Interest income, net</strong></td>
<td>22,603</td>
<td>87,716</td>
<td>110,010</td>
</tr>
<tr>
<td><strong>Foreign exchange (loss) gain, net</strong></td>
<td>(15,224)</td>
<td>13,821</td>
<td>49</td>
</tr>
<tr>
<td><strong>Other income, net</strong></td>
<td>979,006</td>
<td>700,964</td>
<td>635,166</td>
</tr>
<tr>
<td><strong>Income (Loss) before income taxes</strong></td>
<td>1,433,265</td>
<td>1,269,723</td>
<td>(365,687)</td>
</tr>
<tr>
<td><strong>Income tax expenses</strong></td>
<td>(57,602)</td>
<td>(117,000)</td>
<td>(7,904)</td>
</tr>
<tr>
<td><strong>Net income(loss)</strong></td>
<td>1,375,663</td>
<td>1,152,723</td>
<td>(373,591)</td>
</tr>
</tbody>
</table>

(1) VAT is presented in the cost of revenues rather than net against revenues in accordance with the legacy revenue accounting standard (ASC 605).

(2) VAT is presented as net against revenues rather than in the cost of revenues in accordance with the new revenue accounting standard (ASC 606).
Share-based compensation expenses were allocated in cost of revenues and operating expenses as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>(in thousands)</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>762</td>
<td>206</td>
<td>524</td>
<td>75</td>
</tr>
<tr>
<td>Research and development</td>
<td>20,691</td>
<td>14,224</td>
<td>59,771</td>
<td>8,586</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>39</td>
<td>8,967</td>
<td>3,818</td>
<td>548</td>
</tr>
<tr>
<td>General and administrative</td>
<td>51,824</td>
<td>61,721</td>
<td>63,327</td>
<td>9,097</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73,316</strong></td>
<td><strong>85,118</strong></td>
<td><strong>127,440</strong></td>
<td><strong>18,306</strong></td>
</tr>
</tbody>
</table>

Starting from January 1, 2018, we adopted a new revenue accounting standard (ASC 606), which reclassifies VAT from cost of revenues to net against revenues. The consolidated statement of comprehensive income (loss) data for the years ended December 31, 2018 and 2019 presented above have been prepared in accordance with ASC 606 and exclude the impact of VAT, while the consolidated statements of comprehensive income (loss) data for the year ended December 31, 2017 presented above have been prepared in accordance with the legacy revenue accounting standard (ASC 605) and, unlike the consolidated statement of comprehensive income (loss) data for the years ended December 31, 2018 and 2019, include the impact of VAT.

**Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

**Revenues.** Our revenues decreased by 28.0% from RMB4,981.7 million in 2018 to RMB3,587.7 million (US$515.3 million) in 2019.

**Utility products and related services.** Revenues from utility products and related services decreased by 49.6% from RMB3,119.5 million in 2018 to RMB1,573.0 million (US$226.0 million) in 2019. The year-over-year decrease was primarily due to (i) a decline in our mobile utility product business in overseas markets, (ii) a decline in our mobile utility product business in the domestic market, and (iii) a decline in PC-related revenues. In 2019, approximately 85.4% of our revenues from its utility products and related services business were generated from advertising while the rest of its revenues were generated from other sources, such as providing premium services, anti-virus software sales and office software sales.

Revenues from our mobile utility product business in overseas markets decreased by 60.4% year over year from RMB1,268.5 million in 2018 to RMB502.1 million (US$72.1 million) in 2019. The year-over-year decrease was mainly due to the suspension of our advertising collaboration with Facebook since December 2018, and a decline in MAUs. Revenues from our mobile utility product business in the domestic market decreased by 50.8% year over year from RMB1350.0 million in 2018 to RMB664.2 million (US$95.4 million) in 2019. The year-over-year decrease was the result of headwinds in the domestic online advertising market. PC-related revenues decreased by 19.0% year over year from RMB502.1 million in 2018 to RMB406.7 million (US$58.4 million) in 2019 as internet traffic in China continued to migrate from PC to mobile devices.

**Mobile entertainment services.** Revenues from mobile entertainment services increased by 5.2% from RMB1,778.9 million in 2018 to RMB1,871.5 million (US$268.8 million) in 2019, mostly driven by the growth of our casual mobile game, Bricks n Balls.

Revenues from the mobile game business increased by 26.8% from RMB925.0 million in 2018 to RMB1,173.0 million (US$168.5 million) in 2019. The increases were mainly due to the contribution from the casual mobile game, Bricks n Balls. In 2019, approximately 32.2% of the revenues from the mobile games business were generated from advertising while the remaining revenues were generated from in-game purchases.

Revenues from the content-driven products decreased by 18.2% year over year from RMB853.9 million in 2018 to RMB698.6 million (US$100.3 million) in 2019, mainly due to the deconsolidation of Live.me effective
since September 30, 2019. In the first nine months of 2019, revenues generated from content-driven products increased by 11.9% from RMB624.3 million in 2018 to RMB698.6 million (US$100.3 million) in 2019.

AI and others. Revenues from AI and others increased to RMB143.1 million (US$20.6 million) in 2019 from RMB83.4 million in 2018. This increase was primarily due to the contribution from hardware sales.

Cost of revenues. Our cost of revenues decreased by 19.4% from RMB1,540.6 million in 2018 to RMB1,241.9 million (US$178.4 million) in 2019. The decrease in our cost of revenues was mainly due to a significant reduction in costs associated with our utility product business and the deconsolidation of Live.me.

Gross profit. As a result of the foregoing, our gross profit decreased by 31.8% from RMB3,441.1 million in 2018 to RMB2,345.8 million (US$336.9 million) in 2019.

Gross margin. Our gross margin decreased to 65.4% for the year ended December 31, 2019 from 69.1% for the year ended December 31, 2018.

Operating expenses. Our operating expenses increased by 16.2% from RMB2,973.9 million in 2018 to RMB3,456.7 million (US$496.5 million) in 2019, due to one-time asset impairment charges, and the rise in research and development personnel for both our mobile games and AI-related businesses.

Research and development expenses. Our research and development expenses increased by 17.7% from RMB668.9 million in 2018 to RMB787.3 million (US$113.1 million) in 2019. This decrease was primarily due to the rise in R&D personnel for both our mobile games and AI-related businesses, partially offset by a reduction in the personnel for our utility products and related services business.

Selling and marketing expenses. Our selling and marketing expenses decreased by 18.4% from RMB1,910.0 million in 2018 to RMB1,558.3 million (US$223.8 million) in 2019. This decrease was primarily due to the reduction in promotional activities for our utility products and related services business.

General and administrative expenses. Our general and administrative expenses increased by 36.4% from RMB430.8 million in 2018 to RMB587.5 million (US$84.4 million) in 2019, which was mainly due to one-time asset impairment charges.

Impairment of goodwill. For the year ended December 31, 2019, we performed qualitative and quantitative assessments for each of its reporting units. As a result, we booked a goodwill impairment charge of RMB545.7 million (US$78.4 million) in 2019.

Other operating income. Other operating income primarily consisted of government grants, subsidies and financial incentives that we received in connection with our operations not related to research and development projects. Other operating income was RMB22.1 million (US$3.2 million) in 2019, as compared with RMB35.9 million in 2018.

Operating loss(profit). As a result of the foregoing, we had an operating loss of RMB1,110.9 million (US$159.6 million) in 2019, as compared to an operating profit of RMB467.2 million in 2018.

Operating loss(profit) margin. We had an operating loss margin of 31.0% in 2019, as compared to an operating profit margin of 9.4% in 2018.

Other income, net. Other income, net, was RMB635.2 million (US$91.2 million) in 2019, mainly resulting from the deconsolidation of Live.me.

Income tax expense. Our income tax expense was RMB7.9 million (US$1.1 million) in 2019, as compared to RMB117.0 million in 2018.
**Net income (loss) attributable to Cheetah Mobile shareholders.** Primarily as a result of the foregoing, our net loss attributable to Cheetah Mobile shareholders was RMB314.0 million (US$45.1 million) in 2019, as compared to a net income attributable to Cheetah Mobile shareholders of RMB1,166.9 million in 2018.

**Year Ended December 31, 2018 Compared to Year Ended December 31, 2017**

To facilitate the comparison of operating results and trends in the years ended December 31, 2018 and 2017, we excluded the impact of VAT for the year ended December 31, 2017, to present on the same basis as the year ended December 31, 2018 when we compare the revenues, cost of revenues, gross profit and operating profit, and calculate the corresponding percentage changes in the paragraphs below.

**Revenues.** Our revenues increased by 2.2% to RMB4,981.7 million in 2018. This increase was primarily driven by rapid growth in our mobile entertainment businesses, which increased by 19.0% year over year to RMB1,778.9 million in 2018, mostly driven by the growth of our mobile games operations.

**Utility products and related services.** Revenues from utility products and related services decreased by 6.7% year over year to RMB3,119.5 million in 2018. The decrease was primarily due to (i) a decline in PC-related revenues and (ii) a decline in our mobile utility product business in the overseas market. In 2017 and 2018, approximately 93% of our revenues from the utility products and related services were generated from advertising, and the rest of the revenues were generated from miscellaneous items such as the sale of anti-virus and office application software.

As internet traffic in China continues to migrate from PC to mobile devices, PC-related revenues decreased by 7.0% year over year to RMB580.0 million in 2018. Revenues from our mobile utility product business in the overseas markets decreased by 30.5% year over year to RMB1,268.5 million in 2018. In the overseas markets, certain advertising formats, such as ads on mobile phone lock screens, had been discontinued by Facebook and Google in 2017 and 2018, respectively. In December 2018, our collaborations with some third-party advertising platforms, such as Facebook, were suspended, which had a negative impact on our overseas advertising revenues in the following months. We were informed by Facebook about the suspension of advertising collaborations approximately two weeks after the allegations made in November 2018 by a third party against us regarding several of our utilities applications. The suspension does not impact our role as a Facebook advertising reseller through Hongkong Zoom Interactive Network Marketing Technology Limited, a subsidiary of ours. The reason for the suspension as cited by Facebook was that certain of our applications were not in compliance with Facebook’s policies. During the first nine months of 2018, revenues from Facebook accounted for approximately 6.5% of our total revenues. Revenues from Facebook accounted for approximately 7.3%, 7.4%, and 2.7% of our total revenues in October, November and December of 2018, respectively. The resumption of the advertising collaborations was pending a full review of our recent activities by Facebook.

In the domestic market, fluctuations in China’s online advertising market may also affect our revenues from the mobile utility products and related services business in China, which in turn affect our revenue on utility products and related services. We expect the above factors to continue affecting our revenues from the utility products and related services.

**Mobile entertainment services.** Revenues from mobile entertainment services increased by 19.0% year over year to RMB1,778.9 million in 2018, mostly driven by the growth of our mobile games operations. mostly driven by the growth of our mobile game operations. In 2017 and 2018, approximately 36% of the revenues from the mobile entertainment business were generated from advertising on mobile game business and the remaining revenues were generated from in-game purchase from the mobile game business and virtual gifts from the LiveMe business.

**AI and others.** Revenues from AI and others increased to RMB83.4 million in 2018 from RMB37.3 million in 2017. This increase was primarily driven by the sales of Cheetah Translator, an AI-based voice translation device.
Cost of revenues. Our cost of revenues decreased by 8.3% year over year to RMB1,540.6 million in 2018. The decrease in our cost of revenues was mainly due to (i) reduced traffic acquisition costs associated with our third-party advertising business, (ii) reduced bandwidth and cloud service costs associated with our mobile utility applications in the overseas markets, (iii) reduced personnel costs involved in our PC business and (iv) lower amortization of intangible assets in 2018 as we had disposed News Republic and completed the amortization of MobPartner, which was acquired in April 2015.

Gross profit. As a result of the foregoing, our gross profit increased by 7.7% year over year to RMB3,441.1 million in 2018.

Gross margin. Our gross margin expanded to 69.1% for the year ended December 31, 2018 from 65.5% for the year ended December 31, 2017.

Operating expenses. Our operating expenses increased by 8.2% year over year to RMB2,973.9 million in 2018, due to increase in selling and marketing expenses and general and administrative expenses.

Research and development expenses. Our research and development expenses decreased by 2.3% year over year to RMB668.9 million in 2018. This decrease was primarily due to lower share-based compensation expenses.

Selling and marketing expenses. Our selling and marketing expenses increased by 15.3% year over year to RMB1,910.0 million in 2018. This increase was primarily due to increased promotional activities for our utility products and related services business in the domestic market and our mobile games business in all markets.

General and administrative expenses. Our general and administrative expenses increased by 5.7% year over year to RMB430.8 million in 2018, which was mainly due to higher share-based compensation expenses and an increase in allowances for doubtful accounts.

Other operating income. Other operating income primarily consisted of government grants, subsidies and financial incentives that we received in connection with our operations not related to research and development projects. Other operating income was RMB35.9 million in 2018, as compared with RMB1.0 million in 2017.

Operating profit. As a result of the foregoing, we had an operating profit of RMB467.2 million in 2018, as compared to RMB446.9 million in 2017.

Operating profit margin. We had an operating profit margin of 9.4% in 2018, as compared to 9.2% in 2017.

Other income, net. Other income, net, was RMB701.0 million in 2018, mainly resulting from the disposals of certain portion of our equity ownership in Bytedance Ltd., whose transaction agreement was entered in the fourth quarter of 2018 and resulted in a disposal gain of investment of US$43.3 million. This transaction also resulted in a fair value gain of US$43.3 million in 2018 for the remaining portion of the equity ownership which we still hold, in accordance with ASC 321, adopted on January 1, 2018.

Income tax expense. Our income tax expense was RMB117.0 million in 2018, as compared to RMB57.6 million in 2017.

Net income attributable to Cheetah Mobile shareholders. Primarily as a result of the foregoing, our net income attributable to Cheetah Mobile shareholders was RMB1,166.9 million in 2018, as compared to RMB1,348.2 million in 2017.

Inflation

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the consumer price index in China increased by 1.8%, 1.9% and 4.5% in 2017,
2018 and 2019, respectively. Although we have not in the past been materially affected by inflation in the past, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China in the future.

**Critical Accounting Policies**

We prepare our consolidated financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur, could materially impact the consolidated financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

**Revenue recognition**

We adopted ASC 606, *Revenue from Contracts with Customers* (“ASC 606”), from January 1, 2018, using the modified retrospective method. Revenues for the years ended December 31, 2018 and 2019 were presented under ASC 606, and revenues for the year ended December 31, 2017 were not adjusted and continue to be presented under ASC 605, *Revenue Recognition*. The cumulative effect of adopting ASC 606 resulted in an increase of RMB11,892 to the opening balance of retained earnings at January 1, 2018, which is primarily related to our online advertising services.

Starting from January 1, 2018, value added taxes (“VAT”) was reclassified from cost of revenue to net against revenues in accordance with ASC 606. Other than the presentation of VAT, the impact from adopting ASC 606 was not material to our consolidated financial statements as of and for the year ended December 31, 2018.

We generate our revenues primarily through utility products and related services, mobile entertainment, AI and others. We recognize revenue when it has approval and commitment from the customer, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The following table presents our revenues disaggregated by revenue source (prior period amounts have not been adjusted under the modified retrospective method as noted above):

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
<td>US$</td>
</tr>
<tr>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility products and related services</td>
<td>3,439,563</td>
<td>3,119,483</td>
<td>1,573,030</td>
<td>225,952</td>
</tr>
<tr>
<td>Mobile entertainment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile game business</td>
<td>624,013</td>
<td>925,003</td>
<td>1,172,944</td>
<td>168,483</td>
</tr>
<tr>
<td>Content-driven products</td>
<td>872,430</td>
<td>853,864</td>
<td>698,599</td>
<td>100,347</td>
</tr>
<tr>
<td>Others</td>
<td>38,751</td>
<td>83,355</td>
<td>143,122</td>
<td>20,558</td>
</tr>
<tr>
<td><strong>Total consolidated revenues</strong></td>
<td><strong>4,974,757</strong></td>
<td><strong>4,981,705</strong></td>
<td><strong>3,587,695</strong></td>
<td><strong>515,340</strong></td>
</tr>
</tbody>
</table>
Utility products and related services

Online advertising

Online advertising revenue is primarily derived from displaying advertising customer’s advertisements on our online platforms including duba.com and other websites, browsers, PC and mobile applications, and to a lesser extent, on third-party advertising publishers’ websites or mobile applications. We have three general pricing models for our advertising products: cost over a time period, cost for performance basis and cost per impression basis. For advertising contracts over a time period, we generally recognize revenue ratably over time, because the customer simultaneously receives and consumes the benefits as we perform throughout a fixed contract term. For contracts that are charged on the cost for performance basis, we charge an agreed-upon fee to our customers determined based on the effectiveness of advertising links, which is typically measured by clicks, transactions, installations, user registrations, and other actions originating from our online platforms. Revenue is recognized at a point in time when there is an effective click, transaction, installations, user registrations, and other actions originating from our online platforms. For contracts that are charged on the cost per impression basis, we recognize the revenue at a point in time when the impressions are delivered. For online advertising services arrangement involving third-party advertising publishers’ websites or mobile publications, we recognize gross revenue the amount of fees received or receivable from customers as we have control over the advertising services rather than to arrange for the advertising services to be provided by third parties on their internet properties. Revenue for online advertising services is recognized at a point in time when all the revenue recognition criteria are met. Payments made to the third-party advertising publishers or content providers are included in cost of revenues.

Advertising agency services

We provide advertising agency services by arranging advertisers to purchase various advertisement products from certain online networks, primarily Facebook. We receive from the online network performance-based commissions, which are determined based on a pre-specified percentage of the payment by the advertisers for the online network’s various advertisement products. We act as an agent to arrange for the advertising services to be provided by third parties on their internet properties. Revenue from advertising agency services is recognized on a net basis at a point in time when the advertisement products are delivered by the online networks. The revenue is estimated by us based on the real-time advertising performance results provided by the online networks and the commission rates pre-determined in contracts signed with relevant online networks. There was no significant difference between our estimates and the subsequent periodic invoices provided by the online network for all the periods presented.

Internet security services

We market and distribute our off-the-shelf anti-virus security solutions to enterprise and individual users, which can be downloaded online and available for the users for a period of time as specified in the contract. Fees charged in relation to the anti-virus security solutions are recognized as revenue over time because the customer simultaneously receives and consumes the benefits as we perform throughout a fixed contract term.

Other utility products related services

Other utility products related services primarily comprise of the sale of office application software. Revenue for perpetual license is recognized at a point in time when control transfers to the customer, which generally occurs when products are made available to customers.

Mobile entertainment

Mobile games

We develop several popular mobile games and operate some games exclusively licensed from third-party developers, which attracted a massive user base and provide ample advertising revenue opportunities. Similar
with monetization method for the mobile utility products, we derive advertising revenues by displaying advertisements on mobile games. Advertisers purchase advertising services directly from us or through third-party partnering mobile advertising platforms. Revenue is recognized at a point in time when an advertisement is displayed to users, while impressions are considered delivered.

We sell both perpetual and consumable in-game virtual items. Perpetual in-game virtual items represent items that are accessible to the paying users as long as the users continues to play. Consumable virtual items represent items that can be consumed by specific user actions. We recognize revenues from the perpetual in-game virtual items over the estimated average paying users’ life. We recognize revenues from the consumable in-game virtual items at a point in time when specific user actions taken by paying users.

We track the in-game virtual item purchases and log-in history of the paying users to calculate the retention of game users based on a statistical model in order to arrive at the best estimate of the average paying users’ life of each game. For newly launched games with a limited period of paying users’ data available for the estimate, we consider the estimated average paying user’s life of other recently launched games with similar characteristics.

Commission fees paid to distribution platforms and payment channels and the fees shared by the third-party game developers are recorded as cost of revenues.

Online live broadcast services

We create and offer virtual items to be used by users on mobile live broadcast application “LiveMe”, which was operated and maintained by us. All “LiveMe” live video shows are available free of charge and fans can purchase virtual items on the platform with virtual currencies to support their favorite performers. We recognize revenue from LiveMe on a gross basis as it has control over the fulfillment of providing mobile live broadcasts on the LiveMe platform, and records payments to the performers and third-party payment platforms as cost of revenues. When virtual currencies are converted into virtual items which are consumed simultaneously, performers receive a certain number of virtual diamonds as a result. When performers receive virtual diamonds, they have a choice to either cash out the virtual diamonds or convert them into virtual currencies and continue to consume the virtual currencies on the platform. Since the performers can convert the virtual items into cash and recharge into their account (if they do) or directly convert into virtual currencies, we believe that the conversion into virtual currencies is analogous to recharge by cash and revenue should be recognized when virtual currencies converted from virtual items are consumed. Proceeds received from users for the sales of virtual currencies are recorded as contract liability, representing prepayments received from users in the form of our virtual currency not yet converted into virtual items. Revenue recognized is based on the weighted average unit price of virtual currencies and the quantities of virtual currencies converted into virtual items. The weighted average unit price of virtual currencies is calculated on a monthly basis as the sum of the contract liability at the beginning of the month, proceeds received during the month and the cash value of the virtual diamonds converted into virtual currencies divided by the sum of the virtual currencies balance at the beginning of the month plus the quantity of virtual currencies generated during the month. We cease to provide this service as Live.me was deconsolidated on September 30, 2019 (Note 3).

AI and Others

AI and other revenue primarily comprises of the sale of AI hardware. We recognize revenue generally at a point in time for the sale of AI hardware products when the products are delivered to customers. Technical consulting services are recognized over time because the customer simultaneously receives and consumes the benefits as we perform throughout a fixed term.

Other revenue recognition related policies

For arrangements that include multiple performance obligations, we would evaluate all the performance obligations in the arrangement to determine whether each performance obligation is distinct. Consideration is
allocated to each performance obligation based on its standalone selling price. If a promised good or service does not meet the criteria to be considered distinct, it is combined with other promised goods or services until a distinct bundle of goods or services exists.

We provide sales incentives to customers which entitle them to receive reductions in the price. We account for these incentives granted to customers as variable consideration and record them as reduction of revenue. The amount of variable consideration is measured based on the most likely amount of incentives to be provided to customers. We believe that there will not be significant changes to our estimate of variable consideration.

Cash and cash equivalents

Cash consists of cash on hand and bank deposits, which are unrestricted to withdrawal and use. All highly liquid investments with original stated maturity of three months or less are classified as cash equivalents.

Restricted cash

Restricted cash consists primarily of the cash reserved in escrow accounts for the remaining payments in relation to business acquisition, the cash pledged as collateral for a short-term bank loan, and the cash reserved in third-party trust account.

Consolidation of VIEs

PRC law currently restricts foreign ownership of internet-based and mobile-based businesses and regulates internet access, distribution of online information, online advertising, distribution and operation of online games through strict business licensing requirements and other government regulations. We are a Cayman Islands company and to comply with these foreign ownership restrictions, we operate our website and conduct substantially the majority of our online advertising and the distribution and operation of internet value-added services and internet security services businesses in the PRC through the VIEs.

Beijing Mobile and Beijing Network and other companies, our VIEs or its subsidiaries, hold the requisite ICP Licenses required to operate our internet-based, including mobile-based businesses in China. We have been and are expected to continue to be dependent on our VIEs to operate our business if PRC laws do not allow us to directly operate such business in China. Our company, as well as Beijing Security and Conew Network, our wholly-owned subsidiaries, as the case may be, has entered into a series of contractual arrangements with the VIEs and their respective shareholders. Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between us and the VIEs through the irrevocable shareholder voting proxy agreements, whereby the shareholders of the VIEs effectively assign all of the voting rights underlying their equity interests in the VIEs to our company. Furthermore, pursuant to the exclusive option agreements, which include a substantive kick-out right, our company has the power to control the shareholders of the VIEs, and therefore, the power to govern the activities that most significantly impact the economic performance of the VIEs. In addition, through the contractual arrangements, the company demonstrate their ability and intention to continue to exercise the ability to absorb substantially all of the expected losses and the majority of the profits of the VIEs, and therefore, have the rights to the economic benefits of the VIEs. As a result of these contractual arrangements, we consolidate the VIEs as required by ASC 810-10, Consolidation: Overall.

Goodwill

We assess goodwill for impairment in accordance with ASC 350, Intangibles—Goodwill and Other: Goodwill (“ASC 350-20”), which requires that goodwill to be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events. As of December 31, 2018 and 2019, we have three reporting units, consisting of utility products and related services, mobile entertainment and AI and others.
We have the option to assess qualitative factors first to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20. If we believe, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In the qualitative assessment, we consider primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on either quoted market prices of the ordinary shares or estimated fair value using the income approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired, and we are not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit’s goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss.

On disposal of a portion of reporting unit that constitutes a business, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When we dispose of a business within the reporting unit, the amount of goodwill disposed is measured based on the relative fair value of the business disposed and the portion of the reporting unit retained. This relative fair value approach is not used when the business to be disposed was not integrated into the reporting unit after its acquisition, in which case the current carrying amount of the acquired goodwill should be included in the carrying amount of the business to be disposed.

**Leases**

We adopted ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”) from January 1, 2019 by using the modified retrospective method and did not restate the comparable periods. We have elected the package of practical expedients, which allows us to carry forward the historical lease classification, not to assess whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. We have also elected the practical expedient not to separate lease and non-lease components for certain classes of underlying assets and the short-term lease exemption for contracts with lease terms of 12 months or less.

We determine if an arrangement is a lease or contains a lease at lease inception. For operating leases, we recognize a right-of-use asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. For finance leases, assets are included in property and equipment on the consolidated balance sheets. As most of our leases do not provide an implicit rate, we estimate its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Our leases often include options to extend and lease terms include such extended terms when we are reasonably certain to exercise those options. Lease terms also include periods covered by options to terminate the leases when we are reasonably certain not to exercise those options. Lease expense is recorded on a straight-line basis over the lease term.

Upon adoption, we recognized operating lease right-of-use assets of RMB216,540 (US$31,104) and total lease liabilities of RMB218,077 (US$31,325) for operating leases as of January 1, 2019. The impact of adopting ASU 2016-02 on our opening retained earnings and current year net income was insignificant. As of December 31, 2019, we recognized operating lease right-of-use assets of RMB183,563 (US$26,367), and total operating lease liabilities of RMB180,104 (US$25,870), including current portion of RMB58,503 (US$8,404) recorded in “Accrued expense and other current liabilities” and non-current portion of RMB121,601 (US$17,466) recorded in “Other non-current liabilities”.

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**Business Combinations**

Except for business combination under common control, we account for its business combinations using the purchase method of accounting in accordance with ASC 805, *Business Combinations*. The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets, and liabilities we acquired, based on their estimated fair values. The consideration transferred of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total cost of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings. During the measurement period, which can be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statements of comprehensive income (loss).

In a business combination achieved in stages, we remeasure its previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in earnings.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and noncontrolling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. We determine discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

**Investment in equity securities**

We account for the investments in common stock or in-substance common stock in entities in which it can exercise significant influence but does not own a majority equity interest or control using the equity method in accordance with ASC 323-10, *Investments-Equity Method and Joint Ventures: Overall* unless we elect to account for the investment using the fair value option in accordance with ASC 825-10, *Financial Instruments: Fair Value Option* (“ASC 825”). We apply the equity method of accounting that is consistent with ASC 323-10 in limited partnership in which we hold a three percent or greater interest. Where the equity method is used, we initially record our investment at cost and the difference between the cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is recognized as equity method goodwill, which is included in the equity method investment on the consolidated balance sheets. We subsequently adjust the carrying amount of the investment to recognize our proportionate share of each equity investee’s net income or loss into earnings after the date of investment. We evaluate the equity method investments for impairment under ASC 323-10. An impairment loss on the equity method investments is recognized in earnings when the decline in value is determined to be other-than-temporary.

We have elected the fair value option when it initially recognizes an equity method investment as we determined the fair value of this investment better represents the value of the underlying assets. Such election is irrevocable, and can be applied to financial assets on an individual basis at initial recognition. Any changes in fair value are recognized in earnings in the consolidated statements of comprehensive income (loss).
Prior to adopting ASC Topic 321, Investments—Equity Securities (“ASC 321”) on January 1, 2018, we account for other equity investments that are not considered as debt securities or equity securities with readily determinable fair values and over which we neither have significant influence nor control through investment in common stock or in-substance common stock using the cost method in accordance with ASC 325-20, Investments-Other: Cost Method Investments. Under cost method, we carry the investment at cost and only adjusts for other-than-temporary declines in fair value and distributions of earnings. Our management regularly evaluates the impairment of the cost method investments based on the performance and financial position of the investee as well as other evidence of estimated market values. Such evaluation includes, but is not limited to, reviewing the investee’s cash position, recent financing, projected and historical financial performance, cash flow forecasts and current and future financing needs. An impairment loss is recognized in earnings equal to the excess of the investment’s cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment.

We adopted ASC 321, Investments—Equity Securities (“ASC 321”) on January 1, 2018. Pursuant to ASC 321, equity investments with readily determinable fair value, except for those accounted for under the equity method, those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC Topic 820, Fair Value Measurements and Disclosures (“ASC 820”) to estimate fair value using the net asset value per share (or its equivalent) of the investment, we elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

For equity investments measured at fair value with changes in fair value recorded in earnings, we do not assess whether those securities are impaired. For those equity investments that we elect to use the measurement alternative, we make a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, we have to estimate the investment’s fair value in accordance with the principles of ASC 820. If the fair value is less than the investment’s carrying value, we have to recognize an impairment loss in earnings equal to the difference between the carrying value and fair value.

**Fair value measurements of financial instruments**

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

Financial instruments primarily consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, due from and due to related parties, other receivables, long-term investments, accounts payable and other current liabilities. The carrying amounts of these financial instruments, except for long-term investments approximate their fair values because of their generally short-term maturities.

We with the assistance of an independent third-party valuation firm, determined the estimated fair value of our equity investments using the alternative measurement and equity method investment with fair value option elected.

**Impairment of Long-Lived Assets and Intangible Assets**

We evaluate our long-lived assets or asset group, including intangible assets with indefinite and finite lives, for impairment. Intangible assets with indefinite lives that are not subject to amortization are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the assets
might be impaired in accordance with ASC 350-30, *Intangibles-Goodwill and Other: General Intangibles Other than Goodwill*. Such impairment test compares the fair values of assets with their carrying values with an impairment loss recognized when the carrying values exceed fair values. For long-lived assets and intangible assets with finite lives that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, we evaluate impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, we would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value.

**Income Taxes**

We account for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. We record a valuation allowance against operation deferred tax assets exclude operation defer tax liability if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

**Share-based Compensation**

We account for share-based compensation following the provision of ASC 718, or ASC 718, *Compensation—Stock Compensation*, under which we determine whether an award should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees classified as equity awards are recognized in the financial statements based on their grant date fair values.

**Fair Value of Our Ordinary Shares**

Since our initial public offering in May 2014, the determination of the fair value of our ordinary shares is based on the market price of our ADSs, each representing ten Class A ordinary shares, traded on the NYSE.

In determining the fair value of restricted shares with an option feature granted in and after 2014, we use the binomial tree model for an option pricing applied. As the grantees were required to pay purchase price for their restricted shares, the restricted shares are treated as an option for the purpose of determining the fair value of such restricted shares. The key assumptions used to determine the fair value of the restricted shares with the option feature at the relevant grant dates include the fair value of our ordinary shares and the factors set forth in the table below. Changes in these assumptions could significantly affect the fair value of the restricted shares and hence the amount of share-based compensation expense we recognize in our consolidated financial statements.

The following table presents the key assumptions (other than the fair value of our ordinary shares, which is discussed above) used to estimate the fair values of the restricted shares with the option feature granted in the years indicated:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rates(1)</td>
<td>2.78%~2.99%</td>
<td>2.97%~3.59%</td>
<td>1.70%~3.25%</td>
</tr>
<tr>
<td>Expected volatility range(2)</td>
<td>55.9%~58.0%</td>
<td>55.5%~57.2%</td>
<td>57.1%~62.9%</td>
</tr>
<tr>
<td>Expected dividend yield(3)</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected exercise multiple(4)</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
</tr>
</tbody>
</table>

(1) The risk-free interest rate for periods within the contractual life of the restricted shares with the option feature is based on the U.S. Treasury yield curve in effect at the time of grant for a term consistent with the expected term of the awards.
(2) Expected volatility is estimated based on the historical volatility ordinary shares of several comparable companies in the same industry.

(3) The dividend yield was estimated based on our expected dividend policy over the expected term of the restricted shares with the option feature.


If factors change and we employ different assumptions for estimating share-based compensation expenses in future periods or if we decide to use a different valuation model, our share-based compensation expenses in future periods may differ significantly from what we have recorded in prior periods and could materially affect our operating profit, net income (loss) and net income (loss) per share.

Recent Accounting Pronouncements

A list of recent accounting pronouncements that are relevant to us is included in Note 2 to our consolidated financial statements, which are included in this annual report.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

We finance our operations and strategic investments primarily using our cash and cash equivalents, including our operating cash inflows, short-term investments and bank loans. Cash and cash equivalents consist of cash on hand and bank deposits, which are unrestricted to withdrawal and use, and highly liquid investments with original stated maturity of three months or less. Short-term investments consist of highly liquid investments with original maturities of greater than three months but less than 12 months and investments that are expected to be realized in cash during the next 12 months. As of December 31, 2019, we had RMB2,354.8 million (US$338.2 million) in cash and cash equivalents, restricted cash and short-term investments.

Between 2010 and 2017, we entered into several revolving loan facility agreements and unsecured loan agreements with certain financial institutions, pursuant to which we are entitled to borrow US$ or Euro denominated loan. As of December 31, 2017, the outstanding amount of loans was equivalent to RMB336,304. We have fully repaid the loans as of December 31, 2019.

We believe that our cash and the anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the next 12 months. However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or debt securities or increase our borrowing from banks.

Under PRC regulations, prior approval from and prior registration with the SAFE is required for Renminbi conversion for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China. Subject to certain rules and procedures, the Renminbi is freely convertible for current account items, including the distribution of dividends, and trade- and service-related foreign exchange transactions. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends to our shareholders.
The table below sets forth a breakdown of our cash by currency and location as of December 31, 2017, 2018 and 2019:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>(in thousands of RMB)</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Cash located outside of the PRC</strong></td>
<td></td>
</tr>
<tr>
<td>—held by Subsidiaries in US dollars</td>
<td>1,645,135</td>
</tr>
<tr>
<td>—held by Subsidiaries in RMB</td>
<td>26,510</td>
</tr>
<tr>
<td>—held by Subsidiaries in others</td>
<td>104,172</td>
</tr>
<tr>
<td>—held by VIEs in US dollars</td>
<td>—</td>
</tr>
<tr>
<td>—held by VIEs in others</td>
<td>4,437</td>
</tr>
<tr>
<td><strong>Cash located in the PRC</strong></td>
<td></td>
</tr>
<tr>
<td>—held by Subsidiaries in RMB</td>
<td>487,121</td>
</tr>
<tr>
<td>—held by Subsidiaries in US dollars</td>
<td>6,135</td>
</tr>
<tr>
<td>—held by Subsidiaries in others</td>
<td>—</td>
</tr>
<tr>
<td>—held by VIEs in RMB</td>
<td>—</td>
</tr>
<tr>
<td>—held by VIEs in US dollars</td>
<td>25,922</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td>2,317,488</td>
</tr>
</tbody>
</table>

The table below sets forth a breakdown of our short-term investments by location as of December 31, 2017, 2018 and 2019:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>(in thousands of RMB)</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Short-term investments located outside of the PRC</strong></td>
<td></td>
</tr>
<tr>
<td>—Time deposits located outside the PRC</td>
<td>1,259,244</td>
</tr>
<tr>
<td>—Other short-term investment located outside the PRC</td>
<td>—</td>
</tr>
<tr>
<td>—Convertible loans located outside the PRC</td>
<td>—</td>
</tr>
<tr>
<td><strong>Short-term investments located in the PRC</strong></td>
<td></td>
</tr>
<tr>
<td>—Time deposits located in the PRC</td>
<td>136,450</td>
</tr>
<tr>
<td><strong>Total short-term investments</strong></td>
<td>1,395,694</td>
</tr>
</tbody>
</table>

The following table sets forth a summary of our cash flows for the years indicated:

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>(in thousands)</td>
<td>RMB</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>625,588</td>
</tr>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(231,493)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>508,066</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash, cash equivalents and restricted cash</td>
<td>(73,275)</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at the beginning of year</td>
<td>1,578,751</td>
</tr>
<tr>
<td>Net increase (decrease) in cash, cash equivalents and restricted cash</td>
<td>828,886</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at the end of year</td>
<td>2,407,637</td>
</tr>
</tbody>
</table>

Operating Activities

Net cash used in operating activities for the year ended December 31, 2019 was RMB239.5 million (US$34.4 million). This amount was primarily attributable to net loss of RMB373.6 million (US$53.7 million), (i) adjusted for deemed gain on disposal of a VIE’s subsidiary/subsidiary of RMB840.6 million (US$120.7 million), and changes in fair value of financial assets of RMB35.3 million (US$5.1 million); (ii) adjusted for certain non-cash expenses, primarily impairment of assets of RMB902.3 million (US$129.6 million), depreciation of property and equipment of RMB37.4 million (US$5.4 million), amortization of intangible assets of RMB28.1 million (US$4.0 million) and share-based compensation expenses of RMB127.4 million (US$18.3 million); (iii) adjusted for changes in operating assets and liabilities that positively affected operating cash flow, primarily an decrease in accounts receivable of RMB163.4 million (US$23.5 million); and (iv) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to an increase in prepayments and other current assets of RMB198.1 million (US$28.5 million). The increase in prepayments was primarily attributable to increase in other receivables from advertisers.

Net cash provided by operating activities for the year ended December 31, 2018 was RMB345.6 million. This amount was primarily attributable to net income of RMB1,152.7 million, (i) adjusted for changes in fair value of financial assets of RMB344.3 million, gain on disposal/deemed disposal of investments of RMB300.2 million, resulting from disposal of certain portion of our equity ownership in Bytedance Ltd., and gain on disposal of a VIE’s subsidiary/subsidiary of RMB193.7 million; (ii) adjusted for certain non-cash expenses, primarily impairment of assets of RMB155.3 million, amortization of intangible assets of RMB39.9 million and share-based compensation expenses of RMB85.1 million; (iii) adjusted for changes in operating assets and liabilities that positively affected operating cash flow, primarily an increase in income tax payable of RMB66.4 million; and (iv) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to an increase in prepayments and other current assets of RMB264.8 million and an increase in due from related parties of RMB59.2 million. The increase in prepayments and other current assets was primarily attributable to increase in other receivables from advertisers.

Net cash provided by operating activities for the year ended December 31, 2017 was RMB625.6 million. This amount was primarily attributable to net income of RMB1,375.7 million, (i) adjusted for certain non-cash expenses, primarily impairment of assets of RMB313.9 million, amortization of intangible assets of RMB91.1 million, and share-based compensation expenses of RMB73.3 million, (ii) gain on disposal/deemed disposal of investments of RMB1,012.1 million, mainly resulting from disposal of Musically and gain on disposal of News Republic amounted to RMB232.7 million; (iii) adjusted for changes in operating assets and liabilities that positively affected operating cash flow, primarily an increase in accrued expenses and other current liabilities of RMB189.9 million; and (iv) partially offset by changes in operating assets and liabilities that negatively affected operating cash flow, primarily due to an increase in prepayments and other current assets of RMB179.5 million and an increase in accounts receivable of RMB163.5 million. The increase in accrued expenses and other current liabilities was mainly attributable to (i) the increase in payable to online advertising platforms as an agency, and (ii) the increase in accrued bandwidth and internet data center costs. The increase in prepayments and other current assets was primarily attributable to increase in other receivables from advertisers.

Investing Activities

Net cash used in investing activities was RMB1,085.2 million (US$155.9 million) for the year ended December 31, 2019, primarily attributable to purchase of short-term investments of RMB3,508.1 million (US$503.9 million), purchase of long-term investments of RMB494.7 million (US$71.1 million), net cash out of disposal and deemed disposal of subsidiaries of RMB233.4 million (US$33.5 million), and purchase of property, plant and equipment of RMB102.2 (US$14.7 million), partially offset by maturity of short-term investments of RMB3,267.0 million (US$469.3 million).

Net cash provided by investing activities was RMB538.6 million for the year ended December 31, 2018, primarily attributable to proceeds from maturity of short-term investments of RMB3,049.1 million and proceeds from disposal of other long term investments of RMB578.3 million, partially offset by purchase of short-term investments of RMB2,492.0 million and purchase of other long term investments of RMB529.5 million.
Net cash used in investing activities was RMB231.5 million for the year ended December 31, 2017, primarily attributable to purchase of short-term investments of RMB2,000.7 million, purchase of other long term investments of RMB384.6 million and loan to related parties of RMB108.7 million, partially offset by proceeds and advance from disposal of other long term investments of RMB1,136.5 million, primarily resulting from disposal of Musical.ly, proceeds from maturity of short-term investments of RMB940.8 million and proceeds from disposal of a subsidiary/VIE’s subsidiary of RMB152.7 million.

**Financing Activities**

Net cash used in financing activities was RMB485.1 million (US$69.7 million) for the year ended December 31, 2019. This amount was primarily due to dividends paid to shareholders of RMB500.6 million (US$71.9 million).

Net cash used in financing activities was RMB546.5 million for the year ended December 31, 2018. This amount was primarily due to repayment for bank loans of RMB329.1 million and payment for share repurchase of RMB221.7 million.

Net cash generated from financing activities was RMB508.1 million for the year ended December 31, 2017. This amount was primarily due to proceeds from issuance of Live.me Preferred Shares of RMB635.8 million, partially offset by repayment for bank loans of RMB138.7 million.

**Holding Company Structure**

Cheetah Mobile Inc. is a holding company. We conduct most of our operations through our subsidiaries and our VIEs incorporated in and outside China. As a result, although other means are available for us to obtain financing at the holding company level, Cheetah Mobile Inc.‘s ability to pay dividends to the shareholders and to service any debt it may incur depends on dividends paid by our subsidiaries and service fees paid by our VIEs under the exclusive technology development, support and consultancy agreements. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to us.

Each of our PRC entities is required to make appropriations to certain statutory reserve funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. Specifically, each of our PRC entities is required to allocate at least 10% of its after-tax profits each year, if any, to fund certain statutory reserve funds until such reserve funds reach 50% of its registered capital. In addition, each of our PRC entities may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds, enterprise expansion fund and discretionary surplus fund, as the case may be, at the discretion of its board of directors. With the implementation of FIL, rules of activities of foreign-funded enterprises, including but not limited to the dividend distribution, will be governed by the Company Law of the People’s Republic of China. According to the Company Law, if the aggregate balance of our statutory common reserve is not enough to make up for the losses of the previous year, the current year’s profits shall first be used for making up the losses before the statutory common reserve is drawn according to the provisions of the preceding paragraph. After we have drawn statutory common reserve, which is 10% of the after-tax profit, from the after-tax profits, it may, upon a resolution made by the shareholders’ meeting, draw a discretionary common reserve from the after-tax profits. After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to shareholders in proportion to the actual capital contribution actually paid by them, unless otherwise agreed upon by all the shareholders. We may stop drawing the profits if the aggregate balance of the statutory common reserve has already accounted for over 50% of our registered capital. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Currency Exchange and Dividend Distribution” for further details.

Loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits, See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Foreign Debt” for further details. In addition, if we decide to finance our PRC subsidiaries by means of capital contributions, these capital contributions must be approved by the PRC government. Therefore, any failure or delay in receiving such
registrations or approvals may limit our ability to fund our PRC subsidiaries using funds we have, hence materially and adversely affecting our liquidity and our ability to fund and expand our business.

**Capital Expenditures**

We incurred capital expenditures of RMB25.9 million, RMB65.4 million and RMB102.2 million (US$14.7 million) in 2017, 2018 and 2019, respectively. Our capital expenditures were primarily attributable to purchase of computers and servers related to research and development activities, purchase of AI hardware, purchase of intangible assets, including intellectual property, game copyrights and tools applications. We have been reducing the purchase of computer servers as we move most of our operations to cloud-based services provided by third parties. As our business expands, we may purchase more intangible assets, new servers and other equipment in the future.

**C. Research and Development**

We seek to be at the forefront of our industry by meeting and anticipating user needs through the development of innovative products and services. Our research and development and innovation are driven by our user-centric culture. From our line engineers to our chief executive officer, everyone involved in our interactive product development process focuses on developing and enhancing products and services to anticipate, meet and exceed our users’ expectations. Through various channels such as pre-release trial events among our fans in various countries, feedback from closed beta testing and user comments and ratings on application distribution platforms, our global users provide us with information about our products and services and the evolution of the mobile industry. We innovate and enhance our products and services based on our users’ feedbacks and ideas. In addition, we have made heavy investments in artificial intelligence technologies since the middle of 2016.

As of December 31, 2019, our engineering team consisted of 1,240 employees, approximately 84% of whom held bachelor’s or more advanced degrees. In addition, we have a dedicated customer service team capable of operating in multiple languages that interacts with users and receives users’ input and advice regarding further product development.

**D. Trend Information**

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2019 that are reasonably likely to have a material and adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future results of operations or financial conditions.

**E. Off-Balance Sheet Arrangements**

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder’s equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity for such assets. We do not have any obligation, including a contingent obligation, arising out of a variable interest in any unconsolidated entity that we hold and material to us, where such entity provides financing, liquidity, market risk or credit risk support to us or engages in leasing, hedging or research and development services with us.

**F. Contractual Obligations**

The following table sets forth our contractual obligations by specified categories as of December 31, 2019.

<table>
<thead>
<tr>
<th>Payment Due by Period</th>
<th>Total (In thousands of RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less Than 1 Year</td>
</tr>
<tr>
<td>Operating lease obligations(^{(1)})</td>
<td>199,469</td>
</tr>
</tbody>
</table>

---

\(^{(1)}\) As of December 31, 2019.
Mainly include operating lease for our office building and rental payments for employees’ accommodations.

G. Safe Harbor

See “Forward-Looking Statements” on page 2 of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

<table>
<thead>
<tr>
<th>Directors and Executive Officers</th>
<th>Age</th>
<th>Position/Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheng Fu</td>
<td>42</td>
<td>Chief Executive Officer and Chairman of the Board of Directors</td>
</tr>
<tr>
<td>Tao Zou</td>
<td>44</td>
<td>Director</td>
</tr>
<tr>
<td>Jie Xiao</td>
<td>45</td>
<td>Director and Senior Vice President</td>
</tr>
<tr>
<td>Pin Zhou</td>
<td>42</td>
<td>Director and Senior Vice President</td>
</tr>
<tr>
<td>Ning Zhang</td>
<td>46</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Michael Jinbo Yao</td>
<td>43</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Richard Weidong Ji</td>
<td>52</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Tianyang Zhao</td>
<td>39</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Dr. Yi Ma</td>
<td>47</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Thomas Jintao Ren</td>
<td>41</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Edward Mingyan Sun</td>
<td>36</td>
<td>Senior Vice President</td>
</tr>
</tbody>
</table>

Sheng Fu has been our Chairman of the Board since March 2018, and our chief executive officer and director of the Board since November 2010. Mr. Fu has also been a senior vice president of Kingsoft Corporation since March 2011. Since September 2009, Mr. Fu has been the chief executive officer and chairman of Conew Network. Prior to that, Mr. Fu was the vice president of Matrix Partners China from November 2008. Between November 2005 and August 2008, Mr. Fu worked at Qihoo 360 serving various management roles at its 360 department, a division then in charge of developing 360 products. From March 2003 to October 2005, Mr. Fu was the product manager of 3721 Internet Real Name and 3721 Internet Assistant. Mr. Fu received a bachelor’s degree in economics from Shandong Institute of Business and Technology in China in 1999.

Tao Zou has been our director since December 2016. Mr. Zou was appointed to be our director by Kingsoft Corporation, at which he serves as an executive director and the chief executive officer. Mr. Zou also serves as a director of Seasun Holdings Limited, a director of Xunlei Limited (NASDAQ: XNET) and a director of 21Vianet Group, Inc. (NASDAQ: VNET). Mr. Zou joined Kingsoft Corporation in 1998 serving various management roles. Mr. Zou graduated from Nankai University in 1997.

Jie Xiao has been our director since March 2018, and our senior vice president since November 2014, after having served as our vice president since October 2010. Ms. Xiao is in charge of business development, marketing, and commercial products. From 2008 to 2010, she was a senior manager at the enterprise marketing department of Baidu, Inc. (NASDAQ: BIDU), focusing on public relations. Before that, she worked as a public relations director at Qihoo 360 Technology Co., Ltd. and a communications manager for Yahoo! China. Ms. Xiao received a bachelor’s degree in accounting from Renmin University in 1999.

Pin Zhou has been our director of the Board and our senior vice president since March 2018, after having served as our advisor since March 1, 2015. Mr. Zhou is in charge of global advertising business sales, human resources, and part of our smart hardware business. Mr. Zhou has more than 18 years of experience in the internet industry, with extensive knowledge in product management and online advertising. Before joining Cheetah Mobile, Mr. Zhou served as the founder and chief executive officer of Quwan.com, an e-commerce company in China. Before that, Mr. Zhou held various managerial positions in Tuopu Software Group, Herosoft and Baidu. Mr. Zhou received a bachelor’s degree in international finance from Shanxi Institute of Finance and Economics in 1999.
Ning Zhang currently serves as the founder and chairman of Red Avenue Group. Red Avenue Group researches, produces, and invests in new materials through three business units: Red Avenue New Materials Group, Red Avenue Investment Group, and Red Avenue Foundation.

Michael Jinbo Yao is the chairman and chief executive officer of 58.com. Mr. Yao founded 58.com and has served as the Chairman of the Board of Directors and Chief Executive Officer of 58.com since its inception. Mr. Yao is a pioneer in China’s Internet industry. Prior to founding 58.com, in 2000, Mr. Yao founded domain.cn, a domain name transaction and value-added service website in China. After domain.cn was acquired by net.cn in the same year, Mr. Yao served in various managerial roles at net.cn, including Vice President of Sales until 2005. Mr. Yao currently serves on the board of directors of Golden Pacer and a NYSE-listed company, namely Noah Holdings Limited, a leading wealth and asset management service provider in China. Mr. Yao received his bachelor’s degrees in computer science and chemistry from Ocean University of China (formerly known as Ocean University of Qingdao) in 1999.

Richard Weidong Ji has been our independent director since May 2014. Our board of directors has determined that Mr. Ji meets the independence standards under Rule 10A-3 under the Exchange Act and applicable NYSE corporate governance rules. Mr. Ji is the founding partner of All-Stars Investment Limited, which aims to invest in internet technology leaders and consumer brands that help enhance the lives of Chinese consumers with existing portfolio companies including Xiaomi, Didi Chuxing, Tujia, Full Truck Alliance and Sense Time. Mr. Ji is also an independent director and a member of the audit committee of the boards of the NASDAQ-listed YY Inc. Mr. Ji served as managing director and head of Asia-Pacific internet/media investment research at Morgan Stanley Asia Limited from 2005 to 2012, during which period he had won recognitions from publications and research groups such as Institutional Investor, Greenwich Associates, Asia money and Financial Times. Mr. Ji holds a Doctor of Science degree from Harvard University, an MBA from the Wharton School of Business at the University of Pennsylvania and a Bachelor of Science from Fudan University in China.

Tianyang Zhao currently serves as the chief executive officer of Beijing Shougang Fund and Chairman of the Board of Shougang Concord International (HK.0697). Mr. Zhao helped establish in 2010. Beijing Shougang Fund currently manages 12 funds with RMB48 billion in assets under management. As a professional investor, Mr. Zhao has invested in a wide variety of areas including parking infrastructure and smart cities, supply chain finance, medicine and healthcare, sports and entertainment, big data and artificial intelligence, new energy vehicles and also equipment manufacturing. In the past few years, Mr. Zhao led Shougang Group and its listed global subsidiaries in several public and private capital market transactions. Mr. Zhao graduated from Peking University and Cheung Kong Graduate School of Business (EMBA).

Dr. Yi Ma currently serves as a professor at the Electrical Engineering and Computer Sciences (EECS) Department of the University of California at Berkeley. From 2014 to 2017, he was a professor and the executive dean of the School of Information and Science and Technology, Shanghai Tech University, China. From 2009 to early 2014, he was a principal researcher and research manager of the Visual Computing group at Microsoft Research Asia. From 2000 to 2011, he was an associate professor at the ECE Department of the University of Illinois at Urbana-Champaign. His main research interest is in computer vision and high-dimensional data analysis. He received his Bachelor’s degree in automation and applied mathematics from Tsinghua University (Beijing, China) in 1995, Master of Science degree in EECS in 1997, Master of Arts degree in mathematics in 2000, and PhD degree in EECS in 2000, all from the University of California at Berkeley. He is an IEEE Fellow since 2013 and an ACM Fellow since 2017. He is ranked as the World’s Highly Cited Researchers by Clarivate Analytics of Thomson Reuters since 2016, and ranked among the Top 50 of the World’s Most Influential Authors in Computer Science by Semantic Scholar, according to the Science Magazine 2016.

Thomas Jintao Ren has been our chief financial officer since January 2020. Prior to Cheetah Mobile, Mr. Ren served as the chief financial officer of Renren Inc. (NYSE: RENN) since September 2015. Mr. Ren also served as the chief financial officer of Kaixin Auto Holdings (NASDAQ:KXIN) from September 2015 to August 2020.
2019. Kaixin Auto Holdings is a subsidiary of Renren Inc. Prior to rejoining Renren Inc., Mr. Ren was the chief financial officer at Chukong Technologies. From 2005 to 2014, Mr. Ren served as Renren Inc.’s senior finance director. Prior to that, Mr. Ren had worked at KPMG for five years. Mr. Ren holds a bachelor’s degree in economics from Renmin University of China. He is a certified public accountant in China and the United States, and a chartered professional accountant in Canada.

Edward Mingyan Sun joined Cheetah Mobile in 2010 and has been in charge of various mobile utility products, including CM Launcher, Cheetah Keyboard, Clean Master, Security Master, Cheetah Browser for both PC and mobile, and Duba Antivirus. Prior to Cheetah Mobile, Edward worked at Qihoo 360 and Trent Micro, serving in various management roles. Edward received his a college degree and continued his post-graduate studies at the University of Science and Technology of China.

B. Compensation

Compensation of Directors and Officers

For the fiscal year ended December 31, 2019, we paid an aggregate of approximately RMB27.3 million (US$3.9 million) in cash to our executive officers and directors (excluding independent directors), and an aggregate of approximately RMB2.8 million (US$0.4 million) in cash to our independent directors. Our PRC entities are required by law to make contributions equal to certain percentages of each employee’s salary for his or her retirement benefit, medical insurance benefits, housing funds, unemployment and other statutory benefits. For the fiscal year ended December 31, 2019, we contributed an aggregate of approximately RMB0.9 million (US$0.1 million) for pension, retirement benefits or other similar benefits for our executive officers and directors.

Share Incentive Awards

Share Incentive Plans

We adopted a share award scheme in May 2011, as amended in September 2013 and November 2016, or the 2011 Plan, a 2013 equity incentive plan in January 2014, or the 2013 Plan, and a 2014 restricted shares plan, or the 2014 Plan. The purpose of our share incentive plans is to recruit and retain key employees, directors or consultants of outstanding ability and to motivate them to deliver the best performance for the benefit of our company.

1. The 2011 Plan

Under the 2011 Plan, the maximum number of shares in respect of which awards that may be granted is 100,000,000 ordinary shares of our company as at the date of such grant, excluding any shares awarded that have lapsed or have been forfeited. In May 2011, we issued 100,000,000 ordinary shares that were put on trust for the benefit of participating employees in the 2011 Plan. As of March 31, 2020, 99,507,634 restricted shares (excluding those that have been forfeited) had been granted under the 2011 Plan.

The following paragraphs summarize the key terms of the as amended 2011 Plan.

Types of Awards. The 2011 Plan provides for the award of our ordinary shares subject to certain terms and conditions that our board of directors may determine in its absolute discretion.

Plan Administration. Our board or a committee of our board duly authorized for the purpose of the 2011 Plan shall administer the 2011 Plan. The plan administrator will determine in its absolute discretion the employees to receive the awards, the number of awards to be granted to each selected grantee, and the terms and conditions of each award grant. We have set up a trust pursuant to a trust deed to facilitate the administration of the 2011 Plan.
**Award Notice.** Share awards granted under the 2011 Plan are evidenced by an award notice that sets forth the terms and conditions for each grant, which relate to vesting, forfeiture or lapse of unvested awarded shares, and repurchase of vested awarded shares.

**Eligibility.** We may grant awards to any employee of our company, including without limitation an employee who is also a director of our company or subsidiaries.

**Lapse of the Awards.** An award will lapse if (i) the grantee of an award ceases to be an employee of our company or subsidiaries, (ii) the company which employs the selected employee ceases to be a subsidiary of our company, or (iii) there is an ordinary for involuntary wind-up of our company or a resolution is passed for the voluntary wind-up of our company, save for the purposes of an amalgamation, reconstruction or scheme of arrangement.

**Vesting Schedule.** The plan administrator determines the vesting schedule, which is set forth in the award notice.

**Transfer Restrictions.** Each award granted under the 2011 Plan are personal to respective grantees and may not be sold, transferred, assigned, charged, mortgaged, or encumbered with any interests in favor of any other third party.

**Termination.** The 2011 Plan will terminate in May 2021, unless terminated at an earlier date by our board of directors.

2. **The 2013 Plan**

Under the 2013 Plan, the maximum number of our ordinary shares that may be issued is 64,497,718 ordinary shares. As of March 31, 2020, 59,716,317 restricted shares with a purchase price (excluding those that have been forfeited) had been granted under the 2013 Plan.

The following is a summary of the key terms of the 2013 Plan.

**Types of Awards.** The 2013 Plan provides for the grant of share options and share appreciation rights, in addition to the grant or sale of other share-based awards, such as our ordinary shares, restricted shares and awards that are valued in whole or in part by reference to or based on the fair market value of our ordinary shares.

**Plan Administration.** Our board, our compensation committee, or a subcommittee thereof duly authorized for the purpose of the Plan will be the plan administrator of our 2013 Plan. The plan administrator has the sole discretion to determine the participants to receive the awards, the number and types of awards to be granted to each participant, and the terms and conditions of each award grant.

**Award Agreement.** Awards under the 2013 Plan are evidenced by an award agreement that sets forth the terms and conditions for each grant.

**Exercise Price.** The exercise price, grant price, or purchase price of any award shall be determined by the plan administrator at its sole discretion.

**Eligibility.** We may grant awards to the employees, director or consultant of our company, Kingsoft Corporation or its affiliates.

**Term of Awards.** The term of options and share appreciation rights awarded under the 2013 Plan shall be determined by the plan administrator, subject to a maximum term of ten years after the date of grant. The term of other share-based awards shall be determined by the plan administrator.
Lapse of Option Awards. An option award will lapse if (i) the option has expired, (ii) the participant’s relationship or employment with our company and/or affiliates has been terminated with or without cause pursuant to any applicable laws or under the participant’s service contract with our company and/or affiliates, (ii) winding-up of our company has been commenced, or (iii) otherwise provided for in the award agreement.

Vesting Schedule. The plan administrator determines the vesting schedule, which is set forth in the award agreement.

Transfer Restrictions. An award may not be transferred or assigned by the participant in any manner other than by will or by the laws of descent and distribution, unless otherwise determined by the plan administrator.

Termination. The 2013 Plan will terminate automatically in January 2024, unless terminated at an earlier date by a resolution of our shareholders.

3. The 2014 Plan

We adopted the 2014 Plan in April 2014. The maximum aggregate number of shares which may be issued pursuant to all awards under the 2014 Plan is 122,545,665 Class A ordinary shares. As of March 31, 2020, 42,953,014 restricted shares (excluding those that have been forfeited) had been granted under the 2014 Plan.

The following is a summary of the key terms of the 2014 Plan.

Types of Awards. The 2014 Plan permits the awards of restricted shares and restricted share units.

Plan Administration. Our board, our compensation committee, or a subcommittee thereof duly authorized for the purpose of the Plan will be the plan administrator of our 2014 Plan. The plan administrator has the sole discretion to determine the participants to receive the awards, the number and types of awards to be granted to each participant, and the terms and conditions of each award grant.

Award Agreement. Awards granted under the 2014 Plan are evidenced by an award agreement that sets forth terms, conditions and limitations for each award, which may include the term of the award, the provisions applicable in the event of the grantee’s employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind the award.

Eligibility. We may grant awards to the employees, directors and consultants of our company.

Acceleration of Awards upon Change in Control. If a change in control of our company occurs, the plan administrator may, in its sole discretion, provide for (i) all awards outstanding to terminate at a specific time in the future and give each participant the right to exercise the vested portion of such awards during a specific period of time, or (ii) the purchase of any award for an amount of cash equal to the amount that could have been attained upon the exercise of such award, or (iii) the replacement of such award with other rights or property selected by the plan administrator in its sole discretion, or (iv) payment of award in cash based on the value of ordinary shares on the date of the change-in-control transaction plus reasonable interest.

Vesting Schedule. In general, the plan administrator determines the vesting schedule, which is specified in the relevant award agreement.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than by will or the laws of descent and distribution, except as otherwise provided by the plan administrator.

Termination of the 2014 Plan. Unless terminated earlier, the 2014 Plan will terminate automatically in 2024. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval or home country practice.
The following table summarizes, as of March 31, 2020, the restricted shares that we granted to our current directors and executive officers and to other individuals as a group under our 2011 Plan, 2013 Plan and 2014 Plan, and which remained outstanding.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Restricted Shares Outstanding</th>
<th>Purchase Price (US$/Share)</th>
<th>Date of Grant</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheng Fu</td>
<td>19,307,951</td>
<td>0.34</td>
<td>March 21, 2014</td>
<td>January 1, 2024</td>
</tr>
<tr>
<td></td>
<td>773,975</td>
<td>N/A</td>
<td>November 20, 2018</td>
<td>April 24, 2024</td>
</tr>
<tr>
<td>Jie Xiao</td>
<td>*</td>
<td>N/A</td>
<td>January 1, 2012</td>
<td>May 25, 2021</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>0.19</td>
<td>January 31, 2016</td>
<td>April 24, 2024</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>N/A</td>
<td>November 20, 2018</td>
<td>April 24, 2024</td>
</tr>
<tr>
<td>Edward Mingyan Sun</td>
<td>*</td>
<td>N/A</td>
<td>October 1, 2017</td>
<td>January 1, 2024</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>N/A</td>
<td>May 1, 2017</td>
<td>April 24, 2024</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>0.08</td>
<td>April 1, 2018</td>
<td>January 1, 2024</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>N/A</td>
<td>November 20, 2018</td>
<td>April 24, 2024</td>
</tr>
<tr>
<td>Pin Zhou</td>
<td>*</td>
<td>0.06</td>
<td>October 1, 2017</td>
<td>January 1, 2024</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>0.17</td>
<td>January 31, 2016</td>
<td>April 24, 2024</td>
</tr>
<tr>
<td></td>
<td>*</td>
<td>N/A</td>
<td>November 20, 2018</td>
<td>April 24, 2024</td>
</tr>
<tr>
<td>Thomas Jintao Ren</td>
<td>*</td>
<td>N/A</td>
<td>March 22, 2020</td>
<td>January 1, 2024</td>
</tr>
<tr>
<td>Michael Jinbo Yao</td>
<td>*</td>
<td>N/A</td>
<td>January 1, 2018</td>
<td>May 25, 2021</td>
</tr>
<tr>
<td>Other individuals as a group</td>
<td>34,074,588</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>61,593,894</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

* Less than 1% of our total outstanding Class A and Class B ordinary shares.

All restricted shares granted prior to the completion of our initial public offering under our share incentive plans entitle the holders to our Class B ordinary shares, while all restricted shares granted thereafter entitle the holders to Class A ordinary shares.

### Employment Agreements

We have entered into employment agreements with our senior executive officers. We may terminate a senior executive officer’s employment for cause at any time without remuneration for certain acts of the officer, such as being convicted of or pleads guilty to a felony or to an act of fraud, misappropriation or embezzlement, any negligence or dishonest acts to the detriment of our company, or any misconduct or failure to perform his/her duties after afforded a reasonable opportunity to cure such failure. We may also terminate a senior executive officer’s employment without cause at any time by giving one month’s prior written notice, and we shall provide severance payments to the officer as expressly required by the applicable law of the jurisdiction where the officer is based. A senior executive officer may terminate his or her employment at any time by giving one month’s prior written notice.

In connection with the employment agreement, each senior executive officer has agreed to hold all proprietary or confidential information of our company and our affiliates or the respective clients, customers or partners, including, without limitation, all software and computer formulae, designs, specifications, drawings, data, manuals and instructions and all customer and supplier lists, sales and financial information, business plans and forecasts, all technical solutions and the trade secrets of our company, in strict confidence perpetually. Each officer also agrees that we shall own all the intellectual property developed by such officer during his or her employment.
C. Board Practices

Board of Directors

Our board of directors currently consists of nine directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director may vote with respect to any contract or transaction in which he or she is interested provided the nature of the interest is disclosed prior to its consideration and any vote thereon. Our directors may exercise all the powers of our company to borrow money, mortgage or charge our undertaking, property and uncalled capital, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of our company or of any third party.

Committees of the Board of Directors

We have established an audit committee, a compensation committee and a nominating and corporate governance committee under the board of directors. We have adopted a charter for each of the three committees. Each committee’s members and functions are described below.

Audit Committee

Our audit committee consists of Richard Weidong Ji and Tianyang Zhao, and is chaired by Richard Weidong Ji. Our board of directors has determined that Richard Weidong Ji and Tianyang Zhao, both meet the “independence” requirements of NYSE and the independence standards under Rule 10A-3 under the Exchange Act. We have determined that Richard Weidong Ji qualifies as an “audit committee financial expert.” The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- selecting the independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by the independent registered public accounting firm;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management’s response;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of any material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with management and the independent registered public accounting firm; and
- reporting regularly to the board.

Compensation Committee

Our compensation committee consists of Ning Zhang, and Tianyang Zhao, and is chaired by Ning Zhang. Our board of directors has determined that Ning Zhang, and Tianyang Zhao, both satisfy the “independence” standards under applicable NYSE corporate governance rules. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
• reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;

• reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and

• selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

**Nominating and Corporate Governance Committee**

Our nominating and corporate governance committee consists of Ning Zhang, and Michael Jinbo Yao and is chaired by Michael Jinbo Yao. Our board of directors has determined that Ning Zhang and Michael Jinbo Yao both satisfy the “independence” standards under applicable NYSE corporate governance rules. The committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The committee is responsible for, among other things:

• recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;

• reviewing annually with the board the current composition of the board with regard to characteristics such as independence, skills, experience, expertise, diversity, and availability of service to us;

• selecting and recommending to the board the directors to serve as members of each standing committee of the board; and

• developing and reviewing periodically the corporate governance principles adopted by the board to ensure appropriateness and compliance with the requirements of the NYSE, and to recommend any desirable changes to the board.

**Duties of Directors**

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached.

**Terms of Directors and Executive Officers**

Our officers are elected by and serve at the discretion of the board. Our directors are not subject to a term of office and hold office until such time as they resign or are removed from office by ordinary resolution or the unanimous written resolution of all shareholders. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his creditors; (2) dies or is found to be or becomes of unsound mind; or (3) without special leave of absence from the board of directors, is absent from meetings of the board for three consecutive meetings and the board resolves that his office be vacated.
D. Employees

We had 2,465, 2,592 and 2,209 employees as of December 31, 2017, 2018 and 2019, respectively. The following table sets forth the number of our employees, categorized by function, as of December 31, 2019:

<table>
<thead>
<tr>
<th>Function</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations</td>
<td>101</td>
</tr>
<tr>
<td>Research and development</td>
<td>1,240</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>547</td>
</tr>
<tr>
<td>General and administrative</td>
<td>321</td>
</tr>
<tr>
<td>Total</td>
<td>2,209</td>
</tr>
</tbody>
</table>

E. Share Ownership

For information regarding the share ownership of our directors and officers, see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders.” For information as to share awards granted to our directors, executive officers and other employees, see “Item 6. Directors, Senior Management and Employees—B. Compensation—Share Incentive Awards—Share Incentive Plans.”

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our shares as of March 31, 2020 by:

- each of our current directors and executive officers; and
- each person known to us to own beneficially more than 5% of our shares.

Percentage of beneficial ownership is based on 1,393,070,159 total outstanding ordinary shares as of March 31, 2020, representing the sum of 435,084,177 Class A ordinary shares and 957,985,982 Class B ordinary shares of our company.
Beneficial ownership is determined in accordance with the rules and regulations of the SEC. These rules generally provide that a person is the beneficial owner of securities if such person has or shares the power to vote or direct the voting of securities, or to dispose or direct the disposition of securities or has the right to acquire such powers within 60 days. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security, in both the numerator and the denominator. These shares, however, are not included in the computation of the percentage ownership of any other person.

### Shares Beneficially Owned

<table>
<thead>
<tr>
<th>Directors and Executive Officers**</th>
<th>Shares Beneficially Owned</th>
<th>Ordinary Shares Beneficially Owned</th>
<th>Voting Power</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Class A Ordinary Shares</td>
<td>Class B Ordinary Shares</td>
<td>% (1)</td>
</tr>
<tr>
<td>Sheng Fu(3)</td>
<td>30,468,565</td>
<td>68,599,088</td>
<td>7.0</td>
</tr>
<tr>
<td>Tao Zou(4)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Jie Xiao</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Pin Zhou</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Ning Zhang(5)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Michael Jinbo Yao(6)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Richard Weidong Ji(7)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Tianyang Zhao(8)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dr. Yi Ma(9)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Thomas Jintao Ren</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Edward Mingyan Sun</td>
<td>45,533,325</td>
<td>74,399,088</td>
<td>8.5</td>
</tr>
<tr>
<td>All directors and executive officers as a group</td>
<td>45,533,325</td>
<td>74,399,088</td>
<td>8.5</td>
</tr>
</tbody>
</table>

### Principal Shareholders:

<table>
<thead>
<tr>
<th>Principal Shareholders</th>
<th>Shares Beneficially Owned</th>
<th>Ordinary Shares Beneficially Owned</th>
<th>Voting Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kingsoft Corporation Limited(10)</td>
<td>11,800,547</td>
<td>662,806,049</td>
<td>48.4</td>
</tr>
<tr>
<td>Tencent Holdings Limited(11)</td>
<td>15,031,120</td>
<td>220,481,928</td>
<td>16.9</td>
</tr>
<tr>
<td>Sheng Global Limited(12)</td>
<td>29,996,440</td>
<td>52,888,815</td>
<td>5.9</td>
</tr>
</tbody>
</table>

### Notes

* Less than 1% of our total outstanding Class A and Class B ordinary shares.

** Unless otherwise indicated in the notes below, the business address for our directors and executive officers is Building No. 8, Hui Tong Times Square, Yaojiayuan South Road, Beijing 100123, People’s Republic of China.

1. Percentage ownership is calculated by dividing the number of Class A and Class B ordinary shares beneficially owned by a given person or group by the sum of (i) 1,393,070,159 ordinary shares and (ii) the number of Class A and Class B ordinary shares that such person or group has the right to acquire upon exercise of option, warrant or other right within 60 days after March 31, 2020.

2. Percentage of total voting power represents voting power based on both Class A and Class B ordinary shares held by a given person or group with respect to the sum of all outstanding shares of our Class A and Class B ordinary shares. The holders of our Class B ordinary shares are entitled to ten votes per share, and holders of our Class A ordinary shares are entitled to one vote per share.

3. Represents (i) 25,996,440 Class A ordinary shares represented by restricted ADSs and 45,588,815 Class B ordinary shares held by Sheng Global Limited, a British Virgin Islands company wholly owned by Mr. Fu, (ii) 4,000,000 Class A ordinary shares (represented by restricted ADSs) and 7,300,000 Class B ordinary shares beneficially owned by Sheng Global Limited through FaX Vision Corporation, a British Virgin Islands company controlled by Sheng Global Limited, (iii) 585,822 Class B ordinary shares that have vested to Mr. Fu under our 2011 Plan, (iv) 472,125 Class A ordinary shares that have vested to Mr. Fu under our 2013 Plan, and (v) 15,124,451 Class B ordinary shares that Mr. Fu may purchase upon vesting of restricted ADSs.
shares granted to him under our share incentive plans within 60 days after March 31, 2020. Kingsoft Corporation have delegated approximately 39.9% voting power of our company held by Kingsoft Corporation to Mr. Sheng Fu, effective October 1, 2017. For further details, see “Item 4. Information on the Company—A. History and Development of the Company”.

(4) The business address of Mr. Zou is c/o Kingsoft Corporation Limited, Kingsoft Tower, No. 33, Xiaoying West Road, Haidian District, Beijing 100085, People’s Republic of China.

(5) The business address of Ning Zhang is Room 901, No. 33 Hua Yuan Shi Qiao Road, Shanghai, PRC.

(6) The business address of Mr. Yao is Building 105, 10 Jiuxianqiao North Road Jia Chaoyang District, Beijing, PRC.

(7) The business address of Mr. Ji is Suite 2103 21/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

(8) The business address of Tianyang Zhao is 14th Floor, CRCC Plaza, Shijingshan Road 20, Shijingshan, Beijing, PRC.

(9) The business address of Dr. Yi Ma is 2038 Parker St. #228, Berkeley, CA 94704.

(10) Represents (i) 5,040,877 Class A ordinary shares, (ii) 6,759,670 Class A ordinary shares represented by ADSs, and (iii) 662,806,049 Class B ordinary shares held by Kingsoft Corporation. Kingsoft Corporation is a Cayman Islands company listed on the Hong Kong Stock Exchange (Stock Code: 3888). Kingsoft Corporation have delegated approximately 39.9% voting power of our company held by Kingsoft Corporation to Mr. Sheng Fu, effective October 1, 2017. For further details, see “Item 4. Information on the Company—A. History and Development of the Company”. Kingsoft Corporation’s business address is Kingsoft Tower, No. 33, Xiaoying West Road, Haidian District, Beijing 100085, People’s Republic of China.

(11) Represents (i) 745,410 Class A ordinary shares and [14,285,710] Class A ordinary shares represented by ADSs held by THL E Limited, a British Virgin Islands company wholly owned by Tencent Holdings Limited, and (ii) 220,481,928 Class B ordinary shares held by TCH Copper Limited, a British Virgin Islands company wholly owned by Tencent Holdings Limited, as reported on the Schedule 13D jointly filed by TCH Copper Limited, Tencent Holdings Limited and THL E Limited on May 19, 2014. Tencent Holdings Limited is a Cayman Islands company listed on the Hong Kong Stock Exchange (Stock Code: 700). The business address of Tencent Holdings Limited is 29/F, Three Pacific Place, No. 1 Queen’s Road East, Wan Chai, Hong Kong.

(12) Represents (i) 25,996,440 Class A ordinary shares represented by restricted ADSs and 45,588,815 Class B ordinary shares held by Sheng Global Limited and (ii) 4,000,000 Class A ordinary shares and 7,300,000 Class B ordinary shares held by FaX Vision Corporation, a British Virgin Islands company controlled by Sheng Global Limited. The registered address of Sheng Global Limited is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.

As of March 31, 2020, to our knowledge, on the same basis of calculation as above, 408,385,400 Class A ordinary shares represented by ADSs, or approximately 4.1% of our total outstanding ordinary shares were held by one record shareholder in the United States, namely The Bank of New York Mellon, the depositary of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to ten votes per share. Apart from the delegation of voting rights pertaining up to 399,445,025 Class B ordinary shares of our company by Kingsoft Corporation to Mr. Fu, we are not aware of any arrangement in effect that will, at a subsequent date, result in a change of control of our company. None of our major shareholders have different voting rights apart from any Class B ordinary shares that they may hold in our company.
B. Related Party Transactions

Contractual Arrangements with VIEs

Due to certain restrictions under PRC law on foreign ownership and investment in value-added telecommunications services in China, we conduct our operations in China principally through contractual arrangements with our VIEs in China and their respective shareholders. For a description of these contractual arrangements, see “Item 4. Information on the Company—C. Organizational Structure—Contractual Arrangements with Our VIEs.”

Transactions and Agreements with Kingsoft Corporation and its Subsidiaries

Kingsoft Corporation is one of our principal shareholders, with beneficial ownership and voting power of 48.4% and 26.4%, respectively, of our outstanding Class A and Class B ordinary shares on an as-converted basis as of March 31, 2020.

Our company has certain common directors and officers with Kingsoft Corporation. As of the date of this annual report, Mr. Tao Zou, one of our directors, is also the chief executive officer and director of Kingsoft Corporation.

Kingsoft Corporation is a company with shares listed on the Hong Kong Stock Exchange, and is accordingly subject to the requirements of the Hong Kong Listing Rules. Before October 1, 2017, under the Hong Kong Listing Rules, we were a “connected person” of Kingsoft Corporation. Accordingly, transactions between us, our subsidiaries and our VIEs, on the one hand, and Kingsoft Corporation or any of its subsidiaries (excluding us and our subsidiaries and VIEs), on the other hand, were “connected transactions.” Under the Hong Kong Listing Rules, all connected transactions must be carried out on normal commercial terms, and if the value of a connected transaction exceeds the applicable thresholds, it was subject to the approval of the independent shareholders of Kingsoft Corporation.

Services received from Kingsoft Corporation and its Subsidiaries

Historically, we have entered into various transactions from time to time with Kingsoft Corporation and its subsidiaries. In order to regulate such ongoing transactions, we entered into a cooperation framework agreement with Kingsoft Corporation on December 27, 2013 for an initial term until December 31, 2016. Upon expiration of the initial term, the agreement was automatically renewed for three years pursuant to its terms. This agreement governs the following transactions between our company and Kingsoft Corporation:

- **Promotion services.** We and Kingsoft Corporation will mutually provide promotion services through their own products and websites for the sale of the other party’s products, including but not limited to pre-installation, bundle promotion, joint operation and publishing online advertisement;

- **Licensing services.** We and Kingsoft Corporation will grant licenses to each other to use, among others, certain technologies, trademarks and software products. Such licenses automatically terminated upon October 1, 2017. We and Kingsoft Corporation entered into a new Trademark Licensing Contract in 2018, under which we are licensed with certain selected trademarks of Kingsoft Corporation and its relevant subsidiaries;

- **Leasing transactions.** Kingsoft Corporation will provide property leasing and asset leasing to our company; and

- **Miscellaneous services.** Kingsoft Corporation will provide miscellaneous services to our company, including but not limited to administration assistance services and technology support services.

We and Kingsoft Corporation may enter into individual contracts from time to time when necessary according to the principles and scope provided for under the framework agreement. Pursuant to the framework
agreement, the transactions between us and Kingsoft Corporation will be priced based on: (i) the prevailing fair market pricing rules adopted in the same industry; (ii) a price calculated based on costs plus reasonable profit margin; or (iii) a price with reference to the price or reasonable profit margin of an independent third party.

On January 1, 2009, Kingsoft Japan entered into an exclusive licensing agreement with Kingsoft Corporation, pursuant to which Kingsoft Corporation granted Kingsoft Japan the exclusive right to use certain office software within Japan and to sub-license such software to original equipment manufacturers in Japan solely for their self-use and sale of products and services.

We entered into corporation promotion agreements with Zhuhai Kingsoft Office Software, a subsidiary of Kingsoft Corporation. Under the agreements, Zhuhai Kingsoft Office Software agreed to promote our products on its platforms. The promotion fee was priced based on effective IP clicks.

For the years ended December 31, 2017, 2018 and 2019, we recognized aggregate fees of RMB45.2 million, RMB19.5 million and RMB23.8 million (US$3.4 million), respectively, to Kingsoft Corporation and its subsidiaries for the services they provided to us.

**Purchase of Equity Interest in Kingsoft Japan**

On March 18, 2014, we entered into an equity transfer agreement with Kingsoft Corporation to purchase 20% equity interest of Kingsoft Japan, a then subsidiary of Kingsoft Corporation, for an aggregate purchase price in cash of JPY614 million (equivalent to RMB37 million). In October 2014 and January 2016, we acquired an additional 26.1% equity interest in aggregate of Kingsoft Japan from other third-party shareholders of Kingsoft Japan. Since January 29, 2016, we have entered into supplemental agreements with Kingsoft Corporation, whereby Kingsoft Corporation agreed to appoint us as voting proxy for its approximately 5% equity interest in Kingsoft Japan at any shareholders’ meeting of Kingsoft Japan. The acquisition was accounted for as a transaction under common control and the results of Kingsoft Japan have since then been consolidated in our consolidated financial statements retrospectively throughout the periods presented at historical carrying value.

**Transactions with Other Affiliates**

**Transactions with Tencent Shenzhen**

We entered into a strategic cooperation agreement dated December 27, 2013 with Shenzhen Tencent Computer Systems Company Limited, or Tencent Shenzhen, to promote various types of products of Tencent Holdings Limited, its subsidiaries and their respective associates, or collectively the Tencent Group, through various forms of promotion services on our mobile and PC applications and platforms. Tencent Shenzhen is a subsidiary of Tencent Holdings Limited, one of our major beneficial shareholders. The price of services provided between us and Tencent Shenzhen will be based on (i) the prevailing fair market price, (ii) the actual cost incurred plus a reasonable profit margin, or (iii) a price with reference to the price or reasonable profit margin of an independent third party conducting the similar transactions. The term of the cooperation agreement was from January 1, 2014 to December 31, 2015. On December 30, 2015, we entered into a new strategic cooperation agreement with Tencent Shenzhen, pursuant to which we and the Tencent Group will continue to provide promotion services to each other. For the years ended December 31, 2017, 2018 and 2019, we recognized total revenues of RMB58.7 million, RMB198.0 million and RMB176.1 million (US$25.3 million), respectively, from the Tencent Group, and recognized aggregate fees of RMB48.1 million, RMB70.9 million and RMB73.7 million (US$10.6 million), respectively, to the Tencent Group.

**Transactions with Beijing OrionStar**

In 2017, we completed capital injection into Beijing OrionStar, an artificial intelligence company incorporated in China and controlled by Mr. Sheng Fu. As a result, we, through Beijing Security, hold
approximately 30% of then equity interest in Beijing OrionStar and have a two-year warrant to subscribe to additional equity interests amounted to RMB403.4 million at the same valuation of our capital injection. In 2018, we acquired additional preferred share of Beijing OrionStar, through the exercise of part of the two-year warrant at a cash consideration of RMB203.2 million. Subsequent to the transaction, we owned 41.5% equity interest not qualified as in-substance common stock of Beijing OrionStar. In 2019, we acquired additional preferred share of Beijing OrionStar by virtue of the exercise of all our remaining warrants with a cash consideration of approximately RMB262.1 million during Beijing OrionStar’s series B corporate financing transactions. Subsequent to the transaction, our equity interests of OrionStar decreased to 38.73% on a fully diluted basis.

In November 2018, we entered into a distributorship and cooperation agreement with Beijing OrionStar, pursuant to which we become the exclusive worldwide distributor for Beijing OrionStar’s robotics products. For the years ended December 31, 2018 and 2019, we purchased products from OrinSatr of RMB9.1 million, RMB98.2 million (US$14.1 million), respectively.

From December 2018, we entered into several commissioned development agreements with Beijing OrionStar, pursuant to which Beijing OrionStar agrees to provide technical service to us. For the years ended December 31, 2018 and 2019, we recognized total cost of nil, RMB16.9 million (US$2.4 million), respectively.

Registration Rights Agreement

Pursuant to the registration rights agreement dated April 25, 2014 with Kingsoft Corporation, Xiaomi Ventures Limited and Baidu Holdings Limited, we agreed to grant each of the parties Form F-3 registration rights and the piggyback registration rights. In addition, we agreed to pay expenses relating to their exercise of Form F-3 registration rights and piggyback registration rights, except for underwriting discounts and commissions relating to the sale of securities, unless, subject to a few exceptions, a registration request is subsequently withdrawn at the request of a majority-in-interest of the holders requesting such registration.

Employment Agreements


Share Incentive Plans


Other Transactions with Certain Directors and Affiliates

See “Item 6. Directors, Senior Management and Employees—B. Compensation—Compensation of Directors and Officers.”

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.
Legal Proceedings

We are subject to legal proceedings and claims in our ordinary course of business from time to time.

We and certain of our current and former officers have been named as defendants in a putative securities class action filed on November 30, 2018 in the U.S. District Court for the Southern District of New York: Marcu v. Cheetah Mobile Inc., et al., Case No. 1:18-cv-11184. The action was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in our ADRs between April 21, 2015 and November 27, 2018. The action alleges that we made false or misleading statements regarding our business and operations in violation of the Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On February 8, 2019, the court entered an order appointing lead plaintiffs in this action. On February 13, 2019, the court approved a scheduling stipulation for the filing of the plaintiffs’ amended complaint and defendants’ responsive pleadings. On March 28, 2019, an amended complaint was filed. On May 16, 2019, a motion to dismiss the amended complaint was filed. On October 2, 2019, a second amended complaint was filed. On November 6, 2019, a motion to dismiss the second amended complaint was filed, which is currently pending before the Court.

The action remains at its preliminary stages. We believe the case is without merit and intend to defend the actions vigorously. For risks and uncertainties relating to the pending cases against us, please see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We have been named as a defendant in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.” For further information on certain legal proceedings and arbitration that we are currently involved in, see “Note 18. Commitments and Contingencies—Litigation” to our consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 included in this annual report.

In September 2011, Mr. Sheng Fu, our chief executive officer, was named as a defendant in a lawsuit filed by Qihoo in the High Court of the Hong Kong Special Administrative Region. The complaint was subsequently amended in May 2012, July 2012 and January 2014. The amended complaint alleges that Mr. Fu has breached his contractual obligations of confidentiality, non-competition, non-solicitation and non-disparagement under the agreements Mr. Fu had entered into with a subsidiary of Qihoo prior to his resignation from the subsidiary in August 2008. The complaint asserts that Mr. Fu was a product manager of Qihoo and was responsible for, and participated in, product design and research of certain antivirus products, including 360 Anti-virus and 360 Safe Guard and had access to the related confidential information, trade secret, technology and know-how.

In connection with the above claims, the complaint specifically alleges that Mr. Fu: (i) used confidential information of Qihoo to develop, by himself or through Beijing Conew and Conew Network, an anti-virus product released around May 2010 that was substantially similar to Qihoo’s 360 Anti-virus and 360 Safe Guard and infringed upon the confidential information, trade secrets and other rights of Qihoo; (ii) engaged in or dealt with businesses and products that directly competed with the businesses and/or products of Qihoo within the 18-month restricted period; (iii) employed employees of Qihoo within the 18-month restricted period, including Mr. Ming Xu, our former president, who was the then director of technology of 360 Safe Guard, a division of Qihoo; and (iv) made certain negative statements publicly about Qihoo.

Qihoo is seeking a court declaration that Qihoo’s repurchase of its shares previously granted to Mr. Fu under Qihoo’s share incentive plan at a nominal value was valid, a court order that Mr. Fu cease to use any confidential information or know-how of Qihoo, damages for disparagement, and a court order that Mr. Fu account to Qihoo for any profits that he earned as a result of the alleged breach.

Mr. Fu joined us in October 2010 when we acquired Conew.com Corporation, for which Mr. Fu served as the chief executive officer prior to the acquisition. Our product offerings do not include, and are not derived from, the anti-virus products referenced in the complaint.
Dividend Policy

We paid a cash dividend on September 30, 2019 to our shareholders of record at the close of business on September 13, 2019. The aggregate amount of cash dividends paid was approximately US$72 million, which was funded by cash on our balance sheet. We currently have no plan to declare or pay any dividends in the near future on our shares or ADSs. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. We rely on a significant amount of dividends from our subsidiaries for our cash requirements, including any payment of dividends to our shareholders. With respect to our PRC subsidiaries, PRC regulations may restrict their abilities to pay dividends to us. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—We may rely on dividends paid by our subsidiaries, including PRC subsidiaries, to fund any cash and financing requirements we may have. Any limitation on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and to pay dividends to holders of the ADSs and our ordinary shares.” and “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations of Foreign Currency Exchange and Dividend Distribution.”

Our board of directors has discretion as to whether to distribute dividends, subject to applicable laws. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profit or share premium amount, provided that in no circumstances may a dividend be paid if this would result in our being unable to pay its debts due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Item 12. Description of Securities Other than Equity Securities—D. American Depositary Shares.” Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. The Offer and Listing

A. Offering and Listing Details

See “—C. Markets.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the NYSE since May 8, 2014 under the symbol “CMCM.”

D. Selling Shareholders

Not applicable.
E. **Dilution**
   Not applicable.

F. **Expenses of the Issue**
   Not applicable.

**Item 10. Additional Information**

A. **Share Capital**
   Not applicable.

B. **Memorandum and Articles of Association**
   We incorporate by reference into this annual report the description of our fourth amended and restated memorandum and articles of association contained in our F-1 registration statement (File No. 333-194996), as amended, initially filed with the SEC on April 2, 2014. The fourth amended and restated memorandum and articles of association were adopted by our shareholders by a special resolution passed on April 2, 2014, and became effective immediately prior to the completion of our initial public offering of the Class A ordinary shares represented by ADSs.

C. **Material Contracts**
   We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report.

D. **Exchange Controls**

E. **Taxation**

   **Cayman Islands Taxation**
   The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. There are no exchange control regulations or currency restrictions in the Cayman Islands.

   **People’s Republic of China Taxation**
   Under the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income.

   On April 22, 2009, the State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprise on the Basis of De Facto Management Bodies, or SAT Circular 82, which provides certain specific criteria for
determining whether the “de facto management body” of a PRC controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, on July 27, 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or SAT Bulletin 45, to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities procedures. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered as a PRC tax resident enterprise by virtue of having its “de facto management body” in China only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (d) more than half of the enterprise’s directors or senior management with voting rights habitually reside in the PRC. Although SAT Circular 82 and SAT Bulletin 45 only apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the determination criteria set forth therein may reflect the SAT’s general position on how the term “de facto management body” could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We do not believe Cheetah Mobile Inc. meets all of the criteria described above. We believe that none of Cheetah Mobile Inc. and its subsidiaries outside of China is a PRC tax resident enterprise, because none of them is controlled by a PRC enterprise or PRC enterprise group, and because their records (including the resolutions of its board of directors and the resolutions of shareholders) are maintained outside the PRC. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body” when applied to our offshore entities, we may be considered as a resident enterprise and may therefore be subject to PRC enterprise income tax at 25% on our global income. In addition, if the PRC tax authorities determine that our company is a PRC resident enterprise for PRC enterprise income tax purposes, dividends paid by us to non-PRC holders may be subject to PRC withholding tax, and gains realized on the sale or other disposition of ADSs or ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. Any such tax may reduce the returns on your investment in the ADSs.

If we are considered a “non-resident enterprise” by the PRC tax authorities, the dividends paid to us by our PRC subsidiaries will be subject to a 10% withholding tax. The EIT Law also imposes a withholding income tax of 10% on dividends distributed by an foreign invested enterprise to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where our company is incorporated, and the British Virgin Islands, where our subsidiary Conew.com Corporation was incorporated, do not have such tax treaties with China. None of our U.S. subsidiaries is an immediate holding company of our PRC subsidiaries. Under the Arrangement Between the PRC and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, the dividend withholding tax rate may be reduced to 5%, if a Hong Kong resident enterprise that receives a dividend is considered a non-PRC tax resident enterprise and holds at least 25% of the equity interests in the PRC enterprise distributing the dividends, subject to approval of the PRC local tax authority. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%. Accordingly, our Hong Kong subsidiaries may be able to enjoy the 5% withholding tax rate for the dividends they receive from our PRC subsidiaries if they satisfy the relevant conditions under tax rules and regulations, and obtain the approvals as required.
According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, with retroactive effect from January 1, 2008, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company (other than a purchase and sale of shares issued by a PRC resident enterprise in public securities market), PRC tax reporting and payment obligations may be triggered. On February 6, 2015, SAT issued a new guidance (Bulletin [2015] No. 7), or SAT Bulletin 7, on the PRC tax treatment of an indirect transfer of assets by a non-resident enterprise. SAT Bulletin 7 is the latest regulatory instrument on indirect transfers, extending to not only the indirect transfer of equity interests in PRC resident enterprises but also to assets attributed to an establishment in China and immovable property in China or, collectively, Chinese Taxable Assets. Further, on October 17, 2017, SAT issued the Matters Regarding Withholding Corporate Income Tax at Source for Non-Tax Resident Enterprises (Bulletin [2017] No. 37), or SAT Bulletin 37, abolish SAT Circular 698 and specify the withhold liability of the transferees. According to SAT Bulletin 7 and SAT Bulletin 37, when a non-resident enterprise engages in an indirect transfer of Chinese Taxable Assets, or Indirect Transfer, through an arrangement that does not have a bona fide commercial purpose in order to avoid paying enterprise income tax, the transaction should be re-characterized as a direct transfer of the Chinese assets and becomes taxable in China under the EIT Law, and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%, and the party who is obligated to make the transfer payments has the withholding obligation. SAT Bulletin 7 and 37 have replaced SAT Circular 698 in its entirety. They provide more comprehensive guidelines on a number of issues. Among other things, SAT Bulletin 7 substantially changes the reporting requirements in SAT Circular 698, provides more detailed guidance on how to determine a bona fide commercial purpose, and also provides for a safe harbor for certain situations, including purchase and sale of shares in an offshore listed enterprise on a public market by a non-resident enterprise, which may not be subject to the PRC enterprise income tax. In addition, SAT Circular 698 now has been abolished by Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source issued by the PRC State Administration of Taxation on October 17, 2017, with retroactive effect from December 1, 2017, or SAT Circular 37.

United States Federal Income Taxation

The following discussion is a summary of United States federal income tax considerations relating to the ownership, and disposition of the ADSs or Class A ordinary shares by a U.S. holder (as defined below) that holds the ADSs or Class A ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This discussion does not address all aspects of United States federal income taxation that may be important to particular holders in light of their individual circumstances, including holders subject to special tax rules (for example, banks or other financial institutions, insurance companies, broker-dealers, pension plans, cooperatives, traders in securities that have elected the mark-to-market method of accounting for their securities, partnerships and their partners, regulated investment companies, real estate investment trusts, and tax-exempt organizations (including private foundations), holders who are not U.S. holders, holders who own (directly, indirectly, or constructively) 10% or more of our stock (by vote or value), holders who acquired their ADSs or Class A ordinary shares pursuant to any employee share option or otherwise as compensation, investors required to accelerate recognition of any item of gross income with respect to the ADSs or Class A ordinary shares as a result of such income being recognized on an applicable financial statement, holders that hold their ADSs or Class A ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, or holders that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, except to the extent described below, this discussion does not discuss any alternative minimum tax, state, or local tax, non-United States tax considerations, any non-income tax (such as the United States federal gift and estate tax) considerations, or the Medicare tax considerations. Each U.S. holder is urged to consult its tax
advisors regarding the United States federal, state, local, and non-United States income and other tax considerations with respect to the ownership and disposition of the ADSs or Class A ordinary shares.

**General**

For purposes of this discussion, a “U.S. holder” is a beneficial owner of the ADSs or Class A ordinary shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the laws of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of the ADSs or Class A ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding the ADSs or Class A ordinary shares and partners in such partnerships are urged to consult their tax advisors as to the particular United States federal income tax consequences with respect to the ownership and disposition of the ADSs or Class A ordinary shares.

For United States federal income tax purposes, it is generally expected that a U.S. holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a holder of ADSs will be treated in this manner. Accordingly, deposits or withdrawals of Class A ordinary shares for ADSs will generally not be subject to United States federal income tax.

**Passive Foreign Investment Company Considerations**

A non-United States corporation, such as our company, will be a “passive foreign investment company,” or “PFIC,” for United States federal income tax purposes, if, in the case of any particular taxable year, either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash is categorized as a passive asset and the company’s unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets held and earning a proportionate share of the income received, by any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Although the law in this regard is unclear, we treat our VIEs as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operations in our consolidated financial statements.

Based on the market price of our ADSs and the composition of assets, we believe that we were a PFIC for United States federal income tax purposes, for the taxable year ended December 31, 2019, and we will likely be classified as a PFIC for our current taxable year ending December 31, 2020 unless the market price of our ADSs increases and /or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of non-passive income.

If we are a PFIC for any year during which a U.S. holder holds the ADSs or Class A ordinary shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. holder holds the ADSs or Class A ordinary shares, even if we cease to meet the threshold requirements for PFIC status, unless...
a U.S. holder makes a taxable “deemed sale” election that may allow the U.S. holder to eliminate the continuing PFIC status under certain circumstances. The United States federal income tax rules that apply if we are a PFIC for the current taxable year or any subsequent taxable year are generally discussed below under “Passive Foreign Investment Company Rules.”

**Dividends**

Subject to the PFIC rules discussed below, any cash distributions (including the amount of any tax withheld) paid on the ADSs or Class A ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. holder as dividend income on the day actually or constructively received by the U.S. holder, in the case of Class A ordinary shares, or by the depositary, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be reported as a “dividend” for United States federal income tax purposes. A non-corporate recipient of dividend income will generally be subject to tax on dividend income from a “qualified foreign corporation” at a reduced United States federal tax rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met.

A non-United States corporation (other than a corporation that is a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation

(a) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (b) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Our ADSs are listed on the NYSE, which is an established securities market in the United States, and the ADSs are expected to be readily tradable for so long as they continue to be listed on the NYSE. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in the current taxable year or future taxable years. Furthermore, as mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2019, and we will likely be classified as a PFIC for our current taxable year ending December 31, 2020. U.S. holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends with respect to the ADSs or Class A ordinary shares in their particular circumstances. Since we do not expect that our Class A ordinary shares will be listed on established securities markets, it is unclear whether dividends that we pay on our Class A ordinary shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. However, in the event we are deemed to be a resident enterprise under the PRC Enterprise Income Tax Law, we may be eligible for the benefits of the United States-PRC income tax treaty (which the U.S. Treasury Department has determined is satisfactory for this purpose) and in that case we would be treated as a qualified foreign corporation with respect to dividends paid on our Class A ordinary shares or ADSs. Each non-corporate U.S. holder is advised to consult its tax advisors regarding the availability of the reduced tax rate applicable to qualified dividend income for any dividends we pay with respect to the ADSs or our Class A ordinary shares. Dividends received on the ADSs or Class A ordinary shares will not be eligible for the dividends received deduction allowed to corporations.

Dividends will generally be treated as income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. In the event that we are deemed to be a PRC “resident enterprise” under the PRC Enterprise Income Tax Law, a U.S. holder may be subject to PRC withholding taxes on dividends paid on the ADSs or Class A ordinary shares. See “—People’s Republic of China Taxation.” A U.S. holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on the ADSs or Class A ordinary shares. A U.S. holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding taxes, but only for a year in which such U.S. holder elects to do so for all creditable foreign income taxes. The rules
governing the foreign tax credit are complex. U.S. holders are advised to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Ordinary Shares

Subject to the PFIC rules discussed below, a U.S. holder will generally recognize capital gain or loss upon the sale or other disposition of the ADSs or Class A ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. holder’s adjusted tax basis in such ADSs or Class A ordinary shares. Any capital gain or loss will be long-term if the ADSs or Class A ordinary shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. Long-term capital gain of non-corporate U.S. holders is generally eligible for a reduced rate of taxation. The deductibility of a capital loss may be subject to limitations. In the event that we are treated as a PRC “resident enterprise” under the PRC Enterprise Income Tax Law and gain from the disposition of the ADSs or Class A ordinary shares is subject to tax in the PRC, a U.S. holder that is eligible for the benefits of the income tax treaty between the United States and the PRC may elect to treat the gain as PRC source income. U.S. holders are advised to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of the ADSs or Class A ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2019, and we will likely be classified as a PFIC for our current taxable year ending December 31, 2020. If we are a PFIC for any taxable year during which a U.S. holder holds the ADSs or Class A ordinary shares, and unless the U.S. holder makes a mark-to-market election or a qualified electing fund (QEF) (as described below), the U.S. holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, for subsequent taxable years, on (i) any excess distribution that we make to the U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. holder’s holding period for the ADSs or Class A ordinary shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of ADSs or the Class A ordinary shares. Under the PFIC rules:

- such excess distribution and/or gain will be allocated ratably over the U.S. holder’s holding period for the ADSs or Class A ordinary shares;
- such amount allocated to the current taxable year and any taxable years in the U.S. holder’s holding period prior to the first taxable year in which we are a PFIC, or pre-PFIC year, will be taxable as ordinary income;
- such amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. holder for that year; and
- an interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. holder holds the ADSs or Class A ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. holders are advised to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. holder of “marketable stock” in a PFIC may make a mark-to-market election with respect to the ADSs (but not with respect to our Class A ordinary shares, which are not listed on the NYSE), provided that the ADSs are regularly traded on NYSE. If a mark-to-market election is
made, the U.S. holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. holder’s adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. holder makes an effective mark-to-market election, in each year that we are a PFIC any gain recognized upon the sale or other disposition of the ADSs will be treated as ordinary income and loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

If a U.S. holder makes a mark-to-market election in respect of a PFIC and such corporation ceases to be a PFIC, the U.S. holder will not be required to take into account the mark-to-market gain or loss described above during any period that such corporation is not a PFIC.

Because a mark-to-market election technically cannot be made for any lower-tier PFICs that a PFIC may own, a U.S. holder who makes a mark-to-market election with respect to the ADSs may continue to be subject to the general PFIC rules with respect to such U.S. holder’s indirect interest in any of our non-United States subsidiaries if any of them is a PFIC.

We do not intend to provide information necessary for U.S. holders to make qualified electing fund, or QEF elections, which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

As discussed above under “Dividends,” dividends that we pay on the ADSs or Class A ordinary shares will not be eligible for the reduced tax rate that applies to qualified dividend income if we are a PFIC for the taxable year in which the dividend is paid or the preceding taxable year. In addition, if a U.S. holder owns the ADSs or Class A ordinary shares during any taxable year that we are a PFIC, such holder would generally be required to file an annual IRS Form 8621. Each U.S. holder is advised to consult its tax advisors regarding the potential tax consequences to such holder if we are or become a PFIC, including the possibility of making a mark-to-market election.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC our registration statement on Form F-1, as amended and prospectus under the Securities Act of 1933, with respect to our Class A ordinary shares. We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing
the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish The Bank of New York Mellon, the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders’ meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders’ meeting received by the depositary from us.

In accordance with NYSE Rule 203.01, we will post this annual report on Form 20-F on our website at http://ir.cmcm.com. In addition, we will provide hardcopies of our annual report free of charge to shareholders and ADS holders upon request.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Quantitative and Qualitative Disclosure about Market Risk

Foreign Exchange Risk

Our revenues are denominated in RMB or U.S. dollar and a portion of our revenues and expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest income generated by excess cash, which is mainly held in interest-bearing bank deposits, and interest expense generated from certain bank loans. We generated interest income of RMB36.2 million, RMB89.2 million and RMB110.1 million (US$15.8 million), and interest expense of RMB13.6 million, RMB1.5 million and RMB nil, for the years ended December 31, 2017, 2018 and 2019, respectively. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.
Market Price Risk

We are exposed to market price risk primarily with respect to investment securities held by us which are reported at fair value. A substantial portion of our investment in equity investees are all held for long-term appreciation or for strategic purposes. All of these are accounted for under equity method or measurement alternative and not subject to market price risk. We are not exposed to commodity price risk.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS holders May Have to Pay

The Bank of New York Mellon, the depositary of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid. The depositary’s corporate trust office at which the ADSs will be administered is located at 240 Greenwich Street, New York, NY 10286, United States. The depositary’s principal executive office is located at 240 Greenwich Street, New York, NY 10286, United States.

Persons depositing or withdrawing shares must pay:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)</td>
<td>• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property</td>
</tr>
<tr>
<td>$.05 (or less) per ADS</td>
<td>• Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates</td>
</tr>
<tr>
<td>A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs</td>
<td>• Any cash distribution to ADS holders</td>
</tr>
<tr>
<td>$.05 (or less) per ADSs per calendar year</td>
<td>• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders</td>
</tr>
<tr>
<td>Registration or transfer fees</td>
<td>• Depository services</td>
</tr>
<tr>
<td></td>
<td>• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares</td>
</tr>
</tbody>
</table>
Persons depositing or withdrawing shares must pay:

Expenses of the depositary

For:

- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- Converting foreign currency to U.S. dollars
- As necessary

Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

As necessary

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us annually for our expenses incurred in connection with the administration and maintenance of our ADS facility including, but not limited to, investor relations expenses, exchange listing fees, other program related expenses related to our ADS facility and the travel expense of our key personnel in connection with such programs. The depositary has also agreed to provide additional payments to us based on the applicable performance indicators relating to our ADS facility. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the depositary collects from investors.
PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15 (f) under the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13a-15 (c) of the Exchange Act, based on criteria established in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, Ernst & Young Hua Ming LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2019, as stated in its report, which appears on page F-3 of this Form 20-F.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon that evaluation, our management has concluded that, as of December 31, 2019, our disclosure controls and procedures were effective.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Richard Weidong Ji, an independent director (under the standards set forth in the NYSE rules and Rule 10A-3 under the Exchange Act) and member of our audit committee, is an audit committee financial expert.
**Item 16B. Code of Ethics**

Our board of directors has adopted a code of ethics that applies to our directors, officers and employees, including certain provisions that specifically apply to our senior officers, including our chief executive officer, chief financial officer, other chief senior officers, senior financial officers, controllers, senior vice presidents, vice presidents and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 to our registration statement on Form F-1 (File Number 333-194996), as amended, filed with the SEC on April 22, 2014. The code is also available on our official website under the corporate governance section at our investor relations website [http://ir.cmcm.com](http://ir.cmcm.com).

We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person’s written request.

**Item 16C. Principal Accountant Fees and Services**

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP, our principal external auditors, for the periods indicated.

<table>
<thead>
<tr>
<th>Service Type</th>
<th>2018 (in thousands)</th>
<th>2019 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees(1)</td>
<td>US$1,661</td>
<td>US$1,869</td>
</tr>
<tr>
<td>Audit-related fees(2)</td>
<td>US$ 94</td>
<td>US$ —</td>
</tr>
<tr>
<td>Tax fees(3)</td>
<td>US$ 161</td>
<td>US$ 117</td>
</tr>
</tbody>
</table>

Notes:

(1) Audit fees means the aggregate fees billed in each of the fiscal periods listed for professional services rendered by our principal auditors for the audit of our annual consolidated financial statements and assistance with and review of documents filed with the SEC. In 2018 and 2019, the audit refers to financial audit and audit pursuant to Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Audit-related fees means the aggregate fees billed for professional services rendered by our principal auditors for the assurance and related services, which were not included under “Audit Fees” above.

(3) Tax fees means the aggregated fees billed in each of the fiscal periods listed for professional services rendered by our principal auditors for tax compliance, tax advice and tax planning.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Ernst & Young Hua Ming LLP, including audit services, audit-related services, tax services and all other fees as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit. Our audit committee has approved all of our audit fees, audit-related fees and tax fees for the year ended December 31, 2019.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

On March 16, 2016, our board of directors authorized a share repurchase program, whereby our company may repurchase up to US$100 million of our shares or ADSs for a 12-month period. The share repurchases may be made in accordance with applicable laws and regulations through open market transactions, privately negotiated transactions or other legally permissible means as determined by our management, including through Rule 10b5-1 share repurchase plans. We publicly announced the share repurchase program on March 16, 2016. The share repurchase program expired on March 15, 2017.

On September 13, 2018, our board of directors approved a share repurchase program of up to US$100 million of our outstanding ADSs for a period not exceeding 12 months. The repurchases may be made
from time to time on the open market at prevailing market prices, in privately negotiated transactions, in block trades and/or through other legally permissible means. We publicly announced the share repurchase program on September 13, 2018. As of March 31, 2020, we had repurchased approximately 4.5 million ADSs for approximately US$32.3 million under this program.

The table below is a summary of the shares repurchased by us under the two programs. No shares were repurchased except during the months indicated and all shares were purchased in the open market pursuant to the share repurchase program announced on March 16, 2016 and September 13, 2018.

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Number of ADSs Purchased</th>
<th>Average Price Paid Per ADS</th>
<th>Total Number of ADSs Purchased as Part of the Publicly Announced Plan</th>
<th>Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plan* (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2016</td>
<td>1,613,434</td>
<td>US$10.6049</td>
<td>1,613,434</td>
<td>US$82,890</td>
</tr>
<tr>
<td>June 2016</td>
<td>923,374</td>
<td>US$10.9989</td>
<td>923,374</td>
<td>US$72,734</td>
</tr>
<tr>
<td>October 2018</td>
<td>20,519</td>
<td>US$8.0119</td>
<td>20,519</td>
<td>US$96,722</td>
</tr>
<tr>
<td>November 2018</td>
<td>1,192,711</td>
<td>US$7.8471</td>
<td>1,192,711</td>
<td>US$87,363</td>
</tr>
<tr>
<td>December 2018</td>
<td>2,993,374</td>
<td>US$6.5295</td>
<td>2,993,374</td>
<td>US$67,817</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,064,112</strong></td>
<td><strong>US$8.4156</strong></td>
<td><strong>7,064,112</strong></td>
<td><strong>—</strong></td>
</tr>
</tbody>
</table>

* As of the date of this annual report, dollar value of ADSs that may yet be purchased under our share repurchase program announced on March 16, 2016 is nil as such program has expired on March 15, 2017.

* As of the date of this annual report, dollar value of ADSs that may yet be purchased under our share repurchase program announced on September 13, 2018 is nil as such program has expired on September 12, 2019.

**Item 16F. Change in Registrant’s Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

Prior to October 1, 2017, because Kingsoft Corporation owned more than 50% of the total voting power in our company, we were a “controlled company” under Section 303A of the Corporate Governance Rules of the NYSE. A controlled company need not comply with the applicable NYSE corporate governance rules requiring its board of directors to have a majority of independent directors and independent compensation and nominating and corporate governance committees. We availed ourselves of these controlled company exemptions. As a result, we rely on certain exemptions that are available to controlled companies from the NYSE corporate governance requirements, including the requirements that:

- a majority of our board of directors consist of independent directors;
- our compensation committee be composed entirely of independent directors; and
- our nominating and corporate governance committee be composed entirely of independent directors.

We have ceased to be a controlled company within the meaning of Section 303A of the Corporate Governance Rules of the NYSE since October 1, 2017. We have completed changes in our board and committee composition and have satisfied the full independence requirements of the NYSE corporate governance rules since March 13, 2018, including:

- we satisfy the majority independent board requirement;
• our compensation committee is fully independent; and
• our nominating and corporate governance committee is fully independent.

The Corporate Governance Rules of the NYSE permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance listing standards. Currently, we rely on home country practice exemption with respect to the requirement for an audit committee composed of at least three members. We may also opt to rely on additional home country practice exemptions in the future. As a result, our shareholders may be afforded less protection than they otherwise would under the New York Stock Exchange corporate governance listing standards applicable to U.S. domestic issuers. See “Item 3. Key Information—D. Risk Factors—Risks Relating to the ADSs—As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance rules; these practices may afford less protection to shareholders than they would enjoy if we comply fully with the NYSE corporate governance rules. In addition, we are also a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.”

**Item 16H. Mine Safety Disclosure**

Not applicable.
PART III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The consolidated financial statements of Cheetah Mobile Inc., its subsidiaries, VIEs and the then subsidiaries of VIEs are included at the end of this annual report.

Item 19. Exhibits

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description of Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Fourth amended and restated memorandum and articles of association of the Registrant (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014)</td>
</tr>
<tr>
<td>2.1</td>
<td>Registrant’s specimen American depositary receipt (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 25, 2014)</td>
</tr>
<tr>
<td>2.2</td>
<td>Registrant’s specimen certificate for Class A ordinary shares (incorporated by reference to Exhibit 4.2 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 25, 2014)</td>
</tr>
<tr>
<td>2.3</td>
<td>Deposit agreement dated May 7, 2014 among the Registrant, the depositary and owners and holders of the American depositary shares (incorporated by reference to Exhibit 4.3 to our Registration Statement on Form S-8 (file no. 333-199577) filed with the Securities and Exchange Commission on October 24, 2014)</td>
</tr>
<tr>
<td>2.4*</td>
<td>Description of Securities</td>
</tr>
<tr>
<td>4.1</td>
<td>2011 share award scheme and amendments thereto (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2017)</td>
</tr>
<tr>
<td>4.2</td>
<td>2013 equity incentive plan (incorporated by reference to Exhibit 10.2 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014)</td>
</tr>
<tr>
<td>4.3</td>
<td>2014 restricted shares plan (incorporated by reference to Exhibit 10.48 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 25, 2014)</td>
</tr>
<tr>
<td>4.4</td>
<td>Form of indemnification agreement between the Registrant and its director and executive officers (incorporated by reference to Exhibit 10.3 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.5</td>
<td>Form of employment agreement between the Registrant and its executive officers (incorporated by reference to Exhibit 10.4 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.6</td>
<td>Business operation agreement, by and among Conew Network, Beijing Network, Ming Xu and Wei Liu, dated July 18, 2012 (incorporated by reference to Exhibit 10.6 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Description of Document</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>4.7</td>
<td>Loan agreement, by and among Conew Network, Ming Xu and Wei Liu, dated June 20, 2012 (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.8</td>
<td>Exclusive technology development, support and consultancy agreement, between Conew Network and Beijing Network, dated July 18, 2012 (incorporated by reference to Exhibit 10.8 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.9</td>
<td>Exclusive equity option agreement, by and among Conew Network, Beijing Network, Ming Xu and Wei Liu, dated July 18, 2012 (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.10</td>
<td>Shareholder voting proxy agreement, by and among Conew Network, Beijing Network, Ming Xu and Wei Liu, dated July 18, 2012 (incorporated by reference to Exhibit 10.10 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.11</td>
<td>Equity pledge agreement, by and among Conew Network, Beijing Network, Ming Xu and Wei Liu, dated July 18, 2012 (incorporated by reference to Exhibit 10.11 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.12</td>
<td>Financial support undertaking letter signed by Conew Network with respect to Beijing Network, dated January 17, 2014 (incorporated by reference to Exhibit 10.12 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.13</td>
<td>Spousal consent, signed by Xinchan Li, Wei Liu’s spouse, dated July 18, 2012 (incorporated by reference to Exhibit 10.13 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.14</td>
<td>Business operation agreement, by and among Beijing Security, Beike Internet (currently Beijing Mobile), Sheng Fu and Weiqin Qiu, dated January 1, 2011 (incorporated by reference to Exhibit 10.22 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.15</td>
<td>Loan agreements, by and among Beijing Security, Sheng Fu and Weiqin Qiu, dated January 1, 2011 and September 21, 2012 (incorporated by reference to Exhibit 10.23 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.16</td>
<td>Exclusive technology development, support and consultancy agreement, between Beijing Security and Beike Internet (currently Beijing Mobile), dated January 1, 2011 (incorporated by reference to Exhibit 10.24 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.17</td>
<td>Exclusive equity option agreement, by and among Beijing Security, Beike Internet (currently Beijing Mobile), Sheng Fu and Weiqin Qiu, dated January 1, 2011 (incorporated by reference to Exhibit 10.25 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.18</td>
<td>Shareholder voting proxy agreement, by and among Beijing Security, Beike Internet (currently Beijing Mobile), Sheng Fu and Weiqin Qiu, dated January 1, 2011 (incorporated by reference to Exhibit 10.26 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Description of Document</td>
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</tr>
<tr>
<td>4.19</td>
<td>Equity pledge agreement, by and among Beijing Security, Beike Internet (currently Beijing Mobile), Sheng Fu and Weiqin Qiu, dated January 1, 2011 and amendment thereto, dated October 11, 2012 (incorporated by reference to Exhibit 10.27 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.20</td>
<td>Financial support undertaking letter signed by Beijing Security with respect to Beike Internet (currently Beijing Mobile), dated January 17, 2014 (incorporated by reference to Exhibit 10.28 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.21</td>
<td>Spousal consent, signed by Jin Wang, Weiqin Qiu's spouse, dated January 1, 2012 (incorporated by reference to Exhibit 10.29 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 2, 2014)</td>
</tr>
<tr>
<td>4.22</td>
<td>Cooperation framework agreement between the Registrant and Kingsoft Corporation Limited, dated December 27, 2013 and supplemental agreement thereto, dated April 1, 2014 (incorporated by reference to Exhibit 10.38 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014)</td>
</tr>
<tr>
<td>4.23</td>
<td>Non-competition deed between the Registrant and Kingsoft Corporation Limited, dated May 14, 2014 (incorporated by reference to Exhibit 4.46 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 21, 2015)</td>
</tr>
<tr>
<td>4.24</td>
<td>Intellectual property transfer and license framework agreement the Registrant and Kingsoft Corporation, dated April 1, 2014 (incorporated by reference to Exhibit 10.46 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014)</td>
</tr>
<tr>
<td>4.25</td>
<td>Share and asset purchase agreement among the Registrant, Hongkong Zoom Interactive Network Marketing Technology Limited and other parties thereto, dated June 6, 2014 (incorporated by reference to Exhibit 4.52 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 21, 2015)</td>
</tr>
<tr>
<td>4.26</td>
<td>Stock purchase agreement among Hongkong Cheetah Mobile Technology Limited, MobPartner SAS and other parties thereto, dated March 15, 2015 (incorporated by reference to Exhibit 4.53 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 21, 2015)</td>
</tr>
<tr>
<td>4.27</td>
<td>Parent guarantee between the Registrant and the Sellers’ Representatives named therein, dated March 15, 2015 (incorporated by reference to Exhibit 4.54 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 21, 2015)</td>
</tr>
<tr>
<td>4.28</td>
<td>Share transfer agreement among Beijing Security, Weiqin Qiu and Ming Xu, dated October 19, 2015, with respect to Guangzhou Network (incorporated by reference to Exhibit 4.37 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>4.29</td>
<td>VIE termination agreement among Beijing Security, Guangzhou Network, Weiqin Qiu and Ming Xu, dated October 19, 2015 (incorporated by reference to Exhibit 4.38 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>4.30</td>
<td>Share transfer agreement between Beijing Security and each of Ming Xu and Wei Liu, dated October 13, 2015, with respect to Beijing Antutu (incorporated by reference to Exhibit 4.39 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Description of Document</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>4.31</td>
<td>VIE termination agreement among Beijing Security, Beijing Antutu, Ming Xu and Wei Liu, dated October 13, 2015 (incorporated by reference to Exhibit 4.40 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>4.32</td>
<td>Supplemental agreements to strategic cooperation agreement between the Registrant and Shenzhen Tencent Computer Systems Company Limited, dated June 30, 2015 and November 5, 2015 (incorporated by reference to Exhibit 4.41 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>4.33</td>
<td>Strategic cooperation agreement between the Registrant and Shenzhen Tencent Computer Systems Company Limited, dated December 30, 2015 (incorporated by reference to Exhibit 4.42 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>4.34</td>
<td>Supplemental agreement to strategic cooperation agreement dated December 30, 2015 between the Registrant and Shenzhen Tencent Computer Systems Company Limited, dated November 19, 2016 (incorporated by reference to Exhibit 4.34 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>4.35</td>
<td>Supplemental agreement to share and asset purchase agreement among the Registrant, Hongkong Zoom Interactive Network Marketing Technology Limited and other parties thereto, dated March 16, 2015 (incorporated by reference to Exhibit 4.43 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>4.36</td>
<td>Amendment to stock purchase agreement among Hongkong Cheetah Mobile Technology Limited, MobPartner SAS and other parties thereto, dated December 15, 2015 (incorporated by reference to Exhibit 4.44 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 22, 2016)</td>
</tr>
<tr>
<td>4.37</td>
<td>Share transfer agreement between Kun Wang and Ming Xu, dated July 3, 2018, with respect to Beijing Network (incorporated by reference to Exhibit 4.37 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.38</td>
<td>Agreement on cancellation of contracts among Beijing Network, Conew Network, Wei Liu, Kun Wang and Ming Xu, dated July 3, 2018 (incorporated by reference to Exhibit 4.38 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.39</td>
<td>Exclusive service agreement between Beijing Network and Conew Network, dated July 3, 2018 (incorporated by reference to Exhibit 4.39 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Description of Document</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>4.43</td>
<td>Spousal consent, signed by Jiayu Li, Kun Wang’s spouse, dated July 3, 2018, with respect to Beijing Network (incorporated by reference to Exhibit 4.43 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.44</td>
<td>Spousal consent, signed by Xinchan Li, Wei Liu’s spouse, dated July 3, 2018, with respect to Beijing Network (incorporated by reference to Exhibit 4.44 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.45</td>
<td>Share transfer agreement between Kun Wang and Ming Xu, dated July 5, 2018, with respect to Beijing Conew (incorporated by reference to Exhibit 4.45 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.46</td>
<td>Agreement on cancellation of contracts among Beijing Conew, Conew Network, Sheng Fu and Ming Xu, dated July 5, 2018 (incorporated by reference to Exhibit 4.46 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.47</td>
<td>Exclusive service agreement between Beijing Conew and Conew Network, dated July 5, 2018 (incorporated by reference to Exhibit 4.47 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.48</td>
<td>Exclusive equity option agreement, by and among Beijing Conew, Conew Network, Sheng Fu and Kun Wang, dated July 5, 2018 (incorporated by reference to Exhibit 4.48 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.49</td>
<td>Proxy agreement and power of attorney, by and among Conew Network, Beijing Conew, Sheng Fu and Kun Wang, dated July 5, 2018 (incorporated by reference to Exhibit 4.49 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.50</td>
<td>Equity pledge agreement, by and among Conew Network, Beijing Conew, Sheng Fu and Kun Wang, dated July 5, 2018 (incorporated by reference to Exhibit 4.50 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.51</td>
<td>Spousal consent, signed by Jiayu Li, Kun Wang’s spouse, dated July 5, 2018, with respect to Beijing Conew (incorporated by reference to Exhibit 4.51 to our Annual Report on Form 20-F (file no. 001-36427) filed with the Securities and Exchange Commission on April 26, 2019)</td>
</tr>
<tr>
<td>4.52*</td>
<td>Framework agreement, by and among Conew Network, Beijing Network, our company, Wei Liu and Kun Wang, dated December 20, 2019</td>
</tr>
<tr>
<td>4.53*</td>
<td>Equity pledge agreement, by and among Conew Network, Beijing Network, Wei Liu and Kun Wang, dated December 20, 2019</td>
</tr>
<tr>
<td>4.54*</td>
<td>Exclusive equity option agreement, by and among our company, Wei Liu, Kun Wang and Beijing Network, dated December 20, 2019</td>
</tr>
<tr>
<td>4.55*</td>
<td>Proxy agreement and power of attorney, by and among our company, Beijing Network, Wei Liu and Kun Wang, dated December 20, 2019</td>
</tr>
<tr>
<td>4.56*</td>
<td>Spousal consent, signed by Xinchan Li, Wei Liu’s spouse, dated December 20, 2019, with respect to Beijing Network</td>
</tr>
<tr>
<td>4.57*</td>
<td>Spousal consent, signed by Jiayu Li, Kun Wang’s spouse, dated December 20, 2019, with respect to Beijing Network</td>
</tr>
<tr>
<td>Exhibit Number</td>
<td>Description of Document</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>4.58*</td>
<td>Framework agreement, by and among Conew Network, Beijing Conew, our company, Sheng Fu and Kun Wang, dated December 20, 2019</td>
</tr>
<tr>
<td>4.59*</td>
<td>Exclusive equity option agreement, by and among our company, Sheng Fu, Kun Wang and Beijing Conew, dated December 20, 2019</td>
</tr>
<tr>
<td>4.60*</td>
<td>Equity pledge agreement, by and among Conew Network, Beijing Conew, Sheng Fu and Kun Wang, dated December 20, 2019</td>
</tr>
<tr>
<td>4.61*</td>
<td>Proxy agreement and power of attorney, by and among our company, Beijing Conew, Sheng Fu and Kun Wang, dated December 20, 2019</td>
</tr>
<tr>
<td>4.62*</td>
<td>Spousal consent, signed by Jiayu Li, Kun Wang’s spouse, dated December 20, 2019, with respect to Beijing Conew</td>
</tr>
<tr>
<td>4.63*</td>
<td>Framework agreement, by and among Beijing Security, Beijing Mobile, our company, Sheng Fu and Weiqin Qiu, dated December 20, 2019</td>
</tr>
<tr>
<td>4.64*</td>
<td>Exclusive equity option agreement, by and among our company, Sheng Fu, Weiqin Qiu and Beijing Mobile, dated December 20, 2019</td>
</tr>
<tr>
<td>4.65*</td>
<td>Equity pledge agreement, by and among Beijing Security, Beijing Mobile, Sheng Fu and Weiqin Qiu, dated December 20, 2019</td>
</tr>
<tr>
<td>4.66*</td>
<td>Proxy agreement and power of attorney, by and among our company, Beijing Mobile, Sheng Fu and Weiqin Qiu, dated December 20, 2019</td>
</tr>
<tr>
<td>4.67*</td>
<td>Google AdSense Online Terms of Service in effect as of the date of this Annual Report on Form 20-F</td>
</tr>
<tr>
<td>8.1*</td>
<td>List of significant subsidiaries and VIEs</td>
</tr>
<tr>
<td>11.1</td>
<td>Code of business conduct and ethics (incorporated by reference to Exhibit 99.1 to our Registration Statement on Form F-1 (file no. 333-194996) filed with the Securities and Exchange Commission on April 22, 2014)</td>
</tr>
<tr>
<td>12.1*</td>
<td>Certification by principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>12.2*</td>
<td>Certification by principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>13.1**</td>
<td>Certification by principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>13.2**</td>
<td>Certification by principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>15.1*</td>
<td>Consent of Global Law Office</td>
</tr>
<tr>
<td>15.2*</td>
<td>Consent of Ernst &amp; Young Hua Ming LLP</td>
</tr>
<tr>
<td>101.INS*</td>
<td>XBRL Instance Document</td>
</tr>
<tr>
<td>101.SCH*</td>
<td>XBRL Taxonomy Extension Schema Document</td>
</tr>
<tr>
<td>101.CAL*</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document</td>
</tr>
<tr>
<td>101.DEF*</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document</td>
</tr>
<tr>
<td>101.LAB*</td>
<td>XBRL Taxonomy Extension Label Linkbase Document</td>
</tr>
<tr>
<td>101.PRE*</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document</td>
</tr>
</tbody>
</table>

* Filed herewith.
** Furnished herewith.
SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Cheetah Mobile Inc.

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Chief Executive Officer and Director

Date: May 15, 2020
## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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<th>Description</th>
<th>Page</th>
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</thead>
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<td></td>
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Cheetah Mobile Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cheetah Mobile Inc. (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income (loss), changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 15, 2020 expressed an unqualified opinion thereon.

Adoption of New Accounting Standards

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for leases in 2019, and its methods for accounting for revenue from contracts with customers and certain equity securities in 2018 and 2019.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We have served as the Company’s auditor since 2014.

Beijing, The People’s Republic of China
May 15, 2020
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Cheetah Mobile Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Cheetah Mobile Inc.’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Cheetah Mobile Inc. (the “Company”) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of comprehensive income (loss), changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and our report dated May 15, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young Hua Ming LLP

Beijing, the People’s Republic of China
May 15, 2020
### CHEETAH MOBILE INC.

**CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

<table>
<thead>
<tr>
<th>Notes</th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>RMB</td>
</tr>
</tbody>
</table>

#### ASSETS

**Current assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>2,783,843</td>
<td>983,004</td>
<td>141,200</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>6,133</td>
<td>2,638</td>
<td>379</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>930,610</td>
<td>1,369,118</td>
<td>196,661</td>
</tr>
<tr>
<td>Accounts receivable (net of allowance for doubtful accounts of RMB83,991 and RMB109,315 (US$15,702) as of December 31, 2018 and 2019, respectively)</td>
<td>655,261</td>
<td>469,276</td>
<td>67,407</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>1,064,714</td>
<td>936,109</td>
<td>134,464</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>126,990</td>
<td>233,255</td>
<td>33,505</td>
</tr>
<tr>
<td>Total current assets</td>
<td>5,567,551</td>
<td>3,993,400</td>
<td>573,616</td>
</tr>
</tbody>
</table>

**Non-current assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and equipment, net</td>
<td>63,919</td>
<td>103,397</td>
<td>14,852</td>
</tr>
<tr>
<td>Operating lease right-of-use assets</td>
<td>48,421</td>
<td>44,476</td>
<td>6,389</td>
</tr>
<tr>
<td>Goodwill</td>
<td>617,837</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>1,849,043</td>
<td>2,516,724</td>
<td>361,504</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>21,139</td>
<td>25,533</td>
<td>3,668</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>88,896</td>
<td>31,951</td>
<td>4,589</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>35,830</td>
<td>112,700</td>
<td>16,188</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>2,725,085</td>
<td>3,018,344</td>
<td>433,557</td>
</tr>
</tbody>
</table>

Total assets                                                                | 8,292,636 | 7,011,744 | 1,007,173 |

#### LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS’ EQUITY

**Current liabilities** (including current liabilities of the VIEs and a VIE’s subsidiaries without recourse to the Company amounting to RMB107,139 and RMB132,547 (US$19,040) as of December 31, 2018 and 2019, respectively) (Note 1)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>171,055</td>
<td>87,524</td>
<td>12,571</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>1,514,642</td>
<td>1,504,728</td>
<td>216,141</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>37,298</td>
<td>92,210</td>
<td>13,245</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>112,770</td>
<td>60,657</td>
<td>8,713</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>1,835,765</td>
<td>1,745,119</td>
<td>250,670</td>
</tr>
<tr>
<td>Notes</td>
<td>2018 RMB</td>
<td>2019 RMB</td>
<td>US$</td>
</tr>
<tr>
<td>-------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>14</td>
<td>110,291</td>
<td>82,847</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td></td>
<td>64,185</td>
<td>189,231</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td></td>
<td>174,476</td>
<td>272,078</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>2,010,241</td>
<td>2,017,197</td>
</tr>
<tr>
<td>Mezzanine equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Redeemable noncontrolling interests</td>
<td>19</td>
<td>687,847</td>
<td>—</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class A ordinary shares (par value of US$0.000025 per share; 7,600,000,000 shares authorized; 475,357,217 and 435,084,177 shares issued as of December 31, 2018 and 2019, respectively; 419,253,027 and 431,985,016 shares outstanding as of December 31, 2018 and 2019, respectively)</td>
<td>18</td>
<td>74</td>
<td>69</td>
</tr>
<tr>
<td>Class B ordinary shares (par value of US$0.000025 per share; 1,400,000,000 shares authorized; 957,985,982 shares issued and 946,017,565 shares outstanding as of December 31, 2018 and 2019, respectively)</td>
<td>18</td>
<td>156</td>
<td>156</td>
</tr>
<tr>
<td>Treasury stock (45,273,040 and nil shares as of December 31, 2018 and 2019, respectively)</td>
<td>21</td>
<td>(221,932)</td>
<td>—</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td></td>
<td>2,742,893</td>
<td>2,649,342</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>2,705,970</td>
<td>1,944,938</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td></td>
<td>249,304</td>
<td>337,773</td>
</tr>
<tr>
<td>Total Cheetah Mobile Inc. shareholders’ equity</td>
<td></td>
<td>5,476,465</td>
<td>4,932,278</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td></td>
<td>118,083</td>
<td>62,269</td>
</tr>
<tr>
<td>Total equity</td>
<td></td>
<td>5,594,548</td>
<td>4,994,547</td>
</tr>
<tr>
<td>Total liabilities, mezzanine equity and equity</td>
<td></td>
<td>8,292,636</td>
<td>7,011,744</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
### CHEETAH MOBILE INC.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td></td>
</tr>
<tr>
<td><strong>Revenues (a)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility products and related services</td>
<td>3,439,563</td>
<td>3,119,483</td>
<td>1,573,030</td>
<td>225,952</td>
</tr>
<tr>
<td>Mobile entertainment</td>
<td>1,496,443</td>
<td>1,778,867</td>
<td>1,871,543</td>
<td>268,830</td>
</tr>
<tr>
<td>AI and others</td>
<td>38,751</td>
<td>83,355</td>
<td>143,122</td>
<td>20,558</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>4,974,757</td>
<td>4,981,705</td>
<td>3,587,695</td>
<td>515,340</td>
</tr>
<tr>
<td><strong>Cost of revenues (a)</strong></td>
<td>(1,780,089)</td>
<td>(1,540,633)</td>
<td>(1,241,932)</td>
<td>(178,392)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>3,194,668</td>
<td>3,441,072</td>
<td>2,345,763</td>
<td>336,948</td>
</tr>
<tr>
<td><strong>Operating income and expenses (a)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>(684,863)</td>
<td>(668,918)</td>
<td>(787,329)</td>
<td>(113,093)</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>(1,656,505)</td>
<td>(1,910,044)</td>
<td>(1,558,315)</td>
<td>(223,838)</td>
</tr>
<tr>
<td>General and administrative</td>
<td>(407,410)</td>
<td>(430,826)</td>
<td>(587,457)</td>
<td>(84,383)</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>9</td>
<td>—</td>
<td>—</td>
<td>(545,665)</td>
</tr>
<tr>
<td>Other operating income, net</td>
<td>990</td>
<td>35,938</td>
<td>22,091</td>
<td>3,173</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(2,747,788)</td>
<td>(2,973,850)</td>
<td>(3,456,675)</td>
<td>(496,521)</td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td>446,880</td>
<td>467,222</td>
<td>(1,110,912)</td>
<td>(159,573)</td>
</tr>
<tr>
<td><strong>Other income (expenses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income, net</td>
<td>22,603</td>
<td>87,716</td>
<td>110,010</td>
<td>15,802</td>
</tr>
<tr>
<td>Foreign exchange (losses) gains, net</td>
<td>(15,224)</td>
<td>13,821</td>
<td>49</td>
<td>7</td>
</tr>
<tr>
<td>Other income, net</td>
<td>3/4</td>
<td>979,006</td>
<td>700,964</td>
<td>635,166</td>
</tr>
<tr>
<td><strong>Income (loss) before income taxes</strong></td>
<td>1,433,265</td>
<td>1,269,723</td>
<td>(365,687)</td>
<td>(52,529)</td>
</tr>
<tr>
<td><strong>Income tax expenses</strong></td>
<td>14</td>
<td>(57,602)</td>
<td>(117,000)</td>
<td>(7,904)</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>1,375,663</td>
<td>1,152,723</td>
<td>(373,591)</td>
<td>(53,664)</td>
</tr>
<tr>
<td><strong>Less: net income (loss) attributable to noncontrolling interests</strong></td>
<td>27,469</td>
<td>(14,186)</td>
<td>(59,614)</td>
<td>(8,563)</td>
</tr>
<tr>
<td><strong>Net income (loss) attributable to Cheetah Mobile Inc.</strong></td>
<td>1,348,194</td>
<td>1,166,909</td>
<td>(313,977)</td>
<td>(45,101)</td>
</tr>
<tr>
<td><strong>Earnings (loss) per share</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>0.9573</td>
<td>0.8048</td>
<td>(0.2514)</td>
<td>(0.0361)</td>
</tr>
<tr>
<td>Diluted</td>
<td>0.9366</td>
<td>0.7839</td>
<td>(0.2514)</td>
<td>(0.0361)</td>
</tr>
<tr>
<td><strong>Earnings (loss) per ADS</strong> (1 ADS represent 10 Class A ordinary share)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>9.5728</td>
<td>8.0478</td>
<td>(2.5140)</td>
<td>(0.3611)</td>
</tr>
<tr>
<td>Diluted</td>
<td>9.3656</td>
<td>7.8393</td>
<td>(2.5140)</td>
<td>(0.3611)</td>
</tr>
<tr>
<td><strong>Weighted average number of shares used in computation of ordinary shares:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic</td>
<td>1,394,303,326</td>
<td>1,403,089,609</td>
<td>1,369,041,418</td>
<td>1,369,041,418</td>
</tr>
<tr>
<td>Diluted</td>
<td>1,425,154,838</td>
<td>1,440,414,849</td>
<td>1,369,041,418</td>
<td>1,369,041,418</td>
</tr>
</tbody>
</table>
CHEETAH MOBILE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

For the year ended December 31,

<table>
<thead>
<tr>
<th>Notes</th>
<th>2017 RMB</th>
<th>2018 RMB</th>
<th>2019 RMB</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive (loss) income, net of tax of nil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(148,304)</td>
<td>182,978</td>
<td>77,097</td>
<td>11,074</td>
</tr>
<tr>
<td>Unrealized (losses) gains on available-for-sale securities, net</td>
<td>(433)</td>
<td>(3,734)</td>
<td>10,913</td>
<td>1,568</td>
</tr>
<tr>
<td>Other comprehensive (loss) income</td>
<td>(148,737)</td>
<td>179,244</td>
<td>88,010</td>
<td>12,642</td>
</tr>
<tr>
<td>Total comprehensive income (loss)</td>
<td>1,226,926</td>
<td>1,331,967</td>
<td>(285,581)</td>
<td>(41,022)</td>
</tr>
<tr>
<td>Less: total comprehensive income (loss) attributable to noncontrolling interests</td>
<td></td>
<td></td>
<td>(60,073)</td>
<td>(8,629)</td>
</tr>
<tr>
<td>Total comprehensive income (loss) attributable to Cheetah Mobile Inc.</td>
<td>1,204,255</td>
<td>1,332,007</td>
<td>(225,508)</td>
<td>(32,393)</td>
</tr>
</tbody>
</table>

Note:
(a) The amount of transactions with related parties recorded in revenues, cost of revenues and operating expenses are as follows:

For the year ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2017 RMB</th>
<th>2018 RMB</th>
<th>2019 RMB</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>83,263</td>
<td>232,363</td>
<td>216,829</td>
<td>31,146</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>(89,658)</td>
<td>(76,056)</td>
<td>(113,937)</td>
<td>(16,366)</td>
</tr>
<tr>
<td>Research and development</td>
<td>(6,828)</td>
<td>(1,568)</td>
<td>(14,775)</td>
<td>(2,122)</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>(70,272)</td>
<td>(18,710)</td>
<td>(7,871)</td>
<td>(1,131)</td>
</tr>
<tr>
<td>General and administrative</td>
<td>(4,005)</td>
<td>(4,858)</td>
<td>(5,148)</td>
<td>(740)</td>
</tr>
</tbody>
</table>

Details of the related party transactions are set out in Note 15(b) to the consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.
## CHEETAH MOBILE INC.

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>1,375,663</td>
<td>1,152,723</td>
<td>(373,591)</td>
<td>(53,664)</td>
</tr>
<tr>
<td>Adjustments to reconcile net income (loss) to net cash from operating activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of property and equipment</td>
<td>45,156</td>
<td>40,244</td>
<td>37,382</td>
<td>5,370</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>91,145</td>
<td>39,863</td>
<td>28,086</td>
<td>4,034</td>
</tr>
<tr>
<td>Non-cash operating lease expense</td>
<td>—</td>
<td>—</td>
<td>66,609</td>
<td>9,568</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>5,675</td>
<td>17,619</td>
<td>134,281</td>
<td>19,288</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>313,888</td>
<td>155,301</td>
<td>768,039</td>
<td>110,322</td>
</tr>
<tr>
<td>Foreign currency exchange losses (gains)</td>
<td>10,641</td>
<td>(19,979)</td>
<td>2,074</td>
<td>298</td>
</tr>
<tr>
<td>(Gains) losses on disposal of property and equipment and intangible assets</td>
<td>(670)</td>
<td>(2,496)</td>
<td>146</td>
<td>21</td>
</tr>
<tr>
<td><strong>Gains on disposal/deemed disposal of subsidiaries/VIE’s subsidiaries</strong></td>
<td>(232,673)</td>
<td>(193,680)</td>
<td>(840,589)</td>
<td>(120,742)</td>
</tr>
<tr>
<td><strong>Gains on disposal/deemed disposal of investments</strong></td>
<td>(1,012,086)</td>
<td>(300,211)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loss on disposal of put options</strong></td>
<td>—</td>
<td>—</td>
<td>170</td>
<td>24</td>
</tr>
<tr>
<td>Settlement and changes in fair value of contingent consideration</td>
<td>9,014</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in fair value of financial assets</td>
<td>(12,959)</td>
<td>(344,333)</td>
<td>35,265</td>
<td>5,066</td>
</tr>
<tr>
<td>(Gains) losses from equity method investments</td>
<td>(495)</td>
<td>384</td>
<td>(7,594)</td>
<td>(1,091)</td>
</tr>
<tr>
<td><strong>Gains on settlement of consideration of business combination</strong></td>
<td>(3,383)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income tax (benefits) expenses</td>
<td>(25,306)</td>
<td>8,065</td>
<td>5,981</td>
<td>859</td>
</tr>
<tr>
<td>Share-based compensation expenses</td>
<td>73,316</td>
<td>85,118</td>
<td>127,440</td>
<td>18,306</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>625,588</td>
<td>345,590</td>
<td>(239,544)</td>
<td>(34,408)</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |       |       |       |       |
| Purchases of property, plant and equipment and intangible assets | (25,890) | (65,403) | (102,173) | (14,676) |
| Purchase of long-term investments | (384,635) | (529,450) | (494,695) | (71,059) |
| Purchase of put option | (1,200) | (2,380) | (342) |       |
| Purchase of short-term investments | (2,000,669) | (2,492,046) | (3,508,101) | (503,907) |
| Proceeds from maturity of short-term investments | 940,826 | 3,049,145 | 3,266,900 | 469,261 |
| Acquisition of business, net of cash acquired | (77,392) | — | (28,443) | (4,086) |
| Return of long-term investment investees | 58,741 | — | 1,030 | 148 |
| Proceeds (cash-out) from disposal of subsidiaries/VIE’s subsidiaries, net of cash acquired (disposed) | 152,653 | 71,516 | (233,446) | (33,532) |
| Proceeds from disposal of property and equipment and intangible assets | 1,426 | 14,290 | 1,936 | 278 |

F-8
| Proceeds and advance from disposal of long-term investments | 1,136,544 | 578,284 | — | — |
| Loans to related parties | (108,671) | (73,081) | (173,703) | (24,951) |
| Loans to third parties | (34,097) | (70,080) | (24,013) | (3,449) |
| Repayment of loans from related parties | 109,671 | 33,907 | 186,862 | 26,841 |
| Repayment of loans from third parties | — | 22,754 | 25,000 | 3,591 |

**Net cash (used in) provided by investing activities**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(231,493)</td>
<td>538,636</td>
<td>(1,085,226)</td>
<td>(155,883)</td>
</tr>
</tbody>
</table>

**Cash flows from financing activities**

| Repayment for bank loans | (138,656) | (329,145) | — | — |
| Proceeds and advance from share-based awards | 43,688 | 21,234 | 17,000 | 2,442 |
| Settlement of contingent consideration | (25,777) | — | — | — |
| Share repurchase | — | (221,749) | (175) | (25) |
| Capital contribution from noncontrolling shareholders | 11,905 | 172 | — | — |
| Payment of withholding tax for dividend to noncontrolling shareholders | (2,700) | — | — | — |
| Payment of dividend to noncontrolling shareholders | — | (17,023) | (1,298) | (186) |
| Payment of dividend to Cheetah Mobile Inc. shareholders | — | — | (500,597) | (71,906) |
| Proceeds from issuance of redeemable noncontrolling interests | 635,795 | — | — | — |
| Purchase of shares from noncontrolling shareholders | (16,189) | — | — | — |

**Net cash provided by (used in) financing activities**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>508,066</td>
<td>(546,511)</td>
<td>(485,070)</td>
<td>(69,675)</td>
</tr>
</tbody>
</table>

**Effect of exchange rate changes on cash, cash equivalents and restricted cash**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of exchange rate changes on cash, cash equivalents and restricted cash</td>
<td>(73,275)</td>
<td>44,624</td>
<td>5,506</td>
<td>792</td>
</tr>
</tbody>
</table>

**Net increase (decrease) in cash, cash equivalents and restricted cash**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in cash, cash equivalents and restricted cash</td>
<td>828,886</td>
<td>382,339</td>
<td>(1,804,334)</td>
<td>(259,174)</td>
</tr>
</tbody>
</table>

**Cash, cash equivalents and restricted cash at beginning of year**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and restricted cash at beginning of year</td>
<td>1,578,751</td>
<td>2,407,637</td>
<td>2,789,976</td>
<td>400,753</td>
</tr>
</tbody>
</table>

**Cash, cash equivalents and restricted cash at end of year**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and restricted cash at end of year</td>
<td>2,407,637</td>
<td>2,789,976</td>
<td>985,642</td>
<td>141,579</td>
</tr>
</tbody>
</table>

**Supplemental disclosures**

| Cash payments for income taxes | (7,695) | (38,217) | (45,753) | (6,572) |
| Cash payments for interest expenses | (11,988) | (2,956) | — | — |
| Cash payments for operating leases | — | — | (70,284) | (10,096) |

**Non-cash investing and financing activities**

**Acquisition of property and equipment and intangible assets**

| Included in accrued expenses and other current liabilities | 30,530 | 8,725 | 7,087 | 1,018 |

**Disposal of subsidiaries included in prepayments and other current assets**

| 93,071 | 33,084 | — | — |

**Disposal of investments included in prepayments and other current assets**

| 47,818 | — | — | — |

**Right-of-use assets obtained in exchange for operating lease liabilities**

| — | — | 24,079 | 3,459 |

**Non-cash acquisition of other long-term investments**

| 329,710 | — | — | — |

**Non-cash acquisition of business**

| 6,944 | — | — | — |

The accompanying notes are an integral part of these consolidated financial statements.
### Cheetah Mobile Inc.

#### Consolidated Statements of Changes in Shareholders’ Equity

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

<table>
<thead>
<tr>
<th></th>
<th>Number of Class A Ordinary Shares</th>
<th>Number of Class B Ordinary Shares</th>
<th>Additional paid-in-capital</th>
<th>Treasury stock</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Retained earnings</th>
<th>Total Cheetah Mobile Inc. shareholder’s equity</th>
<th>Noncontrolling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at January 1, 2017</strong></td>
<td>406,290,853</td>
<td>1,003,326,973</td>
<td>2,725,675</td>
<td>228,145</td>
<td>237,293</td>
<td>3,012,352</td>
<td>188,826</td>
<td>3,201,178</td>
<td></td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Conversion of Class B ordinary shares to Class A ordinary shares by shareholders</strong></td>
<td>13,749,910</td>
<td>2</td>
<td>(13,749,910)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share-based compensation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exercise and vesting of share-based awards</strong></td>
<td>14,673,174</td>
<td>3,128,262</td>
<td>26,544</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other comprehensive loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accretion of redeemable noncontrolling interests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capital contribution from noncontrolling shareholders</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share purchase from a subsidiary’s noncontrolling interest shareholder</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Share of reserves of an equity investee</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Noncontrolling interest in connection with business acquisitions (Note 3)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cancellation of treasury stock</strong></td>
<td>(25,368,080)</td>
<td>(4)</td>
<td>(178,987)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adoption of ASU 2016-09</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dividend declared by a consolidated subsidiary to noncontrolling interests</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Repurchase of share-based awards from a noncontrolling shareholder</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2017</strong></td>
<td>409,345,857</td>
<td>992,705,325</td>
<td>2,644,043</td>
<td>84,206</td>
<td>1,564,883</td>
<td>4,293,361</td>
<td>212,603</td>
<td>4,505,964</td>
<td></td>
</tr>
</tbody>
</table>
# CHEETAH MOBILE INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

<table>
<thead>
<tr>
<th></th>
<th>Number of Class A Ordinary Shares</th>
<th>Class A Ordinary Shares</th>
<th>Number of Class B Ordinary Shares</th>
<th>Class B Ordinary Shares</th>
<th>Additional paid-in capital</th>
<th>Treasury stock</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Retained earnings</th>
<th>Total Cheetah Mobile Inc. shareholder’s equity</th>
<th>Noncontrolling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption of ASC 606</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>11,892</td>
<td>11,892</td>
<td>1,175</td>
<td>13,067</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,166,909</td>
<td>1,166,909</td>
<td>(14,186)</td>
<td>1,152,723</td>
<td></td>
</tr>
<tr>
<td>Conversion of Class B ordinary shares to Class A ordinary shares by shareholders</td>
<td>48,412,760</td>
<td>8</td>
<td>(48,412,760)</td>
<td>(8)</td>
<td>—</td>
<td>—</td>
<td>1,166,909</td>
<td>1,166,909</td>
<td>(14,186)</td>
<td>1,152,723</td>
<td></td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Exercise and vesting of share-based awards</td>
<td>6,767,450</td>
<td>1</td>
<td>1,725,000</td>
<td>—</td>
<td>12,035</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>165,098</td>
<td>—</td>
<td>—</td>
<td>165,098</td>
<td>14,146</td>
<td>179,244</td>
</tr>
<tr>
<td>Accretion of redeemable noncontrolling interests</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(37,714)</td>
<td>(37,714)</td>
<td>(887)</td>
<td>(38,601)</td>
</tr>
<tr>
<td>Capital contribution from noncontrolling shareholders</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Share of reserves of an equity investee</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>180</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>180</td>
<td>—</td>
</tr>
<tr>
<td>Repurchase of common stock (Note 21)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(221,932)</td>
<td>(221,932)</td>
</tr>
<tr>
<td>Disposal of a subsidiary</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(75,964)</td>
<td>(75,964)</td>
</tr>
<tr>
<td>Dividend declared by a consolidated subsidiary to noncontrolling interests</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(20,529)</td>
<td>(20,529)</td>
</tr>
<tr>
<td>Change in equity interest of a subsidiary</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,888</td>
<td>—</td>
<td>—</td>
<td>1,888</td>
<td>(1,888)</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at December 31, 2018</strong></td>
<td>464,526,067</td>
<td>74</td>
<td>946,017,565</td>
<td>156</td>
<td>2,742,893</td>
<td>(221,932)</td>
<td>249,304</td>
<td>2,705,970</td>
<td>5,476,465</td>
<td>118,083</td>
<td>5,594,548</td>
</tr>
</tbody>
</table>
## Cheetah Mobile Inc.

### Consolidated Statements of Changes in Shareholders' Equity

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

<table>
<thead>
<tr>
<th>Number of Class A Ordinary Shares</th>
<th>Number of Class B Ordinary Shares</th>
<th>Additional paid-in capital</th>
<th>Treasury stock</th>
<th>Accumulated other comprehensive income (loss)</th>
<th>Retained earnings</th>
<th>Total Cheetah Mobile Inc. shareholder’s equity</th>
<th>Noncontrolling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss ..................................</td>
<td>— — — — — — — — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(313,977)</td>
<td>(313,977)</td>
<td>(59,614)</td>
<td>(373,591)</td>
</tr>
<tr>
<td>Share-based compensation ...............</td>
<td>— — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>126,451</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercise and vesting of share-based awards .</td>
<td>12,731,989</td>
<td>2</td>
<td>—</td>
<td>—</td>
<td>6,078</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other comprehensive income (loss) ............</td>
<td>— — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>88,469</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Accretion of redeemable noncontrolling interests ..........</td>
<td>— — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Capital contribution from noncontrolling shareholders ................</td>
<td>— — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Disposal of a subsidiary ................</td>
<td>— — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cancelation of treasury stock (Note 21) ........</td>
<td>(45,273,040)</td>
<td>(7)</td>
<td>(221,925)</td>
<td>221,932</td>
<td>(221,932)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividend declared by a consolidated subsidiary to noncontrolling interests ..........</td>
<td>— — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividend declared by the Company to Cheetah Mobile Inc. shareholders .............</td>
<td>— — —</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Change in equity interest of a subsidiary ...............</td>
<td>— — —</td>
<td>—</td>
<td>(4,155)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019</strong> ............</td>
<td>431,985,016</td>
<td>69</td>
<td>946,017,565</td>
<td>156</td>
<td>2,649,342</td>
<td>—</td>
<td>337,773</td>
<td>1,944,938</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Cheetah Mobile Inc. (formerly known as Kingsoft Internet Security Software Holdings Limited) (the “Company”) is a limited company incorporated in the Cayman Islands under the laws of Cayman Islands on July 30, 2009. The Company and its consolidated subsidiaries and variable interest entities (“VIEs”) (collectively referred to as the “Group”) are principally engaged in the provision of utility products and related services, mobile entertainment services and artificial intelligence (“AI”) and other services. The Company conducts its primary business operations through its subsidiaries, VIEs and subsidiary of VIEs. In 2009, Kingsoft Corporation Limited ("Kingsoft"), the former holding company of the Company, undertook a corporate reorganization to establish the Group, which started to specialize in utility products and related services on a stand-alone basis with separate management oversight distinct from Kingsoft. Subsequent to the reorganization in 2009, all revenues and costs generated by the utility products and related services, are reflected in the consolidated financial statements of the Group. On October 2, 2017, Kingsoft have approved the delegation of approximately 38%, which increased to 39.9% as of March 31, 2020, voting power of the Company held by Kingsoft to Mr. Sheng Fu, chief executive officer and director of the Company ("Mr. Fu"), effective October 1, 2017. The Company is no longer consolidated by Kingsoft and became a significant equity method investee of Kingsoft thereafter.

Details of the Company’s principal subsidiaries and VIEs as of December 31, 2019 are as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Date of incorporation/ registration</th>
<th>Place of incorporation/ registration</th>
<th>Percentage of ownership (i)</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Principal subsidiaries of the Company:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheetah Technology Corporation Limited (&quot;Cheetah Technology&quot;)</td>
<td>August 26, 2009 Hong-Kong</td>
<td>100%</td>
<td>Investment holding, provision of utility products and related services, mobile entertainment services</td>
<td></td>
</tr>
<tr>
<td>Beijing Kingsoft Internet Security Software Co., Ltd. (&quot;Beijing Security&quot;)</td>
<td>November 30, 2009 PRC</td>
<td>100%</td>
<td>Provision of mobile entertainment services and research and development of online applications, sale of AI products</td>
<td></td>
</tr>
<tr>
<td>Conew Network Technology (Beijing) Co., Ltd. (&quot;Conew Network&quot;)</td>
<td>March 19, 2009 PRC</td>
<td>100%</td>
<td>Research and development of mobile applications and provision of utility products and related services</td>
<td></td>
</tr>
<tr>
<td>Hongkong Zoom Interactive Network Marketing Technology Limited (&quot;HK Zoom&quot;)</td>
<td>July 4, 2014 Hong Kong</td>
<td>100%</td>
<td>Provision of utility products and related services</td>
<td></td>
</tr>
<tr>
<td>Cheetah Information Technology Company Limited (&quot;Cheetah Information&quot;)</td>
<td>March 9, 2015 Hong Kong</td>
<td>100%</td>
<td>Investment holding</td>
<td></td>
</tr>
</tbody>
</table>

F-13
Principal subsidiaries of the Company (continued):

<table>
<thead>
<tr>
<th>Company</th>
<th>Date of incorporation/registration</th>
<th>Place of incorporation/registration</th>
<th>Percentage of ownership (i)</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheetah Mobile Singapore Pte. Ltd. (“Cheetah Mobile Singapore”)</td>
<td>May 27, 2015</td>
<td>Singapore</td>
<td>100%</td>
<td>Provision of utility products and related services and mobile entertainment services</td>
</tr>
<tr>
<td>Cheetah Mobile Hong Kong Limited (“Cheetah Mobile Hong Kong”)</td>
<td>February 24, 2016</td>
<td>Hong Kong</td>
<td>100%</td>
<td>Investment holding</td>
</tr>
<tr>
<td>Beijing Chibao Technology Co., Ltd.</td>
<td>December 6, 2018</td>
<td>The PRC</td>
<td>82.5%</td>
<td>Provision of mobile entertainment services</td>
</tr>
<tr>
<td>Beijing Kingsoft Cheetah Technology Co., Ltd.</td>
<td>April 30, 2015</td>
<td>The PRC</td>
<td>100%</td>
<td>Provision of products and related services and mobile entertainment services</td>
</tr>
<tr>
<td>Jingdezhen Jibao Information Service Co., Ltd.</td>
<td>August 10, 2017</td>
<td>The PRC</td>
<td>100%</td>
<td>Provision of utility products and related services, sale of AI products</td>
</tr>
<tr>
<td>Japan Kingsoft Inc. (“Kingsoft Japan”)</td>
<td>March 9, 2005</td>
<td>Japan</td>
<td>41.9%</td>
<td>Provision of utility products and related services</td>
</tr>
<tr>
<td>Zhuhai Baoqu Technology Co., Ltd.</td>
<td>July 18, 2018</td>
<td>The PRC</td>
<td>75.0%</td>
<td>Provision of utility products and related services</td>
</tr>
</tbody>
</table>

VIEs

<table>
<thead>
<tr>
<th>VIEs</th>
<th>Date of incorporation/registration</th>
<th>Place of incorporation/registration</th>
<th>Percentage of ownership (i)</th>
<th>Principal activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing Conew Technology Development Co., Ltd. (“Beijing Conew”)</td>
<td>December 22, 2005</td>
<td>The PRC</td>
<td>Nil</td>
<td>Dormant</td>
</tr>
<tr>
<td>Beijing Cheetah Mobile Technology Co., Ltd. (“Beijing Mobile”)</td>
<td>April 15, 2009</td>
<td>The PRC</td>
<td>Nil</td>
<td>Provision of utility products and related services, mobile entertainment services</td>
</tr>
<tr>
<td>Beijing Cheetah Network Technology Co., Ltd. (“Beijing Network”)</td>
<td>July 18, 2012</td>
<td>The PRC</td>
<td>Nil</td>
<td>Provision of utility products and related services, mobile entertainment services</td>
</tr>
</tbody>
</table>

(i) Percentage of ownership is calculated on fully diluted basis.

VIE arrangements

Before December, 2019, in order to comply with the PRC laws and regulations which prohibit foreign control of companies involved in internet value-added business, the Group operates its website and conducts substantially the majority of its internet value-added services in the PRC through Beijing Mobile, Beijing Network, and Beijing Conew and other VIEs (collectively referred to as the “VIEs”) and its wholly-owned subsidiaries. Except for Beijing Conew, the registered capital of the VIEs was funded by Beijing Security and Conew Network (each or collectively referred to as the “Former Primary Beneficiaries”) through loans extended
to the VIEs’ shareholders (the “Nominee Shareholders”), Sheng Fu and Kun Wang who are the Company’s director and/or employee, as well as Ms. Weiqin Qiu and Wei Liu. The effective control of the VIEs is held by the Former Primary Beneficiaries, through a series of contractual agreements (the “Contractual Agreements”). As a result of the Contractual Agreements, the Former Primary Beneficiaries have the power to direct the activity that most significantly impacts the economic performance of the VIEs and receive the economic benefits of the VIEs.

The following is a summary of the Contractual Agreements amongst Beijing Security, as the Former Primary Beneficiary, Beijing Mobile, as the VIE and Beijing Mobile’s Nominee Shareholders before December 2019. Contractual Agreements entered with other VIEs, including but not limited to Beijing Network and Beijing Conew, are substantially similar:

**Exclusive technology development, support, and consulting agreements**

Pursuant to the exclusive technology development, support and consulting agreement entered into between the Former Primary Beneficiary and the VIE, the VIE engaged the Former Primary Beneficiary as its exclusive provider of management consulting services, technical development and support services in return for service fees of not less than 30% of the VIE’s pre-tax revenue. The Former Primary Beneficiary has the sole right to adjust the services fees upon written request and shall exclusively own any intellectual property arising from the performance of this agreement. The agreements will remain effective unless terminated upon mutual agreement by both parties. During the term of the agreement, the VIE may not enter into any agreement with third parties for the provision of any technical or management consulting services without the consent of the Former Primary Beneficiary.

**Loan agreements**

Pursuant to the loan agreements among the Former Primary Beneficiary, the Nominee Shareholders and the VIE, the Former Primary Beneficiary granted loans to the Nominee Shareholders for their sole purpose of contributing to the registered capital of the VIE or in certain cases directly to the VIE under the VIE arrangements. As of December 31, 2019, the aggregate amount of these loans was RMB16,800 (US$2,413). At the option of the Former Primary Beneficiary, repayment may be requested at any time, which may be in the form of transferring the VIE’s equity interest to the Former Primary Beneficiary or its designees. The Nominee Shareholders may offer to repay part or the entire loans at any time, to the extent permitted by PRC laws, in the form of transferring the VIE’s equity interest to the Former Primary Beneficiary or its designees.

**Exclusive equity option agreements**

Pursuant to the exclusive equity option agreement entered into among the Former Primary Beneficiary, the VIE and the Nominee Shareholders, the Former Primary Beneficiary was granted an exclusive and irrevocable option to purchase, or designate a third party to purchase, all or part of the equity interest of the VIE held by the Nominee Shareholders. Without the prior written consent of the Former Primary Beneficiary, the Nominee Shareholders shall not assign or transfer to any third party or create or cause any equity interest in whatsoever form to be created on, all or any part of the equity interest held in the VIE. In addition, dividends and any form of distributions are not permitted without the prior consent of the Former Primary Beneficiary. The exercise consideration is equal to the minimum price permitted under the PRC laws and any amount in excess of the corresponding loan amount shall be refunded by the Nominee Shareholders to the Former Primary Beneficiary or
the Former Primary Beneficiary may deduct the excess amount upon payment of consideration. The Former Primary Beneficiary or its designee(s) may exercise such option at any time until it has acquired all the equity interest of the VIE. The agreement will remain effective until all the equity interests held by the Nominee Shareholders have been lawfully transferred to the Former Primary Beneficiary or its designee(s) pursuant to the terms of the agreement.

Equity pledge agreements

Pursuant to the equity pledge agreement entered into among the Nominee Shareholders, the VIE and the Former Primary Beneficiary, the Nominee Shareholders pledged all of their equity interest in the VIE to the Former Primary Beneficiary as collateral for all of their payments due to the Former Primary Beneficiary and to secure their obligations under the above agreements. Without the prior written consent of the Former Primary Beneficiary, the Nominee Shareholders may not assign or transfer to any third party or create or cause any equity interest in whatsoever form to be created on, all or any part of the equity interest they hold in the VIE. The Former Primary Beneficiary is entitled to transfer or assign in full, or in part, the equity interest pledged. In the event of default, the Former Primary Beneficiary as the pledgee, has first priority to be compensated through the sale or auction of the pledged equity interest. The Nominee Shareholders agree to waive their dividend rights in relation to all of the pledged equity interest until such pledge has been lawfully discharged. The equity pledge agreement will remain effective until all the obligations under these agreements have been satisfied in full or all of the guaranteed liabilities have been repaid.

Shareholder voting proxy agreements

Pursuant to the shareholder voting proxy agreement signed among the Nominee Shareholders, the VIE and the Former Primary Beneficiary, each of the Nominee Shareholders irrevocably nominates, appoints and constitutes any person designated by the Primary Former Beneficiary as its attorney-in-fact to exercise on such shareholder’s behalf any and all rights that such shareholder has in respect of its equity interest in the VIE (including but not limited to the voting rights and the right to nominate executive directors of the VIE). The shareholder voting proxy agreement is effective for an initial ten years and will be automatically renewed on an annual basis thereafter if the Former Primary Beneficiary does not provide notice of termination to the Nominee Shareholders thirty days prior to expiration.

Business operation agreements

Pursuant to the business operations agreement entered into among the Nominee Shareholders, the VIE and the Former Primary Beneficiary, the Nominee Shareholders must appoint candidates designated by the Former Primary Beneficiary as the members of the board of the VIE and the Former Primary Beneficiary has the right to appoint senior executives of the VIE. In addition, the VIE agrees not to engage in any transaction that may materially affect its assets, obligations, rights or operation without the prior written consent of the Former Primary Beneficiary. The Nominee Shareholders also agree to unconditionally pay or transfer to the Former Primary Beneficiary any bonus, dividends or any other profits or interest (in whatever form) that they are entitled to as shareholders of the VIE, and waive any consideration connected therewith. The agreement has a term of ten years, unless otherwise terminated by the Former Primary Beneficiary. Neither the VIE nor the Nominee Shareholders may terminate this agreement.
Spousal consent letters

The spouse of certain shareholder of the VIE has executed spousal consent letter. Pursuant to such letter, the spouses of certain shareholder of the VIE acknowledged that certain equity interest in the VIE held by and registered in the name of her spouse will be disposed pursuant to relevant arrangements under the shareholder voting proxy agreement, the exclusive equity option agreement, the equity pledge agreement and the loan agreement. This spouse undertakes not to take any action to interfere with the disposition of such equity interest, including, without limitation, claiming that such equity interest constitutes communal marital property.

On January 17, 2014, the Contractual Agreements were supplemented with financial support undertaking letters executed by the Former Primary Beneficiary to memorialize the Former Primary Beneficiary’s commitment to the VIEs and the commitment shall be retrospectively effective from the date the other contractual agreements were fully executed. Pursuant to the financial support undertaking letter, the Former Primary Beneficiary commits to provide unlimited financial support to the VIE to support their operations whether or not the VIE incurs any losses, and not request for repayment if the VIE is unable to do so.

Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Former Primary Beneficiaries and the VIEs through the irrevocable shareholder voting proxy agreements, whereby the Nominee Shareholders effectively assigned all of the voting rights underlying their equity interest in the VIEs to the Former Primary Beneficiaries. Furthermore, pursuant to the exclusive equity option agreements, which include a substantive kick-out right, the Former Primary Beneficiaries have the power to control the Nominee Shareholders, and therefore the power to govern the activities that most significantly impact the economic performance of the VIEs. In addition, through the Contractual Agreements, the Former Primary Beneficiaries demonstrate its ability and intention to continue to exercise the ability to absorb substantially all of the expected losses and the majority of the profits of the VIEs, and therefore have the rights to the economic benefits of the VIEs.

Normally, the shareholders of the VIEs have the right to elect and terminate the executive directors of the VIEs, approve the annual budget, financial statements and significant investing and financing activities of the VIEs. However, pursuant to the shareholder voting proxy agreements, the shareholders of the VIEs have assigned all of their voting rights underlying the equity interest in the VIEs to any person(s) nominated, appointed or designated by the Former Primary Beneficiaries. Senior management of the Company, all employees of the Former Primary Beneficiaries, are generally responsible for the review and approval of sales contracts, credit approval policies, pricing policies, significant marketing promotions, product development, research and development, bandwidth and traffic expenditures, as well as the appointments and terminations of personnel. Therefore, the Former Primary Beneficiaries have the power to direct the activities of the VIEs that most significantly impact their economic performance.

Thus, Beijing Security and Conew Network are considered as the Former primary beneficiaries of the VIEs. As a result of the above, the Company, through the Former Primary Beneficiaries, consolidate the VIEs in accordance with SEC Regulation SX-3A-02 and Accounting Standards Codification (“ASC”) topic 810-10 (“ASC 810-10”), Consolidation: Overall.
In December 2019, the contractual agreements for certain VIEs, including Beijing Conew, Beijing Mobile and Beijing Network, were amended to mainly include the following terms:

a. Exclusive equity option agreements

The Company (i) has an exclusive option to purchase, when and to the extent permitted under PRC laws, all or part of the equity interests in the VIEs or all or part of the assets held by the VIEs, (ii) has an exclusive right to cause the Nominee Shareholders to transfer their equity interests in the VIE to the Company or any designated third party and (iii) may provide financial support to the VIEs (only to the extent permitted under PRC laws) when the VIEs become in need of any form of reasonable financial support in the normal operation of business. The Company will not request repayment of any outstanding loans or borrowings from the VIEs if the VIEs do not have sufficient funds or are unable to repay such loans or borrowings.

b. Proxy agreements and power of attorney

The Nominee Shareholders of the VIEs agreed to irrevocably entrust all the rights to exercise their voting power and any other rights as shareholders of the VIEs to the Company or any third party designated by the Company. The Company, or any designated third party, as the Entrustee, shall have the right to exercise all the rights as shareholders of the VIEs in its sole discretion, and none of the Nominee Shareholders shall exercise any rights as shareholders of the VIEs without the prior written consent of the Company. The Nominee Shareholders of the VIEs have each executed an irrevocable power of attorney to appoint the Company as their attorney-in-fact to vote on their behalf on all matters requiring shareholder approval.

As a result, the power and the rights pursuant to the Proxy Agreements and Power of Attorney have since been effectively reassigned from the Former Primary Beneficiaries to the Company which has the power to direct the activities of the VIEs that most significantly impact the VIEs’ economic performance. The Company is also obligated to absorb the expected losses of the VIE through the financial support as described above. Therefore, the Company has replaced the Former Primary Beneficiaries as the primary beneficiary of the VIEs, including but not limited to Beijing Conew, Beijing Mobile and Beijing Network since December 2019. As the VIEs were subject to indirect control by the Company through its PRC subsidiaries immediately before and direct control immediately after the contractual agreements were amended, the change of the primary beneficiary of the VIEs was accounted for as a common control transaction based on the carrying amount of the net assets transferred.

The Company, in consultation with its PRC legal counsel, believes that (i) the ownership structure of the Group, including its subsidiaries in the PRC and VIEs does not result in any violation of all existing PRC laws and regulations; (ii) each of the Contractual Agreements amongst the primary beneficiary, the VIEs and the Nominee Shareholders of the VIEs governed by PRC laws, are legal, valid and binding, enforceable against such parties, and will not result in any violation of PRC laws or regulations currently in effect; and (iii) each of the Company’s PRC subsidiaries, VIEs and subsidiary of VIEs have the necessary corporate power and authority to conduct its business as described in its business scope under its business license, which is in full force and effect.

However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations. If the Company, the Company’s PRC subsidiaries or any of its current or future VIEs are found in violation of any existing or future laws or regulations, or fail to obtain or maintain any of the required permits or
approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including levying fines, confiscating the income of the Company’s PRC subsidiaries, and the VIEs, revoking the business licenses or operating licenses of the Company’s PRC subsidiaries, and VIEs, shutting down the Group’s servers or blocking the Group’s websites, discontinuing or placing restrictions or onerous conditions on the Group’s operations, requiring the Group to undergo a costly and disruptive restructuring, restricting the Group’s rights to use the proceeds from this offering to finance the Group’s business and operations in PRC, or enforcement actions that could be harmful to the Group’s business. Any of these actions could cause significant disruption to the Group’s business operations and severely damage the Group’s reputation, which would in turn materially and adversely affect the Group’s business and results of operations. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of VIEs or the right to receive their economic benefits, the Company would no longer be able to consolidate the VIEs.

In addition, if the VIEs or the Nominee Shareholders fail to perform their obligations under the Contractual Agreements, the Group may have to incur substantial costs and expend resources to enforce the Primary Beneficiary’s rights under the contracts. The Group may have to rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. All of these Contractual Agreements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal system in PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit the Group’s ability to enforce these contractual arrangements. Under PRC laws, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event the Group is unable to enforce these Contractual Agreements, the Company may not be able to exert effective control over its VIEs, and the Group’s ability to conduct its business may be negatively affected.
The assets and liabilities of the VIEs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31, 2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>49,623</td>
<td>42,809</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>526</td>
<td>476</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>—</td>
<td>4,000</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>25,346</td>
<td>107,199</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>49,739</td>
<td>74,384</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>425,752</td>
<td>624,600</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>550,986</strong></td>
<td><strong>853,468</strong></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>12,753</td>
<td>9,393</td>
</tr>
<tr>
<td>Operating lease right-of-use assets</td>
<td>—</td>
<td>37,141</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>6,926</td>
<td>6,616</td>
</tr>
<tr>
<td>Goodwill</td>
<td>962</td>
<td>—</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>111,836</td>
<td>214,340</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>2,733</td>
<td>3,384</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>9,250</td>
<td>9,474</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>144,460</strong></td>
<td><strong>280,348</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>695,446</strong></td>
<td><strong>1,133,816</strong></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>11,777</td>
<td>10,642</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>82,012</td>
<td>100,015</td>
</tr>
<tr>
<td>Due to related parties (i)</td>
<td>387,629</td>
<td>907,481</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>1,945</td>
<td>1,587</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>483,363</strong></td>
<td><strong>1,019,725</strong></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>1,660</td>
<td>3,749</td>
</tr>
<tr>
<td>Due to related parties (i)</td>
<td>19,596</td>
<td>—</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>4,754</td>
<td>32,037</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>26,010</strong></td>
<td><strong>35,786</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>509,373</strong></td>
<td><strong>1,055,511</strong></td>
</tr>
</tbody>
</table>

(i) As of December 31, 2018, and 2019, the balances due to related parties of the VIEs mainly represented amounts due to subsidiaries of the Group of RMB395,820 and RMB887,178 (US$127,435) respectively, which were eliminated upon consolidation by the Company.
CHEETAH MOBILE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and
per share (or ADS) data)

The financial performance and cash flows of the VIEs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Revenues</td>
<td>369,247</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>232,500</td>
</tr>
<tr>
<td>Net income</td>
<td>22,327</td>
</tr>
<tr>
<td>Net cash (used in) provided by operating activities</td>
<td>(30)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>23,853</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>—</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash, cash equivalents and restricted cash</td>
<td>—</td>
</tr>
</tbody>
</table>

The revenue producing assets that are held by the VIEs primarily comprise of leasehold improvements, servers, licensed software, network equipment, acquired trade name and acquired domain name. Substantially all of such assets are recognized in the Group’s consolidated financial statements, except for certain Internet Content Provider Licenses, internally developed software, trademarks and patent applications which were not recorded in the Company’s consolidated balance sheets as they do not meet all the capitalization criteria. The VIEs also hire assembled work force on sales, research and development and operations whose costs are expensed as incurred.

There was no pledge or collateralization of the VIEs’ assets. Creditors of the VIEs have no recourse to the general credit of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”). “Impairment of investments and convertible loans” and “Gain (loss) from equity method investments, net” in consolidated statements of comprehensive income (loss) have been reclassified to conform with the current year’s presentation to facilitate comparison.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, VIEs and subsidiaries of VIEs. All significant intercompany transactions and balances between the Company, its subsidiaries, VIEs and subsidiaries of VIEs are eliminated upon consolidation. Results of subsidiaries, businesses acquired from third parties, VIEs and subsidiaries of VIEs are consolidated from the date on which control is transferred to the Company.

On May 26, 2011, the board of directors of the Company approved and adopted a share award scheme (the “2011 Share Award Scheme”) in which selected employees of the Group are entitled to participate. The Group has set up a trust (the “Share Award Scheme Trust”) for the purpose of administering the 2011 Share Award Scheme and holding shares awarded to the employees before they vest and are transferred to the employees as instructed by employees. As the Group has the power to govern the financial and operating policies of the Share Award Scheme Trust and derives benefits from the contributions of the employees who have been awarded the shares of the Company through their continued employment with the Group, the Share Award Scheme Trust are included in the consolidated financial statements and any ungranted and unvested shares held by the Share Award Scheme Trust not transferred to grantees are not considered legally issued and outstanding ordinary shares of the Company.
Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Management evaluates estimates, including those related to the standalone selling prices of performance obligation of revenue contracts, the allowance for doubtful accounts, weighted average unit price of virtual currencies of LiveMe, the average paying user lives of online games, the purchase price allocation and fair value of noncontrolling interests with respect to business combinations, useful lives of long-lived assets and intangible assets, impairment of long-lived assets, impairment of investments, impairment of intangible assets, impairment of goodwill, valuation allowance for deferred tax assets, uncertain tax positions, share-based compensation, fair values of investments, and loss contingencies, among others.

Foreign currency translation and transactions

The functional currency of the Company is the US$. The Company’s subsidiaries, VIEs and subsidiaries of VIEs determined their functional currency based on the criteria of ASC 830, Foreign Currency Matters. The Group uses RMB as its reporting currency. The Group uses the monthly average exchange rate for the year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive income, a component of shareholders’ equity.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are remeasured at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are included as a component of “Foreign exchange gain (loss), net” in the consolidated statements of comprehensive income (loss).

Convenience translation

Amounts in US$ are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.9618 to US$1.00 on December 31, 2019 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Business combinations and noncontrolling interests

Except for business combination under common control, the Group accounts for its business combinations using the purchase method of accounting in accordance with ASC 805, Business Combinations. The purchase method of accounting requires that the consideration transferred to be allocated to the assets, including separately identifiable assets, and liabilities the Group acquired, based on their estimated fair values. The consideration transferred of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately.
at their fair value as of the acquisition date, irrespective of the extent of any noncontrolling interests. The excess of (i) the total of cost of acquisition, fair value of the noncontrolling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings. During the measurement period, which can be up to one year from the acquisition date, the Group may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the consolidated statements of comprehensive income (loss).

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in earnings.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and noncontrolling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The Group determines discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

For the Company’s majority-owned subsidiaries and VIEs, a noncontrolling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Company. Consolidated net income (loss) on the consolidated statements of comprehensive income (loss) includes the net income (loss) attributable to noncontrolling interests. The cumulative results of operations attributable to noncontrolling interests are recorded as noncontrolling interests in the Group’s consolidated balance sheets.

**Cash and cash equivalents**

Cash consists of cash on hand and bank deposits, which are unrestricted to withdrawal and use. All highly liquid investments with original stated maturity of three months or less are classified as cash equivalents.

**Restricted cash**

Restricted cash consists primarily of the cash reserved in escrow accounts for the remaining payments in relation to business acquisition of RMB3,480 and nil as of December 31, 2018 and 2019, respectively, the cash pledged as collateral for a business credit card of RMB2,128 and RMB2,163 (US$311) as of December 31, 2018 and 2019, respectively, and the cash reserved in third-party trust account of RMB382 and RMB332 (US$48) as of December 31, 2018 and 2019, respectively.

**Accounts receivable and allowance for doubtful accounts**

Accounts receivable are recognized and carried at original invoiced amount less an allowance for any potential uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. The Group generally does not require collateral from its customers.
The Group maintains allowances for doubtful accounts for estimated losses resulting from the failure of customers to make payments on time. The Group reviews the accounts receivable on a periodic basis and makes specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Group considers many factors, including the customer’s payment history, its current credit-worthiness and current economic trends.

**Inventories, net**

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value, and are recorded in “Prepayments and other current assets”. Cost of inventories is determined using the weighted average cost method. Adjustments are recorded to write down the cost of inventories to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. Write downs of inventories are recorded in cost of revenues in the consolidated statements of comprehensive income (loss).

**Derivative Instruments**

ASC topic 815 (“ASC 815”), *Derivatives and Hedging*, requires all contracts which meet the definition of a derivative to be recognized on the balance sheet as either assets or liabilities and recorded at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in earnings or in other comprehensive income (loss) depending on the use of the derivative and whether it qualifies for hedge accounting. Changes in fair values of derivatives not qualified as hedges are reported in earnings. The estimated fair values of derivative instruments are determined at discrete points in time based on the relevant market information. The Group did not enter into any derivative contracts that qualified as hedges for the periods presented.

**Investments**

**Short-term investments**

All highly liquid investments with original maturities of greater than three months, but less than 12 months, are classified as short-term investments. Investments that are expected to be realized in cash during the next 12 months are also included in short-term investments.

**Investment in debt securities**

The Group accounts for its investments in debt securities in accordance with ASC 320-10, *Investments—Debt Securities: Overall*. The Group classifies the investments in debt securities as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting methods stipulated by ASC 320-10. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the short-term investments are determined on a specific identification method, and such gains and losses are reflected in earnings during the period in which gains, or losses are realized.

The debt securities that the Group has positive intent and ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost. For individual securities classified as held-to-maturity
securities, the Group evaluates whether a decline in fair value below the amortized cost basis is other-than-
temporary in accordance with the Group’s policy and ASC 320-10. When the Group intends to sell an impaired
debt security or it is more likely than not that it will be required to sell prior to recovery of its amortized cost
basis, an other-than-temporary impairment is deemed to have occurred. In these instances, the other-than-
temporary impairment loss is recognized in earnings equal to the entire excess of the debt security’s amortized
cost basis over its fair value at the balance sheet date of the reporting period for which the assessment is made.
When the Group does not intend to sell an impaired debt security and it is more-likely-than-not that it will not be
required to sell prior to recovery of its amortized cost basis, the Group must determine whether or not it will
recover its amortized cost basis. If the Group concludes that it will not, an other-than-temporary impairment
exists and that portion of the credit loss is recognized in earnings, while the portion of loss related to all other
factors is recognized in other comprehensive income (loss).

Debt securities that are bought and held principally for the purpose of selling them in the near term are
classified as trading securities. Unrealized holding gains and losses for trading securities are included in earnings.

Debt investments not classified as trading or as held-to-maturity are classified as available-for-sale
securities. Available-for-sale debt securities are reported at fair value, with unrealized gains and losses recorded
in other comprehensive income (loss). An impairment loss on available-for-sale debt securities would be
recognized in consolidated statements of comprehensive income (loss) when the decline in value is determined to
be other-than-temporary.

Investment in equity securities

The Group accounts for its investments in common stock or in-substance common stock in entities in which
it can exercise significant influence but does not own a majority equity interest or control using the equity
method in accordance with ASC 323-10, Investments—Equity Method and Joint Ventures: Overall unless the
Group elects to account for the investment using the fair value option in accordance with ASC 825-10, Financial
Instruments: Fair Value Option (“ASC 825”). The Group applies the equity method of accounting that is
consistent with ASC 323-10 in limited partnership in which the Group holds a three percent or greater interest.
Where the equity method is used, the Group initially records its investment at cost and the difference between the
cost of the equity investee and the fair value of the underlying equity in the net assets of the equity investee is
recognized as equity method goodwill, which is included in the equity method investment on the consolidated
balance sheets. The Group subsequently adjusts the carrying amount of the investment to recognize the Group’s
proportionate share of each equity investee’s net income or loss into earnings after the date of investment. The
Group evaluates the equity method investments for impairment under ASC 323-10. An impairment loss on the
equity method investments is recognized in earnings when the decline in value is determined to be other-than-
temporary.

The Group has elected the fair value option when it initially recognizes an equity method investment as the
Group determined the fair value of this investment better represents the value of the underlying assets. Such
election is irrevocable, and can be applied to financial assets on an individual basis at initial recognition. Any
changes in fair value are recognized in earnings in the consolidated statements of comprehensive income (loss).

Prior to adopting ASC 321, Investments—Equity Securities (“ASC 321”) on January 1, 2018, the Group
accounts for other equity investments that are not considered as debt securities or equity securities with readily
determinable fair values and over which the Group neither has significant influence nor control through
investment in common stock or in-substance common stock using the cost method in accordance with ASC 325-
20, Investments-Other: Cost Method Investments. Under cost method, the Group carries the investment at cost
and only adjusts for other-than-temporary declines in fair value and distributions of earnings. The Group’s management regularly evaluates the impairment of its cost method investments based on the performance and financial position of the investee as well as other evidence of estimated market values. Such evaluation includes, but is not limited to, reviewing the investee’s cash position, recent financing, projected and historical financial performance, cash flow forecasts and current and future financing needs. An impairment loss is recognized in earnings equal to the excess of the investment’s cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment.

The Group adopted ASC 321, *Investments—Equity Securities* (“ASC 321”) on January 1, 2018. Pursuant to ASC 321, equity investments with readily determinable fair value, except for those accounted for under the equity method, those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC 820”) to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

For equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired. For those equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment’s fair value in accordance with the principles of ASC 820. If the fair value is less than the investment’s carrying value, the entity has to recognize an impairment loss in earnings equal to the difference between the carrying value and fair value.

*Fair value measurements of financial instruments*

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

Financial instruments primarily consist of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, due from and due to related parties, other receivables, long-term investments, accounts payable and other current liabilities. The carrying amounts of these financial instruments, except for long-term investments approximate their fair values because of their generally short-term maturities.

The Group, with the assistance of an independent third-party valuation firm, determined the estimated fair value of its equity investments using the alternative measurement and equity method investment with fair value option elected.
Property and equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Estimated useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic equipment</td>
<td>2-3 years</td>
</tr>
<tr>
<td>Office equipment and fixtures</td>
<td>5 years</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>4 years</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>Lesser of term of the lease or the estimated useful lives of the assets</td>
</tr>
</tbody>
</table>

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterment that extends the useful lives of plant and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the assets and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive income (loss).

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalized as construction in progress. Construction in progress is transferred to specific fixed assets items and depreciation of these assets commences when they are ready for their intended use.

Goodwill

The Group assesses goodwill for impairment in accordance with ASC 350, Intangibles—Goodwill and Other: Goodwill (“ASC 350-20”), which requires that goodwill to be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events. As of December 31, 2018 and 2019, the Company has three reporting units, consisting of utility products and related services, mobile entertainment and AI and others.

The Group has the option to assess qualitative factors first to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20. If the Group believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations. In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on either quoted market prices of the ordinary shares or estimated fair value using the income approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired, and the Group is not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then the Group must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit’s goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss.
On disposal of a portion of reporting unit that constitutes a business, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of a business within the reporting unit, the amount of goodwill disposed is measured based on the relative fair value of the business disposed and the portion of the reporting unit retained. This relative fair value approach is not used when the business to be disposed was not integrated into the reporting unit after its acquisition, in which case the current carrying amount of the acquired goodwill should be included in the carrying amount of the business to be disposed.

**Intangible assets**

Intangible assets are carried at cost less accumulated amortization and any recorded impairment. Intangible assets acquired in a business combination were recognized initially at fair value at the date of acquisition. Intangible assets with finite useful lives are amortized using a straight-line method of amortization that reflects the estimated pattern in which the economic benefits of the intangible asset are to be consumed. The estimated useful life for the intangible assets is as follows:

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Estimated Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer relationship</td>
<td>2-6 years</td>
</tr>
<tr>
<td>Trademarks</td>
<td>3-10 years</td>
</tr>
<tr>
<td>Technology</td>
<td>1-10 years</td>
</tr>
<tr>
<td>Online game licenses</td>
<td>1-5 years</td>
</tr>
<tr>
<td>User base</td>
<td>1 year</td>
</tr>
<tr>
<td>Domain names</td>
<td>1-10 years</td>
</tr>
<tr>
<td>Platform</td>
<td>5 years</td>
</tr>
</tbody>
</table>

If an intangible asset is determined to have an indefinite life, it should not be amortized until its useful life is determined to be no longer indefinite. As of December 31, 2018 and 2019, the Group did not have any intangible assets with an indefinite life.

**Impairment of long-lived assets and intangible assets**

The Group evaluates its long-lived assets or asset group, including intangible assets with indefinite and finite lives, for impairment. Intangible assets with indefinite lives that are not subject to amortization are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the assets might be impaired in accordance with ASC 350-30, *Intangibles—Goodwill and Other: General Intangibles Other than Goodwill*. Such impairment test compares the fair values of assets with their carrying values with an impairment loss recognized when the carrying values exceed fair values. For long-lived assets and intangible assets with finite lives that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, the Group evaluates impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value.
Treasury stock

Treasury stock represents ordinary shares repurchased by the Company that are no longer outstanding and are held by the Group. Treasury stock is accounted for under the cost method. Under this method, repurchase of ordinary shares was recorded as treasury stock at historical purchase price. At retirement, the ordinary shares account is charged only for the aggregate par value of the shares. The excess of the acquisition cost of treasury shares over the aggregate par value is allocated between additional paid-in capital (up to the amount credited to the additional paid-in capital upon original issuance of the shares) and retained earnings.

Revenue recognition

The Group adopted ASC 606, Revenue from Contracts with Customers (“ASC 606”), from January 1, 2018, using the modified retrospective method. Revenues for the years ended December 31, 2018 and 2019 were presented under ASC 606, and revenues for the year ended December 31, 2017 were not adjusted and continue to be presented under ASC 605, Revenue Recognition. The cumulative effect of adopting ASC 606 resulted in an increase of RMB11,892 to the opening balance of retained earnings at January 1, 2018, which is primarily related to the Group’s online advertising services.

Starting from January 1, 2018, value added taxes (“VAT”) was reclassified from cost of revenue to net against revenues in accordance with ASC 606. Other than the presentation of VAT, the impact from adopting ASC 606 was not material to the Group’s consolidated financial statements as of and for the year ended December 31, 2018.

The Group generates its revenues primarily through utility products and related services, mobile entertainment, AI and others. The Group recognizes revenue when it has approval and commitment from the customer, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

The following table presents the Company’s revenues disaggregated by revenue source:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
</tr>
<tr>
<td>Utility products and related services</td>
<td>3,439,563</td>
</tr>
<tr>
<td>Mobile entertainment</td>
<td></td>
</tr>
<tr>
<td>Mobile game business</td>
<td>624,013</td>
</tr>
<tr>
<td>Content-driven products</td>
<td>872,430</td>
</tr>
<tr>
<td>AI and others</td>
<td>38,751</td>
</tr>
<tr>
<td>Total consolidated revenues</td>
<td>4,974,757</td>
</tr>
</tbody>
</table>

(1) Utility products and related services

Online advertising

Online advertising revenue is primarily derived from displaying advertising customer’s advertisements on the Group’s online platforms including duba.com and other websites, browsers, PC and mobile applications, and
to a lesser extent, on third-party advertising publishers’ websites or mobile applications. The Group has three general pricing models for its advertising products: cost over a time period, cost for performance basis and cost per impression basis. For advertising contracts over a time period, the Group generally recognizes revenue ratably over time, because the customer simultaneously receives and consumes the benefits as the Group performs throughout a fixed contract term. For contracts that are charged on the cost for performance basis, the Group charges an agreed-upon fee to its customers determined based on the effectiveness of advertising links, which is typically measured by clicks, transactions, installations, user registrations, and other actions originating from the Group’s online platforms. Revenue is recognized at a point in time when there is an effective click, transaction, installations, user registrations, and other actions originating from the Group’s online platforms. For contracts that are charged on the cost per impression basis, the Group recognizes the revenue at a point in time when the impressions are delivered. For online advertising services arrangement involving third-party advertising publishers’ websites or mobile publications, the Group recognizes gross revenue the amount of fees received or receivable from customers as the Group has control over the advertising services before they are transferred to the customer, and therefore, the Company is not arranging for the advertising services to be provided by third parties on their internet properties. Revenue for online advertising services is recognized at a point in time when all the revenue recognition criteria are met. Payments made to the third-party advertising publishers or content providers are included in cost of revenues.

Advertising agency services

The Group provides advertising agency services by arranging advertisers to purchase various advertisement products from certain online networks. The Group receives from the online network performance-based commissions, which are determined based on a pre-specified percentage of the payment by the advertisers for the online network’s various advertisement products. The Group acts as an agent to arrange for the advertising services to be provided by third parties on their internet properties. Revenue from advertising agency services is recognized on a net basis at a point in time when the advertisement products are delivered by the online networks. The revenue is estimated by the Group based on the real-time advertising performance results provided by the online networks and the commission rates pre-determined in contracts signed with relevant online networks. There was no significant difference between the Group’s estimates and the subsequent periodic invoices provided by the online network for all the periods presented.

Internet security services

The Group markets and distributes its off-the-shelf anti-virus security solutions to enterprise and individual users, which can be downloaded online and available for the users for a period of time as specified in the contract. Fees charged in relation to the anti-virus security solutions are recognized as revenue over time because the customer simultaneously receives and consumes the benefits as the Group performs throughout a fixed contract term.

Other utility products related services

Other utility products related services primarily comprise of the sale of office application software. Revenue for perpetual license is recognized at a point in time when control transfers to the customer, which generally occurs when products are made available to customers.
(2) Mobile entertainment

Mobile games

The Group develops several popular mobile games and operates some games exclusively licensed from third-party developers, which attracted a massive user base and provide ample advertising revenue opportunities. Similar with monetization method for the mobile utility products, the Group derives advertising revenues by displaying advertisements on mobile games. Advertisers purchase advertising services directly from the Group or through third-party partnering mobile advertising platforms. Revenue is recognized at a point in time when an advertisement is displayed to users, while impressions are delivered.

The Group sells both perpetual and consumable in-game virtual items. Perpetual in-game virtual items represent items that are accessible to the paying users as long as the users continue to play. Consumable virtual items represent items that can be consumed by specific user actions. The Group recognizes revenues from the perpetual in-game virtual items over the estimated average paying users’ life, and revenues from the consumable in-game virtual items at a point in time when specific user actions are taken by paying users.

The Group tracks the in-game virtual item purchases and log-in history of the paying users to calculate the retention of game users based on a statistical model in order to arrive at the best estimate of the average paying users’ life of each game. For newly launched games with a limited period of paying users’ data available for the estimate, the Group considers the estimated average paying users’ life of other recently launched games with similar characteristics.

Commission fees paid to distribution platforms and payment channels and the fees shared by the third-party game developers are recorded as cost of revenues.

Online live broadcast services

The Group creates and offers virtual items to be used by users on mobile live broadcast application “LiveMe”, which was operated and maintained by the Group. All “LiveMe” live video shows are available free of charge and fans can purchase virtual items on the platform with virtual currencies to support their favorite performers. The Group recognizes revenue from LiveMe on a gross basis as it has control over the fulfillment of providing mobile live broadcasts on the LiveMe platform, and records payments to the performers and third-party payment platforms as cost of revenues. When virtual currencies are converted into virtual items which are consumed simultaneously, performers receive a certain number of virtual diamonds as a result. When performers receive virtual diamonds, they have a choice to either cash out the virtual diamonds or convert them into virtual currencies and continue to consume the virtual currencies on the platform. Since the performers can convert the virtual items into cash and recharge into their account (if they do) or directly convert into virtual currencies, the Group believes that the conversion into virtual currencies is analogous to recharge by cash and revenue should be recognized when virtual currencies converted from virtual items are consumed. Proceeds received from users for the sales of virtual currencies are recorded as contract liability, representing prepayments received from users in the form of the Group’s virtual currency not yet converted into virtual items. Revenue recognized is based on the weighted average unit price of virtual currencies and the quantities of virtual currencies converted into virtual items. The weighted average unit price of virtual currencies is calculated on a monthly basis as the sum of the contract liability at the beginning of the month, proceeds received during the month and the cash value of the virtual diamonds converted into virtual currencies divided by the sum of the virtual currencies balance at the

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beginning of the month plus the quantity of virtual currencies generated during the month. The Group ceases to provide this service as Live.me was deconsolidated on September 30, 2019 (Note 3).

(3) AI and others
AI and other revenue primary comprise of the sale of AI hardware products and technical consulting services. The Group recognizes revenue generally at a point in time for the sale of AI hardware products when the products are delivered to customers. Technical consulting services are recognized over time because the customer simultaneously receives and consumes the benefits as the Group performs throughout a fixed term.

(4) Other revenue recognition related policies
For arrangements that include multiple performance obligations, the Group would evaluate all the performance obligations in the arrangement to determine whether each performance obligation is distinct in the context of contract. Consideration is allocated to each performance obligation based on its standalone selling price. If a promised good or service does not meet the criteria to be considered distinct in the context of contract, it is combined with other promised goods or services until a distinct bundle of goods or services exists.

The Group provides sales incentives to customers which entitle them to receive reductions in the price. The Group accounts for these incentives granted to customers as variable consideration and records it as reduction of revenue. The amount of variable consideration is measured based on the most likely amount of incentives to be provided to customers. The Group believes that there will not be significant changes to its estimate of variable consideration.

Deferred revenue
The Group recognizes a contract liability in the consolidated balance sheets for the contracts where the Group received the payments but have not satisfied the related performance obligation. Contract liabilities were mainly related to advance from customers in advertising services, fees for value-added services to be provided over a period of time and purchase of virtual currencies from users in mobile game and live broadcast application, which were included in deferred revenue in “Accrued expenses and other non-current liabilities” on the consolidated balance sheets. The amount of revenue recognized that was included in the deferred revenue balance at the beginning of the year were RMB73,837, and RMB84,703 (US$12,167) for the years ended December 31, 2018 and 2019, respectively.

Cost of revenues
Cost of revenues primarily consists of traffic acquisition cost, bandwidth and cloud service costs, content and channel costs associated with online live broadcast and mobile game, royalty fees, salaries and benefits, share-based compensation expenses, depreciation of equipment, amortization of intangible assets and cost of products sold.

Selling and marketing expenses
Selling and marketing expenses consist primarily of advertising and promotional expenses, staff costs, share-based compensation expenses and other related incidental expenses that are incurred directly to attract or retain users and customers for the Group’s websites, applications, software and online platforms. Advertising and promotional expenses are expensed when incurred. For the years ended December 31, 2017, 2018 and 2019, advertising and promotional expenses were RMB1,380,913, RMB1,646,378 and RMB1,305,720 (US$187,555), respectively.
Research and development expenses

Research and development consist primarily of employee costs and rental expenses related to personnel involved in the development and enhancement of the Group’s service offerings on its websites and mobile applications and amortization of intangible assets used in research and development. The Group expenses these costs as incurred, unless such costs qualify for capitalization as software development costs, including (i) preliminary project is completed, (ii) management has committed to funding the project and it is probable that the project will be completed and the software will be used to perform the function intended, and (iii) they result in significant additional functionality in the Group’s products. Capitalized software development costs were not material for all periods presented.

Government subsidies

Government subsidies primarily consist of financial subsidies received from provincial and local governments, for operating a business in their jurisdictions or conducting research and development projects pursuant to specific policies promoted by the local governments. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. For the government subsidies with non-operating feature and with no further conditions to be met, the amounts are recorded in “Other income, net” when received; for the government subsidies with operating feature and with no further conditions or specific use requirements to be met, the amount are recorded in “Other operating income” when received; and for the government subsidies related to research and development projects, the amounts are recorded in others in “Accrued expenses and other non-current liabilities” when received and will be offset against “Research and development” expenses over the project period when no further conditions are to be met.

Leases

The Group adopted ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”) from January 1, 2019 by using the modified retrospective method and did not restate the comparable periods. The Group has elected the package of practical expedients, which allows the Group to carry forward the historical lease classification, not to assess whether a contract is or contains a lease and initial direct costs for any leases that exist prior to adoption of the new standard. The Group has also elected the practical expedient not to separate lease and non-lease components for certain classes of underlying assets and the short-term lease exemption for contracts with lease terms of 12 months or less.

The Group determines if an arrangement is a lease or contains a lease at lease inception. For operating leases, the Group recognizes a right-of-use asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. For finance leases, assets are included in property and equipment on the consolidated balance sheets. As most of the Group’s leases do not provide an implicit rate, the Group estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The Group’s leases often include options to extend and lease terms include such extended terms when the Group is reasonably certain to exercise those options. Lease terms also include periods covered by options to terminate the leases when the Group is reasonably certain not to exercise those options. Lease expense is recorded on a straight-line basis over the lease term.
Upon adoption, the Group recognized operating lease right-of-use assets of RMB216,540 (US$31,104) and total lease liabilities of RMB218,077 (US$31,325) for operating leases as of January 1, 2019. The impact of adopting ASU 2016-02 on the Group’s opening retained earnings and current year net income was insignificant. As of December 31, 2019, the Group recognized operating lease right-of-use assets of RMB183,563 (US$26,367), and total operating lease liabilities of RMB180,104 (US$25,870), including current portion of RMB58,503 (US$8,404) recorded in “Accrued expense and other current liabilities” and non-current portion of RMB121,601 (US$17,466) recorded in “Other non-current liabilities”.

**Comprehensive income**

Comprehensive income is defined to include all changes in shareholders’ equity except those resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220-10, Comprehensive Income: Overall requires that all items that are required to be recognized under current accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements.

**Income taxes**

The Group accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Group applies ASC 740, Accounting for Income Taxes, to account for uncertainty in income taxes. ASC 740 prescribes a recognition threshold a tax position is required to meet before being recognized in the financial statements. The Group has recorded unrecognized tax benefits in the other non-current liabilities in the accompanying consolidated balance sheets. The Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of “Income tax expenses”, in the consolidated statements of comprehensive income (loss).

The Group’s estimated liability for unrecognized tax benefits and the related interest and penalties are periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The actual benefits ultimately realized may differ from the Group’s estimates. As each audit is concluded, adjustments, if any, are recorded in the Group’s consolidated financial statements. Additionally, in future periods, changes in facts and circumstances, and new information may require the Group to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which they occur.

**Share-based compensation**

The Group accounts for share-based compensation in accordance with ASC 718, Compensation-Stock Compensation: Overall.
In accordance with ASC 718, the Group determines whether an award should be classified and accounted for as a liability award or equity award. All grants of share-based awards to employees classified as equity awards are recognized in the financial statements based on their grant date fair values.

The Group has elected to recognize share-based compensation using the accelerated method, for all share-based awards granted with graded vesting based on service conditions. The Group, with the assistance of an independent third-party valuation firm, determined the fair value of share-based awards granted to employees. Determining the fair value of share-based awards of the Group required complex and subjective judgments regarding its projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants were made.

A change in any of the terms or conditions of share options is accounted for as a modification of share-based awards. The Group calculates the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested share-based awards, the Group recognizes incremental compensation cost in the period the modification occurred. For unvested share-based award, the Group recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.

Earnings (loss) per share

Earnings (loss) per share are calculated in accordance with ASC 260-10, Earnings per Share: Overall. Basic earnings per share are computed by dividing net income (loss) attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, net income (loss), accretion of the redeemable noncontrolling interests and dilution effect arising from share-based awards issued by subsidiaries are allocated to ordinary shares based on their participating rights in the undistributed earnings as if all the earnings for the reporting period had been distributed.

Diluted earnings per share is calculated by dividing net income (loss) attributable to ordinary shareholders by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of the vesting of restricted shares and the exercising of restricted shares with an option feature using the treasury stock method. The computation of the dilutive earnings (loss) per share of Class A ordinary share assumes the conversion of Class B ordinary shares.

Contingencies

The Group records accruals for certain of its outstanding legal proceedings or claims when it is probable that a liability will be incurred, and the amount of loss can be reasonably estimated. The Group evaluates the developments in legal proceedings or claims that could affect the amount of any accrual, as well as any developments that would make a loss contingency both probable and reasonably estimable. The Group discloses the amount of the accrual if it is material.
Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “CODM”), which is the chief executive officer. The Group historically had one single operating and reportable segment and starting from March 31, 2017, the Company reorganized its operation into three segments as set out in Note 12.

Concentration of risks

Concentration of credit risk

Financial instruments that are potentially subject to credit risk consist of cash and cash equivalents, restricted cash, short-term investments, available-for-sale debt securities, accounts receivable and other receivables. The carrying amounts of these financial instruments represent the maximum amount of loss due to credit risk. As of December 31, 2019, the Group has RMB2,354,760 (US$338,240) in cash and cash equivalents, restricted cash, short-term investments and available-for-sale debt securities, 55.2% and 44.8% of which are held by financial institutions in the PRC and international financial institutions outside of the PRC, respectively. Deposits held with financial institutions were not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, the Group may be unlikely to claim its deposits back in full. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Under PRC law, it is generally required that a commercial bank in the PRC that holds third-party cash deposits protect the depositors’ rights over and interests in their deposited money; PRC banks are subject to a series of risk control regulatory standards; and PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis.

Accounts receivable and other receivables are both typically unsecured and are derived from revenue earned from customers or cash receivables on behalf of publishers. The risk is mitigated by credit evaluations the Group performs on its ongoing credit evaluations of its customers’ financial conditions and ongoing monitoring process of outstanding balances. The Group maintains reserves for estimated credit losses and these losses have generally been within expectations.

Business, customer, political, social and economic risks

The Group participates in a dynamic high technology industry and believes that changes in any of the following areas could have a material adverse effect on the Group’s future financial position, results of operations or cash flows: changes in the overall demand for services and products; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in bandwidth suppliers; changes in certain strategic relationships or customer relationships; regulatory considerations; copyright regulations; and risks associated with the Group’s ability to attract and retain employees necessary to support its growth. For the year ended December 31, 2017, approximately 15.2%, 11.1% and 10.6% of the Group’s total revenue were derived from Google, Facebook and Baidu, respectively. For the year ended December 31, 2018, approximately 14.4% and 12.1% of the Group’s total revenue were derived from Google and Baidu, respectively. For the year ended December 31, 2019, approximately 13.8% of the Group’s total revenue were derived from Google, and approximately 8.1% of the Group’s total revenue from purchase and consumption of virtual items by users via Google as a channel in 2019.

The Group’s operations could be adversely affected by significant political, economic and social uncertainties in the PRC. Internet related businesses are subject to significant restrictions under current PRC laws
and regulations. Specifically, foreign investors are not allowed to own more than 50% equity interests in any Internet Content Provider (“ICP”) business.

**Currency convertibility risk**

A significant portion of the Group’s operating activities as well as the assets and liabilities are denominated in RMB. The Group’s financing activities are denominated in US$. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People’s Bank of PRC (the “PBOC”). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into US$ or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts.

Additionally, the value of the RMB is subject to changes in central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

**Foreign currency exchange rate risk**

While the Group’s reporting currency is RMB, a portion of the Group’s revenues and costs are generated and denominated in US$. As a result, the Group is exposed to foreign exchange risk as its revenues and results of operations may be affected by fluctuations in the exchange rate between U.S. dollar and RMB. If the US$ depreciates against the RMB, the value of the Group’s US$ revenues expressed in the RMB financial statements will decline. On June 19, 2010, the People’s Bank of China announced the end of the RMB’s de facto peg to US$, a policy which was instituted in late 2008 in the face of the global financial crisis, to further reform the RMB exchange rate regime and to enhance the RMB exchange rate flexibility. The appreciation of the RMB against US$ was approximately 6.3% for the year ended December 31, 2017, the depreciation of the RMB against US$ was approximately 5.7% and 4.1% for the years ended December 31, 2018 and 2019. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US$ in the future.

**Recently issued accounting pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”) which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU2016-13 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019. The Group is currently in the process of evaluating the impact of the adoption of ASU 2016-13 on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss
shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step two to measure the impairment loss. The guidance is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted for all entities for annual and interim goodwill impairment testing dates on or after January 1, 2017. The guidance should be applied on a prospective basis. The Group does not expect any material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”) which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Under the guidance, public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. The Group does not expect any material impact on its consolidated financial statements.

3. BUSINESS COMBINATIONS AND DECONSOLIDATIONS

Business combination in 2019

In June 2019, the Group completed a business combination, which the Group expected to enhance the Group’s expertise in hardware services. The total purchase consideration was RMB25,000 (US$3,591). The acquired entity was considered insignificant. The results of the acquired entity’s operations have been included in the Group’s consolidated financial statements since June 2019.

Deconsolidation in 2019

In September 2019, Live.me Inc (“Live.me”), a former subsidiary of the Company, amended its share incentive plan to increase the number of shares to be issued under the current plan, and issued a certain number of new shares into a trust under the plan for the benefit of current and future recipients of Live.me’s share incentive awards. Consequently, the Company was no longer a majority shareholder of Live.me and deconsolidated Live.me’s financial results from the Company’s financial statements from September 30, 2019. The Group recognized a total gain of RMB839,834 (US$120,635) from the transaction in “Other income, net” in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2019. The gain from the deconsolidation of Live.me, if not recognized, would have increased the loss per share by RMB0.61 (US$0.09). The deconsolidation of Live.me did not meet the definition of a discontinued operation in accordance with ASC 205-20, Presentation of Financial Statements – Discontinued Operations (“ASC 205-20”), as the disposal of Live.me did not represent a shift in the Group’s strategy that has (or will have) a major effect on an entity’s operations and financial results. Subsequent to the deconsolidation, the Group owns 49.6% voting rights of Live.me. The remaining interests is accounted for equity investment using the fair value option in accordance with ASC 825 and Live.me will be considered a related party after deconsolidation.

Deconsolidation in 2018

On October 8, 2018, the Group entered into an agreement to dispose its 24.8% equity interest of Hong Kong Youloft Technology Limited (“Youloft HK”) to a shareholder, for a cash consideration of RMB97,450. Subsequent to the transaction and the dilution of a newly established share award scheme of Youloft HK, the Group owned 21.9% equity interests of Youloft HK on a fully diluted basis. Subsequent to the transaction, the
Group considered lost control over Youloft HK. As the Group’s remaining equity interests are not in-substance common stock and the investment does not have readily determinable fair value, the investment was accounted for at fair value using the measurement alternative. The Group recognized a total gain of RMB176,442 from the transaction in “Other income, net”. The deconsolidation of Youloft HK did not meet the definition of a discontinued operation in accordance with ASC 205-20, as the disposal of Youloft HK did not represent a shift in the Group’s strategy that has (or will have) a major effect on an entity’s operations and financial results.

Business combination in 2017

In August 2017, the Group completed a business combination, which the Company expected to enhance the Group’s expertise in hardware services. The total purchase consideration was RMB41,522. The acquired entities were considered insignificant. The results of the acquired entity’s operations have been included in the Group’s consolidated financial statements.

Deconsolidation in 2017

On December 5, 2017, the Group entered into an agreement with Bytedance Ltd. (“Bytedance”) a third-party mobile technique provider to dispose its 100% shareholding of News Republic for a total consideration of RMB566,044 among which RMB329,710 was in the form of equity interests in Bytedance. The Group recognized a total gain of RMB232,673 from the transaction in “Other income, net” in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2017. The deconsolidation of News Republic did not meet the definition of a discontinued operation in accordance with ASC 205-20, as the disposal of News Republic did not represent a shift in the Group’s strategy that has (or will have) a major effect on an entity’s operations and financial results.

4. INVESTMENTS

(a) Short-term investments

As of December 31, 2018, and 2019, short-term investments included time deposits, convertible loan, and structured note in commercial banks which is classified as available-for-sale debt securities in accordance with ASC 320-10, of RMB930,610 and RMB1,369,118 (US$196,661), respectively.

For the years ended December 31, 2017, 2018 and 2019, the Group recognized interest income from its short-term investments of RMB16,929, RMB38,368 and RMB45,993 (US$6,606), respectively. For the years ended December 31, 2017, 2018 and 2019, the Group recognized fair value gains on available-for-sale debt securities of nil, nil and RMB6,049 (US$869) in other comprehensive income, respectively.

The Group recognized an impairment loss on short-term investments of nil, nil and RMB3,506 (US$504) for the years ended December 31, 2017, 2018 and 2019, respectively.

(b) Long-term investments

The company’s long-term investments include equity investments accounted for at fair value using the measurement alternative, equity investments with readily determinable fair value, equity investments method accounted for using equity method, equity method investments accounted for using fair value option and available-for-sale debt securities.
Equity investments accounted for at fair value using the measurement alternative

Equity investments at fair value without readily determinable fair value were accounted as cost method investments prior to adopting ASC 321. In accordance with ASC 321, the Group elected to use the measurement alternative to measure such investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. As of December 31, 2018 and 2019, the carrying amount of the Group’s equity investments accounted for at fair value using the alternative measurement was RMB1,564,062 and RMB1,895,951 (US$272,336), including RMB432,504 and RMB618,314 (US$88,815) accumulated impairment, respectively. During the years ended December 31, 2018 and 2019, certain equity investments were remeasured based on observable price changes in orderly transactions for an identical or similar investment of the same issuer, the aggregate carrying amount of these investments was RMB556,537 and RMB926,926 (US$133,145) as of December 31, 2018 and 2019, respectively.

Total unrealized and realized gains and losses of equity securities without readily determinable fair values for the years ended December 31, 2018 and 2019 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December, 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 RMB</td>
</tr>
<tr>
<td>Gross unrealized gains (upward adjustments)</td>
<td>357,372</td>
</tr>
<tr>
<td>Gross unrealized losses (impairment)</td>
<td>(94,895)</td>
</tr>
<tr>
<td>Net unrealized gains and losses on equity securities held</td>
<td>262,477</td>
</tr>
<tr>
<td>Net realized gains on equity securities sold</td>
<td>319,711</td>
</tr>
<tr>
<td>Total net gains (losses) recognized in other income, net</td>
<td>582,188</td>
</tr>
</tbody>
</table>

Disposal gain of cost method investments amounting to RMB947,069 was recognized in “Other income, net” in the consolidated statements of comprehensive income (loss) for the year ended December 31, 2017.

In 2019, the Group: i) acquired additional preferred shares of Beijing OrionStar Technology Co., Ltd. (“Beijing OrionStar”) with a cash consideration of RMB262,072 (US$37,644). Subsequent to the transaction, the Group owned 38.7% equity interests not qualified as in-substance common stock of Beijing OrionStar. ii) acquired other equity interests in 14 equity investees for total consideration of RMB172,033 (US$24,711).

In 2018, the Group: i) acquired additional preferred shares of Beijing OrionStar at a cash consideration of RMB203,216. ii) disposed certain portion of equity ownership of Bytedance and recognized disposal gain of RMB300,211 and a fair value gain of RMB300,211 for the remaining portion of equity ownership in “Other income, net”. iii) owned 21.9% equity interest not qualified as in-substance common stock of Youloft HK after deconsolidation (Note 3), with fair value of RMB93,458. iv) acquired other equity interests in 14 internet companies for total consideration of RMB208,192.

In 2017, the Group acquired: i) a small minority equity interest of Bytedance at a consideration of RMB329,710, ii) preferred shares representing 29.6% equity interest of Beijing OrionStar and a two-year warrant at a cash consideration of RMB264,768 and iii) other equity interests in 8 internet companies for total cash consideration of RMB65,130.
The Group received dividends from investees of RMB58,741, RMB nil and RMB13,217 (US$1,899) for the years ended December 31, 2017, 2018 and 2019, respectively.

**Equity investments with readily determinable fair value**

In 2019, the Group purchased equity interest of a company listed on the HK Stock Exchange, for a cash consideration of RMB28,051 (US$4,029). Unrealized gains for the Equity investments with readily determinable fair value were nil, nil and RMB2,853 (US$410), which were recorded in “Other income, net” in the consolidated comprehensive income (loss) for years ended December 31, 2017, 2018 and 2019, respectively.

**Equity investment accounted for using fair value option**

In September 2019, the Group owned 49.6% equity interest of Live.me on a fully dilutive basis after deconsolidation (Note 3). The fair value of the remaining share interests was RMB388,581 (USD$55,816) as of December 31, 2019. Unrealized losses for Equity investments accounted for using fair value option were nil, nil and RMB102,555 (US$14,731), which were recorded in “Other income, net” in the consolidated comprehensive income (loss) for the years ended December 31, 2017, 2018 and 2019, respectively.

**Equity investments accounted for using equity method**

The carrying amount of the Company’s equity method investments were RMB151,533 and RMB194,473 (US$27,934) as of December 31, 2018 and 2019, respectively.

In 2019, the Group acquired: i) equity interests in Ziniu Fund, L.P. with a cash consideration of RMB30,000 (US$4,309); ii) other equity method investments with aggregate consideration of RMB4,026 (US$578).

In 2018, the Group acquired equity method investments with aggregate consideration of RMB5,721.

In 2017, the Group acquired: i) equity interests in Ziniu Fund, L.P. with a cash consideration of RMB40,000; ii) other equity method investments with aggregate consideration of RMB14,516.

The Group recorded a gain of RMB495, a loss of RMB384 and a gain of RMB7,594 (US$1,091) from equity investments accounted for using equity method for the years ended December 31, 2017, 2018 and 2019, respectively. The Group also recognized impairment losses of nil, RMB 31 and nil for the years ended December 31, 2017, 2018 and 2019, respectively. The Group recognized deemed disposal gain of RMB6,276, nil and nil for the years ended December 31, 2017, 2018 and 2019, respectively.
None of equity method investments, including the investment that the Group elects to account for using the fair value option, was considered individually material for the years ended December 31, 2017, 2018 and 2019. The Group summarized the unaudited condensed financial information of the Group’s equity investments as a group below in accordance with Rule 4-08 of Regulation S-X:

<table>
<thead>
<tr>
<th>Balance sheet data:</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>166,559</td>
<td>469,712</td>
<td>67,470</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>608,712</td>
<td>862,552</td>
<td>123,898</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>5,262</td>
<td>280,790</td>
<td>40,333</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>4,320</td>
<td>15,610</td>
<td>2,242</td>
</tr>
<tr>
<td>Redeemable preferred shares</td>
<td>—</td>
<td>870,001</td>
<td>124,968</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating data:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>53,175</td>
<td>24,073</td>
<td>970,017</td>
</tr>
<tr>
<td>Gross profit</td>
<td>43,947</td>
<td>12,830</td>
<td>223,883</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>(2,372)</td>
<td>29,066</td>
<td>(66,751)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>5,849</td>
<td>25,301</td>
<td>(78,146)</td>
</tr>
</tbody>
</table>

Available-for-sale debt securities

Available-for-sale debt securities in long-term investments primarily represent investments in structured notes and convertible loans. As of December 31, 2018, and 2019, long-term available-for-sale debt securities were RMB133,448 and RMB6,976 (US$1,002), respectively.

The Group recognized an impairment loss on long-term available-for-sale debt securities of RMB6,594, nil and nil for the years ended December 31, 2017, 2018 and 2019, respectively.

For the years ended December 31, 2017, 2018 and 2019, the Group recognized fair value gain (loss) on long-term available-for-sale debt securities of nil, RMB(3,732) and RMB4,864 (US$699) in other comprehensive income.

5. ACCOUNTS RECEIVABLE, NET

<table>
<thead>
<tr>
<th>Accounts receivable, net</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>739,252</td>
<td>578,591</td>
<td>83,109</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(83,991)</td>
<td>(109,315)</td>
<td>(15,702)</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>655,261</td>
<td>469,276</td>
<td>67,407</td>
</tr>
</tbody>
</table>
As of December 31, 2018, and 2019, all accounts receivable was due from third party customers. Provision for doubtful accounts for the years ended December 31, 2017, 2018 and 2019 were RMB11,688, RMB11,222 and RMB24,807 (US$3,563), respectively.

6. PREPAYMENTS AND OTHER CURRENT ASSETS

<table>
<thead>
<tr>
<th>As of December 31,</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td></td>
</tr>
<tr>
<td>Other receivables from advertisers</td>
<td>571,900</td>
<td>659,128</td>
<td>94,678</td>
</tr>
<tr>
<td>Advances to suppliers</td>
<td>73,554</td>
<td>83,830</td>
<td>12,041</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>32,617</td>
<td>50,398</td>
<td>7,239</td>
</tr>
<tr>
<td>Inventories, net</td>
<td>12,212</td>
<td>31,287</td>
<td>4,494</td>
</tr>
<tr>
<td>Receivable from third-party payment platform</td>
<td>121,285</td>
<td>25,994</td>
<td>3,734</td>
</tr>
<tr>
<td>Convertible loans to third parties (i)</td>
<td>40,428</td>
<td>15,835</td>
<td>2,275</td>
</tr>
<tr>
<td>Receivable from equity transferees</td>
<td>61,345</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Others</td>
<td>151,373</td>
<td>69,637</td>
<td>10,003</td>
</tr>
<tr>
<td>Total</td>
<td>1,064,714</td>
<td>936,109</td>
<td>134,464</td>
</tr>
</tbody>
</table>

(i) As of December 31, 2018 and 2019, convertible loans to third parties included a convertible loan of RMB66,000 (US$9,480) to a third party. The conversion features and the put option were considered as embedded derivatives that do not meet the criteria to be bifurcated and were accounted for together with the loan receivable. In accordance with ASC 810, Consolidation, the third-party is a variable interest entity, as it does not have sufficient equity at risk to fully fund the construction of all assets required for principal operations. As of December 31, 2018, RMB58,000 of the convertible loan was impaired and the Group’s maximum exposure to loss as a result of the impairment was RMB8,000, which also equals to the carrying amount of the convertible loan to a third party. As of December 31, 2019, the convertible loan was fully impaired. The Group is not considered as the primary beneficiary, as it does not have power to direct the activities of the third-party retail company that most significantly impact its economic performance.

Provision for doubtful accounts for the years ended December 31, 2017, 2018 and 2019 were RMB1,299, RMB6,292 and RMB109,408 (US$15,715), respectively. Reserve for inventory for the years ended December 31, 2017, 2018 and 2019 were nil, RMB149 and RMB2,800 (US$402), respectively.
7. PROPERTY AND EQUIPMENT, NET

As of December 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
</tr>
<tr>
<td>Electronic equipment</td>
<td>114,332</td>
<td>168,843</td>
<td>24,252</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>65,084</td>
<td>65,028</td>
<td>9,341</td>
</tr>
<tr>
<td>Office equipment and fixtures</td>
<td>27,378</td>
<td>28,374</td>
<td>4,076</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>4,065</td>
<td>4,579</td>
<td>658</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>24</td>
<td>2,018</td>
<td>290</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>146,964</td>
<td>165,445</td>
<td>23,765</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>63,919</strong></td>
<td><strong>103,397</strong></td>
<td><strong>14,852</strong></td>
</tr>
</tbody>
</table>

Depreciation expense of property and equipment for the years ended December 31, 2017, 2018 and 2019 were RMB45,156, RMB40,244 and RMB37,382 (US$5,370), respectively.

8. INTANGIBLE ASSETS, NET

Intangible assets and the related accumulated amortization were summarized as follows:

As of December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Gross carrying value</th>
<th>Accumulated amortization</th>
<th>Accumulated impairment</th>
<th>Net carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Online game licenses</td>
<td>195,903</td>
<td>(128,370)</td>
<td>(50,417)</td>
<td>17,116</td>
</tr>
<tr>
<td>Technology</td>
<td>149,227</td>
<td>(125,350)</td>
<td>(1,473)</td>
<td>22,404</td>
</tr>
<tr>
<td>Platform</td>
<td>76,748</td>
<td>(42,206)</td>
<td>(34,532)</td>
<td>10</td>
</tr>
<tr>
<td>Customer relationship</td>
<td>49,308</td>
<td>(46,474)</td>
<td>(2,834)</td>
<td>—</td>
</tr>
<tr>
<td>User base</td>
<td>48,490</td>
<td>(48,490)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Trademarks</td>
<td>22,824</td>
<td>(17,154)</td>
<td>(1,279)</td>
<td>4,391</td>
</tr>
<tr>
<td>Domain names</td>
<td>4,234</td>
<td>(3,679)</td>
<td>—</td>
<td>555</td>
</tr>
<tr>
<td>Non-compete agreements</td>
<td>1,610</td>
<td>(1,610)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>548,344</strong></td>
<td><strong>413,333</strong></td>
<td><strong>90,535</strong></td>
<td><strong>44,476</strong></td>
</tr>
</tbody>
</table>
CHEETAH MOBILE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

As of December 31, 2018

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Gross carrying value</th>
<th>Accumulated amortization</th>
<th>Accumulated impairment</th>
<th>Net carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online game licenses</td>
<td>184,216</td>
<td>(109,230)</td>
<td>(42,730)</td>
<td>32,256</td>
</tr>
<tr>
<td>Technology</td>
<td>126,404</td>
<td>(115,358)</td>
<td>—</td>
<td>11,046</td>
</tr>
<tr>
<td>Customer relationship</td>
<td>48,623</td>
<td>(45,835)</td>
<td>(2,788)</td>
<td>—</td>
</tr>
<tr>
<td>User base</td>
<td>47,717</td>
<td>(47,717)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Trademarks</td>
<td>21,265</td>
<td>(16,152)</td>
<td>(1,258)</td>
<td>3,855</td>
</tr>
<tr>
<td>Platform</td>
<td>75,505</td>
<td>(41,522)</td>
<td>(33,973)</td>
<td>10</td>
</tr>
<tr>
<td>Domain names</td>
<td>4,390</td>
<td>(3,136)</td>
<td>—</td>
<td>1,254</td>
</tr>
<tr>
<td>Non-compete agreements</td>
<td>1,610</td>
<td>(1,610)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>509,730</strong></td>
<td><strong>(380,560)</strong></td>
<td><strong>(80,749)</strong></td>
<td><strong>48,421</strong></td>
</tr>
</tbody>
</table>

The Group recorded impairment loss in “Other operating income, net”. The impairment recognized on intangible assets were RMB38,862, RMB12,767 and RMB8,800 (US$1,264) for the years ended December 31, 2017, 2018 and 2019, respectively.

Amortization expense of intangible assets for the years ended December 31, 2017, 2018 and 2019 were RMB91,145, RMB39,863 and RMB28,086 (US$4,034), respectively. Estimated amortization expense relating to the existing intangible assets with finite lives for each of next five years and thereafter is as follows:

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>RMB</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>13,074</td>
<td>1,877</td>
</tr>
<tr>
<td>2021</td>
<td>11,817</td>
<td>1,697</td>
</tr>
<tr>
<td>2022</td>
<td>7,427</td>
<td>1,067</td>
</tr>
<tr>
<td>2023</td>
<td>6,130</td>
<td>881</td>
</tr>
<tr>
<td>2024</td>
<td>1,416</td>
<td>203</td>
</tr>
<tr>
<td>Thereafter</td>
<td>4,612</td>
<td>664</td>
</tr>
</tbody>
</table>

9. GOODWILL

For the years ended December 31, 2017 and 2018, the Group performed a qualitative assessment for the reporting units of Utility products and related services, Mobile entertainment and AI and others based on the requirements of ASC 350-20. The Group evaluated all relevant factors, weighed all factors in their entirety and concluded that it was not more likely than not that the fair value of the reporting units was less than its respective carrying amount. Therefore, further impairment testing on goodwill was unnecessary as of December 31, 2017 and 2018, respectively.

As the Company’s market capitalization was lower than the carrying amount of the net assets, the Group performed impairment assessment for the goodwill of all reporting units using the two-step process, and recognized impairment loss of RMB545,665 (US$78,380) for the year ended December 31, 2019.
The changes in the carrying amount of goodwill were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Utility products and related services</th>
<th>Mobile entertainment</th>
<th>AI and others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td><strong>Balance at January 1, 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>518,585</td>
<td>102,644</td>
<td>12,928</td>
<td>634,157</td>
</tr>
<tr>
<td>Deconsolidation of a subsidiary</td>
<td></td>
<td>—</td>
<td>(2,566)</td>
<td>(41,145)</td>
</tr>
<tr>
<td>Foreign exchange effect</td>
<td>20,724</td>
<td>4,101</td>
<td>—</td>
<td>24,825</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>500,730</td>
<td>106,745</td>
<td>10,362</td>
<td>617,837</td>
</tr>
<tr>
<td>Goodwill acquired in business combination</td>
<td></td>
<td>—</td>
<td>10,907</td>
<td>10,907</td>
</tr>
<tr>
<td>Deconsolidation of a subsidiary</td>
<td></td>
<td>—</td>
<td>(92,025)</td>
<td>(92,025)</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>(508,198)</td>
<td>(16,198)</td>
<td>(21,269)</td>
<td>(545,665)</td>
</tr>
<tr>
<td>Foreign exchange effect</td>
<td>7,468</td>
<td>1,478</td>
<td>—</td>
<td>8,946</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of December 31, 2019 in US$$</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. LEASE

The Group’s operating leases mainly related to offices and employees’ accommodation facilities. For leases with terms greater than 12 months, the Group records the related assets and lease liabilities at the present value of lease payments over the term. Certain leases include rental-free periods, renewal options and/or termination options, which are factored into the Group’s determination of lease payments when appropriate. As of December 31, 2019, the Group had no finance leases.

As of December 31, 2019, the weighted average remaining lease term was 3.7 years and the weighted average discount rate was 4.9% for the Group’s operating leases.

Operating lease cost for the year ended December 31, 2019 was RMB66,609 (US$9,568), which excluded cost of short-term contracts. Short-term lease cost for the year ended December 31, 2019 was RMB7,039 (US$1,011). For the year ended December 31, 2019, no lease cost was capitalized.

Future lease payments under operating leases as of December 31, 2019 were as follows:

<table>
<thead>
<tr>
<th>For the year ending December 31, 2019</th>
<th>RMB</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>62,380</td>
<td>8,960</td>
</tr>
<tr>
<td>2021</td>
<td>50,781</td>
<td>7,294</td>
</tr>
<tr>
<td>2022</td>
<td>47,853</td>
<td>6,874</td>
</tr>
<tr>
<td>2023</td>
<td>36,336</td>
<td>5,219</td>
</tr>
<tr>
<td>2024</td>
<td>2,119</td>
<td>304</td>
</tr>
<tr>
<td><strong>Total future lease payments</strong></td>
<td><strong>199,469</strong></td>
<td><strong>28,651</strong></td>
</tr>
<tr>
<td>Less: imputed interest</td>
<td>19,365</td>
<td>2,781</td>
</tr>
<tr>
<td><strong>Total lease liability balance</strong></td>
<td><strong>180,104</strong></td>
<td><strong>25,870</strong></td>
</tr>
</tbody>
</table>
11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>US$</td>
</tr>
<tr>
<td>Payable to online advertising platforms as agency</td>
<td>523,765</td>
<td>636,745</td>
<td>91,463</td>
</tr>
<tr>
<td>Accrued operating expenses</td>
<td>193,648</td>
<td>196,459</td>
<td>28,220</td>
</tr>
<tr>
<td>Salary and welfare payable</td>
<td>210,483</td>
<td>165,207</td>
<td>23,731</td>
</tr>
<tr>
<td>Accrued advertising, marketing and promotional expenses</td>
<td>288,290</td>
<td>105,695</td>
<td>15,182</td>
</tr>
<tr>
<td>Advance received in advertising agency services</td>
<td>53,159</td>
<td>113,988</td>
<td>16,373</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>85,068</td>
<td>93,821</td>
<td>13,477</td>
</tr>
<tr>
<td>Operating lease liabilities current portion</td>
<td>—</td>
<td>58,503</td>
<td>8,404</td>
</tr>
<tr>
<td>Other taxes payable</td>
<td>35,120</td>
<td>30,890</td>
<td>4,437</td>
</tr>
<tr>
<td>Accrued bandwidth and cloud service costs</td>
<td>20,960</td>
<td>6,581</td>
<td>945</td>
</tr>
<tr>
<td>Others</td>
<td>104,149</td>
<td>96,838</td>
<td>13,909</td>
</tr>
<tr>
<td>Total</td>
<td>1,514,642</td>
<td>1,504,728</td>
<td>216,141</td>
</tr>
</tbody>
</table>

12. SEGMENT INFORMATION

The Company presents segment information after elimination of inter-company transactions. In general, revenue, cost of revenues and operating expenses are directly attributable, or are allocated, to each segment. The Company allocates costs and expenses that are not directly attributable to a specific segment, such as those that support infrastructure across different segments, to different segments mainly on the basis of usage, revenue or headcount, depending on the nature of the relevant costs and expenses. The Company does not allocate assets to its segments as the CODM does not evaluate the performance of segments using asset information.

The following tables present the summary of each segment’s revenues, operating income (loss) which were considered as segment operating performance measure, for the years ended December 31, 2017, 2018 and 2019:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility Products and Related Services</td>
<td>3,439,563</td>
<td>3,119,483</td>
<td>1,573,030</td>
</tr>
<tr>
<td>Mobile Entertainment</td>
<td>1,496,443</td>
<td>1,778,867</td>
<td>1,871,543</td>
</tr>
<tr>
<td>AI and others</td>
<td>38,751</td>
<td>83,355</td>
<td>143,122</td>
</tr>
<tr>
<td>Total consolidated revenues</td>
<td>4,974,757</td>
<td>4,981,705</td>
<td>3,587,695</td>
</tr>
<tr>
<td>Operating income (loss):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility Products and Related Services</td>
<td>979,447</td>
<td>1,034,968</td>
<td>297,099</td>
</tr>
<tr>
<td>Mobile Entertainment</td>
<td>(417,350)</td>
<td>(312,515)</td>
<td>(375,278)</td>
</tr>
<tr>
<td>AI and others</td>
<td>(41,901)</td>
<td>(170,113)</td>
<td>(359,628)</td>
</tr>
<tr>
<td>Unallocated expenses(i)</td>
<td>(73,316)</td>
<td>(85,118)</td>
<td>(673,105)</td>
</tr>
<tr>
<td>Total consolidated operating (loss) income</td>
<td>446,880</td>
<td>467,222</td>
<td>(1,110,912)</td>
</tr>
</tbody>
</table>

(i) Unallocated items include share-based compensation and goodwill impairment which were not allocated to segments.
13. GEOGRAPHICAL INFORMATION

The following tables set forth revenues and property and equipment, net by geographic area:

<table>
<thead>
<tr>
<th>地理区域</th>
<th>2017 RMB</th>
<th>2018 RMB</th>
<th>2019 RMB</th>
<th>2019 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P R C</td>
<td>1,639,248</td>
<td>1,971,113</td>
<td>1,388,107</td>
<td>199,389</td>
</tr>
<tr>
<td>Non-PRC(i)</td>
<td>3,335,509</td>
<td>3,010,592</td>
<td>2,199,588</td>
<td>315,951</td>
</tr>
<tr>
<td>United States</td>
<td>2,071,646</td>
<td>1,731,490</td>
<td>1,342,021</td>
<td>192,769</td>
</tr>
<tr>
<td>Rest of the world(ii)</td>
<td>1,263,863</td>
<td>1,279,102</td>
<td>857,567</td>
<td>123,182</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018 RMB</th>
<th>2019 RMB</th>
<th>2019 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>P R C</td>
<td>59,745</td>
<td>100,389</td>
<td>14,420</td>
</tr>
<tr>
<td>Non-PRC</td>
<td>4,174</td>
<td>3,008</td>
<td>432</td>
</tr>
</tbody>
</table>

(i) Non-PRC revenue refers to revenues generated by the Group’s operating legal entities incorporated outside China. Such revenues are primarily attributable to customers located outside China based on customers’ registered addresses.

(ii) No individual country, other than disclosed above, exceeded 10% of total revenues for the year ended December 31, 2019.

14. INCOME TAXES

The Company is incorporated in the Cayman Islands and conducts its primary business operations through its subsidiaries, VIEs and subsidiaries of VIEs in the PRC. It also has subsidiaries mainly in Hong Kong, Singapore and Japan.

**Cayman Islands**

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain arising in Cayman Islands. Additionally, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

**Hong Kong**

Cheetah Technology, HK Zoom, Cheetah Information and Cheetah Mobile Hong Kong are incorporated in Hong Kong and are subject to Hong Kong profits tax rate of 16.5%.

**Singapore**

Cheetah Mobile Singapore is incorporated in Singapore and is subject to Singapore corporate income tax rate of 17% in 2015. Started from 2016, the Singapore Economic Development Board (“EDB”) provides a tax
holiday of a reduced corporate tax rate at 5% on incremental income from qualifying activities to Cheetah Mobile Singapore for ten years from 2016 to 2025 under the Development Expansion Incentive (“DEI”) scheme. In consideration of the change in business environment, Cheetah Singapore was no longer eligible for the DEI scheme in 2019, and Cheetah Singapore is subject to 17% income tax rate in 2019.

Japan

Kingsoft Japan is incorporated in Japan with paid-in capital in excess of Japanese Yen (“JPY”) 100 million and is subject to a national corporate income tax rate of 23.4% and 23.2% since April 1, 2016 and April 1, 2018. The subsidiary of Kingsoft Japan with paid-in capital of no more than JPY100 million is taxed at a tax rate of 15% on first JPY8 million and at 23.2% on the portion over JPY8 million from April 1, 2018. Local income taxes, which are local inhabitant tax and enterprise tax, are also imposed on corporate income.

PRC

The Company’s subsidiaries in the PRC and the VIEs are subject to the statutory rate of 25%, unless otherwise specified, in accordance with the Enterprise Income Tax law (the “EIT Law”), which was effective since January 1, 2008.

Beijing Security, being qualified as High New Technology Enterprise (“HNTE”), is entitled to the preferential income tax rate of 15% from 2017 to 2019. As qualified HNTEs, Conew Network and Beijing Kingsoft Cheetah Technology Co., Ltd. are entitled to the preferential income tax rate of 15% from 2018 to 2020; And Beijing Mobile and Beijing Network are entitled to the preferential income tax rate of 15% from 2019 to 2021.

Pursuant to Ministry of Finance and State Administration of Taxation Announcement [2019] No.68, new Software development enterprise are each entitled to a tax holiday of two-year full EIT exemption followed by three-year 50% EIT reduction (“2+3 tax holiday”) starting from their respective first profit-making year prior to December 31, 2018. Zhuhai Baoqu Technology Co., Ltd. being qualifying as a new software development enterprise in the second year is entitled to a tax holiday of full EIT exemption in 2019.

Without the tax holidays and preferential tax, the Group’s income tax expenses would have increased by RMB67,934 and RMB58,121 for the years ended December 31, 2017 and 2018, and decreased by RMB84,520 (US$12,141) for the years ended December 31, 2019, respectively. The impacts of the tax holidays and preferential tax rates were an increase in the basis earnings per share of RMB0.0487 and RMB0.0414 for the years ended December 31, 2017 and 2018, respectively, and a decrease in the loss per share of RMB0.0617 (US$0.0089) for the year ended December 31, 2019.

Under the EIT Law, dividends paid by PRC enterprises out of profits earned post-2007 to non-PRC tax resident investors are subject to PRC dividend withholding tax of 10%. A lower withholding tax rate may be applied based on applicable tax treaties with certain jurisdictions.

Income (loss) before income taxes consists of:

<table>
<thead>
<tr>
<th></th>
<th>Year ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>RMB</td>
</tr>
<tr>
<td>PRC</td>
<td>242,820</td>
</tr>
<tr>
<td>Non-PRC</td>
<td>1,190,445</td>
</tr>
<tr>
<td>Total</td>
<td>1,433,265</td>
</tr>
</tbody>
</table>

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The current and deferred portions of income tax expenses included in the consolidated statements of comprehensive income (loss) are as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Current income tax expenses</td>
<td>82,908</td>
<td>108,935</td>
<td>1,923</td>
</tr>
<tr>
<td>Deferred income tax (benefits) expenses</td>
<td>(25,306)</td>
<td>8,065</td>
<td>5,981</td>
</tr>
<tr>
<td><strong>Income tax expenses</strong></td>
<td><strong>57,602</strong></td>
<td><strong>117,000</strong></td>
<td><strong>7,904</strong></td>
</tr>
</tbody>
</table>

A reconciliation of the differences between the statutory tax rate and the effective tax rate for enterprise income tax is as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Income (loss) before income tax</td>
<td>1,433,265</td>
<td>1,269,723</td>
<td>(365,687)</td>
</tr>
<tr>
<td>Income tax expense computed at the PRC statutory tax rate of 25%</td>
<td>358,316</td>
<td>317,431</td>
<td>(91,423)</td>
</tr>
<tr>
<td>Effect of different tax rates in different jurisdictions</td>
<td>(119,565)</td>
<td>(192,671)</td>
<td>(178,059)</td>
</tr>
<tr>
<td>Effect of tax holiday and preferential tax rates</td>
<td>(80,671)</td>
<td>(61,434)</td>
<td>84,520</td>
</tr>
<tr>
<td>Research and development super-deduction</td>
<td>(50,223)</td>
<td>(90,521)</td>
<td>(105,443)</td>
</tr>
<tr>
<td>Non-taxable income(i)</td>
<td>(188,139)</td>
<td>(46,031)</td>
<td>165,580</td>
</tr>
<tr>
<td>Effect of change in tax rate(ii)</td>
<td>7,279</td>
<td>1,176</td>
<td>(7,991)</td>
</tr>
<tr>
<td>Outside basis difference on investment</td>
<td>9,808</td>
<td>41,386</td>
<td>(30,681)</td>
</tr>
<tr>
<td>Withholding tax and others</td>
<td>18,149</td>
<td>55,712</td>
<td>(5,470)</td>
</tr>
<tr>
<td>Changes in valuation allowance</td>
<td>31,609</td>
<td>69,391</td>
<td>192,675</td>
</tr>
<tr>
<td><strong>Income tax expenses</strong></td>
<td><strong>57,602</strong></td>
<td><strong>117,000</strong></td>
<td><strong>7,904</strong></td>
</tr>
</tbody>
</table>

(i) Non-taxable income mainly consists of gains on disposal of subsidiaries and long-term investments that are not subject to tax under the tax laws of different jurisdictions.

(ii) Non-deductible expenses mainly consist of share-based compensation expenses, entertainments and other expenses that are not allowed to be deducted under the tax laws of different jurisdictions.
Deferred taxes were measured using the enacted tax rates for the periods in which the temporary differences are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax balances as of December 31, 2018 and 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>Deferred tax assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Tax loss carry forward</td>
<td>174,058</td>
</tr>
<tr>
<td>Equity investment loss</td>
<td>19,297</td>
</tr>
<tr>
<td>Provision for doubtful accounts</td>
<td>15,520</td>
</tr>
<tr>
<td>Intangible assets and accrued expenses</td>
<td>9,029</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>2,321</td>
</tr>
<tr>
<td>Government subsidies</td>
<td>615</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>151</td>
</tr>
<tr>
<td>Others</td>
<td>8,933</td>
</tr>
<tr>
<td>Less: valuation allowance</td>
<td>141,028</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>88,896</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Outside basis difference on investment</td>
<td>110,222</td>
</tr>
<tr>
<td>Equity method investment</td>
<td>—</td>
</tr>
<tr>
<td>Long-lived assets arising from business acquisitions</td>
<td>69</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>110,291</td>
</tr>
</tbody>
</table>

The Group operates through several subsidiaries, VIEs and subsidiaries of VIEs and the valuation allowance is considered for each subsidiary, VIE and subsidiary of VIE on an individual basis. As of December 31, 2018, and 2019, the Group’s total deferred tax assets before valuation allowances were RMB229,924 and RMB261,219 (US$37,522) respectively. As of December 31, 2018 and 2019, the Group recorded valuation allowances of RMB141,028 and RMB229,268 (US$32,932), respectively, on its deferred tax assets that are sufficient to reduce the deferred tax assets to the amounts that are more-likely-than-not to be realized.

Undistributed earnings of certain of the Company’s PRC subsidiaries amounted to approximately RMB820,099 and RMB722,056 (US$103,717) on December 31, 2018 and 2019, respectively. Those earnings are considered to be indefinitely reinvested; accordingly, no provision for PRC withholding tax has been provided thereon. Upon repatriation of those earnings in the form of dividends, the Group would be subject to PRC withholding tax at 10%. The PRC withholding tax rate could be reduced to 5% should the treaty benefit between Hong Kong and the PRC be applicable. As such, the amount of unrecognized deferred income tax liabilities is approximately ranging from RMB41,005 to RMB82,010 and RMB36,103 (US$5,186) to RMB72,206 (US$10,372) as of December 31, 2018 and 2019, respectively.

As of December 31, 2019, the Group had taxable losses of approximately RMB1,321,790 (US$189,863) primarily deriving from entities in the PRC and Hong Kong, which can be carried forward per tax regulation to offset future net profit for income tax purposes. The PRC taxable loss will expire from 2020 to 2029; the Hong Kong taxable loss can be carried forward without an expiration date.
Unrecognized tax benefits

As of December 31, 2018 and 2019, the Group had unrecognized tax benefits of RMB76,208 and RMB65,936 (US$9,471), of which RMB35,455 and RMB25,746 (US$3,698), respectively, were deducted against the deferred tax assets on tax losses carry forward, and the remaining amounts of RMB40,753 and RMB40,190 (US$5,773), respectively were presented in the other non-current liabilities in the consolidated balance sheets. The Group’s unrecognized tax benefits for the years ended December 31, 2018 and 2019 were primarily related to the tax-deduction of share-based compensation expenses and other expenses. It is possible that the amount of unrecognized benefits will change in the next 12 months; however, an estimate of the range of the possible change cannot be made at this moment. As of December 31, 2018, and 2019, there are RMB40,753 and RMB40,190 (US$5,773) of unrecognized tax benefits that if recognized would impact the annual effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB</td>
<td>US$</td>
<td></td>
</tr>
<tr>
<td>Balance at January 1</td>
<td>63,252</td>
<td>76,208</td>
</tr>
<tr>
<td>Additions based on tax positions related to current year</td>
<td>12,956</td>
<td>3,853</td>
</tr>
<tr>
<td>Reversal based on tax positions related to prior years</td>
<td>(12,655)</td>
<td>(1,818)</td>
</tr>
<tr>
<td>Decrease related to deconsolidation of Live.me</td>
<td>(1,470)</td>
<td>(211)</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>76,208</td>
<td>65,936</td>
</tr>
</tbody>
</table>

The Group recognizes accrued interest related to unrecognized tax benefits in income tax expenses. For the years ended December 31, 2018 and 2019, the Group recognized approximately RMB6,540 and RMB4,416 (US$634) in interest, respectively. The Group had approximately RMB16,749 and RMB21,165 (US$3,040) accrued interest as of December 31, 2018 and 2019, respectively.

As of December 31, 2019, the tax years ended December 31, 2014 through 2019 for the Group’s subsidiaries in the PRC and the VIEs are generally subject to examination by the PRC tax authorities. The tax years ended December 31, 2014 through 2019 for the Group’s subsidiary in the Singapore is generally subject to examination by the Singapore tax authorities. The tax years ended December 31, 2013 through 2019 for the Group’s subsidiaries in Hong Kong are generally subject to examination by the Hong Kong tax authorities.

15. RELATED PARTY TRANSACTIONS

a) Principal related parties

<table>
<thead>
<tr>
<th>Name of related parties</th>
<th>Relationship with the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tencent and its subsidiaries (“Tencent Group”)</td>
<td>Entities controlled by a shareholder of the Group</td>
</tr>
<tr>
<td>Kingsoft and its subsidiaries (“Kingsoft Group”)</td>
<td>Entities controlled by a shareholder of the Group</td>
</tr>
<tr>
<td>OrionStar and its subsidiaries (“OrionStar Group”)</td>
<td>Entities controlled by a director of the Group</td>
</tr>
<tr>
<td>Shenzhen Feipai Technology Co., Ltd. (“Shenzhen Feipai”)</td>
<td>Entities influenced materially by the Group</td>
</tr>
<tr>
<td>Pixiu Inc. and its subsidiaries (“Pixiu Group”)</td>
<td>Entities influenced materially by the Group</td>
</tr>
<tr>
<td>Xiaomi and its subsidiaries (“Xiaomi Group”) (i)</td>
<td>Entities controlled by a former director of the Group</td>
</tr>
<tr>
<td>Matrix Partners China IV Hong Kong Limited (“Matrix Partners”) (ii)</td>
<td>Entities controlled by a former director of the Group</td>
</tr>
<tr>
<td>Live.me and its subsidiaries (“Live.me Group”)</td>
<td>Entities influenced materially by the Group</td>
</tr>
</tbody>
</table>
i) Xiaomi Group is controlled by Mr. Jun Lei, who was a former member of the Board of Directors until his resignation in March 2018. Xiaomi Group was no longer a related party of the Group after Mr. Lei’s resignation.

(ii) Matrix Partners is controlled by Mr. Ying Zhang, who was a former member of the Board of Directors until his resignation in December 2017. Matrix Partners was no longer a related party of the Group after Mr. Zhang’s resignation.

b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material related party transactions for the years ended December 31, 2017, 2018 and 2019:

<table>
<thead>
<tr>
<th>For the year ended December 31,</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td>Services received from:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kingsoft Group</td>
<td>45,173</td>
<td>19,532</td>
<td>23,804</td>
</tr>
<tr>
<td>Tencent Group</td>
<td>48,094</td>
<td>70,867</td>
<td>73,655</td>
</tr>
<tr>
<td>OrionStar Group</td>
<td>—</td>
<td>—</td>
<td>16,857</td>
</tr>
<tr>
<td>Xiaomi Group</td>
<td>61,042</td>
<td>7,356</td>
<td>—</td>
</tr>
<tr>
<td>Services provided to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tencent Group</td>
<td>58,669</td>
<td>197,992</td>
<td>176,099</td>
</tr>
<tr>
<td>OrionStar Group</td>
<td>10,920</td>
<td>21,903</td>
<td>20,242</td>
</tr>
<tr>
<td>Pixiu Group</td>
<td>—</td>
<td>6,900</td>
<td>13,450</td>
</tr>
<tr>
<td>Purchase of products:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OrionStar Group</td>
<td>—</td>
<td>9,136</td>
<td>98,197</td>
</tr>
<tr>
<td>Loans and investments provided to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OrionStar Group</td>
<td>264,768</td>
<td>203,216</td>
<td>278,693</td>
</tr>
<tr>
<td>Pixiu Group</td>
<td>—</td>
<td>33,620</td>
<td>39,973</td>
</tr>
<tr>
<td>Shenzhen Feipai</td>
<td>5,000</td>
<td>13,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Others</td>
<td>—</td>
<td>—</td>
<td>59,816</td>
</tr>
<tr>
<td>Capital injection received from:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matrix Partners</td>
<td>151,419</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(i) The Group entered into agreements with Kingsoft Group, Tencent Group, OrionStar Group and Xiaomi Group, pursuant to which these entities provided services including corporate, technology support and leasing services to the Group.

(ii) The Group entered into a series of agreements with Tencent Group and OrionStar Group to provide online marketing services and technical support services.

(iii) The Group entered into a distributorship and cooperation agreement with OrionStar Group, pursuant to which the Group became the exclusive worldwide distributor for OrionStar Group’s robotics products.
c) The balances between the Group and its related parties as of December 31, 2018 and 2019 are listed below:

(1) Amount due from related parties

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
<td>US$</td>
</tr>
<tr>
<td>Live.me Group</td>
<td></td>
<td>87,302</td>
<td>12,540</td>
</tr>
<tr>
<td>Tencent Group</td>
<td>52,338</td>
<td>67,044</td>
<td>9,630</td>
</tr>
<tr>
<td>Pixiu Group</td>
<td>39,968</td>
<td>49,788</td>
<td>7,152</td>
</tr>
<tr>
<td>OrionStar Group</td>
<td>31,450</td>
<td>42,352</td>
<td>6,083</td>
</tr>
<tr>
<td>Kingsoft Group</td>
<td>10,570</td>
<td>3,138</td>
<td>451</td>
</tr>
<tr>
<td>Other related parties (i)</td>
<td>13,803</td>
<td>9,164</td>
<td>1,317</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>148,129</strong></td>
<td><strong>258,788</strong></td>
<td><strong>37,173</strong></td>
</tr>
</tbody>
</table>

(i) As of December 31, 2018 and 2019, the amount of due from related parties included convertible loans of RMB18,000 and RMB21,000 (US$3,016) to a related party. The conversion features and the put option were considered as embedded derivatives that do not meet the criteria to be bifurcated and were accounted for together with the loan receivable. In accordance with ASC 810, Consolidation, the related party is a variable interest entity, as it does not have sufficient equity at risk to fully fund the construction of all assets required for principal operations. As of December 31, 2018 and 2019, the convertible loan has been fully impaired. The Group is not considered as the primary beneficiary, as it does not have power to direct the activities of the related-party that most significantly impact its economic performance.

All the balances with related parties as of December 31, 2018 and 2019 were unsecured and repayable on demand. (Reversal) provision for doubtful accounts for the years ended December 31, 2017, 2018 and 2019 were RMB(7,312), RMB105 and RMB9,431 (US$1,355), respectively.

(2) Amount due to related parties

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2019</td>
<td>US$</td>
</tr>
<tr>
<td>OrionStar Group</td>
<td>4,732</td>
<td>32,368</td>
<td>4,649</td>
</tr>
<tr>
<td>Tencent Group</td>
<td>17,462</td>
<td>29,757</td>
<td>4,274</td>
</tr>
<tr>
<td>Live.me Group</td>
<td></td>
<td>17,509</td>
<td>2,515</td>
</tr>
<tr>
<td>Kingsoft Group</td>
<td>11,937</td>
<td>8,683</td>
<td>1,247</td>
</tr>
<tr>
<td>Other related parties</td>
<td>3,167</td>
<td>3,893</td>
<td>560</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,298</strong></td>
<td><strong>92,210</strong></td>
<td><strong>13,245</strong></td>
</tr>
</tbody>
</table>
16. SHARE-BASED COMPENSATION

2014 Restricted Shares Plan

On April 22 and April 24, 2014, the board of directors and the shareholders of the Company approved to adopt a restricted shares plan (the “2014 Restricted Shares Plan”), respectively. Under the 2014 Restricted Shares Plan, the Company is authorized to issue up to 122,545,665 Class A ordinary shares (excluding shares which have lapsed or have been forfeited) pursuant to the grant of restricted shares and restricted share units thereunder. Unless terminated earlier, the 2014 Restricted Shares Plan will terminate automatically in 2024. The share awards granted under 2014 Restricted Shares Plan had vesting terms of no longer than 5 years from the date of grant. Except for service conditions, there were no other vesting conditions for all the awards under 2014 Restricted Shares Plan. The following table summarizes the Company’s restricted shares with an option feature activity under the 2014 Restricted Shares Plan during the year ended December 31, 2019:

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Weighted Average Exercise Price (US$)</th>
<th>Weighted Average Grant Date Fair Value (US$)</th>
<th>Weighted Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at January 1, 2019</td>
<td>30,652,305</td>
<td>0.22</td>
<td>1.15</td>
<td>5.31</td>
</tr>
<tr>
<td>Granted</td>
<td>6,820,900</td>
<td>0.03</td>
<td>0.60</td>
<td></td>
</tr>
<tr>
<td>Forfeited</td>
<td>(7,159,989)</td>
<td>0.13</td>
<td>0.81</td>
<td></td>
</tr>
<tr>
<td>Exercised</td>
<td>(4,950,498)</td>
<td>0.10</td>
<td>1.08</td>
<td></td>
</tr>
<tr>
<td>Modified in August 2019</td>
<td>(9,883,062)</td>
<td>0.34</td>
<td>1.05</td>
<td></td>
</tr>
<tr>
<td>Outstanding at December 31, 2019</td>
<td>15,479,656</td>
<td>0.15</td>
<td>1.15</td>
<td>4.31</td>
</tr>
</tbody>
</table>

Vested and expected to vest at December 31, 2019 | 15,479,656 |

Exercisable as at December 31, 2019 | 6,730,544 |

Total intrinsic value of restricted shares with an option feature exercised for the year ended December 31, 2019 was RMB9,357 (US$1,344). The weighted-average grant-date fair value of options granted during the years 2018 and 2019 was US$1.00 and US$0.60, respectively.

The grant date fair value of each restricted share with an option feature is estimated on the date of grant using the binomial tree option pricing model with the following assumptions used for years presented:

<table>
<thead>
<tr>
<th>Year ended December 31, 2017</th>
<th>Year ended December 31, 2018</th>
<th>Year ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of ordinary share (US$)</td>
<td>0.84~1.21</td>
<td>0.85~1.29</td>
</tr>
<tr>
<td>Risk-free interest rates</td>
<td>2.81%~2.99%</td>
<td>3.49%~3.59%</td>
</tr>
<tr>
<td>Expected volatility range</td>
<td>55.9%~58.0%</td>
<td>55.5%~57.0%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected exercise multiple</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Fair value per option granted (US$)</td>
<td>0.55~0.93</td>
<td>0.66~1.23</td>
</tr>
</tbody>
</table>

The risk-free interest rate for periods within the contractual life of the restricted shares with an option feature is based on the U.S. Treasury yield curve in effect at the time of grant for a term consistent with the
contractual term of the awards. Expected volatility is estimated based on the historical volatility ordinary shares of several comparable companies in the same industry. The dividend yield is estimated based on expected dividend policy over the expected term of the restricted shares with an option feature. The expected exercise multiple is based on management’s estimation, which the Company believes is representative of the future.

As of December 31, 2019, there was RMB26,448 (US$3,799) of total unrecognized share-based compensation expenses related to non-vested restricted shares with an option feature and the cost is expected to be recognized over a weighted average period of 1.67 years. Total estimated share-based compensation expenses may be adjusted for future changes in forfeiture rate.

On August 1, 2019, the Company’s compensation committee approved to cancel the exercise price for all unvested restricted shares with an option feature previously granted by the Company under the 2014 Restricted Shares Plan. Such exercise price cancellation was accounted by the Company as a share option modification and required remeasurement at the time of the modification. The total incremental cost as a result of the modification was RMB12,510 (US$1,797). The incremental cost related to vested restricted shares amounted to RMB5,117 (US$735) and was recorded in the consolidated statements of comprehensive income (loss) during the year ended December 31, 2019. The incremental cost related to unvested restricted shares amounted to RMB7,393 (US$1,062) and will be recorded over the remaining service periods.

The following table summarizes the restricted shares activity pursuant to the 2014 Restricted Shares Plan for the year ended December 31, 2019:

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Weighted average grant date fair value (US$) after modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested at January 1, 2019 ......................</td>
<td>—</td>
</tr>
<tr>
<td>Modified in August 2019 .........................</td>
<td>9,883,062</td>
</tr>
<tr>
<td>Vested ..................................</td>
<td>(2,164,799)</td>
</tr>
<tr>
<td>Forfeited ................................</td>
<td>(221,450)</td>
</tr>
<tr>
<td>Unvested at December 31, 2019 ..................</td>
<td>7,496,813</td>
</tr>
</tbody>
</table>

As of December 31, 2019, the total estimated unrecognized share-based compensation expenses related to restricted shares awarded amounted to RMB19,653 (US$2,823), and is expected to be recognized over a weighted-average period of 1.41 years. Total estimated share-based compensation expenses may be adjusted for future changes in forfeiture rate.

The total fair value of vested restricted shares on their respective vesting dates during the years ended December 31, 2019 were RMB5,354 (US$769).

**2013 Incentive Scheme**

On January 2, 2014, the Company adopted an equity incentive scheme (the “2013 Incentive Scheme”). The 2013 Incentive Scheme provides for the grant of ordinary shares, restricted shares, share options and share appreciation rights to the employees, directors or non-employee consultants of the Company. The maximum number of the Company’s ordinary shares which may be issued under the 2013 Incentive Scheme is 64,497,718
CHEETAH MOBILE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2018 AND 2019
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US$”), except for number of shares and per share (or ADS) data)

(excluding shares which have lapsed or have been forfeited). The 2013 Incentive Scheme is valid and effective for a term of ten years commencing from its adoption. Except for service conditions, there were no other vesting conditions for all the awards under 2013 Incentive Scheme. As of December 31, 2019, all the share awards granted under 2013 Incentive Scheme had vesting terms of no longer than 5 years from the date of grant.

The following table summarizes the Group’s restricted shares with an option feature activity under the 2013 Incentive Scheme during the year ended December 31, 2019:

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>Weighted Average Exercise Price (US$)</th>
<th>Weighted Average Grant Date Fair Value (US$)</th>
<th>Weighted Average Remaining Contractual Term (Years)</th>
<th>Aggregate Intrinsic Value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at January 1, 2019</td>
<td>44,791,941</td>
<td>0.33</td>
<td>1.13</td>
<td>5.01</td>
</tr>
<tr>
<td>Granted</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(3,417,123)</td>
<td>0.34</td>
<td>1.02</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>(2,111,675)</td>
<td>0.15</td>
<td>1.59</td>
<td>—</td>
</tr>
<tr>
<td>Modified in August 2019</td>
<td>(6,012,118)</td>
<td>0.34</td>
<td>1.10</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding at December 31, 2019</td>
<td>33,251,025</td>
<td>0.34</td>
<td>1.13</td>
<td>4.01</td>
</tr>
<tr>
<td>Vested and expected to vest at December 31, 2019</td>
<td>33,251,025</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exercisable as at December 31, 2019</td>
<td>33,251,025</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Total intrinsic value of restricted shares with an option feature exercised for the year ended December 31, 2019 was RMB4,063 (US$584). The weighted-average grant-date fair value of options granted during the years 2018 was US$1.03.

The grant date fair value of each restricted share with an option feature is estimated on the date of grant using the binomial tree option pricing model with the following assumptions used for years presented:

<table>
<thead>
<tr>
<th>Year ended December 31, 2017</th>
<th>Year ended December 31, 2018</th>
<th>Year ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of ordinary share (US$)</td>
<td>0.84~1.21</td>
<td>1.06~1.43</td>
</tr>
<tr>
<td>Risk-free interest rates</td>
<td>2.78%~2.99%</td>
<td>2.97%~3.58%</td>
</tr>
<tr>
<td>Expected volatility range</td>
<td>56.1%~57.5%</td>
<td>56.3%~57.2%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Expected exercise multiple</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Fair value per option granted (US$)</td>
<td>0.53~0.88</td>
<td>0.79~1.15</td>
</tr>
</tbody>
</table>

As of December 31, 2019, there was nil unrecognized share-based compensation expenses related to non-vested restricted shares with an option feature.
On August 1, 2019, the Company’s compensation committee approved to cancel the exercise price for all unvested restricted shares with an option feature previously granted by the Company under the 2013 Incentive Scheme Plan. Such exercise price cancellation was accounted by the Company as a share option modification and required remeasurement at the time of the modification. The total incremental cost as a result of the modification was RMB7,588 (US$1,090). The incremental cost related to vested restricted shares amounted to RMB3,077 (US$442) and was recorded in the consolidated statements of comprehensive income (loss) during the year ended December 31, 2019. The incremental cost related to unvested restricted shares amounted to RMB4,511 (US$648) and will be recorded over the remaining service periods.

The following table summarizes the restricted shares activity pursuant to the 2013 Incentive Scheme for the year ended December 31, 2019:

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
<th>Weighted average grant date fair value (US$) after modification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested at January 1, 2019</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Modified in August 2019</td>
<td>6,012,118</td>
<td>1.14</td>
</tr>
<tr>
<td>Vested</td>
<td>(1,052,546)</td>
<td>1.02</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(28,515)</td>
<td>1.33</td>
</tr>
<tr>
<td>Unvested at December 31, 2019</td>
<td>4,931,057</td>
<td>1.17</td>
</tr>
</tbody>
</table>

As of December 31, 2019, the total estimated unrecognized share-based compensation expenses related to restricted shares awarded amounted to RMB15,615 (US$2,243), and is expected to be recognized over a weighted-average period of 1.63 years. Total estimated share-based compensation expenses may be adjusted for future changes in forfeiture rate.

The total fair value of vested restricted shares on their respective vesting dates for the year ended December 31, 2019 were RMB2,569 (US$369).

**2011 Share Award Scheme**

On May 26, 2011, the board of directors of the Company approved and adopted the 2011 Share Award Scheme, as amended in September 2013 and November 2016, to recognize the contributions of certain employees and to give incentives thereto in order to retain them for the continued operation and development of the Group. Under the 2011 Share Award Scheme, the board of directors may grant restricted shares to its employees and directors to receive an aggregate of no more than 100,000,000 ordinary shares of the Company (excluding shares which have lapsed or have been forfeited) as at the date of such grant. Unless early terminated by the board of directors of the Company, the 2011 Share Award Scheme is valid and effective for a term of ten years commencing from its adoption. Under the 2011 Share Award Scheme, grantees have no dividend or voting rights until the restricted shares are vested.

The Group has set up the Share Award Scheme Trust for the purpose of administering the 2011 Share Award Scheme and holding shares awarded to the employees before they vest. As of December 31, 2019, 331,947 (2018: 1,111,898) forfeited and ungranted restricted shares are held by the Share Award Scheme and available to be granted in the future.

Subsequent to the IPO, fair value of the ordinary shares was determined based on the price of the Company’s publicly traded ADSs.
The following table summarizes the restricted shares activity pursuant to the 2011 Share Award Scheme for the year ended December 31, 2019:

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of shares</th>
<th>Weighted average grant date fair value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unvested at January 1, 2019</td>
<td>5,739,320</td>
<td>1.06</td>
</tr>
<tr>
<td>Granted</td>
<td>2,189,310</td>
<td>0.37</td>
</tr>
<tr>
<td>Vested</td>
<td>(2,452,468)</td>
<td>1.08</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(1,409,359)</td>
<td>1.05</td>
</tr>
<tr>
<td>Unvested at December 31, 2019</td>
<td>4,066,803</td>
<td>0.69</td>
</tr>
</tbody>
</table>

The weighted-average grant-date fair value of restricted share granted during the years 2018 and 2019 was US$0.96 and US$0.37, respectively.

As of December 31, 2019, the total estimated unrecognized share-based compensation expenses related to restricted shares awarded amounted to RMB11,327 (US$1,627), and is expected to be recognized over a weighted-average period of 2.01 years. Total unrecognized share-based compensation expenses may be adjusted for future changes in forfeiture rate.

The total fair value of vested restricted shares on their respective vesting dates for the years ended December 31, 2017, 2018 and 2019 were RMB21,149, RMB15,152 and RMB9,357 (US$1,344), respectively.

**Share-based Awards of subsidiaries**

Subsidiaries of the Group also have equity incentive plans granting share-based awards.

The grant date fair value of each share-based award is estimated on the date of grant using the binomial tree option pricing model with the following assumptions used for years presented:

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended December 31, 2017</th>
<th>Year ended December 31, 2018</th>
<th>Year ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of ordinary share (US$)</td>
<td>0.41</td>
<td>0.69~0.86</td>
<td>0.42~0.94</td>
</tr>
<tr>
<td>Risk-free interest rates</td>
<td>1.60%</td>
<td>1.75%~3.10%</td>
<td>2.57%~3.73%</td>
</tr>
<tr>
<td>Expected volatility range</td>
<td>43.4%</td>
<td>50.1%~57.2%</td>
<td>57.2%~59.2%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0%</td>
<td>0%</td>
<td>8.61%~8.72%</td>
</tr>
<tr>
<td>Fair value per option granted (US$)</td>
<td>0.41</td>
<td>0.14~0.86</td>
<td>0.22~0.27</td>
</tr>
</tbody>
</table>

The following table summarizes the share-based compensation expenses of subsidiaries’ share-based awards recognized by the Group:

<table>
<thead>
<tr>
<th>Description</th>
<th>For the years ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>RMB</td>
</tr>
<tr>
<td>Research and development</td>
<td>—</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>—</td>
</tr>
<tr>
<td>General and administrative</td>
<td>10,721</td>
</tr>
<tr>
<td>Total</td>
<td>10,721</td>
</tr>
</tbody>
</table>

As of December 31, 2019, there was RMB44,720 (US$6,424) unrecognized share-based compensation expenses related to incentive plans, which is expected to be recognized over a vesting period of 2.03 years.
Total share-based compensation expenses recorded by the Group are as follows:

<table>
<thead>
<tr>
<th></th>
<th>For the years ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>762</td>
</tr>
<tr>
<td>Research and development</td>
<td>20,691</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>39</td>
</tr>
<tr>
<td>General and administrative</td>
<td>51,824</td>
</tr>
<tr>
<td>Total</td>
<td>73,316</td>
</tr>
</tbody>
</table>

17. COMMITMENT AND CONTINGENCIES

Commitment

The Group does not have any significant commitments other than operating leases as of December 31, 2019.

Litigation

The Group and certain of current and former officers have been named as defendants in a putative securities class action filed on November 30, 2018 in the U.S. District Court for the Southern District of New York: Marcu v. Cheetah Mobile Inc., et al., Case No. 1:18-cv-11184. The action was purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading in the Company’s ADRs between April 21, 2015 and November 27, 2018. The action alleges that the Group made false or misleading statements regarding the business and operations in violation of the Sections 10(b) and 20(a) of the U.S. Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder. On February 8, 2019, the court entered an order appointing lead plaintiffs in this action. On February 13, 2019, the court approved a scheduling stipulation for the filing of the plaintiffs’ amended complaint and defendants’ responsive pleadings. On March 28, 2019, an amended complaint was filed. On May 16, 2019, a motion to dismiss the amended complaint was filed. On October 2, 2019, a second amended complaint was filed. On November 6, 2019, a motion to dismiss the second amended complaint was filed, which is currently pending before the Court. The action remains in its preliminary stages. Such lawsuit could divert a significant amount of the Group management’s attention and other resources from the Group’s business and operations, which could harm the results of operations and require the Group to incur significant expenses to defend the lawsuit. Any such lawsuit, whether or not successful, could harm the Group’s reputation and restrict the Group’s ability to raise capital in the future. In addition, if a claim is successfully made against the Group, the Group may be required to pay significant damages, which could have a material adverse effect on the Group’s financial condition and results of operations.

The Group is involved in several other proceedings as of December 31, 2019 which are either immaterial, or the Group does not believe that a reasonable possibility of loss has been incurred as the proceedings are in the early stages, and/or there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. As a result, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, which includes eventual loss, fine, penalty or business impact, if any, and therefore, an estimate for the reasonably possible loss or a range of reasonably possible losses cannot be made. However, the Group believes that such matters, individually and in the aggregate, when finally resolved, are reasonably likely not to have a material adverse effect on the Group’s consolidated results of operations, financial position and cash flows.
18. SHAREHOLDERS’ EQUITY

Ordinary shares

Immediately following the closing of the IPO, the Memorandum and Articles of Association were amended and restated such that the authorized share capital of the Company was reclassified and redesignated into 10,000,000,000 shares comprising of (i) 7,600,000,000 Class A ordinary shares; (ii) 1,400,000,000 Class B ordinary shares; and (iii) 1,000,000,000 reserved shares at par value of US$0.000025 per share. The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting and conversion rights. Each share of Class A ordinary shares is entitled to one vote per share and is not convertible into Class B ordinary shares under any circumstances. Each share of Class B ordinary shares is entitled to ten votes per share and is convertible into one Class A ordinary share at any time by the holder thereof. Upon any transfer of Class B ordinary shares by the holder thereof to any person or entity that is not an affiliate of such holder, such Class B ordinary shares would be automatically converted into an equal number of Class A ordinary shares. There were 48,412,760 and nil Class B ordinary shares transferred to Class A ordinary shares in the years ended December 31, 2018 and 2019, respectively.

As of December 31, 2018, there were 419,253,027 and 946,017,565 Class A and Class B ordinary shares outstanding. As of December 31, 2019, there were 431,985,016 and 946,017,565 Class A and Class B ordinary shares outstanding.

Retained earnings

In accordance with the PRC Regulations on Enterprises with Foreign Investment and their articles of association, a foreign invested enterprise established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise’s PRC statutory accounts. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its respective registered capital based on the enterprise’s PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends.

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide statutory common reserve of at least 10% of its annual after-tax profit until such reserve has reached 50% of its respective registered capital based on the enterprise’s PRC statutory accounts. A domestic enterprise is also required to provide a statutory public welfare fund and a discretionary surplus reserve, at the discretion of the board of directors, from the profits determined in accordance with the enterprise’s PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends.

<table>
<thead>
<tr>
<th>As of December 31, 2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
</tr>
<tr>
<td>PRC statutory reserve funds</td>
<td>38,349</td>
</tr>
<tr>
<td>Unreserved retained earnings</td>
<td>2,667,621</td>
</tr>
<tr>
<td>Total retained earnings</td>
<td>2,705,970</td>
</tr>
</tbody>
</table>
Under PRC laws and regulations, there are restrictions on the Company’s subsidiaries in the PRC and VIEs with respect to transferring certain of their net assets to the Company either in the form of dividends, loans, or advances. Such restriction amounted to RMB1,406,789 (US$202,703) as of December 31, 2019.

Furthermore, cash transfers from the Company’s subsidiaries in the PRC to its subsidiaries outside of China are subject to PRC government control of currency conversion. Shortages in the availability of foreign currency may restrict the ability of the subsidiaries in the PRC and VIEs to remit sufficient foreign currency to pay dividends or other payments to the Company, or otherwise satisfy their foreign currency denominated obligations.

**Accumulated other comprehensive income**

The components of accumulated other comprehensive income were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Foreign currency translation adjustments</th>
<th>Unrealized gains on available-for-sale securities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at January 1, 2017</strong></td>
<td>227,728</td>
<td>417</td>
<td>228,145</td>
</tr>
<tr>
<td>Other comprehensive loss before reclassification</td>
<td>(148,304)</td>
<td>(433)</td>
<td>(148,737)</td>
</tr>
<tr>
<td>Other comprehensive loss attribute to noncontrolling interests</td>
<td>4,798</td>
<td>—</td>
<td>4,798</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2017</strong></td>
<td>84,222</td>
<td>(16)</td>
<td>84,206</td>
</tr>
<tr>
<td>Other comprehensive income (loss) before reclassification</td>
<td>182,978</td>
<td>(3,734)</td>
<td>179,244</td>
</tr>
<tr>
<td>Other comprehensive income attribute to noncontrolling interests</td>
<td>(14,146)</td>
<td>—</td>
<td>(14,146)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2018</strong></td>
<td>253,054</td>
<td>(3,750)</td>
<td>249,304</td>
</tr>
<tr>
<td>Other comprehensive income before reclassification</td>
<td>77,097</td>
<td>10,913</td>
<td>88,010</td>
</tr>
<tr>
<td>Other comprehensive loss attribute to noncontrolling interests</td>
<td>459</td>
<td>—</td>
<td>459</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019</strong></td>
<td>330,610</td>
<td>7,163</td>
<td>337,773</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019, in US$</strong></td>
<td>47,489</td>
<td>1,029</td>
<td>48,518</td>
</tr>
</tbody>
</table>

There was nil tax expense or benefit recognized related to the changes of each component of accumulated other comprehensive income for the years ended December 31, 2017, 2018 and 2019.

**19. REDEEMABLE NONCONTROLLING INTERESTS**

In April and November 2017, Live.me, the Company and certain investors entered into share subscription and purchase agreements and certain other investment agreements to issue Series A Preferred Shares and B Preferred Shares (collectively as the “Live.me Preferred Shares”) for an aggregate cash consideration of RMB306,085 and RMB329,710 respectively.
The Group determined that Live.me Preferred Shares should be classified as mezzanine equity since they are contingently redeemable. The Group accreted Live.me Preferred Shares to their redemption value, which is purchase price plus 6% compound interest per year over the period since issuance to the earliest redemption date using the interest method. The Group recorded accretion of RMB13,451, RMB38,601 and RMB31,662 (US$4,548) for the years ended December 31, 2017, 2018 and 2019, respectively.

The redeemable noncontrolling interests for the years ended December 31, 2018 and 2019 are summarized below:

<table>
<thead>
<tr>
<th></th>
<th>RMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at December 31, 2017</td>
<td>649,246</td>
</tr>
<tr>
<td>Accretion</td>
<td>38,601</td>
</tr>
<tr>
<td>Balance at December 31, 2018</td>
<td>687,847</td>
</tr>
<tr>
<td>Accretion</td>
<td>31,662</td>
</tr>
<tr>
<td>Deconsolidation of Live.me (Note 3)</td>
<td>(719,509)</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019</strong></td>
<td>—</td>
</tr>
<tr>
<td><strong>Balance at December 31, 2019 in US$</strong></td>
<td>—</td>
</tr>
</tbody>
</table>
## Earnings (Loss) Per Share

Basic and diluted earnings per share for each of the years presented are calculated as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>Ordinary shares RMB</th>
<th>Ordinary shares RMB</th>
<th>Class A ordinary shares RMB</th>
<th>Class A ordinary shares US$</th>
<th>Class B ordinary shares RMB</th>
<th>Class B ordinary shares US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,348,194</td>
<td>1,166,909</td>
<td>(97,017)</td>
<td>(13,937)</td>
<td>(216,960)</td>
<td>(31,164)</td>
</tr>
<tr>
<td>2018</td>
<td>(13,451)</td>
<td>(37,714)</td>
<td>(9,228)</td>
<td>(1,326)</td>
<td>(20,637)</td>
<td>(2,964)</td>
</tr>
<tr>
<td>2019</td>
<td>—</td>
<td>(14)</td>
<td>(101)</td>
<td>(15)</td>
<td>(225)</td>
<td>(32)</td>
</tr>
<tr>
<td>Net income (loss) attributable to Cheetah Mobile Inc. after accretion of redeemable noncontrolling interests and dilution effect arising from share-based awards issued by subsidiaries</td>
<td>1,334,743</td>
<td>1,129,181</td>
<td>(106,346)</td>
<td>(15,278)</td>
<td>(237,822)</td>
<td>(34,160)</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares outstanding</td>
<td>1,394,303,326</td>
<td>1,403,089,609</td>
<td>423,023,853</td>
<td>423,023,853</td>
<td>946,017,565</td>
<td>946,017,565</td>
</tr>
<tr>
<td>Earnings (loss) per share—basic</td>
<td>0.9573</td>
<td>0.8048</td>
<td>(0.2514)</td>
<td>(0.0361)</td>
<td>(0.2514)</td>
<td>(0.0361)</td>
</tr>
<tr>
<td>Net income (loss) attributable to ordinary shareholders</td>
<td>1,334,743</td>
<td>1,129,181</td>
<td>(344,168)</td>
<td>(49,438)</td>
<td>(237,822)</td>
<td>(34,160)</td>
</tr>
<tr>
<td>Weighted average ordinary shares outstanding</td>
<td>1,394,303,326</td>
<td>1,403,089,609</td>
<td>423,023,853</td>
<td>423,023,853</td>
<td>946,017,565</td>
<td>946,017,565</td>
</tr>
<tr>
<td>Earnings (loss) per share—diluted</td>
<td>0.9366</td>
<td>0.7839</td>
<td>(0.2514)</td>
<td>(0.0361)</td>
<td>(0.2514)</td>
<td>(0.0361)</td>
</tr>
</tbody>
</table>

### Earnings (loss) per ADS

- **Denominator used for earnings (loss) per ADS—basic**
  - Year 2017: 139,430,333
  - Year 2018: 140,308,961
  - Year 2019: 42,302,385
  - Average: 42,302,385

- **Denominator used for earnings (loss) per ADS—diluted**
  - Year 2017: 142,515,484
  - Year 2018: 144,041,485
  - Year 2019: 136,904,142
  - Average: 136,904,142

### Earnings (loss) per ADS:

- **Basic**
  - Year 2017: 9.5728
  - Year 2018: 8.0478
  - Year 2019: (2.5140)

- **Diluted**
  - Year 2017: 9.3656
  - Year 2018: 7.8393
  - Year 2019: (2.5140)
The Group did not include certain restricted shares and restricted shares with an option feature in the computation of diluted earnings (loss) per share for the years ended December 31, 2017 and 2018 because those restricted shares and restricted shares with an option feature were anti-dilutive for the respective years.

21. TREASURY STOCK

In September, 2018, the Board of Directors of the Company authorized another share repurchase plan (the “2018 Share Repurchase Plan”) under which the Company may repurchase up to US$100 million from the open market, in negotiated transactions off the market, or through other legally permissible means in accordance with applicable securities laws from time to time within one year. As of December 31, 2018, the Company had repurchased under the 2018 Share Repurchase Plan an aggregate of 4,527,304 ADSs, representing 45,273,040 Class A ordinary shares for an aggregate denominated consideration of RMB221,932. These shares were recorded at their historical purchase cost, and were not canceled as of December 31, 2018.

In September 2019, the Company canceled these treasury stocks and recognized the difference between the repurchase costs and the par value in additional paid-in capital.

22. EMPLOYEE BENEFIT

Full time employees of the Group participate in government mandated defined contribution plan, pursuant to which certain welfare benefits are provided to employees. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were approximately RMB175,508, RMB177,086 and RMB193,990 (US$27,865) for the years ended December 31, 2017, 2018 and 2019, respectively.

23. FAIR VALUE MEASUREMENT

ASC 820-10, *Fair Value Measurements and Disclosures: Overall*, establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 — Include other inputs that are directly or indirectly observable in the marketplace

Level 3 — Unobservable inputs which are supported by little or no market activity

ASC 820-10 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

*Assets and liabilities measured or disclosed at fair value*

In accordance with ASC 820-10, the Group measures equity investments with readily determinable fair value, equity investment accounted for using fair value option and available-for-sale debt securities at fair value.
on a recurring basis. The equity investments with readily determinable fair value and available-for-sale debt securities are classified within Level 1 as the fair value is measured using quoted market data, or Level 2 as the fair value is measured by using indirectly inputs observable in the market place. The equity investment accounted for using fair value option are classified with in Level 3.

The Group measures certain financial assets, including loans receivable, equity securities accounted for at fair value using measurement alternative, and equity investments accounted for using equity method at fair value on a nonrecurring basis only if an impairment loss were to be recognized. The Group’s non-financial assets, such as intangible assets, goodwill and property and equipment, would be measured at fair value only if they were determined to be impaired.

For the year ended December 31, 2019, assets and liabilities measured or disclosed at fair value are summarized below:

<table>
<thead>
<tr>
<th>Fair value measurement or disclosure at December 31, 2019 using</th>
<th>Total Fair Value at December 31, 2019</th>
<th>Total Fair Value at December 31, 2019</th>
<th>Quoted prices in active markets for identical assets (Level 1)</th>
<th>Significant other observable inputs (Level 2)</th>
<th>Significant unobservable inputs (Level 3)</th>
<th>Total gains (losses)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>US$</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td><strong>Fair value measurement—Recurring:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale debt security</td>
<td>146,723</td>
<td>21,075</td>
<td>146,723</td>
<td>10,913</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments with readily determinable fair value</td>
<td>30,743</td>
<td>4,416</td>
<td>30,743</td>
<td>2,853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments accounted for using fair value option</td>
<td>388,581</td>
<td>55,816</td>
<td>388,581</td>
<td>(102,555)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fair value measurement—Non-Recurring:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>19</td>
<td>3</td>
<td>19</td>
<td>(8,800)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(545,665)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments accounted for at fair value using</td>
<td>926,926</td>
<td>133,145</td>
<td>926,926</td>
<td>(102,592)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>measurement alternative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets measured at fair value</strong></td>
<td>1,492,992</td>
<td>214,455</td>
<td>30,743</td>
<td>146,723</td>
<td>1,315,526</td>
<td>(745,846)</td>
</tr>
</tbody>
</table>
For the year ended December 31, 2018, assets and liabilities measured or disclosed at fair value are summarized below:

<table>
<thead>
<tr>
<th>Fair value measurement or disclosure at December 31, 2018 using</th>
<th>Total Fair Value at December 31, 2018</th>
<th>Quoted prices in active markets for identical assets (Level 1)</th>
<th>Significant other observable inputs (Level 2)</th>
<th>Significant unobservable inputs (Level 3)</th>
<th>Total (losses) gains</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RMB</td>
<td>US$</td>
<td>RMB</td>
<td>RMB</td>
<td>RMB</td>
</tr>
<tr>
<td><strong>Recurring:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale debt security</td>
<td>133,448</td>
<td>19,409</td>
<td>133,448</td>
<td>(3,732)</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Recurring:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>465</td>
<td>68</td>
<td>465</td>
<td>(12,767)</td>
<td></td>
</tr>
<tr>
<td>Equity investments accounted for at fair value using measurement alternative</td>
<td>559,961</td>
<td>81,443</td>
<td></td>
<td>559,961</td>
<td>281,977</td>
</tr>
<tr>
<td><strong>Total assets measured at fair value</strong></td>
<td>693,874</td>
<td>100,920</td>
<td>133,448</td>
<td>560,426</td>
<td>265,478</td>
</tr>
</tbody>
</table>
There were no transfers of fair value measurements into or out of Level 3 for the years ended December 31, 2017, 2018 and 2019. The following table presents a reconciliation of the assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended 2019:

<table>
<thead>
<tr>
<th>Equity investment accounted for using fair value option</th>
<th>RMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of January 1, 2019</td>
<td></td>
</tr>
<tr>
<td>Addition</td>
<td>497,796</td>
</tr>
<tr>
<td>Fair value change</td>
<td>(102,555)</td>
</tr>
<tr>
<td>Foreign exchange translation adjustments</td>
<td>(6,660)</td>
</tr>
<tr>
<td>Balance as of December 31, 2019</td>
<td>388,581</td>
</tr>
<tr>
<td>Balance as of December 31, 2019 in US$</td>
<td>55,816</td>
</tr>
</tbody>
</table>

The Group measured equity investment accounted for using fair value option on recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2019. The significant unobservable inputs used in the fair value measurement and the corresponding impacts to the fair values are presented below:

<table>
<thead>
<tr>
<th>Equity investments accounted for using fair value option</th>
<th>Fair value</th>
<th>Valuation technique</th>
<th>Unobservable inputs</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>388,581</td>
<td>Discount cash flow method</td>
<td>• Weighted average cost of capital</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Sales growth rate</td>
<td>(16.2)%~21.5%</td>
</tr>
</tbody>
</table>

A sensitivity analysis of the investment in equity investment accounted for using fair value option on December 31, 2019 shows that if the sales growth rate assumption was to increase 0.5% instantaneously, with all other variables hold constant, the fair value of the investment would increase by 8%. Similarly, a decrease of 0.5% in the sales growth rate assumption would reduce the fair value by 7%. If the weighted average cost of capital was to increase 0.5% instantaneously from the assumption on December 31, 2019, with all other variables hold constant, the fair value of the investment would decrease by 5%, while a decrease of 0.5% in weighted average cost of capital would increase the fair value by approximately 7%.

24. SUBSEQUENT EVENTS

In February 2020, The Group’s Google Play Store, Google AdMob and Google AdManager accounts were disabled by Google. According to Google, the decision was made because some of the Group’s apps had not been compliant with Google policies, resulting in certain invalid traffic. Since February 20, 2020, the Group has been in continuous communication with Google to appeal the decision, clarify any misunderstanding, and adopt any requisite remedial measures to restore the disabled accounts. However, the Group was recently notified that Google was unable to reinstate the accounts after reviewing the appeal and additional information the Group provided. While the Group will continue to communicate with Google, it cannot guarantee that its appeals will be successful.
Recently, there was an outbreak of a novel strain of coronavirus (COVID-19), which has spread rapidly to many parts of the world. Consequently, the Group’s result of operations will likely be adversely, and may be materially, affected, to the extent that the COVID-19 or any other epidemic harms the Chinese and global economy in general. Potential impacts include but are not limited to material negative impact to the Group’s total revenues, slower collection of accounts receivables and additional allowance for doubtful accounts and significant downward adjustments or impairment to the Group’s long-term investments. Because of the uncertainty surrounding the COVID-19 outbreak, the financial impact related to the outbreak of and response to the coronavirus cannot be reasonably estimated at this time, but the Group’s consolidated results for the first quarter of and full year 2020 may be adversely affected.
## 25. Condensed Financial Information of the Company

### Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>As of December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>318,546</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>—</td>
</tr>
<tr>
<td>Prepayments and other current assets</td>
<td>16,838</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>2,312,111</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>2,647,495</strong></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>5</td>
</tr>
<tr>
<td>Goodwill</td>
<td>62,785</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>628,888</td>
</tr>
<tr>
<td>Investment in subsidiaries</td>
<td>3,064,747</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>3,756,425</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>6,403,920</strong></td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td><strong>927,455</strong></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>27,128</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>836,642</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>33,499</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>897,269</strong></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>29,925</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>2,61</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>30,186</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>927,455</strong></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
</tr>
<tr>
<td>Class A ordinary shares (par value of US$0.000025 per share; 7,600,000,000 shares authorized; 475,357,217 and 435,084,177 shares issued as of December 31, 2018 and 2019, respectively; 419,253,027 and 431,985,016 shares outstanding as of December 31, 2018 and 2019, respectively)</td>
<td>7,469,111</td>
</tr>
<tr>
<td>Class B ordinary shares (par value of US$0.000025 per share; 1,400,000,000 shares authorized; 957,985,982 shares issued and 946,017,565 shares outstanding as of December 31, 2018 and 2019, respectively)</td>
<td>1,562,251</td>
</tr>
<tr>
<td>Treasury stock (45,273,040 and nil shares as of December 31, 2018 and 2019, respectively)</td>
<td>(221,932)</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>2,742,893</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>2,705,970</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>249,304</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td><strong>5,476,465</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td><strong>6,403,920</strong></td>
</tr>
</tbody>
</table>
### Statements of Comprehensive income (loss)

<table>
<thead>
<tr>
<th></th>
<th>For the years ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>52,053</td>
</tr>
<tr>
<td><strong>Cost of revenues</strong></td>
<td>(6,919)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>45,134</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Research and development</td>
<td>(11,370)</td>
</tr>
<tr>
<td>Selling and marketing</td>
<td>(84)</td>
</tr>
<tr>
<td>General and administrative</td>
<td>(18,931)</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>(30,385)</td>
</tr>
<tr>
<td><strong>Equity in profit (loss) of subsidiaries</strong></td>
<td>1,346,556</td>
</tr>
<tr>
<td><strong>Interest (expense) income, net</strong></td>
<td>(6,525)</td>
</tr>
<tr>
<td><strong>Foreign exchange (loss) gains, net</strong></td>
<td>(3,877)</td>
</tr>
<tr>
<td><strong>Other (loss) income, net</strong></td>
<td>(159)</td>
</tr>
<tr>
<td><strong>Income (loss) before income taxes</strong></td>
<td>1,350,744</td>
</tr>
<tr>
<td><strong>Income tax expenses</strong></td>
<td>(2,550)</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>1,348,194</td>
</tr>
<tr>
<td><strong>Other comprehensive (loss) income, net of tax of nil</strong></td>
<td></td>
</tr>
<tr>
<td>Unrealized (losses) gains on available-for-sale securities, net</td>
<td>(433)</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(143,506)</td>
</tr>
<tr>
<td><strong>Other comprehensive (loss) income</strong></td>
<td>(143,939)</td>
</tr>
<tr>
<td><strong>Total comprehensive income (loss)</strong></td>
<td>1,204,255</td>
</tr>
</tbody>
</table>
### Statements of Cash Flows

For the years ended December 31,

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>40,685</td>
<td>243</td>
<td>(15,258)</td>
<td>(2,192)</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>265,767</td>
<td>339,955</td>
<td>375,584</td>
<td>53,950</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>23,929</td>
<td>(526,532)</td>
<td>(494,055)</td>
<td>(70,967)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash, cash equivalents and restricted cash</td>
<td>(35,413)</td>
<td>66,054</td>
<td>64,769</td>
<td>9,304</td>
</tr>
<tr>
<td>Net increase (decrease) in cash, cash equivalents and restricted cash</td>
<td>294,968</td>
<td>(120,280)</td>
<td>(68,960)</td>
<td>(9,905)</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at beginning of the year</td>
<td>143,858</td>
<td>438,826</td>
<td>318,546</td>
<td>45,756</td>
</tr>
<tr>
<td>Cash, cash equivalents and restricted cash at end of the year</td>
<td>438,826</td>
<td>318,546</td>
<td>249,586</td>
<td>35,851</td>
</tr>
</tbody>
</table>

(a) **Basis of presentation**

For the Company only consolidated financial information, the Company records its investment in its subsidiaries, VIEs and subsidiaries of VIEs under the equity method of accounting. Such investment is presented on the condensed balance sheets as “Investment in subsidiaries” and share of their income as “Equity in profit (loss) of subsidiaries” on the condensed statements of comprehensive income (loss). The subsidiaries VIEs and subsidiaries of VIEs did not pay any dividends to the Company for any of the years presented.

The Company only consolidated financial information should be read in conjunction with the Group’s consolidated financial statements.

(b) **Commitments**

The Company does not have any significant commitments or long-term obligations as of any of the periods presented.
American Depositary Shares ("ADSs") each representing ten Class A ordinary shares of Cheetah Mobile Inc., ("we," "our," "our company," or "us") are listed and traded on the New York Stock Exchange and, in connection with this listing (but not for trading), the Class A ordinary shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of (i) the holders of Class A ordinary shares and (ii) the holders of ADSs. Class A ordinary shares underlying the ADSs are held by The Bank of New York Mellon, as depositary, and holders of ADSs will not be treated as holders of the Class A ordinary shares.

Description of Class A Ordinary Shares

The following is a summary of material provisions of our currently effective fourth amended and restated memorandum and articles of association (the "Memorandum and Articles of Association"), as well as the Companies Law (as amended) of the Cayman Islands (the "Companies Law") insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been filed with the SEC as an exhibit to our Registration Statement on Form F-1 (File No. 333- 194996).

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each Class A ordinary share has US$0.000025 par value. The number of Class A ordinary shares that have been issued as of the last day of the financial year ended December 31, 2019 is provided on the cover of the annual report on Form 20-F filed on May 15, 2020 (the “2019 Form 20-F”). Our Class A ordinary shares may be held in either certificated or uncertificated form.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our shareholders do not have preemptive rights.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

We have a dual-class voting structure such that our ordinary shares consist of Class A ordinary shares and Class B ordinary shares. Each Class A ordinary share shall entitle the holder thereof to one vote on all matters subject to the vote at general meetings of our company, and each Class B ordinary share shall entitle the holder thereof to ten votes on all matters subject to the vote at general meetings of our company. Due to the super voting power of Class B ordinary share holder, the voting power of the Class A ordinary shares may be materially limited.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Class A Ordinary Shares (Item 10.B.3 of Form 20-F)

Conversion

Class B ordinary shares may be converted into the same number of Class A ordinary shares by the holders thereof at any time, while Class A ordinary shares cannot be converted into Class B ordinary shares under any circumstances.
Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors or declared by our shareholders by ordinary resolution (provided that no dividend may be declared by our shareholders which exceeds the amount recommended by our directors. Dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, provided that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

On a show of hands each shareholder is entitled to one vote or, on a poll, each holder of Class A ordinary shares is entitled to one vote, while each holder of Class B ordinary shares is entitled to ten votes, voting together as one class on all matters that require a shareholder’s vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, has advised that such voting structure is in compliance with current Cayman Islands law as in general terms, a company and its shareholders are free to provide in the articles of association for such rights as they consider appropriate, subject to such rights not being contrary to any provision of the Companies Law and not inconsistent with common law. Maples and Calder (Hong Kong) LLP has confirmed that the inclusion in the articles of provisions giving weighted voting rights to specific shareholders generally or on specific resolutions is not prohibited by the Companies Law. Further, weighted voting provisions have been held to be valid as a matter of English common law and therefore it is expected that such would be upheld by a Cayman Islands court.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of votes cast attached to the ordinary shares. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

Transfer of Ordinary Shares

Any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

However, our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which our company has a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are free of any lien in favor of us;
- a fee of such maximum sum as the New York Stock Exchange may determine to be payable, or such lesser sum as our board may from time to time require, is paid to us in respect thereof; and
- in the case of a transfer to joint holders, the transfer is not to more than four joint holders.
If our directors refuse to register a transfer they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

**Liquidation Rights**

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares will be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately. We are a “limited liability” company incorporated under the Companies Law, and under the Companies Law, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

**Calls on Ordinary Shares and Forfeiture of Ordinary shares**

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

**Redemption, Repurchase and Surrender of Ordinary Shares**

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company’s profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

**Requirements to Change the Rights of Holders of Class A Ordinary Shares (Item 10.B.4 of Form 20-F)**

**Variations of Rights of Shares**

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of three-fourths of the vote of all of the shares in that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares.

**Limitations on the Rights to Own Class A Ordinary Shares (Item 10.B.6 of Form 20-F)**

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote Class A ordinary shares.
**Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)**

**Anti-Takeover Provisions in the Memorandum and Articles of Association.** Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for a proper purpose and for what they believe in good faith to be in the best interests of our company.

**Ownership Threshold (Item 10.B.8 of Form 20-F)**

There are no provisions under the laws of the Cayman Islands applicable to the Company, or under the Memorandum and Articles of Association, that require the Company to disclose shareholder ownership above any particular ownership threshold.

**Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)**

The Companies Law is derived, to a large extent, from the older Companies Acts of England but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Companies Law and the current Companies Act of England. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the United States and their shareholders.

**Mergers and Similar Arrangements.** The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a combined company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders or creditors (representing 75% by value) with whom the arrangement is to be made and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands.
While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

**Shareholders’ Suits.** In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a “fraud on the minority.”

**Indemnification of Directors and Executive Officers and Limitation of Liability.** Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association provide that our directors and officers shall be indemnified against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer, other than by reason of such person’s own dishonesty, willful default or fraud, in or about the conduct of our company’s business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.
Anti-Takeover Provisions in the Memorandum and Articles of Association. Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Directors’ Fiduciary Duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his or her position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company’s articles of association. Our memorandum and articles of association provides that, on the requisition of shareholders representing not less than one-tenth of the votes entitled to be cast at general meetings, the board shall convene an extraordinary general meeting. However, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general
meetings or extraordinary general meetings not called by such shareholders. As an exempted Cayman Islands company, we are not obliged by law to call shareholders’ annual general meetings. However, our articles of association provide that we may, but are not obliged to, in each year hold a general meeting as our annual general meeting.

**Cumulative Voting.** Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation’s certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder’s voting power with respect to electing such director. As permitted under Cayman Islands law, our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

**Removal of Directors.** Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles of association, directors may be removed by ordinary resolution of the company.

**Transactions with Interested Shareholders.** The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an “interested shareholder” for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target’s outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation’s outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target’s board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

**Dissolution; Winding Up.** Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation’s outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Law of the Cayman Islands and our memorandum and articles of association, our company may be dissolved, liquidated or wound up by a special resolution, or by an ordinary resolution on the basis that our company is unable to pay its debts as they fall due.
Variation of Rights of Shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the written consent of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Amendment of Governing Documents. Under the Delaware General Corporation Law, a corporation’s certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Cayman Islands law, our memorandum and articles of association may only be amended by special resolution of our shareholders.

Rights of Non-Resident or Foreign Shareholders. There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association that require our Company to disclose shareholder ownership above any particular ownership threshold.

Directors’ Power to Issue Shares. Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

Exempted Company. We are an exempted company with limited liability under the Companies Law of the Cayman Islands. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

• an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
• an exempted company’s register of members is not required to be open to inspection;
• an exempted company does not have to hold an annual general meeting;
• an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
• an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
• an exempted company may register as a limited duration company; and
• an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company.

Changes in Capital (Item 10.B.10 of Form 20-F)
Our shareholders may from time to time by ordinary resolution:

• increase our share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
• consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
• convert all or any of our paid up shares into stock and reconvert that stock into paid up shares of any denomination;
• sub-divide our existing shares, or any of them into shares of a smaller amount, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or
• cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

We may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital or any capital redemption reserve in any manner permitted by law.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

The Bank of New York Mellon, as depositary, registers and delivers American Depositary Shares, also referred to as ADSs. Each ADS represents ten Class A ordinary shares (or a right to receive ten Class A ordinary shares) deposited with the principal Hong Kong office of The Hongkong and Shanghai Banking Corporation Limited, as custodian for the depositary. Each ADS also represents any other securities, cash or other property which may be held by the depositary. The depositary’s corporate trust office at which the ADSs are administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon’s principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having ADSs registered in your name in the Direct Registration System, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

The Direct Registration System, also referred to as DRS, is a system administered by The Depository Trust Company, also referred to as DTC, under which the depositary may register the ownership of uncertificated ADSs, which ownership is confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs.
As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Cayman Islands law governs shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. The deposit agreement has been filed with the SEC as an exhibit to a Registration Statement on Form F-6 (File No. 333-195489) for our company.

**Dividends and Other Distributions**

*How will you receive dividends and other distributions on the shares underlying my ADSs?*

The depositary has agreed to pay to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of Shares your ADSs represent.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

  Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.

- **Shares.** The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares sufficient to pay its fees and expenses in connection with that distribution.

- **Rights to purchase additional shares.** If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may make these rights available to ADS holders. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

  If the depositary makes rights available to ADS holders, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to the persons entitled to them. It will only exercise rights if you pay the exercise price and any other charges the rights require you to pay.

  U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.
• Other Distributions. The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs at the depositary’s corporate trust office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. The depositary will notify ADS holders of shareholders’ meetings and arrange to deliver our voting materials to them if we ask it to. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary.

Otherwise, you won’t be able to exercise your right to vote unless you withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares.
The depositary will try, as far as practical, subject to the laws of the Cayman Islands and of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. The depositary will only vote or attempt to vote as instructed.

If we timely ask the depositary to solicit your voting instructions but the depositary does not receive your instructions by the date set by the depositary, the depositary will give a discretionary proxy to a person designated by us to vote the shares represented by your ADSs with respect to each matter to be voted on, unless we notify the depositary that (i) we do not wish to receive that proxy, (ii) substantial opposition exists to the particular question or (iii) the particular matter would materially and adversely affect the rights of holders of our shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if your shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the Depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date.

**Reclassifications, Recapitalizations and Mergers**

If we change the nominal or par value of our shares or reclassify, split up or consolidate any of the deposited securities, then the cash, shares or other securities received by the depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities.

If we distribute securities on the shares that are not distributed to you or recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, then the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

**Amendment and Termination**

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement at our direction by mailing notice of termination to the ADS holders then outstanding at least 30 days prior to the date fixed in such notice for such termination. The depositary may also terminate the deposit agreement by mailing notice of termination to us and the ADS holders if 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property, and deliver shares and other
deposited securities upon cancellation of ADSs. Four months after termination, the depositary may sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary’s only obligations will be to account for the money and other cash. After termination our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

**Limitations on Obligations and Liability**

*Limits on our obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs*

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or circumstances beyond our control from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

**Requirements for Depositary Actions**

Before the depositary will deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

**Your Right to Receive the Shares Underlying your ADSs**

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- When temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders’ meeting; or (iii) we are paying a dividend on our shares.
• When you owe money to pay fees, taxes and similar charges.
• When it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

**Pre-release of ADSs**

The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying shares. This is called a pre-release of the ADSs. The depositary may also deliver shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the depositary. The depositary may receive ADSs instead of shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions:

1. before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer owns the shares or ADSs to be deposited;
2. the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; and
3. the depositary must be able to close out the pre-release on not more than five business days’ notice. In addition, the depositary will normally limit the number of shares represented by ADSs that may be outstanding at any time as a result of pre-release to no more than 30% of the amount of shares on deposit, although the depositary may change or disregard the limit from time to time if it thinks it is appropriate to do so.

**Direct Registration System**

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC under which the depositary may register the ownership of uncertificated ADSs, which ownership will be confirmed by periodic statements sent by the depositary to the registered holders of uncertificated ADSs. Profile is a required feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary’s reliance on and compliance with instructions received by the depositary through the DRS/Profile System and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

**Shareholder communications; inspection of register of holders of ADSs**

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.
Framework Agreement

This Framework Agreement (this “Agreement”) is made and entered into on December 20, 2019 in Beijing, the People’s Republic of China (“China”, for the purpose of this Agreement, excluding Hong Kong, Macao and Taiwan) by and among:

(1) Conew Network Technology (Beijing) Co., Ltd., a wholly foreign-owned enterprise established and validly existing under the laws of China (the “WFOE”);

(2) Beijing Cheetah Network Technology Co., Ltd., a limited liability company established and validly existing under the laws of China (formerly known as “Beijing Kingsoft Network Technology Co., Ltd., the “Domestic Company”);

(3) Wei Liu, a Chinese citizen, with the ID number of ***; and Kun Wang, a Chinese citizen, with the ID number of *** (collectively referred to as the “Existing Shareholders”); and

(4) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”).

For the purpose of this Agreement, the WFOE, the Domestic Company, the Existing Shareholders and the Cayman Company shall be individually referred to as a “Party” or such “Party” and collectively as the “Parties”, and each other shall be referred to as the other “Parties”.

WHEREAS:

(1) Prior to the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders have respectively executed the documents listed in Annex I (for the purpose of this Agreement, the documents listed in Annex I are collectively referred to as the “Existing Control Documents”).

(2) The Parties agree to terminate the Existing Control Documents in accordance with the provisions of this Agreement, and it is intended that the Parties will execute new control documents as listed in Annex II.

NOW, THEREFORE, the Parties have reached the following agreement through consultation:

Article 1 Termination of Existing Control Documents

1.1 The WFOE, the Domestic Company and the Existing Shareholders hereby irrevocably agree and acknowledge that the Existing Control Documents listed in Annex I shall be terminated as of the date of this Agreement and shall no longer have any effect.

1.2 From the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders no longer enjoy their rights under the Existing Control Documents, nor do they need to perform their obligations under the Existing Control Documents, provided that the rights and obligations that have actually been exercised by the WFOE, the Domestic Company and the Existing Shareholders based on any Existing Control Documents shall be effective, the amount, income or other interests of any nature obtained or actually possessed by any Party based on the Existing Control Documents need not be returned to the counterparty, and the receivables and payables formed by the WFOE, the Domestic Company and the Existing Shareholders based on legal or business relationships other than the Existing Control Documents shall still be paid.

1.3 Except as otherwise agreed in Article 1.2 above, the WFOE, the Domestic Company and the Existing Shareholders hereby irrevocably and unconditionally waive any dispute, claim, demand, right, obligation,
liability, action, contract or cause of action of any kind or nature owned or likely to be owned by them against the other Parties hereof in the past, now or in the future directly or indirectly related to or arising from the Existing Control Documents.

1.4 Without prejudice to the generality of Article 1.2 and 1.3 above, from the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders hereby waive any commitment, debt, claim, demand, obligation and liability of any kind or nature owned or likely to be owned by such Party or its successors, assigns, transferees or executors in the past, now or in the future against the other Parties or their current and past directors, officers, employees, legal advisers and agents, their affiliates and the successors and assigns thereof related to or arising from the Existing Control Documents, including claims and causes of action at law and on the basis of the principle of equality, whether such claims or demands have been filed or not, or whether such claims or demands are absolute or contingent, known or unknown.

Article 2 Re-execution of Control Documents

2.1 The Parties hereby agree and acknowledge that, on the basis of the realization of Article 1 of this Agreement, the Parties will re-execute the documents listed in Annex II (collectively referred to as the “New Control Documents”), and the Parties agree that they will exercise related rights and fulfill related undertakings, obligations and responsibilities in accordance with the provisions of the New Control Documents.

Article 3 Representations and Warranties

3.1 Representations and Warranties of the Parties. Each Party represents and warrants to the other Parties as follows:

(1) such Party has full legal right, power and authority to execute this Agreement and all contracts and documents mentioned in this Agreement to which it is a party, and the execution of this Agreement is the true intention of the Party;

(2) no execution and performance of this Agreement will constitute a breach by such Party of any constitutional document, executed agreement and license obtained by it to which it is a party or which is binding on it, nor will it result in a breach by such Party of or a need of such Party to obtain any judgment, ruling, order or consent issued by any court, government agency or regulatory authority; and

(3) such party has obtained all consents, approvals and authorizations necessary for the duly execution of this Agreement and all contracts and documents mentioned in this Agreement to which it is a party and for the observance and performance of its obligations under this Agreement and the other contracts and documents mentioned above.

Article 4 Undertakings

4.1 In order to successfully complete the termination of rights and obligations under the Existing Control Documents, the Parties shall execute all necessary or appropriate documents and take all necessary or appropriate actions to actively cooperate with the other Parties to obtain relevant government approval or/and registration documents and to handle relevant termination procedures.

Article 5 Rescission or Termination of the Agreement

5.1 In addition to the termination conditions expressly agreed in this Agreement, the Parties agree that this Agreement may be rescinded or terminated due to the following circumstances:

(1) this Agreement is terminated by consensus of the Parties, and all costs and losses resulting therefrom shall be borne by the Parties respectively; and
(2) the other Parties shall have the right to terminate this Agreement if the purpose of this Agreement is frustrated due to any violation by a Party of its obligations under this Agreement.

Article 6 Liability for Breach of Contract and Indemnification

6.1 It shall constitute a breach of contract if any Party violates or fails to perform any of its representations, warranties, undertakings, obligations or responsibilities under this Agreement.

6.2 Except as specifically agreed in this Agreement, if either Party violates this Agreement and causes the other Parties to bear any expenses, liabilities or suffer any losses, the Breaching Party shall indemnify the other Parties for any of the above losses (including but not limited to interest paid or lost due to the breach of contract and attorney’s fees). The total amount of indemnification paid by the Breaching Party to the other Parties shall be to the extent of the losses caused by such breach.

Article 7 Governing Law and Dispute Resolution

7.1 The execution, validity, interpretation, performance and dispute resolution of this Agreement shall be governed by and construed in accordance with the laws of China.

7.2 All disputes arising from or in connection with the implementation of this Agreement shall be resolved by the Parties through friendly consultation.

7.3 Either Party shall have the right to submit any dispute arising from this Agreement to China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall be composed of three arbitrators appointed in accordance with the arbitration rules. Each of the applicant and the respondent shall appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through consultation or by China International Economic and Trade Arbitration Commission. The arbitration shall be conducted in a confidential manner and the arbitration language shall be Chinese. The arbitration award is final and binding on the Parties.

7.4 During the arbitration, except for the part in dispute between the Parties and under the arbitration, the Parties shall continue to have their respective other rights under this Agreement and shall continue to perform their respective other obligations under this Agreement.

Article 8 Confidentiality

8.1 The Parties shall keep confidential this Agreement and the matters related to this Agreement. Without the written consent of the other Parties, no Party shall disclose any relevant matters of this Agreement to any third party other than a Party of this agreement, except that:

(1) it is disclosed to the auditors, lawyers and other staff entrusted in the normal business, provided that such persons shall keep confidential the information related to this Agreement learned by them during the aforementioned work; and

(2) such information and documents are available in public or such information is required to be disclosed by the laws and regulations or the express requirements of relevant securities regulatory authorities.

Article 9 Supplementary Provisions

9.1 This Agreement shall come into force upon the execution by the Parties.

9.2 This Agreement may be amended or modified by consensus of the Parties hereto. No amendment or modification shall be valid unless it is made in writing and signed by the Parties hereto.
9.3 If any provision of this Agreement is held invalid or unenforceable, it shall be deemed that such provision does not exist from the beginning without affecting the validity of other provisions of this Agreement, and the Parties hereto shall negotiate and determine a new provision to the extent permitted by law to ensure the maximum realization of the intention of the original provision.

9.4 Except as otherwise provided in this Agreement, no failure or delay of a Party to exercise its rights, powers or privileges under this Agreement shall constitute a waiver of such rights, powers and privileges, nor single or partial exercise of such rights, powers and privileges shall exclude the exercise of any other rights, powers and privileges.

9.5 This Agreement is made in five originals, each Party hereto holds one counterpart, and each counterpart shall have the same legal effect.

(The remainder of this page is intentionally left blank and followed by the signature pages.)
IN WITNESS WHEREOF, the Parties have executed or caused their authorized representatives to execute this *Framework Agreement* as of the date first above written.

Conew Network Technology (Beijing) Co., Ltd.
(Seal)

/s/ Authorized Signatory

Beijing Cheetah Network Technology Co., Ltd.
(Seal)

/s/ Authorized Signatory

Cheetah Mobile Inc.

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Director
IN WITNESS WHEREOF, the Parties have executed or caused their authorized representatives to execute this
Framework Agreement as of the date first above written.

Wei Liu
By: /s/ Wei Liu

Kun Wang
By: /s/ Kun Wang
## Annex I Existing Control Documents

<table>
<thead>
<tr>
<th>No.</th>
<th>Document Name</th>
<th>Parties</th>
<th>Execution Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>WFOE, Domestic Company, Existing Shareholders</td>
<td>July 3, 2018</td>
</tr>
<tr>
<td>2</td>
<td>Equity Pledge Agreement</td>
<td>WFOE, Domestic Company, Existing Shareholders</td>
<td>July 3, 2018</td>
</tr>
<tr>
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<td>Proxy Agreement and Power of Attorney</td>
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Annex to the Framework Agreement
## Annex II New Control Documents to Be Executed

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Annex to the Framework Agreement
Exhibit 4.53

Equity Pledge Agreement

This Equity Pledge Agreement (this “Agreement”) is made and entered into on December 20, 2019 by and among:

(1) Conew Network Technology (Beijing) Co., Ltd., a wholly foreign-owned enterprise established under the laws of the People’s Republic of China (“China”) (the “Pledgee”);

(2) Beijing Cheetah Network Technology Co., Ltd., a limited liability company established under the laws of China (the “Company”);

(3) Wei Liu, a Chinese citizen, with the ID number of ***; and

Kun Wang, a Chinese citizen, with the ID number of *** (collectively referred to as the “Pledgors”)

(The Pledgee, the Company and the Pledgors shall be individually referred to as a “Party” and collectively as the “Parties”.)

Recitals

(A) Whereas, on the date of this Agreement, the Pledgors hold 100% of the shares of the Company, with a total amount of capital contribution of RMB 300,000.

(B) Whereas, the Pledgee and the Company executed an Exclusive Service Agreement (the “Exclusive Service Agreement”) on July 5, 2018, under which the Company shall pay the service fees to the Pledgee for the services provided by the Pledgee.

(C) Whereas, Cheetah Mobile Inc. (the “Cayman Company”), the Pledgors and the Company executed an Exclusive Equity Option Agreement (the “Exclusive Equity Option Agreement”) on December 20, 2019, under which the Pledgors granted to the Cayman Company an exclusive equity option to purchase the shares of the Company held by it in accordance with the terms thereof, and the Company granted to the Cayman Company an exclusive equity option to purchase the assets of the Company in accordance with the terms thereof.

NOW, THEREFORE, the Parties agree as follows:

Agreement

1. Major Agreements

The Parties to this Agreement recognize and acknowledge that the major agreements for the pledge under this Agreement shall include the Exclusive Service Agreement, the Exclusive Equity Option Agreement and all agreements executed by the Pledgors, the Cayman Company, the Company and the Pledgee from time to time.

2. Pledge

2.1 The Pledgors agree to unconditionally and irrevocably pledge to the Pledgee all of their shares in the Company (including any interest or dividend paid for such shares) (the “Pledged Shares”) as security for the performance by the Pledgors and the Company of their obligations under the major agreements (the “Pledge”).

3. Scope of the Pledge

3.1 The scope of the Pledge under this Agreement shall include all the obligations of the Pledgors and the Company under the major agreements, including but not limited to loans and interest thereof under the
major agreements (if applicable), all the service fees payable, all the debts owed, all the obligations and liabilities to be performed (including but not limited to any payment to the Relevant Personnel), liquidated damages (if any), indemnities, expenses incurred for exercising creditor’s rights and pledge rights (including but not limited to attorney fees, arbitration fees, and expenses related to the assessment and auction of the Pledged Shares) and any other related expenses. For the avoidance of doubt, the scope of the Pledge shall not be limited by the amount of capital contribution of shareholders.

4. Term of the Pledge

4.1 The Pledge shall remain in force, and the term of the Pledge shall terminate on the earlier of (1) the date when all outstanding secured debts have been paid off or repaid in other applicable ways; (2) the date when the Pledgee exercises its pledge rights in accordance with the terms and conditions of this Agreement for the full realization of its rights over the secured debts and the Pledged Shares; or (3) the date when the Pledgors transfer all their shares to the Cayman Company or a third party designated by the Cayman Company (a natural or legal person) in accordance with the Exclusive Equity Option Agreement and no longer hold the shares of the Company.

4.2 During the term of the Pledge, if the Pledgors or the Company or their subsidiaries fail to perform their respective obligations under the major agreements, the Pledgee shall have the right to dispose of the Pledged Shares in accordance with the provisions of this Agreement.

4.3 The Pledgee shall have the right to receive any or all dividends or other distributable interests arising from the Pledged Shares and to determine the distribution or disposal of such dividends or interests at its own discretion.

5. Registration

5.1 The Company shall (1) register the Pledge in the register of shareholders of the Company on the date of this Agreement, and provide the register of shareholders to the Pledgee, and (2) submit an application for pledge registration to the market supervision and administration authority (the “Administration for Industry and Commerce”) as soon as possible upon the execution of this Agreement, and obtain relevant supporting documents. The Pledgors and the Company shall submit all documents and complete all procedures required by the laws and regulations of China and the competent Administration for Industry and Commerce to ensure that relevant registration procedures are completed as soon as possible after the Pledge is submitted to the Administration for Industry and Commerce.

5.2 Notwithstanding any provision of this Agreement, during the term of the Pledge, the original register of shareholders of the Company shall be kept by the Pledgee or its designee.

5.3 The Pledgors may increase their contributions to the Company with the prior consent of the Pledgee, provided that any contribution of the Pledgors to the Company shall be subject to the provisions of this Agreement, and the additional contribution shall be a part of the Pledged Shares. The Company shall immediately change its register of shareholders in accordance with the provisions of this Article 5 and handle the change registration of the Pledge with the Administration for Industry and Commerce within five (5) business days.

6. Representations and Warranties of the Pledgors

6.1 The Pledgors are the sole legal owners of the pledged shares.

6.2 The Pledgors have not created any security interest or other encumbrances on the Pledged Shares.

6.3 The Company is a limited liability company duly established and validly existing under the laws of China and duly registered with the competent Administration for Industry and Commerce. The registered capital of
the Company is RMB 10,000,000; the Pledgors will make their contributions to the registered capital of the Company in accordance with the articles of association of the Company.

7. **Undertakings and Further Warranties of the Pledgors**

7.1 The Pledgors hereby undertake to the Pledgee that during the term of this Agreement, the Pledgors:

7.1.1 shall not transfer the Pledged Shares, or create or allow the creation of any security interest or other encumbrances on the Pledged Shares, or otherwise dispose of the Pledged Shares without the prior written consent of the Pledgee, except for the purpose of performing the Exclusive Equity Option Agreement;

7.1.2 shall comply with all the relevant laws and regulations applicable to the Pledge, submit any notice, order or proposal issued or drafted by the relevant regulatory authority to the Pledgee within five (5) business days upon the receipt thereof, and comply with the aforesaid notice, order or proposal, or make a claim or complaint with respect to the above matters at the reasonable request of the Pledgee or with the consent of the Pledgee; and

7.1.3 shall inform the Pledgee immediately if they get aware of or receive an event or notice which may affect the rights of the Pledgee in respect of the Pledged Shares or other obligations of the Pledgors under this Agreement.

7.2 The Pledgors agree that no rights related to the Pledge obtained by the Pledgee in accordance with this Agreement shall be interrupted or hindered by the Company, the Pledgors, the Pledgors’ successors or representatives, or any other person (collectively referred to as the “Relevant Personnel”) through any legal process. The Pledgors warrant to the Pledgee that they have made all appropriate arrangements and executed all necessary documents to ensure that in the event of their deaths, incapacities, bankruptcies, divorces or other circumstances that may affect the exercise of their shares, their heirs, guardians, creditors, spouses and other persons who may acquire the shares or related rights as a result thereof shall not affect or hinder the performance of this Agreement.

7.2.1 The Relevant Personnel will not supplement, change or modify the articles of association and internal rules of the Company in any form, increase or decrease the registered capital of the Company, or change the registered capital structure of the Company in other ways without the prior written consent of the Pledgee;

7.2.2 The Relevant Personnel will not sell, transfer, mortgage or dispose of any assets of the Company or any subsidiary of the Company or any legal or beneficial interest in the business or income of the Company in any way upon the execution of this Agreement without the prior written consent of the Pledgee, nor will they allow the creation of any security interest thereon;

7.2.3 The Relevant Personnel shall ensure that the Company will not distribute dividends to, make property distribution to, reduce capital for, initiate liquidation procedures for or make any other distribution to the shareholders in any way without the prior written consent of the Pledgee. Any distribution (including but not limited to distributed assets or residual property in liquidation) shall be considered as a part of the Pledge; or

7.2.4 The Relevant Personnel shall not do any act that causes or may cause the value of the Pledged Shares to decrease or jeopardizes or may jeopardize the validity of the Pledge under this Agreement without the prior written consent of the Pledgee. If there is any obvious decrease in the value of the Pledged Shares, which is enough to jeopardize the rights of the Pledgee, the Relevant Personnel shall immediately notify the Pledgee, provide other property satisfactory to the Pledgee as security according to the reasonable requirements of the Pledgee, and take necessary actions to solve the above event or reduce its adverse effects.

7.3 In order to protect or perfect the security interest created by this Agreement for the payment under the major agreements, the Pledgors hereby undertake to execute in good faith and cause other parties related to the
Pledge to execute all certificates, agreements, contracts and/or undertakings required by the Pledgee. The Pledgors also undertake to take and cause other parties related to the Pledge to take the actions required by the Pledgee for the exercise of its rights and powers granted by this Agreement, and to execute all documents related to the ownership of the Pledged Shares with the Pledgee or its designee. The Pledgors undertake to provide the Pledgee with all notices, orders and decisions related to the Pledge required by the Pledgee within a reasonable time.

7.4 The Pledgors hereby undertake to comply with and perform all warranties, undertakings, covenants, representations and conditions under this Agreement. If the above warranties, undertakings, covenants, representations and conditions are not performed or only partially performed, the Pledgors shall indemnify the Pledgee for all losses caused thereby.

8. **Exercise of Pledge Rights**

8.1 It shall constitute an event of default under this Agreement (the “Event of Default”) (the Event of Default shall be deemed to be “continuing” unless remedied or waived) if:

8.1.1 any representation, warranty or statement made by the Pledgors or the Company under this Agreement or any major agreements is untrue, incomplete or inaccurate in any respect; or the Pledgors or the Company violates or fails to perform any obligation under this Agreement or any major agreements, or fails to comply with any undertaking under this Agreement or any major agreements; or

8.1.2 one or more obligations of the Pledgors or the Company under this Agreement or any major agreements shall be deemed illegal or invalid.

8.2 In the event of an Event of Default and when the Event of Default is continuing, the Pledgee shall have the right to exercise all the rights of the secured party in accordance with the relevant applicable laws of China (including the provisions of the *Security Law of the People’s Republic of China* and the *Property Law of the People’s Republic of China*), including but not limited to the rights to:

8.2.1 sell part or all of the Pledged Shares in one or more public or private trading markets by giving three (3) days’ prior written notice to the Pledgors, and such sale may be in the form of cash, credit transaction or future delivery; and

8.2.2 execute an agreement with the Pledgors to purchase the Pledged Shares with a monetary value determined by referring to the market price of the Pledged Shares.

The Pledgee shall have the right to be first paid the expenses listed in Article 3 of this Agreement out of the proceeds received from the disposal of the Pledged Shares in the above manner.

8.3 At the request of the Pledgee, the Pledgors and the Company shall take all legal and appropriate actions to ensure the exercise by the Pledgee of its pledge rights. For the purpose of the foregoing, the Pledgors and the Company shall execute all documents and materials and take all measures and actions as reasonably required by the Pledgee.

9. **Assignment**

9.1 The Company and the Pledgors shall not assign any of their rights and obligations under this Agreement to any third party without the prior written consent of the Pledgee.

9.2 The Company and the Pledgors hereby agree that the Pledgee may, in its sole discretion, assign its rights and obligations under this Agreement by giving a prior written notice to the Company and the Pledgors.

10. **Termination**

This Agreement shall terminate after the term of the Pledge is expired in accordance with Article 4 hereof.
11. **Entire Agreement and Amendment**

11.1 This Agreement and all agreements and/or documents expressly mentioned or included in this Agreement shall constitute the entire agreement with respect to the subject matter of this Agreement, and shall supersede all oral agreements, contracts, understandings and communications reached by the Parties with respect to the subject matter of this Agreement.

11.2 Any amendment to this Agreement shall be made in writing and shall come into force only upon the execution by the Parties hereto. Any amendment agreement or supplementary agreement duly executed by the Parties shall constitute an integral part of this Agreement and have the same legal effect as this Agreement.

12. **Governing Law and Dispute Resolution**

12.1 This Agreement shall be governed by and construed in accordance with the laws of China.

12.2 Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

13. **Effective Date and Term**

13.1 This Agreement shall be entered into and come into force on the date first written above.

13.2 This Agreement shall remain in force during the term of the Pledge.

14. **Notice**

Any notice or other communication given by either Party under this Agreement shall be written in English or Chinese and may be delivered by hand, registered mail, postage prepaid mail, or recognized courier service or sent by fax to the address designated by the Parties concerned from time to time. A notice shall be deemed to be duly served (a) on the date when it is delivered if the notice is delivered by hand; (b) on the 10th day after the date of mailing by registered airmail with postage paid (subject to postmark) if the notice is sent by mail, or on the 4th day after it is delivered to the courier service if the notice is sent by the courier service; or (c) on the receipt time indicated on the transmission confirmation of relevant documents if the notice is sent by fax.

15. **Severability**

If any provision of this Agreement is deemed invalid or unenforceable due to inconsistency with relevant laws, such provision shall be deemed invalid or unenforceable to the extent of the jurisdiction of relevant laws, and no validity, legality and enforceability of other provisions of this Agreement shall be affected.

16. **Counterparts**

This Agreement shall be executed by the Parties in five originals, each Party shall hold one original, the remaining shall be used for handling the formalities of industrial and commercial registration, and all originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

17. **Miscellaneous**

If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this Agreement accordingly.

*followed by the signature pages*
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Conew Network Technology (Beijing) Co., Ltd.
(Seal)

/s/ Authorized Signatory

Beijing Cheetah Network Technology Co., Ltd.
(Seal)

/s/ Authorized Signatory
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Wei Liu

By: /s/ Wei Liu__________________________

Kun Wang

By: /s/ Kun Wang__________________________
Register of Shareholders of Beijing Cheetah Network Technology Co., Ltd.

(Prepared on December 20, 2019, with the registered capital of the Company of RMB 300,000 and the paid-in capital of RMB 300,000)

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Shareholder</th>
<th>ID No./ Registration No./Unified Social Credit Code</th>
<th>Subscribed Capital Contribution (Shareholding Ratio)</th>
<th>Contribution Mode</th>
<th>Conditions of the Pledge</th>
</tr>
</thead>
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<tr>
<td>001</td>
<td>Wei Liu</td>
<td>***</td>
<td>RMB 5,000,000 (50%)</td>
<td>in cash</td>
<td>the contribution of RMB 5,000,000 has been pledged to Conew Network Technology (Beijing) Co., Ltd.</td>
</tr>
<tr>
<td>002</td>
<td>Kun Wang</td>
<td>***</td>
<td>RMB 5,000,000 (50%)</td>
<td>in cash</td>
<td>the contribution of RMB 5,000,000 has been pledged to Conew Network Technology (Beijing) Co., Ltd.</td>
</tr>
</tbody>
</table>
This Exclusive Equity Option Agreement (this “Agreement”) is entered into on December 20, 2019 by and among:

(1) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”);

(2) Wei Liu, a Chinese citizen, with the ID number of ***; and
   Kun Wang, a Chinese citizen, with the ID number of *** (collectively referred to as the “Existing Shareholders”); and

(3) Beijing Cheetah Network Technology Co., Ltd., a limited liability company established under the laws of China (formerly known as “Beijing Kingsoft Network Technology Co., Ltd., the “Company”).

(Each of the above is individually referred to as a “Party” and collectively as the “Parties.”)

Recitals

(A) Whereas, the Existing Shareholders collectively hold 100% of the shares of the Company.

(B) Whereas, Conew Network Technology (Beijing) Co., Ltd., the Company and the Existing Shareholders executed an Equity Pledge Agreement on December 20, 2019 (the “Equity Pledge Agreement”).

NOW, THEREFORE, the Parties agree as follows:

Agreement

1. Underlying Shares

1.1 The Existing Shareholders agree to and hereby irrevocably and exclusively grant to the Cayman Company without any additional conditions, an option to require the Existing Shareholders to transfer all or part of the shares held by the Existing Shareholders in the Company (the “Underlying Shares”) to the Cayman Company or its designated third party (the “Designated Party”) to the extent permitted by the laws of China under any circumstance deemed appropriate or necessary by the Cayman Company in its sole discretion (subject to the specific requirements of the Cayman Company) (the “Share Purchase Option”).

1.2 The Company hereby agrees that the Existing Shareholders grant the Share Purchase Option to the Cayman Company.

1.3 The Cayman Company shall have the right to exercise all or part of its Share Purchase Option at any time to acquire all or part of the Underlying Shares, and the number of times of exercise is unlimited.

1.4 The Cayman Company shall have the right to designate any third party to acquire all or part of the Underlying Shares, and the Existing Shareholders shall not refuse to do so and shall transfer all or part of the Underlying Shares to such Designated Party as required by the Cayman Company.

1.5 Prior to the transfer of the Underlying Shares to the Cayman Company or the Designated Party in accordance with this Agreement, the Existing Shareholders shall not transfer the Underlying Shares without the prior written consent of the Cayman Company.

2. Underlying Assets

2.1 The Company agrees to and hereby irrevocably and exclusively grants to the Cayman Company without any additional conditions an option to require the Company to transfer all or part of the assets held by the
Company (the “Underlying Assets”) to the Cayman Company or its Designated Party to the extent permitted by the laws of China under any circumstance deemed appropriate or necessary by the Cayman Company in its sole discretion (subject to the specific requirements of the Cayman Company) (the “Asset Purchase Option”).

2.2 The Existing Shareholders hereby agree that the Company grants the Asset Purchase Option to the Cayman Company.

2.3 The Cayman Company shall have the right to exercise all or part of its Asset Purchase Option at any time to acquire all or part of the Underlying Assets, and the number of times of exercise is unlimited.

2.4 The Cayman Company shall have the right to designate any third party to acquire all or part of the Underlying Assets, and the Company and the Existing Shareholders shall not refuse to do so and shall transfer all or part of the Underlying Assets to such Designated Party as required by the Cayman Company.

2.5 Prior to the transfer of the Underlying Assets to the Cayman Company or the Designated Party in accordance with this Agreement, the Company and the Existing Shareholders shall not transfer or approve the transfer of the Underlying Shares without the prior written consent of the Cayman Company.

3. Procedures for the Exercise of Share Purchase Option

3.1 If the Cayman Company decides to exercise the Share Purchase Option in accordance with the provisions of Article 1.1 above, it shall give a written notice to the Company and the Existing Shareholders, stating the proportion of the Underlying Shares to be transferred and the identity of the transferee (the “Share Purchase Notice”).

3.2 Subject to the compliance with the laws of China, the Company and the Existing Shareholders shall, within thirty (30) days from the date of the Share Purchase Notice, provide all necessary materials and documents for the registration and transfer of the above-mentioned share transfer, and take all necessary actions and measures, including but not limited to holding a meeting of shareholders or directors to approve the share transfer and obtaining written documents from other shareholders agreeing to waive any right of first refusal related to the share transfer.

3.3 The Existing Shareholders shall execute a share transfer agreement with the Cayman Company and/or each Designated Party (as the case may be) in the form as shown in Annex I with respect to each transfer of the Underlying Shares to be made in accordance with this Agreement and the Share Purchase Notice. Provided that if the laws of China provide otherwise for the content and format of the Share Transfer Agreement, the provisions of the laws of China shall prevail.

3.4 If the Cayman Company decides to exercise the Share Purchase Option in accordance with the provisions of Article 1.1 above, the Parties concerned shall execute all necessary contracts, agreements or documents, obtain all necessary government licenses and approvals, and take all necessary actions to transfer the effective ownership of the Underlying Shares to the Cayman Company and/or the Designated Party without any restriction of security interests and cause the Cayman Company and/or the Designated Party to become the registered owner of the Underlying Shares. For the purposes of this Article and this Agreement, “security interests” shall include security, mortgage, third party rights or interests, stock options, purchase rights, preemptive rights, rights of set off, liens of ownership or other security arrangements, but shall not include any security interest created by this Agreement, the Equity Pledge Agreement and the Exclusive Service Agreement.

4. Procedures for the Exercise of Asset Purchase Option

4.1 If the Cayman Company decides to exercise the Asset Purchase Option in accordance with the provisions of Article 2.1 above, it shall give a written notice to the Company, stating the conditions of the Underlying Assets to be transferred and the identity of the transferee (the “Asset Purchase Notice”).
4.2 Subject to the compliance with the laws of China, the Company and the Existing Shareholders shall, within thirty (30) days from the date of the Asset Purchase Notice, provide all necessary materials and documents for the registration and transfer of the above-mentioned asset transfer (if applicable), and take all necessary actions and measures, including but not limited to holding a meeting of shareholders or directors to approve the asset transfer.

4.3 The Existing Shareholders shall cause the Company to execute an asset transfer agreement with the Cayman Company and/or each Designated Party (as the case may be) in the form as shown in Annex II with respect to each transfer of the Underlying Assets to be made in accordance with this Agreement and the Asset Purchase Notice. Provided that if the laws of China provide otherwise for the content and format of the Asset Transfer Agreement, the provisions of the laws of China shall prevail.

4.4 The Parties concerned shall execute all necessary contracts, agreements or documents, obtain all necessary government licenses and approvals, and take all necessary actions to transfer the effective ownership of the Underlying Assets to the Cayman Company and/or the Designated Party without any restriction of security interests and cause the Cayman Company and/or the Designated Party to become the registered owner of the Underlying Assets.

5. Financial Support

5.1 In order to ensure that the Company complies with the cash flow requirements in its daily operation and/or offsets any loss incurred in the course of its operation, whether or not the Company actually incurs any such operating losses, the Cayman Company may provide financial support to the Company (only to the extent permitted by the laws of China). The Cayman Company may provide financial support to the Company by means of bank entrusted loan or borrowing, and shall execute entrusted loan or borrowing contracts separately. The Cayman Company will not require the Company to pay its debts if the Company is unable to do so.

6. Transfer Price

6.1 The total transfer price of the Underlying Shares and/or the Underlying Assets is RMB 1.00; if there is any mandatory provision on the transfer price in the laws and administrative regulations of China when the above-mentioned Underlying Shares and/or the Underlying Assets are transferred, the transfer price shall be the lowest price permitted by the then effective laws and administrative regulations of China (the “Transfer Price”). If the Underlying Shares and/or the Underlying Assets are transferred in several times, the amount of corresponding transfer price shall be determined according to the proportion of the Underlying Shares and/or the Underlying Assets to be transferred.

6.2 All taxes, fees and incidental expenses arising from the transfer of the Underlying Shares and/or the Underlying Assets shall be borne by the Cayman Company or the Company.

7. Undertakings

7.1 Undertakings of the Company and the Existing Shareholders

The Existing Shareholders and the Company hereby undertake that:

7.1.1 it will not supplement, change or modify the articles of association and internal rules of the Company in any form, increase or decrease the registered capital of the Company, or change the registered capital structure of the Company in any other ways without the prior written consent of the Cayman Company;

7.1.2 it shall operate the business of the Company and handle the affairs of the Company prudently and effectively, and maintain the existence of the Company in accordance with sound financial and commercial standards and practices;
7.1.3 it will not sell, transfer, mortgage, pledge or dispose of any assets of the Company (except for the disposal of assets generated in the ordinary course of business) or any legal or beneficial interest in the business or income of the Company in any way upon the execution of this Agreement without the prior written consent of the Cayman Company, nor will it allow the creation of any relevant security interest;

7.1.4 it will not incur, inherit, provide security for or suffer any debt without the prior written consent of the Cayman Company, except for the debts incurred in the ordinary course of business;

7.1.5 it shall maintain the asset value of the Company during the normal operation of the entire business of the Company, and shall not take any actions/omissions that may affect the business status and asset value of the Company;

7.1.6 it will not cause the Company to enter into any material contract without the prior written consent of the Cayman Company, except in the ordinary course of business;

7.1.7 it will not cause the Company to make any loan or credit available to any person or business without the prior written consent of the Cayman Company, except in the ordinary course of business;

7.1.8 it shall provide the information related to the business operation and financial status of the Company upon the request of the Cayman Company;

7.1.9 if required by the Cayman Company, it shall cause the Company to purchase and maintain insurance(s) for the Company’s assets and business from an insurance company that meets the requirements of the Cayman Company, and the amount and type of the insurance(s) shall be the same as that of the insurance(s) purchased by a similar company;

7.1.10 it will not cause or permit the Company to merge or integrate with or acquire or invest in any person or business without the prior written consent of the Cayman Company;

7.1.11 it shall immediately notify the Cayman Company if any litigation, arbitration or administrative proceedings related to the assets, business or income of the Company occurs or is likely to occur;

7.1.12 it shall execute all documents, take all actions, submit all complaints, or file all defenses against all claims necessary or appropriate for the maintenance of the ownership of the Company in all its assets;

7.1.13 it shall ensure that the Company will not distribute dividends, assets or any distributable interests to the Existing Shareholders in any way without the prior written consent of the Cayman Company, provided that upon the written request of the Cayman Company, the Company shall immediately distribute all or part of the distributable profits to the Existing Shareholders, and then the Existing Shareholders shall immediately and unconditionally pay or transfer the above distribution in a manner permitted by applicable laws to the Cayman Company;

7.1.14 if the total amount of the transfer price obtained by the Existing Shareholders for the shares held by them in the Company is higher than their capital contribution to the Company, or if they receive any form of profit distribution, dividend or distribution from the Company, the Existing Shareholders shall, without any violation of the laws of China, waive the premium portion of the proceeds and any profit distribution, dividend or distribution mentioned above, and the Cayman Company has the right to obtain such portion of the proceeds, otherwise the Existing Shareholders shall compensate the Cayman Company and/or any third party designated by it for the losses resulting therefrom; and

7.1.15 upon the request of the Cayman Company, it shall appoint any person designated by the Cayman Company to be a director and/or executive director of the Company.

7.2 Undertakings Related to Shares of the Company

The Existing Shareholders hereby undertake that:

7.2.1 the Existing Shareholders will not sell, transfer, pledge or dispose of any legal or beneficial interest in the Underlying Shares in any way without the prior written consent of the Cayman Company, nor
will they allow the creation of any other security interest on the Underlying Shares, except for the pledge created on the Underlying Shares in accordance with the Equity Pledge Agreement;

7.2.2 the Existing Shareholders shall cause the existing shareholders’ meeting and/or the meeting of the board of directors (or the executive director(s)) of the Company to disapprove the sale, transfer, pledge or disposal of any legal or beneficial interest in the Underlying Shares in any way without the prior written consent of the Cayman Company, or not to allow the creation of any other security interest on the Underlying Shares, except for the pledge created on the Underlying Shares in accordance with the Equity Pledge Agreement;

7.2.3 the Existing Shareholders shall cause the existing shareholders’ meeting and/or the meeting of the board of directors (or the executive director(s)) of the Company to disapprove the merger or integration of the Company with any person, or the acquisition by the Company of or the investment by the Company in any person without the prior written consent of the Cayman Company;

7.2.4 the Existing Shareholders shall immediately notify the Cayman Company if any litigation, arbitration or administrative proceedings related to the Underlying Shares occurs or is likely to occur;

7.2.5 upon the request of the Cayman Company, the Existing Shareholders shall promptly and unconditionally cause the transfer of the Underlying Shares to be approved and completed in accordance with the provisions of this Agreement;

7.2.6 the Existing Shareholders shall execute all documents, take all actions, submit all complaints, or file all defenses against all claims necessary or appropriate for the maintenance of the ownership of the Existing Shareholders in the Company;

7.2.7 upon the request of the Cayman Company, the Existing Shareholders shall appoint any person designated by the Cayman Company to be a director and/or executive director of the Company; and

7.2.8 the Existing Shareholders shall strictly comply with the provisions of this Agreement and other contracts executed jointly or separately by the Existing Shareholders, the Cayman Company and the Company and perform their obligations hereunder and thereunder, and shall not take any action/omission that may affect the validity and enforceability hereof and thereof. If the Existing Shareholder has any rights under this Agreement or the Equity Pledge Agreement or in the shares under the entrustment agreement and the power of attorney, the Existing Shareholders shall not exercise such rights unless they act in accordance with the written instructions of the Cayman Company.

8. **Representations and Warranties**

The Existing Shareholders and the Company hereby represent and warrant to the Cayman Company severally and not jointly that as of the date of this Agreement and the date of each transfer of the Underlying Shares/the Underlying Assets:

8.1 it has the right to enter into this Agreement and the transfer agreement related to the transfer of the Underlying Shares/the Underlying Assets, and has the ability to perform its obligations hereunder and thereunder;

8.2 the execution and delivery of this Agreement or any agreement related to the transfer of the Underlying Shares/the Underlying Assets and the performance of any of its obligations hereunder and thereunder will not: (i) result in a violation of any relevant laws of China; (ii) conflict with the articles of association, internal rules or other organizational documents of the Company; (iii) result in a violation of or constitute a default under any contract or document to which it is a party or by which it is bound; (iv) result in a violation of any conditions of issue and/or continued validity of any license or permit issued to it; and (v) cause any license or permit issued to it to be revoked, forfeited or subject to additional conditions;
8.3 the Existing Shareholders have valid and marketable title to the Underlying Shares. Except for the Equity Pledge Agreement, no Existing Shareholders have created any security interest on the Underlying Shares;

8.4 the Company has valid and marketable title to all of its assets and has no created any security interest on such assets, except for the security interest disclosed to and agreed in writing by the Cayman Company;

8.5 the Company has no outstanding debts, except for (i) the debts incurred in the ordinary course of business; and (ii) the debts disclosed to and agreed in writing by the Cayman Company; and

8.6 the Company has complied with all the laws and regulations of China on asset acquisition.

9. Taxes and Fees

During the drafting and execution of this Agreement and the Share Transfer Agreement, as well as the completion of the transactions contemplated by this Agreement and the Share Transfer Agreement, the Company or the Cayman Company shall pay all transfer and registration taxes, expenses and fees levied or incurred in accordance with the laws of China.

10. Confidentiality

The Parties acknowledge that any oral or written information exchanged by the Parties in connection with this Agreement shall be confidential. Each Party shall keep all the above-mentioned information confidential and shall not disclose any relevant information to any third party without the written consent of the other Parties, except for the information which (a) has been or will be known to the public (not due to the public disclosure made by the receiving party); (b) is disclosed in accordance with applicable laws, regulations or the requirements of the stock exchange; or (c) is required to be disclosed by either Party to its legal or financial advisers in connection with the transactions contemplated by this Agreement, for which such legal or financial advisers are subject to confidentiality obligations similar to those set forth in this Article. If any employee or agent employed by any Party discloses the confidential information, it shall be deemed that such Party has disclosed the confidential information and shall be liable for breach of contract. The provisions of this Article shall survive the termination of this Agreement for any reason.

11. Assignment

11.1 The Company and the Existing Shareholders shall not assign any of their rights or obligations under this Agreement to any third party without the prior written consent of the Cayman Company.

11.2 The Company and the Existing Shareholders hereby agree that the Cayman Company may, in its sole discretion, assign its rights and obligations under this Agreement by giving a prior written notice of the assignment to the Company and the Existing Shareholders.

12. Entire Agreement and Amendment

12.1 This Agreement and all agreements and/or documents expressly mentioned or included in this Agreement shall constitute the entire agreement with respect to the subject matter of this Agreement, and shall supersede all oral agreements, contracts, understandings and communications reached by the Parties with respect to the subject matter of this Agreement.

12.2 Neither the Company nor the Existing Shareholders shall have any right to modify, supplement or revoke this Agreement without the prior written consent of the Cayman Company.

12.3 The Annexes are an integral part of this Agreement and have the same legal effect as other parts of this Agreement.

13. Governing Law and Dispute Resolution

13.1 This Agreement shall be governed by and construed in accordance with the laws of China.
13.2 Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

14. Effective Date and Term
14.1 This Agreement shall be entered into and come into force on the date first written above.

14.2 Unless terminated in accordance with the provisions of this Agreement, the term of this Agreement shall be ten (10) years, and shall be automatically extended for a period of ten (10) years after the expiration thereof, without limit to the number of extensions.

15. Termination
Neither the Company nor the Existing Shareholders have the right to terminate this Agreement. Notwithstanding the foregoing, the Cayman Company shall have the right, in its sole discretion, to terminate this Agreement at any time upon ten (10) days’ prior written notice to the Company and the Existing Shareholders.

16. Notice
Any notice or other communication given by either Party under this Agreement shall be written in English or Chinese and may be delivered by hand, registered mail, postage prepaid mail, or recognized courier service or sent by fax to the address designated by the Parties concerned from time to time. A notice shall be deemed to be duly served (a) on the date when it is delivered if the notice is delivered by hand; (b) on the 10th day after the date of mailing by registered airmail with postage paid (subject to postmark) if the notice is sent by mail, or on the 4th day after it is delivered to the courier service if the notice is sent by the courier service; or (c) on the receipt time indicated on the transmission confirmation of relevant documents if the notice is sent by fax.

17. Severability
If any provision of this Agreement is deemed invalid or unenforceable due to inconsistency with relevant laws, such provision shall be deemed invalid or unenforceable to the extent of the jurisdiction of relevant laws, and no validity, legality and enforceability of other provisions of this Agreement shall be affected.

18. Counterparts
This Agreement shall be executed by the Parties in four originals, each Party shall hold one original, and all originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

19. Miscellaneous
If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[followed by the signature pages]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Cheetah Mobile Inc.

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Director

Beijing Cheetah Network Technology Co., Ltd.
(Seal)

/s/ Authorized Signatory

Signature Page of the Exclusive Equity Option Agreement
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Wei Liu
By: /s/ Wei Liu

Kun Wang
By: /s/ Kun Wang

Signature Page of the Exclusive Equity Option Agreement
Annex I

Share Transfer Agreement

This Share Transfer Agreement (this “Agreement”) is entered into by and between the following Parties in Beijing, China:

Transferor:

Transferee:

The Parties hereby agree on the share transfer as follows:

1. The Transferor agrees to transfer to the Transferee, and the Transferee agrees to accept the transfer of, % of the shares held by the Transferor in Beijing Cheetah Network Technology Co., Ltd.

2. Upon the completion of the share transfer, the Transferor shall no longer enjoy or undertake the corresponding rights or obligations of the existing shareholders in respect of the transferred shares. The Transferee shall enjoy and undertake the rights and obligations of the existing shareholders of Beijing Conew Technology Development Co., Ltd.

3. A supplementary agreement may be executed by the Parties with respect to any matter unmentioned in this Agreement.

4. This Agreement shall come into force as of the date when it is executed by the Parties.

5. This Agreement is made in four originals, each Party holds one counterpart, and the remaining shall be used for handling the formalities of industrial and commercial registration change.
Transferor:

By: __________________________

Date: _________________________

Transferee:

By: __________________________

Date: _________________________
Annex II

Asset Transfer Agreement

This Asset Transfer Agreement (this “Agreement”) is entered into by and between the following Parties in Beijing, China:

Transferor: Beijing Cheetah Network Technology Co., Ltd.

Transferee:

The Parties hereby agree on the asset transfer as follows:

1. The Transferor agrees to transfer to the Transferee, and the Transferee agrees to accept the transfer of the assets listed in the List of Assets attached hereto.

2. Upon the completion of the asset transfer, the Transferor shall no longer enjoy or undertake the corresponding rights or obligations in respect of the transferred assets. The Transferee shall enjoy and undertake the rights and obligations of such assets.

3. A supplementary agreement may be executed by the Parties with respect to any matter unmentioned in this Agreement.

4. This Agreement shall come into force as of the date when it is executed by the Parties.

5. This Agreement is made in four originals, each Party holds one counterpart, and the remaining shall be used for handling the formalities of industrial and commercial registration change (if any).
Transferor:

Beijing Cheetah Network Technology Co., Ltd.  
(Seal)

Date:

Transferee:

By:  

Date:

Annex: List of Assets
Proxy Agreement and Power of Attorney

This Proxy Agreement and Power of Attorney (this “Agreement”) is made and entered into on December 20, 2019 by and among:
(1) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”);
(2) Beijing Cheetah Network Technology Co., Ltd., a limited liability company established under the laws of China (the “Company”);
(3) Wei Liu, a Chinese citizen, with the ID number of ***; and
   Kun Wang, a Chinese citizen, with the ID number of *** (collectively referred to as the “Existing Shareholders”).
The above is individually referred to as a “Party” and collectively as the “Parties”.

Recitals

(A) Whereas, the Existing Shareholders hold 100% of the shares of the Company.

(B) Whereas, the Cayman Company, the Company and the Existing Shareholders executed an Exclusive Equity Option Agreement (the “Exclusive Equity Option Agreement”) on December 20, 2019.

(C) Whereas, Conew Network Technology (Beijing) Co., Ltd., the Company and the Existing Shareholders executed an Equity Pledge Agreement (the “Equity Pledge Agreement”) on December 20, 2019.

NOW, THEREFORE, the Parties agree as follows:

Agreement

Article 1
The Existing Shareholders hereby irrevocably entrust the Cayman Company (the “Entrustee”, including any entrustee replaced in accordance with this Agreement) to exercise on behalf of the Existing Shareholders any and all rights in respect of the shares of the Company held by the Existing Shareholders as stipulated in relevant laws and regulations and the articles of association, including but not limited to the rights listed below (collectively referred to as the “Rights of Existing Shareholders”):

(a) convening and attending the shareholders’ meeting of the Company;
(b) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders;
(c) voting in person or by proxy on any matter discussed at the shareholders’ meeting of the Company (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company);
(d) sale, transfer, pledge or disposal of any or all shares of the Company;
(e) nomination, appointment or removal of the directors of the Company if necessary;
(f) supervising the operation performance of the Company;
(g) checking the financial information of the Company at any time;
(h) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or the Existing Shareholders;
(i) approval of the annual budget or declaration of dividends; and
(j) any other rights granted to the Existing Shareholders by the articles of association or relevant laws and regulations.

The Existing Shareholders further agree and undertake that they shall not exercise any Right of Existing Shareholders without the prior written consent of the Cayman Company.

Article 2

The Cayman Company agrees to accept the entrustment to act as the Entrustee, the Cayman Company has the right to appoint one or more replacements at its sole discretion to exercise any or all of the rights of the Entrustee under this Agreement, and the Cayman Company also has the right to revoke the appointment of such replacements at its sole discretion. No prior notice is required to be sent to the Company or the Existing Shareholders and no consent or direction of the Company or the Existing Shareholders is required for the above appointment or revocation made by the Cayman Company.

Article 3

The Company acknowledges, recognizes and agrees that the Entrustee shall exercise any and all of the Rights of Existing Shareholders on behalf of the Existing Shareholders. The Company further acknowledges and recognizes that any act done or to be done, any decision made or to be made, any instrument or other document executed or to be executed by the Entrustee shall be deemed as the act done, the decision made or the document executed by the Existing Shareholders, and shall have the same legal effect.

Article 4

(a) The Existing Shareholders hereby agree that if there is any increase in the shares held by the Existing Shareholders in the Company, whether by means of increased capital contribution or not, the increased shares held by any Existing Shareholders shall be subject to this Agreement, and the Entrustee shall have the right to exercise the Rights of Existing Shareholders specified in Article 1 of this Agreement on behalf of the Existing Shareholders in respect of any increased shares; similarly, if any person acquires the shares of the Company, whether through voluntary transfer, transfer according to law, compulsory auction or any other means, all the shares of the Company acquired by the transferee shall be subject to this Agreement, and the Entrustee shall have the right to exercise the Rights of Existing Shareholders specified in Article 1 of this Agreement in respect of such shares.

(b) For the avoidance of any doubt, if the Existing Shareholders need to transfer their shares to the Cayman Company or its affiliates in accordance with the Exclusive Equity Option Agreement and the Equity Pledge Agreement executed by them (including the future amendment thereof), the Entrustee shall have the right to execute the Share Transfer Agreement and other relevant agreements on behalf of the Existing Shareholders and perform all obligations of the Existing Shareholders under the Exclusive Equity Option Agreement and the Equity Pledge Agreement. At the request of the Cayman Company, the Existing Shareholders shall execute any document, affix with official seal and/or seal and take any other necessary contractual action to complete the above share transfer. The Existing Shareholders shall ensure the completion of such share transfer and cause any transferee to execute an agreement substantially the same as this Agreement with the Cayman Company.

Article 5

The Existing Shareholders further agree and undertake to the Cayman Company that if the Existing Shareholders receive any dividend, interest, any other form of capital distribution, residual assets after liquidation, or income or consideration arising from the share transfer as a result of their shares in the Company, the Existing Shareholders will, to the extent permitted by law, transfer all such dividend, interest, capital distribution, assets, income or consideration to the Cayman Company without compensation.
Article 6
The Existing Shareholders hereby authorize the Entrustee to exercise the Rights of Existing Shareholders in its sole discretion without any oral or written instruction from the Existing Shareholders. The Existing Shareholders undertake to approve and recognize any lawful act done by the Entrustee or any replacement or agent appointed by it under this Agreement or caused to be done by the Existing Shareholders.

Article 7
This Agreement shall be duly executed by the Parties, shall come into force as of the date indicated in this Agreement and shall remain in force during the existence of the Company. The Existing Shareholders shall have no right to make any amendment to this Agreement, terminate this Agreement or revoke the appointment of the Entrustee without the prior written consent of the Cayman Company. This Agreement shall be legally binding on the successors and assigns of the Parties.

Article 8
This Agreement shall constitute the entire agreement between the Parties with respect to the subject matter of this Agreement.

Article 9
This Agreement shall be governed by and construed in accordance with the laws of China.

Article 10
Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

Article 11
This Agreement shall be executed by the Parties in four originals, each Party shall hold one original, and all originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

Article 12
If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[followed by the signature pages]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Cheetah Mobile Inc.

By: /s/ Sheng Fu ____________________________
Name: Sheng Fu
Title: Director

Beijing Cheetah Network Technology Co., Ltd.
(Seal)

/s/ Authorized Signatory ____________________________

Signature Page of the Proxy Agreement and Power of Attorney
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Wei Liu

By: /s/ Wei Liu

Kun Wang

By: /s/ Kun Wang

Signature Page of the Proxy Agreement and Power of Attorney
Power of Attorney

I, Wei Liu, a citizen of the People’s Republic of China (“China”), with the ID number of ***, am the holder of 62.73% (corresponding to the capital contribution of RMB 188,200) of the total registered capital of Beijing Cheetah Network Technology Co., Ltd. (the “Company” (“My Shares”), and hereby irrevocably authorize Cheetah Mobile Inc. (the “Cayman Company”) on December 20, 2019 to exercise the following rights during the term of this Power of Attorney with respect to My Shares:

The Cayman Company is hereby authorized to act for me as my sole agent and proxy with respect to all matters related to My Shares, including but not limited to: 1) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders; 2) voting in person or by proxy on any matter discussed at the existing shareholders’ meeting (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company); 3) sale, transfer, pledge or disposal of any or all shares of the Company; 4) nomination, appointment or removal of the directors of the Company if necessary; 5) supervising the operation performance of the Company; 6) checking the financial information of the Company at any time; 7) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or its Existing Shareholders; 8) approval of the annual budget or declaration of dividends; and 9) any other rights granted to the Existing Shareholders by the articles of association of the Company or relevant laws and regulations.

Without limiting the generality of the powers granted under this Power of Attorney, the Cayman Company shall have the powers under this Power of Attorney and be authorized to execute on behalf of me the Transfer Contract (to which I am required to be a party) stipulated in the Exclusive Equity Option Agreement and to perform the terms of the Equity Pledge Agreement and the Exclusive Equity Option Agreement to which I am a party and executed on the same day as this Power of Attorney.

All actions of the Cayman Company in relation to My Shares shall be deemed to be my own actions and all documents executed thereby shall be deemed to be executed by me. The Cayman Company may act based on its own will without my prior consent when taking the above-mentioned actions, and I hereby acknowledge and approve such actions and/or documents of the Cayman Company.

The Cayman Company shall have the right, at its sole discretion, to delegate or transfer its rights related to the above matters to any other person or entity without a prior notice to me or without my prior consent.

This Power of Attorney shall be irrevocable and remain in force from the date of execution provided that I am a shareholder of the Company, unless otherwise instructed in writing by the Cayman Company. Once the Cayman Company informs me in writing to terminate this Power of Attorney in whole or in part, I will immediately withdraw the entrustment and authorization granted hereby to the Cayman Company, and immediately execute a power of attorney in the same format as this Power of Attorney to grant the authorization and entrustment the same as that of this Power of Attorney to any other person nominated by the Cayman Company.

During the term of this Power of Attorney, I hereby waive all rights related to My Shares that have been authorized to the Cayman Company in this Power of Attorney and shall not exercise such rights on my own.

[followed by the signature page]
IN WITNESS WHEREOF, I have executed this Power of Attorney on the date first written above.

Name: Wei Liu

By: ________________________________
**Power of Attorney**

I, Kun Wang, a citizen of the People’s Republic of China (“China”), with the ID number of ***, am the holder of 50% (corresponding to the capital contribution of RMB 5,000,000) of the total registered capital of Beijing Cheetah Network Technology Co., Ltd. (the “Company”) (“My Shares”), and hereby irrevocably authorize Cheetah Mobile Inc. (the “Cayman Company”) on December 20, 2019 to exercise the following rights during the term of this Power of Attorney with respect to My Shares:

The Cayman Company is hereby authorized to act for me as my sole agent and proxy with respect to all matters related to My Shares, including but not limited to: 1) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders; 2) voting in person or by proxy on any matter discussed at the existing shareholders’ meeting (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company); 3) sale, transfer, pledge or disposal of any or all shares of the Company; 4) nomination, appointment or removal of the directors of the Company if necessary; 5) supervising the operation performance of the Company; 6) checking the financial information of the Company at any time; 7) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or its Existing Shareholders; 8) approval of the annual budget or declaration of dividends; and 9) any other rights granted to the Existing Shareholders by the articles of association of the Company or relevant laws and regulations.

Without limiting the generality of the powers granted under this Power of Attorney, the Cayman Company shall have the powers under this Power of Attorney and be authorized to execute on behalf of me the Transfer Contract (to which I am required to be a party) stipulated in the Exclusive Equity Option Agreement and to perform the terms of the Equity Pledge Agreement and the Exclusive Equity Option Agreement to which I am a party and executed on the same day as this Power of Attorney.

All actions of the Cayman Company in relation to My Shares shall be deemed to be my own actions and all documents executed thereby shall be deemed to be executed by me. The Cayman Company may act based on its own will without my prior consent when taking the above-mentioned actions, and I hereby acknowledge and approve such actions and/or documents of the Cayman Company.

The Cayman Company shall have the right, at its sole discretion, to delegate or transfer its rights related to the above matters to any other person or entity without a prior notice to me or without my prior consent.

This Power of Attorney shall be irrevocable and remain in force from the date of execution provided that I am a shareholder of the Company, unless otherwise instructed in writing by the Cayman Company. Once the Cayman Company informs me in writing to terminate this Power of Attorney in whole or in part, I will immediately withdraw the entrustment and authorization granted hereby to the Cayman Company, and immediately execute a power of attorney in the same format as this Power of Attorney to grant the authorization and entrustment the same as that of this Power of Attorney to any other person nominated by the Cayman Company.

During the term of this Power of Attorney, I hereby waive all rights related to My Shares that have been authorized to the Cayman Company in this Power of Attorney and shall not exercise such rights on my own.

[followed by the signature page]
IN WITNESS WHEREOF, I have executed this Power of Attorney on the date first written above.

Name: Kun Wang

By: ________________________________
Exhibit 4.56

Spousal Consent

I, Wei Liu (with the ID number of ***, hereinafter referred to as the “Shareholder”), and my legal spouse, Xinchan Li (hereinafter referred to as the “Spouse”), hereby unconditionally and irrevocably acknowledge and agree as follows on December 20, 2019:

1. As of the date of this Written Consent, the Shareholder holds 50% of the shares of Beijing Cheetah Network Technology Co., Ltd. (the “Domestic Company”). The Shareholder enjoys the complete and final shareholder interests corresponding to the aforesaid shares.

2. The Spouse gets aware of and acknowledges the following documents executed by the Shareholder (hereinafter referred to as the “Control Documents”), and agrees to dispose of the shares of the Domestic Company held by the Shareholder and registered in the name of the Shareholder in accordance with the provisions of the following documents:

   (1) the *Equity Pledge Agreement* executed by the Shareholder, Conew Network Technology (Beijing) Co., Ltd. (the “WFOE”) and the Domestic Company on December 20, 2019;

   (2) the *Exclusive Equity Option Agreement* executed by the Shareholder, Cheetah Mobile Inc. (the “Cayman Company”) and the Domestic Company on December 20, 2019; and

   (3) the *Proxy Agreement and Power of Attorney* executed and issued by the Shareholder on December 20, 2019.

3. The Spouse further acknowledges that no authorization or consent of the Spouse is required for the performance of the Control Documents and further modification or termination of the Control Documents by the Shareholder.

4. The Spouse undertakes to execute all necessary documents and take all necessary actions to ensure the proper performance of the Control Documents.

5. During the marriage, the Spouse undertakes not to make any claim with respect to the shares of the Domestic Company held directly or indirectly by the Shareholder, the complete and final shareholder interests corresponding to such shares and any other interests (if any) of any member company enjoyed by the Shareholder at that time (the “Underlying Interests”); the Shareholder shall enjoy the exclusive and complete voting rights and disposal rights related to the Underlying Interests, and the Spouse shall not raise any objections to the exercise of such rights by the Shareholder.

6. If the Shareholder and the Spouse need to divide their community property due to divorce, the Shareholder and the Spouse shall use their best efforts to negotiate in good faith and properly handle the division of their community property without any adverse effect on the normal operation of any member company.

7. Upon the divorce and property division, if part of the Underlying Interests enjoyed by the Shareholder is divided and transferred to the Spouse, the Spouse hereby irrevocably agrees that the Shareholder then recorded in the register of shareholders and organizational documents of any member company and/or registered with the relevant government authority (if applicable) shall remain as the Shareholder, the Spouse shall irrevocably and fully entrust the Shareholder to exercise the voting rights related to such Underlying Interests, the shareholder shall exercise such voting rights in good faith, and other rights related to such Underlying Interests other than the foregoing shall vest in the Spouse.

In addition, the Spouse agrees and undertakes that the Spouse shall be bound by the Control Documents (as amended from time to time) and the exclusive service agreement (hereinafter referred to as the
“Exclusive Service Agreement”) executed by the WFOE and the Domestic Company on July 3, 2018, and shall comply with the obligations of the shareholders of the Domestic Company under the Control Documents (as amended from time to time) and the Exclusive Service Agreement, and for this purpose, upon the request of the WFOE or the Cayman Company, the Spouse shall execute a series of written documents necessary for the full performance of the Control Documents (as amended from time to time) and the Exclusive Services Agreement.

[The remainder of this page is intentionally left blank.]
/s/ Wei Liu
Wei Liu

/s Xinchan Li
Xinchan Li
Exhibit 4.57

Spousal Consent

I, Kun Wang (with the ID number of ***, hereinafter referred to as the “Shareholder”), and my legal spouse, Jiayu Li (hereinafter referred to as the “Spouse”), hereby unconditionally and irrevocably acknowledge and agree as follows on December 20, 2019:

1. As of the date of this Written Consent, the Shareholder holds 50% of the shares of Beijing Cheetah Network Technology Co., Ltd. (the “Domestic Company”). The Shareholder enjoys the complete and final shareholder interests corresponding to the aforesaid shares.

2. The Spouse gets aware of and acknowledges the following documents executed by the Shareholder (hereinafter referred to as the “Control Documents”), and agrees to dispose of the shares of the Domestic Company held by the Shareholder and registered in the name of the Shareholder in accordance with the provisions of the following documents:

   (1) the Equity Pledge Agreement executed by the Shareholder, Conew Network Technology (Beijing) Co., Ltd. (the “WFOE”) and the Domestic Company on December 20, 2019;

   (2) the Exclusive Equity Option Agreement executed by the Shareholder, Cheetah Mobile Inc. (the “Cayman Company”) and the Domestic Company on December 20, 2019; and

   (3) the Proxy Agreement and Power of Attorney executed and issued by the Shareholder on December 20, 2019.

3. The Spouse further acknowledges that no authorization or consent of the Spouse is required for the performance of the Control Documents and further modification or termination of the Control Documents by the Shareholder.

4. The Spouse undertakes to execute all necessary documents and take all necessary actions to ensure the proper performance of the Control Documents.

5. During the marriage, the Spouse undertakes not to make any claim with respect to the shares of the Domestic Company held directly or indirectly by the Shareholder, the complete and final shareholder interests corresponding to such shares and any other interests (if any) of any member company enjoyed by the Shareholder at that time (the “Underlying Interests”); the Shareholder shall enjoy the exclusive and complete voting rights and disposal rights related to the Underlying Interests, and the Spouse shall not raise any objections to the exercise of such rights by the Shareholder.

6. If the Shareholder and the Spouse need to divide their community property due to divorce, the Shareholder and the Spouse shall use their best efforts to negotiate in good faith and properly handle the division of their community property without any adverse effect on the normal operation of any member company.

7. Upon the divorce and property division, if part of the Underlying Interests enjoyed by the Shareholder is divided and transferred to the Spouse, the Spouse hereby irrevocably agrees that the Shareholder then recorded in the register of shareholders and organizational documents of any member company and/or registered with the relevant government authority (if applicable) shall remain as the Shareholder, the Spouse shall irrevocably and fully entrust the Shareholder to exercise the voting rights related to such Underlying Interests, the shareholder shall exercise such voting rights in good faith, and other rights related to such Underlying Interests other than the foregoing shall vest in the Spouse.

   In addition, the Spouse agrees and undertakes that the Spouse shall be bound by the Control Documents (as amended from time to time) and the exclusive service agreement (hereinafter referred to as the
“Exclusive Service Agreement”) executed by the WFOE and the Domestic Company on July 3, 2018, and shall comply with the obligations of the shareholders of the Domestic Company under the Control Documents (as amended from time to time) and the Exclusive Service Agreement, and for this purpose, upon the request of the WFOE or the Cayman Company, the Spouse shall execute a series of written documents necessary for the full performance of the Control Documents (as amended from time to time) and the Exclusive Services Agreement.

[The remainder of this page is intentionally left blank.]
[Signature Page of the Spousal Consent]

/s/ Kun Wang
Kun Wang

/s/ Jiayu Li
Jiayu Li
Framework Agreement

This Framework Agreement (this “Agreement”) is made and entered into on December 20, 2019 in Beijing, the People’s Republic of China (“China”, for the purpose of this Agreement, excluding Hong Kong, Macao and Taiwan) by and among:

(1) Conew Network Technology (Beijing) Co., Ltd., a wholly foreign-owned enterprise established and validly existing under the laws of China (the “WFOE”);

(2) Beijing Conew Technology Development Co., Ltd., a limited liability company established and validly existing under the laws of China (the “Domestic Company”);

(3) Sheng Fu, a Chinese citizen, with the ID number of ***; and

Kun Wang, a Chinese citizen, with the ID number of *** (collectively referred to as the “Existing Shareholders”); and

(4) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”).

For the purpose of this Agreement, the WFOE, the Domestic Company, the Existing Shareholders and the Cayman Company shall be individually referred to as a “Party” or such “Party” and collectively as the “Parties”, and each other shall be referred to as the other “Parties”.

WHEREAS:

(1) Prior to the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders have respectively executed the documents listed in Annex I (for the purpose of this Agreement, the documents listed in Annex I are collectively referred to as the “Existing Control Documents”).

(2) The Parties agree to terminate the Existing Control Documents in accordance with the provisions of this Agreement, and it is intended that the Parties will execute new control documents as listed in Annex II.

NOW, THEREFORE, the Parties have reached the following agreement through consultation:

Article 1 Termination of Existing Control Documents

1.1 The WFOE, the Domestic Company and the Existing Shareholders hereby irrevocably agree and acknowledge that the Existing Control Documents listed in Annex I shall be terminated as of the date of this Agreement and shall no longer have any effect.

1.2 From the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders no longer enjoy their rights under the Existing Control Documents, nor do they need to perform their obligations under the Existing Control Documents, provided that the rights and obligations that have actually been exercised by the WFOE, the Domestic Company and the Existing Shareholders based on any Existing Control Documents shall be effective, the amount, income or other interests of any nature obtained or actually possessed by any Party based on the Existing Control Documents need not be returned to the counterparty, and the receivables and payables formed by the WFOE, the Domestic Company and the Existing Shareholders based on legal or business relationships other than the Existing Control Documents shall still be paid.

1.3 Except as otherwise agreed in Article 1.2 above, the WFOE, the Domestic Company and the Existing Shareholders hereby irrevocably and unconditionally waive any dispute, claim, demand, right, obligation,
liability, action, contract or cause of action of any kind or nature owned or likely to be owned by them against the other Parties hereof in the past, now or in the future directly or indirectly related to or arising from the Existing Control Documents.

1.4 Without prejudice to the generality of Article 1.2 and 1.3 above, from the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders hereby waive any commitment, debt, claim, demand, obligation and liability of any kind or nature owned or likely to be owned by such Party or its successors, assigns, transferees or executors in the past, now or in the future against the other Parties or their current and past directors, officers, employees, legal advisers and agents, their affiliates and the successors and assigns thereof related to or arising from the Existing Control Documents, including claims and causes of action at law and on the basis of the principle of equality, whether such claims or demands have been filed or not, or whether such claims or demands are absolute or contingent, known or unknown.

Article 2 Re-execution of Control Documents

2.1 The Parties hereby agree and acknowledge that, on the basis of the realization of Article 1 of this Agreement, the Parties will re-execute the documents listed in Annex II (collectively referred to as the “New Control Documents”), and the Parties agree that they will exercise related rights and fulfill related undertakings, obligations and responsibilities in accordance with the provisions of the New Control Documents.

Article 3 Representations and Warranties

3.1 Representations and Warranties of the Parties. Each Party represents and warrants to the other Parties as follows:

(1) such Party has full legal right, power and authority to execute this Agreement and all contracts and documents mentioned in this Agreement to which it is a party, and the execution of this Agreement is the true intention of the Party;

(2) no execution and performance of this Agreement will constitute a breach by such Party of any constitutional document, executed agreement and license obtained by it to which it is a party or which is binding on it, nor will it result in a breach by such Party of or a need of such Party to obtain any judgment, ruling, order or consent issued by any court, government agency or regulatory authority; and

(3) such party has obtained all consents, approvals and authorizations necessary for the duly execution of this Agreement and all contracts and documents mentioned in this Agreement to which it is a party and for the observance and performance of its obligations under this Agreement and the other contracts and documents mentioned above.

Article 4 Undertakings

4.1 In order to successfully complete the termination of rights and obligations under the Existing Control Documents, the Parties shall execute all necessary or appropriate documents and take all necessary or appropriate actions to actively cooperate with the other Parties to obtain relevant government approval or/and registration documents and to handle relevant termination procedures.
Article 5 Rescission or Termination of the Agreement

5.1 In addition to the termination conditions expressly agreed in this Agreement, the Parties agree that this Agreement may be rescinded or terminated due to the following circumstances:

(1) this Agreement is terminated by consensus of the Parties, and all costs and losses resulting therefrom shall be borne by the Parties respectively; and

(2) the other Parties shall have the right to terminate this Agreement if the purpose of this Agreement is frustrated due to any violation by a Party of its obligations under this Agreement.

Article 6 Liability for Breach of Contract and Indemnification

6.1 It shall constitute a breach of contract if any Party violates or fails to perform any of its representations, warranties, undertakings, obligations or responsibilities under this Agreement.

6.2 Except as specifically agreed in this Agreement, if either Party violates this Agreement and causes the other Parties to bear any expenses, liabilities or suffer any losses, the Breaching Party shall indemnify the other Parties for any of the above losses (including but not limited to interest paid or lost due to the breach of contract and attorney’s fees). The total amount of indemnification paid by the Breaching Party to the other Parties shall be to the extent of the losses caused by such breach.

Article 7 Governing Law and Dispute Resolution

7.1 The execution, validity, interpretation, performance and dispute resolution of this Agreement shall be governed by and construed in accordance with the laws of China.

7.2 All disputes arising from or in connection with the implementation of this Agreement shall be resolved by the Parties through friendly consultation.

7.3 Either Party shall have the right to submit any dispute arising from this Agreement to China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall be composed of three arbitrators appointed in accordance with the arbitration rules. Each of the applicant and the respondent shall appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through consultation or by China International Economic and Trade Arbitration Commission. The arbitration shall be conducted in a confidential manner and the arbitration language shall be Chinese. The arbitration award is final and binding on the Parties.

7.4 During the arbitration, except for the part in dispute between the Parties and under the arbitration, the Parties shall continue to have their respective other rights under this Agreement and shall continue to perform their respective other obligations under this Agreement.

Article 8 Confidentiality

8.1 The Parties shall keep confidential this Agreement and the matters related to this Agreement. Without the written consent of the other Parties, no Party shall disclose any relevant matters of this Agreement to any third party other than a Party of this agreement, except that:

(1) it is disclosed to the auditors, lawyers and other staff entrusted in the normal business, provided that such persons shall keep confidential the information related to this Agreement learned by them during the aforementioned work; and
such information and documents are available in public or such information is required to be disclosed by the laws and regulations or the express requirements of relevant securities regulatory authorities.

Article 9 Supplementary Provisions

9.1 This Agreement shall come into force upon the execution by the Parties.

9.2 This Agreement may be amended or modified by consensus of the Parties hereto. No amendment or modification shall be valid unless it is made in writing and signed by the Parties hereto.

9.3 If any provision of this Agreement is held invalid or unenforceable, it shall be deemed that such provision does not exist from the beginning without affecting the validity of other provisions of this Agreement, and the Parties hereto shall negotiate and determine a new provision to the extent permitted by law to ensure the maximum realization of the intention of the original provision.

9.4 Except as otherwise provided in this Agreement, no failure or delay of a Party to exercise its rights, powers or privileges under this Agreement shall constitute a waiver of such rights, powers and privileges, nor single or partial exercise of such rights, powers and privileges shall exclude the exercise of any other rights, powers and privileges.

9.5 This Agreement is made in five originals, each Party hereto holds one counterpart, and each counterpart shall have the same legal effect.

(The remainder of this page is intentionally left blank and followed by the signature pages.)
IN WITNESS WHEREOF, the Parties have executed or caused their authorized representatives to execute this Framework Agreement as of the date first above written.

Conew Network Technology (Beijing) Co., Ltd.
(Seal)
/s/ Authorized Signatory

Beijing Conew Technology Development Co., Ltd.
(Seal)
/s/ Authorized Signatory

Cheetah Mobile Inc.
By:  /s/ Sheng Fu
Name: Sheng Fu
Title: Director
IN WITNESS WHEREOF, the Parties have executed or caused their authorized representatives to execute this Framework Agreement as of the date first above written.

Sheng Fu
By: /s/ Sheng Fu

Kun Wang
By: /s/ Kun Wang

Signature Page of the Framework Agreement
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<th>No.</th>
<th>Document Name</th>
<th>Parties</th>
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Annex to the Framework Agreement
## Annex II New Control Documents to Be Executed

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<td>Cayman Company, Domestic Company, Existing Shareholders</td>
</tr>
</tbody>
</table>
Exhibit 4.59

Exclusive Equity Option Agreement

This Exclusive Equity Option Agreement (this “Agreement”) is entered into on December 20, 2019 by and among:

(1) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”);

(2) Sheng Fu, a Chinese citizen, with the ID number of ***; and

Kun Wang, a Chinese citizen, with the ID number of *** (collectively referred to as the “Existing Shareholders”); and

(3) Beijing Conew Technology Development Co., Ltd., a limited liability company established under the laws of China (the “Company”).

(Each of the above is individually referred to as a “Party” and collectively as the “Parties”.)

Recitals

(A) Whereas, the Existing Shareholders collectively hold 100% of the shares of the Company.

(B) Whereas, Conew Network Technology (Beijing) Co., Ltd., the Company and the Existing Shareholders executed an Equity Pledge Agreement on December 20, 2019 (the “Equity Pledge Agreement”).

NOW, THEREFORE, the Parties agree as follows:

Agreement

1. Underlying Shares

1.1 The Existing Shareholders agree to and hereby irrevocably and exclusively grant to the Cayman Company without any additional conditions, an option to require the Existing Shareholders to transfer all or part of the shares held by the Existing Shareholders in the Company (the “Underlying Shares”) to the Cayman Company or its designated third party (the “Designated Party”) to the extent permitted by the laws of China under any circumstance deemed appropriate or necessary by the Cayman Company in its sole discretion (subject to the specific requirements of the Cayman Company) (the “Share Purchase Option”).

1.2 The Company hereby agrees that the Existing Shareholders grant the Share Purchase Option to the Cayman Company.

1.3 The Cayman Company shall have the right to exercise all or part of its Share Purchase Option at any time to acquire all or part of the Underlying Shares, and the number of times of exercise is unlimited.

1.4 The Cayman Company shall have the right to designate any third party to acquire all or part of the Underlying Shares, and the Existing Shareholders shall not refuse to do so and shall transfer all or part of the Underlying Shares to such Designated Party as required by the Cayman Company.

1.5 Prior to the transfer of the Underlying Shares to the Cayman Company or the Designated Party in accordance with this Agreement, the Existing Shareholders shall not transfer the Underlying Shares without the prior written consent of the Cayman Company.

2. Underlying Assets

2.1 The Company agrees to and hereby irrevocably and exclusively grants to the Cayman Company without any additional conditions an option to require the Company to transfer all or part of the assets held by the
Company (the “Underlying Assets”) to the Cayman Company or its Designated Party to the extent permitted by the laws of China under any circumstance deemed appropriate or necessary by the Cayman Company in its sole discretion (subject to the specific requirements of the Cayman Company) (the “Asset Purchase Option”).

2.2 The Existing Shareholders hereby agree that the Company grants the Asset Purchase Option to the Cayman Company.

2.3 The Cayman Company shall have the right to exercise all or part of its Asset Purchase Option at any time to acquire all or part of the Underlying Assets, and the number of times of exercise is unlimited.

2.4 The Cayman Company shall have the right to designate any third party to acquire all or part of the Underlying Assets, and the Company and the Existing Shareholders shall not refuse to do so and shall transfer all or part of the Underlying Assets to such Designated Party as required by the Cayman Company.

2.5 Prior to the transfer of the Underlying Assets to the Cayman Company or the Designated Party in accordance with this Agreement, the Company and the Existing Shareholders shall not transfer or approve the transfer of the Underlying Shares without the prior written consent of the Cayman Company.

3. Procedures for the Exercise of Share Purchase Option

3.1 If the Cayman Company decides to exercise the Share Purchase Option in accordance with the provisions of Article 1.1 above, it shall give a written notice to the Company and the Existing Shareholders, stating the proportion of the Underlying Shares to be transferred and the identity of the transferee (the “Share Purchase Notice”).

3.2 Subject to the compliance with the laws of China, the Company and the Existing Shareholders shall, within thirty (30) days from the date of the Share Purchase Notice, provide all necessary materials and documents for the registration and transfer of the above-mentioned share transfer, and take all necessary actions and measures, including but not limited to holding a meeting of shareholders or directors to approve the share transfer and obtaining written documents from other shareholders agreeing to waive any right of first refusal related to the share transfer.

3.3 The Existing Shareholders shall execute a share transfer agreement with the Cayman Company and/or each Designated Party (as the case may be) in the form as shown in Annex I with respect to each transfer of the Underlying Shares to be made in accordance with this Agreement and the Share Purchase Notice. Provided that if the laws of China provide otherwise for the content and format of the Share Transfer Agreement, the provisions of the laws of China shall prevail.

3.4 If the Cayman Company decides to exercise the Share Purchase Option in accordance with the provisions of Article 1.1 above, the Parties concerned shall execute all necessary contracts, agreements or documents, obtain all necessary government licenses and approvals, and take all necessary actions to transfer the effective ownership of the Underlying Shares to the Cayman Company and/or the Designated Party without any restriction of security interests and cause the Cayman Company and/or the Designated Party to become the registered owner of the Underlying Shares. For the purposes of this Article and this Agreement, “security interests” shall include security, mortgage, third party rights or interests, stock options, purchase rights, preemptive rights, rights of set off, liens of ownership or other security arrangements, but shall not include any security interest created by this Agreement, the Equity Pledge Agreement and the Exclusive Service Agreement.

4. Procedures for the Exercise of Asset Purchase Option

4.1 If the Cayman Company decides to exercise the Asset Purchase Option in accordance with the provisions of Article 2.1 above, it shall give a written notice to the Company, stating the conditions of the Underlying Assets to be transferred and the identity of the transferee (the “Asset Purchase Notice”).
4.2 Subject to the compliance with the laws of China, the Company and the Existing Shareholders shall, within thirty (30) days from the date of the Asset Purchase Notice, provide all necessary materials and documents for the registration and transfer of the above-mentioned asset transfer (if applicable), and take all necessary actions and measures, including but not limited to holding a meeting of shareholders or directors to approve the asset transfer.

4.3 The Existing Shareholders shall cause the Company to execute an asset transfer agreement with the Cayman Company and/or each Designated Party (as the case may be) in the form as shown in Annex II with respect to each transfer of the Underlying Assets to be made in accordance with this Agreement and the Asset Purchase Notice. Provided that if the laws of China provide otherwise for the content and format of the Asset Transfer Agreement, the provisions of the laws of China shall prevail.

4.4 The Parties concerned shall execute all necessary contracts, agreements or documents, obtain all necessary government licenses and approvals, and take all necessary actions to transfer the effective ownership of the Underlying Assets to the Cayman Company and/or the Designated Party without any restriction of security interests and cause the Cayman Company and/or the Designated Party to become the registered owner of the Underlying Assets.

5. Financial Support

5.1 In order to ensure that the Company complies with the cash flow requirements in its daily operation and/or offsets any loss incurred in the course of its operation, whether or not the Company actually incurs any such operating losses, the Cayman Company may provide financial support to the Company (only to the extent permitted by the laws of China). The Cayman Company may provide financial support to the Company by means of bank entrusted loan or borrowing, and shall execute entrusted loan or borrowing contracts separately. The Cayman Company will not require the Company to pay its debts if the Company is unable to do so.

6. Transfer Price

6.1 The total transfer price of the Underlying Shares and/or the Underlying Assets is RMB 1.00; if there is any mandatory provision on the transfer price in the laws and administrative regulations of China when the above-mentioned Underlying Shares and/or the Underlying Assets are transferred, the transfer price shall be the lowest price permitted by the then effective laws and administrative regulations of China (the “Transfer Price”). If the Underlying Shares and/or the Underlying Assets are transferred in several times, the amount of corresponding transfer price shall be determined according to the proportion of the Underlying Shares and/or the Underlying Assets to be transferred.

6.2 All taxes, fees and incidental expenses arising from the transfer of the Underlying Shares and/or the Underlying Assets shall be borne by the Cayman Company or the Company.

7. Undertakings

7.1 Undertakings of the Company and the Existing Shareholders

The Existing Shareholders and the Company hereby undertake that:

7.1.1 it will not supplement, change or modify the articles of association and internal rules of the Company in any form, increase or decrease the registered capital of the Company, or change the registered capital structure of the Company in any other ways without the prior written consent of the Cayman Company;

7.1.2 it shall operate the business of the Company and handle the affairs of the Company prudently and effectively, and maintain the existence of the Company in accordance with sound financial and commercial standards and practices;
7.1.3 it will not sell, transfer, mortgage, pledge or dispose of any assets of the Company (except for the disposal of assets generated in the ordinary course of business) or any legal or beneficial interest in the business or income of the Company in any way upon the execution of this Agreement without the prior written consent of the Cayman Company, nor will it allow the creation of any relevant security interest;

7.1.4 it will not incur, inherit, provide security for or suffer any debt without the prior written consent of the Cayman Company, except for the debts incurred in the ordinary course of business;

7.1.5 it shall maintain the asset value of the Company during the normal operation of the entire business of the Company, and shall not take any actions/omissions that may affect the business status and asset value of the Company;

7.1.6 it will not cause the Company to enter into any material contract without the prior written consent of the Cayman Company, except in the ordinary course of business;

7.1.7 it will not cause the Company to make any loan or credit available to any person or business without the prior written consent of the Cayman Company, except in the ordinary course of business;

7.1.8 it shall provide the information related to the business operation and financial status of the Company upon the request of the Cayman Company;

7.1.9 if required by the Cayman Company, it shall cause the Company to purchase and maintain insurance(s) for the Company’s assets and business from an insurance company that meets the requirements of the Cayman Company, and the amount and type of the insurance(s) shall be the same as that of the insurance(s) purchased by a similar company;

7.1.10 it will not cause or permit the Company to merge or integrate with or acquire or invest in any person or business without the prior written consent of the Cayman Company;

7.1.11 it shall immediately notify the Cayman Company if any litigation, arbitration or administrative proceedings related to the assets, business or income of the Company occurs or is likely to occur;

7.1.12 it shall execute all documents, take all actions, submit all complaints, or file all defenses against all claims necessary or appropriate for the maintenance of the ownership of the Company in all its assets;

7.1.13 it shall ensure that the Company will not distribute dividends, assets or any distributable interests to the Existing Shareholders in any way without the prior written consent of the Cayman Company, provided that upon the written request of the Cayman Company, the Company shall immediately distribute all or part of the distributable profits to the Existing Shareholders, and then the Existing Shareholders shall immediately and unconditionally pay or transfer the above distribution in a manner permitted by applicable laws to the Cayman Company;

7.1.14 if the total amount of the transfer price obtained by the Existing Shareholders for the shares held by them in the Company is higher than their capital contribution to the Company, or if they receive any form of profit distribution, dividend or distribution from the Company, the Existing Shareholders shall, without any violation of the laws of China, waive the premium portion of the proceeds and any profit distribution, dividend or distribution mentioned above, and the Cayman Company has the right to obtain such portion of the proceeds, otherwise the Existing Shareholders shall compensate the Cayman Company and/or any third party designated by it for the losses resulting therefrom; and

7.1.15 upon the request of the Cayman Company, it shall appoint any person designated by the Cayman Company to be a director and/or executive director of the Company.

7.2 Undertakings Related to Shares of the Company

The Existing Shareholders hereby undertake that:

7.2.1 the Existing Shareholders will not sell, transfer, pledge or dispose of any legal or beneficial interest in the Underlying Shares in any way without the prior written consent of the Cayman Company, nor
will they allow the creation of any other security interest on the Underlying Shares, except for the pledge created on the Underlying Shares in accordance with the Equity Pledge Agreement;

7.2.2 the Existing Shareholders shall cause the existing shareholders’ meeting and/or the meeting of the board of directors (or the executive director(s)) of the Company to disapprove the sale, transfer, pledge or disposition of any legal or beneficial interest in the Underlying Shares in any way without the prior written consent of the Cayman Company, or not to allow the creation of any other security interest on the Underlying Shares, except for the pledge created on the Underlying Shares in accordance with the Equity Pledge Agreement;

7.2.3 the Existing Shareholders shall cause the existing shareholders’ meeting and/or the meeting of the board of directors (or the executive director(s)) of the Company to disapprove the merger or integration of the Company with any person, or the acquisition by the Company of or the investment by the Company in any person without the prior written consent of the Cayman Company;

7.2.4 the Existing Shareholders shall immediately notify the Cayman Company if any litigation, arbitration or administrative proceedings related to the Underlying Shares occurs or is likely to occur;

7.2.5 upon the request of the Cayman Company, the Existing Shareholders shall promptly and unconditionally cause the transfer of the Underlying Shares to be approved and completed in accordance with the provisions of this Agreement;

7.2.6 the Existing Shareholders shall execute all documents, take all actions, submit all complaints, or file all defenses against all claims necessary or appropriate for the maintenance of the ownership of the Existing Shareholders in the Company;

7.2.7 upon the request of the Cayman Company, the Existing Shareholders shall appoint any person designated by the Cayman Company to be a director and/or executive director of the Company; and

7.2.8 the Existing Shareholders shall strictly comply with the provisions of this Agreement and other contracts executed jointly or separately by the Existing Shareholders, the Cayman Company and the Company and perform their obligations hereunder and thereunder, and shall not take any action/omission that may affect the validity and enforceability hereof and thereof. If the Existing Shareholder has any rights under this Agreement or the Equity Pledge Agreement or in the shares under the entrustment agreement and the power of attorney, the Existing Shareholders shall not exercise such rights unless they act in accordance with the written instructions of the Cayman Company.

8. **Representations and Warranties**

The Existing Shareholders and the Company hereby represent and warrant to the Cayman Company severally and not jointly that as of the date of this Agreement and the date of each transfer of the Underlying Shares/the Underlying Assets:

8.1 it has the right to enter into this Agreement and the transfer agreement related to the transfer of the Underlying Shares/the Underlying Assets, and has the ability to perform its obligations hereunder and thereunder;

8.2 the execution and delivery of this Agreement or any agreement related to the transfer of the Underlying Shares/the Underlying Assets and the performance of any of its obligations hereunder and thereunder will not: (i) result in a violation of any relevant laws of China; (ii) conflict with the articles of association, internal rules or other organizational documents of the Company; (iii) result in a violation of or constitute a default under any contract or document to which it is a party or by which it is bound; (iv) result in a violation of any conditions of issue and/or continued validity of any license or permit issued to it; and (v) cause any license or permit issued to it to be revoked, forfeited or subject to additional conditions;
8.3 the Existing Shareholders have valid and marketable title to the Underlying Shares. Except for the Equity Pledge Agreement, no Existing Shareholders have created any security interest on the Underlying Shares;

8.4 the Company has valid and marketable title to all of its assets and has no created any security interest on such assets, except for the security interest disclosed to and agreed in writing by the Cayman Company;

8.5 the Company has no outstanding debts, except for (i) the debts incurred in the ordinary course of business; and (ii) the debts disclosed to and agreed in writing by the Cayman Company; and

8.6 the Company has complied with all the laws and regulations of China on asset acquisition.

9. Taxes and Fees

During the drafting and execution of this Agreement and the Share Transfer Agreement, as well as the completion of the transactions contemplated by this Agreement and the Share Transfer Agreement, the Company or the Cayman Company shall pay all transfer and registration taxes, expenses and fees levied or incurred in accordance with the laws of China.

10. Confidentiality

The Parties acknowledge that any oral or written information exchanged by the Parties in connection with this Agreement shall be confidential. Each Party shall keep all the above-mentioned information confidential and shall not disclose any relevant information to any third party without the written consent of the other Parties, except for the information which (a) has been or will be known to the public (not due to the public disclosure made by the receiving party); (b) is disclosed in accordance with applicable laws, regulations or the requirements of the stock exchange; or (c) is required to be disclosed by either Party to its legal or financial advisers in connection with the transactions contemplated by this Agreement, for which such legal or financial advisers are subject to confidentiality obligations similar to those set forth in this Article. If any employee or agent employed by any Party discloses the confidential information, it shall be deemed that such Party has disclosed the confidential information and shall be liable for breach of contract. The provisions of this Article shall survive the termination of this Agreement for any reason.

11. Assignment

11.1 The Company and the Existing Shareholders shall not assign any of their rights or obligations under this Agreement to any third party without the prior written consent of the Cayman Company.

11.2 The Company and the Existing Shareholders hereby agree that the Cayman Company may, in its sole discretion, assign its rights and obligations under this Agreement by giving a prior written notice of the assignment to the Company and the Existing Shareholders.

12. Entire Agreement and Amendment

12.1 This Agreement and all agreements and/or documents expressly mentioned or included in this Agreement shall constitute the entire agreement with respect to the subject matter of this Agreement, and shall supersede all oral agreements, contracts, understandings and communications reached by the Parties with respect to the subject matter of this Agreement.

12.2 Neither the Company nor the Existing Shareholders shall have any right to modify, supplement or revoke this Agreement without the prior written consent of the Cayman Company.

12.3 The Annexes are an integral part of this Agreement and have the same legal effect as other parts of this Agreement.

13. Governing Law and Dispute Resolution

13.1 This Agreement shall be governed by and construed in accordance with the laws of China.
13.2 Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

14. Effective Date and Term
14.1 This Agreement shall be entered into and come into force on the date first written above.
14.2 Unless terminated in accordance with the provisions of this Agreement, the term of this Agreement shall be ten (10) years, and shall be automatically extended for a period of ten (10) years after the expiration thereof, without limit to the number of extensions.

15. Termination
Neither the Company nor the Existing Shareholders have the right to terminate this Agreement. Notwithstanding the foregoing, the Cayman Company shall have the right, in its sole discretion, to terminate this Agreement at any time upon ten (10) days’ prior written notice to the Company and the Existing Shareholders.

16. Notice
Any notice or other communication given by either Party under this Agreement shall be written in English or Chinese and may be delivered by hand, registered mail, postage prepaid mail, or recognized courier service or sent by fax to the address designated by the Parties concerned from time to time. A notice shall be deemed to be duly served (a) on the date when it is delivered if the notice is delivered by hand; (b) on the 10th day after the date of mailing by registered airmail with postage paid (subject to postmark) if the notice is sent by mail, or on the 4th day after it is delivered to the courier service if the notice is sent by the courier service; or (c) on the receipt time indicated on the transmission confirmation of relevant documents if the notice is sent by fax.

17. Severability
If any provision of this Agreement is deemed invalid or unenforceable due to inconsistency with relevant laws, such provision shall be deemed invalid or unenforceable to the extent of the jurisdiction of relevant laws, and no validity, legality and enforceability of other provisions of this Agreement shall be affected.

18. Counterparts
This Agreement shall be executed by the Parties in four originals, each Party shall hold one original, and all originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

19. Miscellaneous
If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[followed by the signature pages]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Cheetah Mobile Inc.

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Director

Beijing Conew Technology Development Co., Ltd.
(Seal)

/s/ Authorized Signatory
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Sheng Fu

By: /s Sheng Fu

Kun Wang

By: /s Kun Wang
Annex I

Share Transfer Agreement

This Share Transfer Agreement (this “Agreement”) is entered into by and between the following Parties in Beijing, China:

Transferor:

Transferee:

The Parties hereby agree on the share transfer as follows:

1. The Transferor agrees to transfer to the Transferee, and the Transferee agrees to accept the transfer of, % of the shares held by the Transferor in Beijing Conew Technology Development Co., Ltd.

2. Upon the completion of the share transfer, the Transferor shall no longer enjoy or undertake the corresponding rights or obligations of the existing shareholders in respect of the transferred shares. The Transferee shall enjoy and undertake the rights and obligations of the existing shareholders of Beijing Conew Technology Development Co., Ltd.

3. A supplementary agreement may be executed by the Parties with respect to any matter unmentioned in this Agreement.

4. This Agreement shall come into force as of the date when it is executed by the Parties.

5. This Agreement is made in four originals, each Party holds one counterpart, and the remaining shall be used for handling the formalities of industrial and commercial registration change.
Transferor:

By: ________________________________
Date:

Transferee:

By: ________________________________
Date:
Annex II

Asset Transfer Agreement

This Asset Transfer Agreement (this “Agreement”) is entered into by and between the following Parties in Beijing, China:

Transferor: Beijing Conew Technology Development Co., Ltd.

Transferee:

The Parties hereby agree on the asset transfer as follows:

1. The Transferor agrees to transfer to the Transferee, and the Transferee agrees to accept the transfer of, the assets listed in the List of Assets attached hereto.

2. Upon the completion of the asset transfer, the Transferor shall no longer enjoy or undertake the corresponding rights or obligations in respect of the transferred assets. The Transferee shall enjoy and undertake the rights and obligations of such assets.

3. A supplementary agreement may be executed by the Parties with respect to any matter unmentioned in this Agreement.

4. This Agreement shall come into force as of the date when it is executed by the Parties.

5. This Agreement is made in four originals, each Party holds one counterpart, and the remaining shall be used for handling the formalities of industrial and commercial registration change (if any).
Transferor:
Beijing Conew Technology Development Co., Ltd.
(Seal)

Date:

Transferee:

By: ________________________________

Date:
Annex: List of Assets
Exhibit 4.60

Equity Pledge Agreement

This Equity Pledge Agreement (this “Agreement”) is made and entered into on December 20, 2019 by and among:

(1) Conew Network Technology (Beijing) Co., Ltd., a wholly foreign-owned enterprise established under the laws of the People’s Republic of China (“China”) (the “Pledgee”);

(2) Beijing Conew Technology Development Co., Ltd., a limited liability company established under the laws of China (the “Company”);

(3) Sheng Fu, a Chinese citizen, with the ID number of ***; and

Kun Wang, a Chinese citizen, with the ID number of *** (collectively referred to as the “Pledgors”)
(The Pledgee, the Company and the Pledgors shall be individually referred to as a “Party” and collectively as the “Parties.”)

Recitals

(A) Whereas, on the date of this Agreement, the Pledgors hold 100% of the shares of the Company, with a total amount of capital contribution of RMB 300,000.

(B) Whereas, the Pledgee and the Company executed an Exclusive Service Agreement (the “Exclusive Service Agreement”) on July 5, 2018, under which the Company shall pay the service fees to the Pledgee for the services provided by the Pledgee.

(C) Whereas, Cheetah Mobile Inc. (the “Cayman Company”), the Pledgors and the Company executed an Exclusive Equity Option Agreement (the “Exclusive Equity Option Agreement”) on December 20, 2019, under which the Pledgors granted to the Cayman Company an exclusive equity option to purchase the shares of the Company held by it in accordance with the terms thereof, and the Company granted to the Cayman Company an exclusive equity option to purchase the assets of the Company in accordance with the terms thereof.

NOW, THEREFORE, the Parties agree as follows:

Agreement

1. Major Agreements

The Parties to this Agreement recognize and acknowledge that the major agreements for the pledge under this Agreement shall include the Exclusive Service Agreement, the Exclusive Equity Option Agreement and all agreements executed by the Pledgors, the Cayman Company, the Company and the Pledgee from time to time.

2. Pledge

2.1 The Pledgors agree to unconditionally and irrevocably pledge to the Pledgee all of their shares in the Company (including any interest or dividend paid for such shares) (the “Pledged Shares”) as security for the performance by the Pledgors and the Company of their obligations under the major agreements (the “Pledge”).

3. Scope of the Pledge

3.1 The scope of the Pledge under this Agreement shall include all the obligations of the Pledgors and the Company under the major agreements, including but not limited to loans and interest thereof under the
major agreements (if applicable), all the service fees payable, all the debts owed, all the obligations and liabilities to be performed (including but not limited to any payment to the Relevant Personnel), liquidated damages (if any), indemnities, expenses incurred for exercising creditor’s rights and pledge rights (including but not limited to attorney fees, arbitration fees, and expenses related to the assessment and auction of the Pledged Shares) and any other related expenses. For the avoidance of doubt, the scope of the Pledge shall not be limited by the amount of capital contribution of shareholders.

4. Term of the Pledge

4.1 The Pledge shall remain in force, and the term of the Pledge shall terminate on the earlier of (1) the date when all outstanding secured debts have been paid off or repaid in other applicable ways; (2) the date when the Pledgee exercises its pledge rights in accordance with the terms and conditions of this Agreement for the full realization of its rights over the secured debts and the Pledged Shares; or (3) the date when the Pledgors transfer all their shares to the Cayman Company or a third party designated by the Cayman Company (a natural or legal person) in accordance with the Exclusive Equity Option Agreement and no longer hold the shares of the Company.

4.2 During the term of the Pledge, if the Pledgors or the Company or their subsidiaries fail to perform their respective obligations under the major agreements, the Pledgee shall have the right to dispose of the Pledged Shares in accordance with the provisions of this Agreement.

4.3 The Pledgee shall have the right to receive any or all dividends or other distributable interests arising from the Pledged Shares and to determine the distribution or disposal of such dividends or interests at its own discretion.

5. Registration

5.1 The Company shall (1) register the Pledge in the register of shareholders of the Company on the date of this Agreement, and provide the register of shareholders to the Pledgee, and (2) submit an application for pledge registration to the market supervision and administration authority (the “Administration for Industry and Commerce”) as soon as possible upon the execution of this Agreement, and obtain relevant supporting documents. The Pledgors and the Company shall submit all documents and complete all procedures required by the laws and regulations of China and the competent Administration for Industry and Commerce to ensure that relevant registration procedures are completed as soon as possible after the Pledge is submitted to the Administration for Industry and Commerce.

5.2 Notwithstanding any provision of this Agreement, during the term of the Pledge, the original register of shareholders of the Company shall be kept by the Pledgee or its designee.

5.3 The Pledgors may increase their contributions to the Company with the prior consent of the Pledgee, provided that any contribution of the Pledgors to the Company shall be subject to the provisions of this Agreement, and the additional contribution shall be a part of the Pledged Shares. The Company shall immediately change its register of shareholders in accordance with the provisions of this Article 5 and handle the change registration of the Pledge with the Administration for Industry and Commerce within five (5) business days.

6. Representations and Warranties of the Pledgors

6.1 The Pledgors are the sole legal owners of the pledged shares.

6.2 The Pledgors have not created any security interest or other encumbrances on the Pledged Shares.

6.3 The Company is a limited liability company duly established and validly existing under the laws of China and duly registered with the competent Administration for Industry and Commerce. The registered capital of the Company is RMB 300,000; the Pledgors will make their contributions to the registered capital of the Company in accordance with the articles of association of the Company.
7. Undertakings and Further Warranties of the Pledgors

7.1 The Pledgors hereby undertake to the Pledgee that during the term of this Agreement, the Pledgors:

7.1.1 shall not transfer the Pledged Shares, or create or allow the creation of any security interest or other encumbrances on the Pledged Shares, or otherwise dispose of the Pledged Shares without the prior written consent of the Pledgee, except for the purpose of performing the Exclusive Equity Option Agreement;

7.1.2 shall comply with all the relevant laws and regulations applicable to the Pledge, submit any notice, order or proposal issued or drafted by the relevant regulatory authority to the Pledgee within five (5) business days upon the receipt thereof, and comply with the aforesaid notice, order or proposal, or make a claim or complaint with respect to the above matters at the reasonable request of the Pledgee or with the consent of the Pledgee; and

7.1.3 shall inform the Pledgee immediately if they get aware of or receive an event or notice which may affect the rights of the Pledgee in respect of the Pledged Shares or other obligations of the Pledgors under this Agreement.

7.2 The Pledgors agree that no rights related to the Pledge obtained by the Pledgee in accordance with this Agreement shall be interrupted or hindered by the Company, the Pledgors, the Pledgors’ successors or representatives, or any other person (collectively referred to as the "Relevant Personnel") through any legal process. The Pledgors warrant to the Pledgee that they have made all appropriate arrangements and executed all necessary documents to ensure that in the event of their deaths, incapacities, bankruptcies, divorces or other circumstances that may affect the exercise of their shares, their heirs, guardians, creditors, spouses and other persons who may acquire the shares or related rights as a result thereof shall not affect or hinder the performance of this Agreement.

7.2.1 The Relevant Personnel will not supplement, change or modify the articles of association and internal rules of the Company in any form, increase or decrease the registered capital of the Company, or change the registered capital structure of the Company in other ways without the prior written consent of the Pledgee;

7.2.2 The Relevant Personnel will not sell, transfer, mortgage or dispose of any assets of the Company or any subsidiary of the Company or any legal or beneficial interest in the business or income of the Company in any way upon the execution of this Agreement without the prior written consent of the Pledgee, nor will they allow the creation of any security interest thereon;

7.2.3 The Relevant Personnel shall ensure that the Company will not distribute dividends to, make property distribution to, reduce capital for, initiate liquidation procedures for or make any other distribution to the shareholders in any way without the prior written consent of the Pledgee. Any distribution (including but not limited to distributed assets or residual property in liquidation) shall be considered as a part of the Pledge; or

7.2.4 The Relevant Personnel shall not do any act that causes or may cause the value of the Pledged Shares to decrease or jeopardizes or may jeopardize the validity of the Pledge under this Agreement without the prior written consent of the Pledgee. If there is any obvious decrease in the value of the Pledged Shares, which is enough to jeopardize the rights of the Pledgee, the Relevant Personnel shall immediately notify the Pledgee, provide other property satisfactory to the Pledgee as security according to the reasonable requirements of the Pledgee, and take necessary actions to solve the above event or reduce its adverse effects.

7.3 In order to protect or perfect the security interest created by this Agreement for the payment under the major agreements, the Pledgors hereby undertake to execute in good faith and cause other parties related to the Pledge to execute all certificates, agreements, contracts and/or undertakings required by the Pledgee. The Pledgors also undertake to take and cause other parties related to the Pledge to take the actions required by the Pledgee for the exercise of its rights and powers granted by this Agreement, and to execute
all documents related to the ownership of the Pledged Shares with the Pledgee or its designee. The Pledgors undertake to provide the Pledgee with all notices, orders and decisions related to the Pledge required by the Pledgee within a reasonable time.

7.4 The Pledgors hereby undertake to comply with and perform all warranties, undertakings, covenants, representations and conditions under this Agreement. If the above warranties, undertakings, covenants, representations and conditions are not performed or only partially performed, the Pledgors shall indemnify the Pledgee for all losses caused thereby.

8. Exercise of Pledge Rights
8.1 It shall constitute an event of default under this Agreement (the “Event of Default”) (the Event of Default shall be deemed to be “continuing” unless remedied or waived) if:

8.1.1 any representation, warranty or statement made by the Pledgors or the Company under this Agreement or any major agreements is untrue, incomplete or inaccurate in any respect; or the Pledgors or the Company violates or fails to perform any obligation under this Agreement or any major agreements, or fails to comply with any undertaking under this Agreement or any major agreements; or

8.1.2 one or more obligations of the Pledgors or the Company under this Agreement or any major agreements shall be deemed illegal or invalid.

8.2 In the event of an Event of Default and when the Event of Default is continuing, the Pledgee shall have the right to exercise all the rights of the secured party in accordance with the relevant applicable laws of China (including the provisions of the Security Law of the People’s Republic of China and the Property Law of the People’s Republic of China), including but not limited to the rights to:

8.2.1 sell part or all of the Pledged Shares in one or more public or private trading markets by giving three (3) days’ prior written notice to the Pledgors, and such sale may be in the form of cash, credit transaction or future delivery; and

8.2.2 execute an agreement with the Pledgors to purchase the Pledged Shares with a monetary value determined by referring to the market price of the Pledged Shares.

The Pledgee shall have the right to be first paid the expenses listed in Article 3 of this Agreement out of the proceeds received from the disposal of the Pledged Shares in the above manner.

8.3 At the request of the Pledgee, the Pledgors and the Company shall take all legal and appropriate actions to ensure the exercise by the Pledgee of its pledge rights. For the purpose of the foregoing, the Pledgors and the Company shall execute all documents and materials and take all measures and actions as reasonably required by the Pledgee.

9. Assignment
9.1 The Company and the Pledgors shall not assign any of their rights and obligations under this Agreement to any third party without the prior written consent of the Pledgee.

9.2 The Company and the Pledgors hereby agree that the Pledgee may, in its sole discretion, assign its rights and obligations under this Agreement by giving a prior written notice to the Company and the Pledgors.

10. Termination
This Agreement shall terminate after the term of the Pledge is expired in accordance with Article 4 hereof.

11. Entire Agreement and Amendment
11.1 This Agreement and all agreements and/or documents expressly mentioned or included in this Agreement shall constitute the entire agreement with respect to the subject matter of this Agreement, and shall
supersede all oral agreements, contracts, understandings and communications reached by the Parties with respect to the subject matter of this Agreement.

11.2 Any amendment to this Agreement shall be made in writing and shall come into force only upon the execution by the Parties hereto. Any amendment agreement or supplementary agreement duly executed by the Parties shall constitute an integral part of this Agreement and have the same legal effect as this Agreement.

12. Governing Law and Dispute Resolution

12.1 This Agreement shall be governed by and construed in accordance with the laws of China.

12.2 Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

13. Effective Date and Term

13.1 This Agreement shall be entered into and come into force on the date first written above.

13.2 This Agreement shall remain in force during the term of the Pledge.

14. Notice

Any notice or other communication given by either Party under this Agreement shall be written in English or Chinese and may be delivered by hand, registered mail, postage prepaid mail, or recognized courier service or sent by fax to the address designated by the Parties concerned from time to time. A notice shall be deemed to be duly served (a) on the date when it is delivered if the notice is delivered by hand; (b) on the 10th day after the date of mailing by registered airmail with postage paid (subject to postmark) if the notice is sent by mail, or on the 4th day after it is delivered to the courier service if the notice is sent by the courier service; or (c) on the receipt time indicated on the transmission confirmation of relevant documents if the notice is sent by fax.

15. Severability

If any provision of this Agreement is deemed invalid or unenforceable due to inconsistency with relevant laws, such provision shall be deemed invalid or unenforceable to the extent of the jurisdiction of relevant laws, and no validity, legality and enforceability of other provisions of this Agreement shall be affected.

16. Counterparts

This Agreement shall be executed by the Parties in five originals, each Party shall hold one original, the remaining shall be used for handling the formalities of industrial and commercial registration, and all originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

17. Miscellaneous

If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[followed by the signature pages]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Conew Network Technology (Beijing) Co., Ltd.
(Seal)

/s/ Authorized Signatory

Beijing Conew Technology Development Co., Ltd.
(Seal)

/s/ Authorized Signatory
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Sheng Fu
By: /s/ Sheng Fu

Kun Wang
By: /s/ Kun Wang
Register of Shareholders of Beijing Conew Technology Development Co., Ltd.

(prepared on December 20, 2019, with the registered capital of the Company of RMB 300,000 and the paid-in capital of RMB 300,000)

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Shareholder</th>
<th>ID No./Registration No./Unified Social Credit Code</th>
<th>Subscribed Capital Contribution (Shareholding Ratio)</th>
<th>Contribution Mode</th>
<th>Conditions of the Pledge Pledgee</th>
</tr>
</thead>
<tbody>
<tr>
<td>001</td>
<td>Sheng Fu</td>
<td>***</td>
<td>RMB 188,200 (62.73%)</td>
<td>in cash</td>
<td>the contribution of RMB 188,200 has been pledged to Conew Network Technology (Beijing) Co., Ltd.</td>
</tr>
<tr>
<td>002</td>
<td>Kun Wang</td>
<td>***</td>
<td>RMB 111,800 (37.27%)</td>
<td>in cash</td>
<td>the contribution of RMB 111,800 has been pledged to Conew Network Technology (Beijing) Co., Ltd.</td>
</tr>
</tbody>
</table>
Proxy Agreement and Power of Attorney

This Proxy Agreement and Power of Attorney (this “Agreement”) is made and entered into on December 20, 2019 by and among:

(1) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”);
(2) Beijing Conew Technology Development Co., Ltd., a limited liability company established under the laws of China (the “Company”);
(3) Sheng Fu, a Chinese citizen, with the ID number of ***; and Kun Wang, a Chinese citizen, with the ID number of *** (collectively referred to as the “Existing Shareholders”).

The above is individually referred to as a “Party” and collectively as the “Parties”.

Recitals

(A) Whereas, the Existing Shareholders hold 100% of the shares of the Company.
(B) Whereas, the Cayman Company, the Company and the Existing Shareholders executed an Exclusive Equity Option Agreement (the “Exclusive Equity Option Agreement”) on December 20, 2019.
(C) Whereas, Conew Network Technology (Beijing) Co., Ltd., the Company and the Existing Shareholders executed an Equity Pledge Agreement (the “Equity Pledge Agreement”) on December 20, 2019.

NOW, THEREFORE, the Parties agree as follows:

Agreement

Article 1

The Existing Shareholders hereby irrevocably entrust the Cayman Company (the “Entrustee”, including any entrustee replaced in accordance with this Agreement) to exercise on behalf of the Existing Shareholders any and all rights in respect of the shares of the Company held by the Existing Shareholders as stipulated in relevant laws and regulations and the articles of association, including but not limited to the rights listed below (collectively referred to as the “Rights of Existing Shareholders”):

(a) convening and attending the shareholders’ meeting of the Company;
(b) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders;
(c) voting in person or by proxy on any matter discussed at the shareholders’ meeting of the Company (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company);
(d) sale, transfer, pledge or disposal of any or all shares of the Company;
(e) nomination, appointment or removal of the directors of the Company if necessary;
(f) supervising the operation performance of the Company;
(g) checking the financial information of the Company at any time;
(h) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or the Existing Shareholders;

1
(i) approval of the annual budget or declaration of dividends; and
(j) any other rights granted to the Existing Shareholders by the articles of association or relevant laws and regulations.

The Existing Shareholders further agree and undertake that they shall not exercise any Right of Existing Shareholders without the prior written consent of the Cayman Company.

Article 2
The Cayman Company agrees to accept the entrustment to act as the Entrustee, the Cayman Company has the right to appoint one or more replacements at its sole discretion to exercise any or all of the rights of the Entrustee under this Agreement, and the Cayman Company also has the right to revoke the appointment of such replacements at its sole discretion. No prior notice is required to be sent to the Company or the Existing Shareholders and no consent or direction of the Company or the Existing Shareholders is required for the above appointment or revocation made by the Cayman Company.

Article 3
The Company acknowledges, recognizes and agrees that the Entrustee shall exercise any and all of the Rights of Existing Shareholders on behalf of the Existing Shareholders. The Company further acknowledges and recognizes that any act done or to be done, any decision made or to be made, any instrument or other document executed or to be executed by the Entrustee shall be deemed as the act done, the decision made or the document executed by the Existing Shareholders, and shall have the same legal effect.

Article 4
(a) The Existing Shareholders hereby agree that if there is any increase in the shares held by the Existing Shareholders in the Company, whether by means of increased capital contribution or not, the increased shares held by any Existing Shareholders shall be subject to this Agreement, and the Entrustee shall have the right to exercise the Rights of Existing Shareholders specified in Article 1 of this Agreement on behalf of the Existing Shareholders in respect of any increased shares; similarly, if any person acquires the shares of the Company, whether through voluntary transfer, transfer according to law, compulsory auction or any other means, all the shares of the Company acquired by the transferee shall be subject to this Agreement, and the Entrustee shall have the right to exercise the Rights of Existing Shareholders specified in Article 1 of this Agreement in respect of such shares.

(b) For the avoidance of any doubt, if the Existing Shareholders need to transfer their shares to the Cayman Company or its affiliates in accordance with the Exclusive Equity Option Agreement and the Equity Pledge Agreement executed by them (including the future amendment thereof), the Entrustee shall have the right to execute the Share Transfer Agreement and other relevant agreements on behalf of the Existing Shareholders and perform all obligations of the Existing Shareholders under the Exclusive Equity Option Agreement and the Equity Pledge Agreement. At the request of the Cayman Company, the Existing Shareholders shall execute any document, affix with official seal and/or seal and take any other necessary contractual action to complete the above share transfer. The Existing Shareholders shall ensure the completion of such share transfer and cause any transferee to execute an agreement substantially the same as this Agreement with the Cayman Company.

Article 5
The Existing Shareholders further agree and undertake to the Cayman Company that if the Existing Shareholders receive any dividend, interest, any other form of capital distribution, residual assets after liquidation, or income or consideration arising from the share transfer as a result of their shares in the Company, the Existing Shareholders will, to the extent permitted by law, transfer all such dividend, interest, capital distribution, assets, income or consideration to the Cayman Company without compensation.
Article 6
The Existing Shareholders hereby authorize the Entrustee to exercise the Rights of Existing Shareholders in its sole discretion without any oral or written instruction from the Existing Shareholders. The Existing Shareholders undertake to approve and recognize any lawful act done by the Entrustee or any replacement or agent appointed by it under this Agreement or caused to be done by the Existing Shareholders.

Article 7
This Agreement shall be duly executed by the Parties, shall come into force as of the date indicated in this Agreement and shall remain in force during the existence of the Company. The Existing Shareholders shall have no right to make any amendment to this Agreement, terminate this Agreement or revoke the appointment of the Entrustee without the prior written consent of the Cayman Company. This Agreement shall be legally binding on the successors and assigns of the Parties.

Article 8
This Agreement shall constitute the entire agreement between the Parties with respect to the subject matter of this Agreement.

Article 9
This Agreement shall be governed by and construed in accordance with the laws of China.

Article 10
Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

Article 11
This Agreement shall be executed by the Parties in four originals, each Party shall hold one original, and all originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

Article 12
If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[followed by the signature pages]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Cheetah Mobile Inc.

By: /s/ Sheng Fu

Name: Sheng Fu
Title: Director

Beijing Conew Technology Development Co., Ltd.
(Seal)

/s/ Authorized Signatory

Signature Page of the Proxy Agreement and Power of Attorney
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Sheng Fu
By: /s/ Sheng Fu

Kun Wang
By: /s/ Kun Wang
Power of Attorney

I, Sheng Fu, a citizen of the People’s Republic of China (“China”), with the ID number of ***, am the holder of 62.73% (corresponding to the capital contribution of RMB 188,200) of the total registered capital of Beijing Conew Technology Development Co., Ltd. (the “Company”) (“My Shares”), and hereby irrevocably authorize Cheetah Mobile Inc. (the “Cayman Company”) on December 20, 2019 to exercise the following rights during the term of this Power of Attorney with respect to My Shares:

The Cayman Company is hereby authorized to act for me as my sole agent and proxy with respect to all matters related to My Shares, including but not limited to: 1) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders; 2) voting in person or by proxy on any matter discussed at the existing shareholders’ meeting (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company); 3) sale, transfer, pledge or disposal of any or all shares of the Company; 4) nomination, appointment or removal of the directors of the Company if necessary; 5) supervising the operation performance of the Company; 6) checking the financial information of the Company at any time; 7) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or its Existing Shareholders; 8) approval of the annual budget or declaration of dividends; and 9) any other rights granted to the Existing Shareholders by the articles of association of the Company or relevant laws and regulations.

Without limiting the generality of the powers granted under this Power of Attorney, the Cayman Company shall have the powers under this Power of Attorney and be authorized to execute on behalf of me the Transfer Contract (to which I am required to be a party) stipulated in the Exclusive Equity Option Agreement and to perform the terms of the Equity Pledge Agreement and the Exclusive Equity Option Agreement to which I am a party and executed on the same day as this Power of Attorney.

All actions of the Cayman Company in relation to My Shares shall be deemed to be my own actions and all documents executed thereby shall be deemed to be executed by me. The Cayman Company may act based on its own will without my prior consent when taking the above-mentioned actions, and I hereby acknowledge and approve such actions and/or documents of the Cayman Company.

The Cayman Company shall have the right, at its sole discretion, to delegate or transfer its rights related to the above matters to any other person or entity without a prior notice to me or without my prior consent.

This Power of Attorney shall be irrevocable and remain in force from the date of execution provided that I am a shareholder of the Company, unless otherwise instructed in writing by the Cayman Company. Once the Cayman Company informs me in writing to terminate this Power of Attorney in whole or in part, I will immediately withdraw the entrustment and authorization granted hereby to the Cayman Company, and immediately execute a power of attorney in the same format as this Power of Attorney to grant the authorization and entrustment the same as that of this Power of Attorney to any other person nominated by the Cayman Company.

During the term of this Power of Attorney, I hereby waive all rights related to My Shares that have been authorized to the Cayman Company in this Power of Attorney and shall not exercise such rights on my own.

[followed by the signature page]
IN WITNESS WHEREOF, I have executed this Power of Attorney on the date first written above.

Name: Sheng Fu

By: ______________________________
Power of Attorney

I, Kun Wang, a citizen of the People’s Republic of China ("China"), with the ID number of ***, am the holder of 37.27% (corresponding to the capital contribution of RMB 111,800) of the total registered capital of Beijing Conew Technology Development Co., Ltd. (the "Company") ("My Shares"), and hereby irrevocably authorize Cheetah Mobile Inc. (the “Cayman Company”) on December 20, 2019 to exercise the following rights during the term of this Power of Attorney with respect to My Shares:

The Cayman Company is hereby authorized to act for me as my sole agent and proxy with respect to all matters related to My Shares, including but not limited to: 1) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders; 2) voting in person or by proxy on any matter discussed at the existing shareholders’ meeting (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company); 3) sale, transfer, pledge or disposal of any or all shares of the Company; 4) nomination, appointment or removal of the directors of the Company if necessary; 5) supervising the operation performance of the Company; 6) checking the financial information of the Company at any time; 7) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or its Existing Shareholders; 8) approval of the annual budget or declaration of dividends; and 9) any other rights granted to the Existing Shareholders by the articles of association of the Company or relevant laws and regulations.

Without limiting the generality of the powers granted under this Power of Attorney, the Cayman Company shall have the powers under this Power of Attorney and be authorized to execute on behalf of me the Transfer Contract (to which I am required to be a party) stipulated in the Exclusive Equity Option Agreement and to perform the terms of the Equity Pledge Agreement and the Exclusive Equity Option Agreement to which I am a party and executed on the same day as this Power of Attorney.

All actions of the Cayman Company in relation to My Shares shall be deemed to be my own actions and all documents executed thereby shall be deemed to be executed by me. The Cayman Company may act based on its own will without my prior consent when taking the above-mentioned actions, and I hereby acknowledge and approve such actions and/or documents of the Cayman Company.

The Cayman Company shall have the right, at its sole discretion, to delegate or transfer its rights related to the above matters to any other person or entity without a prior notice to me or without my prior consent.

This Power of Attorney shall be irrevocable and remain in force from the date of execution provided that I am a shareholder of the Company, unless otherwise instructed in writing by the Cayman Company. Once the Cayman Company informs me in writing to terminate this Power of Attorney in whole or in part, I will immediately withdraw the entrustment and authorization granted hereby to the Cayman Company, and immediately execute a power of attorney in the same format as this Power of Attorney to grant the authorization and entrustment the same as that of this Power of Attorney to any other person nominated by the Cayman Company.

During the term of this Power of Attorney, I hereby waive all rights related to My Shares that have been authorized to the Cayman Company in this Power of Attorney and shall not exercise such rights on my own.

[followed by the signature page]
IN WITNESS WHEREOF, I have executed this Power of Attorney on the date first written above.

Name: Kun Wang

By: ________________________________
Spousal Consent

I, Kun Wang (with the ID number of ***, hereinafter referred to as the “Shareholder”), and my legal spouse, Jiayu Li (hereinafter referred to as the “Spouse”), hereby unconditionally and irrevocably acknowledge and agree as follows on December 20, 2019:

1. As of the date of this Written Consent, the Shareholder holds 37.27% of the shares of Beijing Conew Technology Development Co., Ltd. (the “Domestic Company”). The Shareholder enjoys the complete and final shareholder interests corresponding to the aforesaid shares.

2. The Spouse gets aware of and acknowledges the following documents executed by the Shareholder (hereinafter referred to as the “Control Documents”), and agrees to dispose of the shares of the Domestic Company held by the Shareholder and registered in the name of the Shareholder in accordance with the provisions of the following documents:

   (1) the Equity Pledge Agreement executed by the Shareholder, Conew Network Technology (Beijing) Co., Ltd. (the “WFOE”) and the Domestic Company on December 20, 2019;

   (2) the Exclusive Equity Option Agreement executed by the Shareholder, Cheetah Mobile Inc. (the “Cayman Company”) and the Domestic Company on December 20, 2019; and

   (3) the Proxy Agreement and Power of Attorney executed and issued by the Shareholder on December 20, 2019.

3. The Spouse further acknowledges that no authorization or consent of the Spouse is required for the performance of the Control Documents and further modification or termination of the Control Documents by the Shareholder.

4. The Spouse undertakes to execute all necessary documents and take all necessary actions to ensure the proper performance of the Control Documents.

5. During the marriage, the Spouse undertakes not to make any claim with respect to the shares of the Domestic Company held directly or indirectly by the Shareholder, the complete and final shareholder interests corresponding to such shares and any other interests (if any) of any member company enjoyed by the Shareholder at that time (the “Underlying Interests”); the Shareholder shall enjoy the exclusive and complete voting rights and disposal rights related to the Underlying Interests, and the Spouse shall not raise any objections to the exercise of such rights by the Shareholder.

6. If the Shareholder and the Spouse need to divide their community property due to divorce, the Shareholder and the Spouse shall use their best efforts to negotiate in good faith and properly handle the division of their community property without any adverse effect on the normal operation of any member company.

7. Upon the divorce and property division, if part of the Underlying Interests enjoyed by the Shareholder is divided and transferred to the Spouse, the Spouse hereby irrevocably agrees that the Shareholder then recorded in the register of shareholders and organizational documents of any member company and/or registered with the relevant government authority (if applicable) shall remain as the Shareholder, the Spouse shall irrevocably and fully entrust the Shareholder to exercise the voting rights related to such Underlying Interests, the shareholder shall exercise such voting rights in good faith, and other rights related to such Underlying Interests other than the foregoing shall vest in the Spouse.

   In addition, the Spouse agrees and undertakes that the Spouse shall be bound by the Control Documents (as amended from time to time) and the exclusive service agreement (hereinafter referred to as the “Exclusive Service Agreement”) executed by the WFOE and the Domestic Company on July 5, 2018, and shall
comply with the obligations of the shareholders of the Domestic Company under the Control Documents (as amended from time to time) and the Exclusive Service Agreement, and for this purpose, upon the request of the WFOE or the Cayman Company, the Spouse shall execute a series of written documents necessary for the full performance of the Control Documents (as amended from time to time) and the Exclusive Services Agreement.

[The remainder of this page is intentionally left blank.]
[Signature Page of the Spousal Consent]

/s/ Kun Wang
Kun Wang

/s/ Jiayu Li
Jiayu Li
Framework Agreement

This Framework Agreement (this “Agreement”) is made and entered into on December 20, 2019 in Beijing, the People’s Republic of China (“China”, for the purpose of this Agreement, excluding Hong Kong, Macao and Taiwan) by and among:

(1) Beijing Kingsoft Internet Security Software Co., Ltd., a wholly foreign-owned enterprise established and validly existing under the laws of China (the “WFOE”);

(2) Beijing Cheetah Mobile Technology Co., Ltd., a limited liability company established and validly existing under the laws of China (formerly known as “Beike Internet (Beijing) Security Technology Co., Ltd.”, the “Domestic Company”);

(3) Weiqin Qiu, a Chinese citizen, with ID number of ***; and
    Sheng Fu, a Chinese citizen, with the ID number of ***; (collectively referred to as the “Existing Shareholders”); and

(4) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”).

For the purpose of this Agreement, the WFOE, the Domestic Company, the Existing Shareholders and the Cayman Company shall be individually referred to as a “Party” or such “Party” and collectively as the “Parties”, and each other shall be referred to as the other “Parties”.

WHEREAS:

(1) Prior to the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders have respectively executed the documents listed in Annex I (for the purpose of this Agreement, the documents listed in Annex I are collectively referred to as the “Existing Control Documents”).

(2) The Parties agree to terminate the Existing Control Documents in accordance with the provisions of this Agreement, and it is intended that the Parties will execute new control documents as listed in Annex II.

NOW, THEREFORE, the Parties have reached the following agreement through consultation:

Article 1 Termination of Existing Control Documents

1.1 The WFOE, the Domestic Company and the Existing Shareholders hereby irrevocably agree and acknowledge that the Existing Control Documents listed in Annex I shall be terminated as of the date of this Agreement and shall no longer have any effect.

1.2 From the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders no longer enjoy their rights under the Existing Control Documents, nor do they need to perform their obligations under the Existing Control Documents, provided that the rights and obligations that have actually been exercised by the WFOE, the Domestic Company and the Existing Shareholders based on any Existing Control Documents shall be effective, the amount, income or other interests of any nature obtained or actually possessed by any Party based on the Existing Control Documents need not be returned to the counterparty, and the receivables and payables formed by the WFOE, the Domestic Company and the Existing Shareholders based on legal or business relationships other than the Existing Control Documents shall still be paid.

1.3 Except as otherwise agreed in Article 1.2 above, the WFOE, the Domestic Company and the Existing Shareholders hereby irrevocably and unconditionally waive any dispute, claim, demand, right, obligation,
liability, action, contract or cause of action of any kind or nature owned or likely to be owned by them against the other Parties hereof in the past, now or in the future directly or indirectly related to or arising from the Existing Control Documents.

1.4 Without prejudice to the generality of Article 1.2 and 1.3 above, from the date of this Agreement, the WFOE, the Domestic Company and the Existing Shareholders hereby waive any commitment, debt, claim, demand, obligation and liability of any kind or nature owned or likely to be owned by such Party or its successors, assigns, transferees or executors in the past, now or in the future against the other Parties or their current and past directors, officers, employees, legal advisers and agents, their affiliates and the successors and assigns thereof related to or arising from the Existing Control Documents, including claims and causes of action at law and on the basis of the principle of equality, whether such claims or demands have been filed or not, or whether such claims or demands are absolute or contingent, known or unknown.

Article 2 Re-execution of Control Documents

2.1 The Parties hereby agree and acknowledge that, on the basis of the realization of Article 1 of this Agreement, the Parties will re-execute the documents listed in Annex II (collectively referred to as the “New Control Documents”), and the Parties agree that they will exercise related rights and fulfill related undertakings, obligations and responsibilities in accordance with the provisions of the New Control Documents.

Article 3 Representations and Warranties

3.1 Representations and Warranties of the Parties. Each Party represents and warrants to the other Parties as follows:

(1) such Party has full legal right, power and authority to execute this Agreement and all contracts and documents mentioned in this Agreement to which it is a party, and the execution of this Agreement is the true intention of the Party;

(2) no execution and performance of this Agreement will constitute a breach by such Party of any constitutional document, executed agreement and license obtained by it to which it is a party or which is binding on it, nor will it result in a breach by such Party of or a need of such Party to obtain any judgment, ruling, order or consent issued by any court, government agency or regulatory authority; and

(3) such party has obtained all consents, approvals and authorizations necessary for the duly execution of this Agreement and all contracts and documents mentioned in this Agreement to which it is a party and for the observance and performance of its obligations under this Agreement and the other contracts and documents mentioned above.

Article 4 Undertakings

4.1 In order to successfully complete the termination of rights and obligations under the Existing Control Documents, the Parties shall execute all necessary or appropriate documents and take all necessary or appropriate actions to actively cooperate with the other Parties to obtain relevant government approval or/and registration documents and to handle relevant termination procedures.

Article 5 Rescission or Termination of the Agreement

5.1 In addition to the termination conditions expressly agreed in this Agreement, the Parties agree that this Agreement may be rescinded or terminated due to the following circumstances:

(1) this Agreement is terminated by consensus of the Parties, and all costs and losses resulting therefrom shall be borne by the Parties respectively; and
(2) the other Parties shall have the right to terminate this Agreement if the purpose of this Agreement is frustrated due to any violation by a Party of its obligations under this Agreement.

Article 6 Liability for Breach of Contract and Indemnification

6.1 It shall constitute a breach of contract if any Party violates or fails to perform any of its representations, warranties, undertakings, obligations or responsibilities under this Agreement.

6.2 Except as specifically agreed in this Agreement, if either Party violates this Agreement and causes the other Parties to bear any expenses, liabilities or suffer any losses, the Breaching Party shall indemnify the other Parties for any of the above losses (including but not limited to interest paid or lost due to the breach of contract and attorney’s fees). The total amount of indemnification paid by the Breaching Party to the other Parties shall be to the extent of the losses caused by such breach.

Article 7 Governing Law and Dispute Resolution

7.1 The execution, validity, interpretation, performance and dispute resolution of this Agreement shall be governed by and construed in accordance with the laws of China.

7.2 All disputes arising from or in connection with the implementation of this Agreement shall be resolved by the Parties through friendly consultation.

7.3 Either Party shall have the right to submit any dispute arising from this Agreement to China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with its arbitration procedures and rules then in effect. The arbitration tribunal shall be composed of three arbitrators appointed in accordance with the arbitration rules. Each of the applicant and the respondent shall appoint one arbitrator, and the third arbitrator shall be appointed by the first two arbitrators through consultation or by China International Economic and Trade Arbitration Commission. The arbitration shall be conducted in a confidential manner and the arbitration language shall be Chinese. The arbitration award is final and binding on the Parties.

7.4 During the arbitration, except for the part in dispute between the Parties and under the arbitration, the Parties shall continue to have their respective other rights under this Agreement and shall continue to perform their respective other obligations under this Agreement.

Article 8 Confidentiality

8.1 The Parties shall keep confidential this Agreement and the matters related to this Agreement. Without the written consent of the other Parties, no Party shall disclose any relevant matters of this Agreement to any third party other than a Party of this agreement, except that:

(1) it is disclosed to the auditors, lawyers and other staff entrusted in the normal business, provided that such persons shall keep confidential the information related to this Agreement learned by them during the aforementioned work; and

(2) such information and documents are available in public or such information is required to be disclosed by the laws and regulations or the express requirements of relevant securities regulatory authorities.

Article 9 Supplementary Provisions

9.1 This Agreement shall come into force upon the execution by the Parties.

9.2 This Agreement may be amended or modified by consensus of the Parties hereto. No amendment or modification shall be valid unless it is made in writing and signed by the Parties hereto.
9.3 If any provision of this Agreement is held invalid or unenforceable, it shall be deemed that such provision does not exist from the beginning without affecting the validity of other provisions of this Agreement, and the Parties hereto shall negotiate and determine a new provision to the extent permitted by law to ensure the maximum realization of the intention of the original provision.

9.4 Except as otherwise provided in this Agreement, no failure or delay of a Party to exercise its rights, powers or privileges under this Agreement shall constitute a waiver of such rights, powers and privileges, nor single or partial exercise of such rights, powers and privileges shall exclude the exercise of any other rights, powers and privileges.

9.5 This Agreement is made in five originals, each Party hereto holds one counterpart, and each counterpart shall have the same legal effect.

(The remainder of this page is intentionally left blank and followed by the signature pages.)
IN WITNESS WHEREOF, the Parties have executed or caused their authorized representatives to execute this Framework Agreement as of the date first above written.

Beijing Kingsoft Internet Security Software Co., Ltd.
(Seal)

/s/ Authorized Signatory

Beijing Cheetah Mobile Technology Co., Ltd.
(Seal)

/s/ Authorized Signatory

Cheetah Mobile Inc.

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Director

Signature Page of the Framework Agreement
IN WITNESS WHEREOF, the Parties have executed or caused their authorized representatives to execute this
Framework Agreement as of the date first above written.

Weiqin Qiu

By: /s/ Weiqin Qiu

Sheng Fu

By: /s/ Sheng Fu
## Annex I Existing Control Documents

<table>
<thead>
<tr>
<th>No.</th>
<th>Document Name</th>
<th>Parties</th>
<th>Execution Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exclusive Equity Option Agreement</td>
<td>WFOE, Domestic Company, Existing Shareholders</td>
<td>January 1, 2011</td>
</tr>
<tr>
<td>2</td>
<td>Equity Pledge Agreement</td>
<td>WFOE, Domestic Company, Existing Shareholders</td>
<td>January 1, 2011</td>
</tr>
<tr>
<td>3</td>
<td>Shareholder Voting Proxy Agreement</td>
<td>WFOE, Domestic Company, Existing Shareholders</td>
<td>January 1, 2011</td>
</tr>
<tr>
<td>4</td>
<td>Supplementary Agreement to Equity Pledge Agreement (Company Version)</td>
<td>WFOE, Domestic Company, Existing Shareholders</td>
<td>October 11, 2012</td>
</tr>
<tr>
<td>5</td>
<td>Clarification Letter</td>
<td>WFOE, Domestic Company, Existing Shareholders</td>
<td>October 11, 2012</td>
</tr>
</tbody>
</table>

Annex to the Framework Agreement
### Annex II New Control Documents to Be Executed

<table>
<thead>
<tr>
<th>No.</th>
<th>Document Name</th>
<th>Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Exclusive Equity Option Agreement</td>
<td>Cayman Company, Domestic Company, Existing Shareholders</td>
</tr>
<tr>
<td>2</td>
<td>Equity Pledge Agreement</td>
<td>WFOE, Domestic Company, Existing Shareholders</td>
</tr>
<tr>
<td>3</td>
<td>Proxy Agreement and Power of Attorney</td>
<td>Cayman Company, Domestic Company, Existing Shareholders</td>
</tr>
</tbody>
</table>

Annex to the Framework Agreement
Exhibit 4.64

Exclusive Equity Option Agreement

This Exclusive Equity Option Agreement (this “Agreement”) is entered into on December 20, 2019 by and among:

(1) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”);

(2) Weiqin Qiu, a Chinese citizen, with the ID number of ***; and
Sheng Fu, a Chinese citizen, with the ID number of ***, (collectively referred to as the “Existing Shareholders”);

(3) Beijing Cheetah Mobile Technology Co., Ltd., a limited liability company established under the laws of China (the “Company”).

(Each of the above is individually referred to as a “Party” and collectively as the “Parties”.)

Recitals

(A) Whereas, the Existing Shareholders collectively hold 100% of the shares of the Company.

(B) Whereas, Beijing Kingsoft Internet Security Software Co., Ltd. and the Existing Shareholders executed a Loan Agreement and a Loan Agreement II respectively on January 1, 2011 and September 2012 (collectively referred to as the “Loan Agreements of Existing Shareholders”).

(C) Whereas, Beijing Kingsoft Internet Security Software Co., Ltd., the Company and the Existing Shareholders executed an Equity Pledge Agreement on December 20, 2019 (the “Equity Pledge Agreement”).

NOW, THEREFORE, the Parties agree as follows:

Agreement

1. Underlying Shares

1.1 The Existing Shareholders agree to and hereby irrevocably and exclusively grant to the Cayman Company without any additional conditions an option to require the Existing Shareholders to transfer all or part of the shares held by the Existing Shareholders in the Company (the “Underlying Shares”) to the Cayman Company or its designated third party (the “Designated Party”) to the extent permitted by the laws of China under any circumstance deemed appropriate or necessary by the Cayman Company in its sole discretion (subject to the specific requirements of the Cayman Company) (the “Share Purchase Option”).

1.2 The Company hereby agrees that the Existing Shareholders grant the Share Purchase Option to the Cayman Company.

1.3 The Cayman Company shall have the right to exercise all or part of its Share Purchase Option at any time to acquire all or part of the Underlying Shares, and the number of times of exercise is unlimited.

1.4 The Cayman Company shall have the right to designate any third party to acquire all or part of the Underlying Shares, and the Existing Shareholders shall not refuse to do so and shall transfer all or part of the Underlying Shares to such Designated Party as required by the Cayman Company.

1.5 Prior to the transfer of the Underlying Shares to the Cayman Company or the Designated Party in accordance with this Agreement, the Existing Shareholders shall not transfer the Underlying Shares without the prior written consent of the Cayman Company.
2. Underlying Assets

2.1 The Company agrees to and hereby irrevocably and exclusively grants to the Cayman Company without any additional conditions an option to require the Company to transfer all or part of the assets held by the Company (the “Underlying Assets”) to the Cayman Company or its Designated Party to the extent permitted by the laws of China under any circumstance deemed appropriate or necessary by the Cayman Company in its sole discretion (subject to the specific requirements of the Cayman Company) (the “Asset Purchase Option”).

2.2 The Existing Shareholders hereby agree that the Company grants the Asset Purchase Option to the Cayman Company.

2.3 The Cayman Company shall have the right to exercise all or part of its Asset Purchase Option at any time to acquire all or part of the Underlying Assets, and the number of times of exercise is unlimited.

2.4 The Cayman Company shall have the right to designate any third party to acquire all or part of the Underlying Assets, and the Company and the Existing Shareholders shall not refuse to do so and shall transfer all or part of the Underlying Assets to such Designated Party as required by the Cayman Company.

2.5 Prior to the transfer of the Underlying Assets to the Cayman Company or the Designated Party in accordance with this Agreement, the Company and the Existing Shareholders shall not transfer or approve the transfer of the Underlying Shares without the prior written consent of the Cayman Company.

3. Procedures for the Exercise of Share Purchase Option

3.1 If the Cayman Company decides to exercise the Share Purchase Option in accordance with the provisions of Article 1.1 above, it shall give a written notice to the Company and the Existing Shareholders, stating the proportion of the Underlying Shares to be transferred and the identity of the transferee (the “Share Purchase Notice”).

3.2 Subject to the compliance with the laws of China, the Company and the Existing Shareholders shall, within thirty (30) days from the date of the Share Purchase Notice, provide all necessary materials and documents for the registration and transfer of the above-mentioned share transfer, and take all necessary actions and measures, including but not limited to holding a meeting of shareholders or directors to approve the share transfer and obtaining written documents from other shareholders agreeing to waive any right of first refusal related to the share transfer.

3.3 The Existing Shareholders shall execute a share transfer agreement with the Cayman Company and/or each Designated Party (as the case may be) in the form as shown in Annex I with respect to each transfer of the Underlying Shares to be made in accordance with this Agreement and the Share Purchase Notice. Provided that if the laws of China provide otherwise for the content and format of the Share Transfer Agreement, the provisions of the laws of China shall prevail.

3.4 If the Cayman Company decides to exercise the Share Purchase Option in accordance with the provisions of Article 1.1 above, the Parties concerned shall execute all necessary contracts, agreements or documents, obtain all necessary government licenses and approvals, and take all necessary actions to transfer the effective ownership of the Underlying Shares to the Cayman Company and/or the Designated Party without any restriction of security interests and cause the Cayman Company and/or the Designated Party to become the registered owner of the Underlying Shares. For the purposes of this Article and this Agreement, “security interests” shall include security, mortgage, third party rights or interests, stock options, purchase rights, preemptive rights, rights of set off, liens of ownership or other security arrangements, but shall not include any security interest created by this Agreement, the Equity Pledge Agreement and the Exclusive Service Agreement.
4. Procedures for the Exercise of Asset Purchase Option

4.1 If the Cayman Company decides to exercise the Asset Purchase Option in accordance with the provisions of Article 2.1 above, it shall give a written notice to the Company, stating the conditions of the Underlying Assets to be transferred and the identity of the transferee (the “Asset Purchase Notice”).

4.2 Subject to the compliance with the laws of China, the Company and the Existing Shareholders shall, within thirty (30) days from the date of the Asset Purchase Notice, provide all necessary materials and documents for the registration and transfer of the above-mentioned asset transfer (if applicable), and take all necessary actions and measures, including but not limited to holding a meeting of shareholders or directors to approve the asset transfer.

4.3 The Existing Shareholders shall cause the Company to execute an asset transfer agreement with the Cayman Company and/or each Designated Party (as the case may be) in the form as shown in Annex II with respect to each transfer of the Underlying Assets to be made in accordance with this Agreement and the Asset Purchase Notice. Provided that if the laws of China provide otherwise for the content and format of the Asset Transfer Agreement, the provisions of the laws of China shall prevail.

4.4 The Parties concerned shall execute all necessary contracts, agreements or documents, obtain all necessary government licenses and approvals, and take all necessary actions to transfer the effective ownership of the Underlying Assets to the Cayman Company and/or the Designated Party without any restriction of security interests and cause the Cayman Company and/or the Designated Party to become the registered owner of the Underlying Assets.

5. Financial Support

5.1 In order to ensure that the Company complies with the cash flow requirements in its daily operation and/or offsets any loss incurred in the course of its operation, whether or not the Company actually incurs any such operating losses, the Cayman Company may provide financial support to the Company (only to the extent permitted by the laws of China). The Cayman Company may provide financial support to the Company by means of bank entrusted loan or borrowing, and shall execute entrusted loan or borrowing contracts separately. The Cayman Company will not require the Company to pay its debts if the Company is unable to do so.

6. Transfer Price

6.1 The total transfer price of the Underlying Shares and/or the Underlying Assets equals to:

(1) all the principal and interest of the loans owed by the Existing Shareholders to Beijing Kingsoft Internet Security Software Co., Ltd. due to the performance of its obligations to make contributions to the registered capital of the Company (including all the principal and interest under the Loan Agreements of Existing Shareholders); and

(2) if there is any mandatory provision on the transfer price in the laws and administrative regulations of China when the above-mentioned Underlying Shares and/or the Underlying Assets are transferred, the transfer price shall be the lowest price permitted by the then effective laws and administrative regulations of China (the “Transfer Price”).

6.2 The Parties further agree that:

(1) if the Parties and Beijing Kingsoft Internet Security Software Co., Ltd. negotiate any disposal or offset plan in the future based on the performance arrangement with respect to the transfer of the Underlying Shares and/or the Underlying Assets, the Loan Agreements of Existing Shareholders and the Equity Pledge Agreement, it may implemented in accordance with such plan jointly approved by the Parties and Beijing Kingsoft Internet Security Software Co., Ltd.; and
(2) if the Underlying Shares and/or the Underlying Assets are transferred in several times, the amount of corresponding transfer price shall be determined according to the proportion of the Underlying Shares and/or the Underlying Assets to be transferred.

6.3 All taxes, fees and incidental expenses arising from the transfer of the Underlying Shares and/or the Underlying Assets shall be borne by the Cayman Company or the Company.

7. Undertakings

7.1 Undertakings of the Company and the Existing Shareholders

The Existing Shareholders and the Company hereby undertake that:

7.1.1 it will not supplement, change or modify the articles of association and internal rules of the Company in any form, increase or decrease the registered capital of the Company, or change the registered capital structure of the Company in any other ways without the prior written consent of the Cayman Company;

7.1.2 it shall operate the business of the Company and handle the affairs of the Company prudently and effectively, and maintain the existence of the Company in accordance with sound financial and commercial standards and practices;

7.1.3 it will not sell, transfer, mortgage, pledge or dispose of any assets of the Company (except for the disposal of assets generated in the ordinary course of business) or any legal or beneficial interest in the business or income of the Company in any way upon the execution of this Agreement without the prior written consent of the Cayman Company, nor will it allow the creation of any relevant security interest;

7.1.4 it will not incur, inherit, provide security for or suffer any debt without the prior written consent of the Cayman Company, except for the debts incurred in the ordinary course of business;

7.1.5 it shall maintain the asset value of the Company during the normal operation of the entire business of the Company, and shall not take any actions/omissions that may affect the business status and asset value of the Company;

7.1.6 it will not cause the Company to enter into any material contract without the prior written consent of the Cayman Company, except in the ordinary course of business;

7.1.7 it will not cause the Company to make any loan or credit available to any person or business without the prior written consent of the Cayman Company, except in the ordinary course of business;

7.1.8 it shall provide the information related to the business operation and financial status of the Company upon the request of the Cayman Company;

7.1.9 if required by the Cayman Company, it shall cause the Company to purchase and maintain insurance(s) for the Company’s assets and business from an insurance company that meets the requirements of the Cayman Company, and the amount and type of the insurance(s) shall be the same as that of the insurance(s) purchased by a similar company;

7.1.10 it will not cause or permit the Company to merge or integrate with or acquire or invest in any person or business without the prior written consent of the Cayman Company;

7.1.11 it shall immediately notify the Cayman Company if any litigation, arbitration or administrative proceedings related to the assets, business or income of the Company occurs or is likely to occur;

7.1.12 it shall execute all documents, take all actions, submit all complaints, or file all defenses against all claims necessary or appropriate for the maintenance of the ownership of the Company in all its assets;
7.1.13 it shall ensure that the Company will not distribute dividends, assets or any distributable interests to the Existing Shareholders in any way without the prior written consent of the Cayman Company, provided that upon the written request of the Cayman Company, the Company shall immediately distribute all or part of the distributable profits to the Existing Shareholders, and then the Existing Shareholders shall immediately and unconditionally pay or transfer the above distribution in a manner permitted by applicable laws to the Cayman Company;

7.1.14 if the total amount of the transfer price obtained by the Existing Shareholders for the shares held by them in the Company is higher than their capital contribution to the Company, or if they receive any form of profit distribution, dividend or distribution from the Company, the Existing Shareholders shall, without any violation of the laws of China, waive the premium portion of the proceeds and any profit distribution, dividend or distribution mentioned above, and the Cayman Company has the right to obtain such portion of the proceeds, otherwise the Existing Shareholders shall compensate the Cayman Company and/or any third party designated by it for the losses resulting therefrom; and

7.1.15 upon the request of the Cayman Company, it shall appoint any person designated by the Cayman Company to be a director and/or executive director of the Company.

7.2 Undertakings Related to Shares of the Company

The Existing Shareholders hereby undertake that:

7.2.1 the Existing Shareholders will not sell, transfer, pledge or dispose of any legal or beneficial interest in the Underlying Shares in any way without the prior written consent of the Cayman Company, nor will they allow the creation of any other security interest on the Underlying Shares, except for the pledge created on the Underlying Shares in accordance with the Equity Pledge Agreement;

7.2.2 the Existing Shareholders shall cause the existing shareholders’ meeting and/or the meeting of the board of directors (or the executive director(s)) of the Company to disapprove the sale, transfer, pledge or disposal of any legal or beneficial interest in the Underlying Shares in any way without the prior written consent of the Cayman Company, or not to allow the creation of any other security interest on the Underlying Shares, except for the pledge created on the Underlying Shares in accordance with the Equity Pledge Agreement;

7.2.3 the Existing Shareholders shall cause the existing shareholders’ meeting and/or the meeting of the board of directors (or the executive director(s)) of the Company to disapprove the merger or integration of the Company with any person, or the acquisition by the Company of or the investment by the Company in any person without the prior written consent of the Cayman Company;

7.2.4 the Existing Shareholders shall immediately notify the Cayman Company if any litigation, arbitration or administrative proceedings related to the Underlying Shares occurs or is likely to occur;

7.2.5 upon the request of the Cayman Company, the Existing Shareholders shall promptly and unconditionally cause the transfer of the Underlying Shares to be approved and completed in accordance with the provisions of this Agreement;

7.2.6 the Existing Shareholders shall execute all documents, take all actions, submit all complaints, or file all defenses against all claims necessary or appropriate for the maintenance of the ownership of the Existing Shareholders in the Company;

7.2.7 upon the request of the Cayman Company, the Existing Shareholders shall appoint any person designated by the Cayman Company to be a director and/or executive director of the Company; and

7.2.8 the Existing Shareholders shall strictly comply with the provisions of this Agreement and other contracts executed jointly or separately by the Existing Shareholders, the Cayman Company and
the Company and perform their obligations hereunder and thereunder, and shall not take any action/omission that may affect the validity and enforceability hereof and thereof. If the Existing Shareholder has any rights under this Agreement or the Equity Pledge Agreement or in the shares under the entrustment agreement and the power of attorney, the Existing Shareholders shall not exercise such rights unless they act in accordance with the written instructions of the Cayman Company.

8. **Representations and Warranties**

The Existing Shareholders and the Company hereby represent and warrant to the Cayman Company severally and not jointly that as of the date of this Agreement and the date of each transfer of the Underlying Shares/the Underlying Assets:

8.1 it has the right to enter into this Agreement and the transfer agreement related to the transfer of the Underlying Shares/the Underlying Assets, and has the ability to perform its obligations hereunder and thereunder;

8.2 the execution and delivery of this Agreement or any agreement related to the transfer of the Underlying Shares/the Underlying Assets and the performance of any of its obligations hereunder and thereunder will not: (i) result in a violation of any relevant laws of China; (ii) conflict with the articles of association, internal rules or other organizational documents of the Company; (iii) result in a violation of or constitute a default under any contract or document to which it is a party or by which it is bound; (iv) result in a violation of any conditions of issue and/or continued validity of any license or permit issued to it; and (v) cause any license or permit issued to it to be revoked, forfeited or subject to additional conditions;

8.3 the Existing Shareholders have valid and marketable title to the Underlying Shares. Except for the Equity Pledge Agreement, no Existing Shareholders have created any security interest on the Underlying Shares;

8.4 the Company has valid and marketable title to all of its assets and has no created any security interest on such assets, except for the security interest disclosed to and agreed in writing by the Cayman Company;

8.5 the Company has no outstanding debts, except for (i) the debts incurred in the ordinary course of business; and (ii) the debts disclosed to and agreed in writing by the Cayman Company; and

8.6 the Company has complied with all the laws and regulations of China on asset acquisition.

9. **Taxes and Fees**

During the drafting and execution of this Agreement and the Share Transfer Agreement, as well as the completion of the transactions contemplated by this Agreement and the Share Transfer Agreement, the Company or the Cayman Company shall pay all transfer and registration taxes, expenses and fees levied or incurred in accordance with the laws of China.

10. **Confidentiality**

The Parties acknowledge that any oral or written information exchanged by the Parties in connection with this Agreement shall be confidential. Each Party shall keep all the above-mentioned information confidential and shall not disclose any relevant information to any third party without the written consent of the other Parties, except for the information which (a) has been or will be known to the public (not due to the public disclosure made by the receiving party); (b) is disclosed in accordance with applicable laws, regulations or the requirements of the stock exchange; or (c) is required to be disclosed by either Party to its legal or financial advisers in connection with the transactions contemplated by this Agreement, for which such legal or financial advisers are subject to confidentiality obligations similar to those set forth in this Article. If any employee or agent employed by any Party discloses the confidential information, it shall
be deemed that such Party has disclosed the confidential information and shall be liable for breach of contract. The provisions of this Article shall survive the termination of this Agreement for any reason.

11. Assignment

11.1 The Company and the Existing Shareholders shall not assign any of their rights or obligations under this Agreement to any third party without the prior written consent of the Cayman Company.

11.2 The Company and the Existing Shareholders hereby agree that the Cayman Company may, in its sole discretion, assign its rights and obligations under this Agreement by giving a prior written notice of the assignment to the Company and the Existing Shareholders.

12. Entire Agreement and Amendment

12.1 This Agreement and all agreements and/or documents expressly mentioned or included in this Agreement shall constitute the entire agreement with respect to the subject matter of this Agreement, and shall supersede all oral agreements, contracts, understandings and communications reached by the Parties with respect to the subject matter of this Agreement.

12.2 Neither the Company nor the Existing Shareholders shall have any right to modify, supplement or revoke this Agreement without the prior written consent of the Cayman Company.

12.3 The Annexes are an integral part of this Agreement and have the same legal effect as other parts of this Agreement.

13. Governing Law and Dispute Resolution

13.1 This Agreement shall be governed by and construed in accordance with the laws of China.

13.2 Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

14. Effective Date and Term

14.1 This Agreement shall be entered into and come into force on the date first written above.

14.2 Unless terminated in accordance with the provisions of this Agreement, the term of this Agreement shall be ten (10) years, and shall be automatically extended for a period of ten (10) years after the expiration thereof, without limit to the number of extensions.

15. Termination

Neither the Company nor the Existing Shareholders have the right to terminate this Agreement. Notwithstanding the foregoing, the Cayman Company shall have the right, in its sole discretion, to terminate this Agreement at any time upon ten (10) days’ prior written notice to the Company and the Existing Shareholders.

16. Notice

Any notice or other communication given by either Party under this Agreement shall be written in English or Chinese and may be delivered by hand, registered mail, postage prepaid mail, or recognized courier service or sent by fax to the address designated by the Parties concerned from time to time. A notice shall
be deemed to be duly served (a) on the date when it is delivered if the notice is delivered by hand; (b) on
the 10th day after the date of mailing by registered airmail with postage paid (subject to postmark) if the
notice is sent by mail, or on the 4th day after it is delivered to the courier service if the notice is sent by the
courier service; or (c) on the receipt time indicated on the transmission confirmation of relevant documents
if the notice is sent by fax.

17. **Severability**

If any provision of this Agreement is deemed invalid or unenforceable due to inconsistency with relevant
laws, such provision shall be deemed invalid or unenforceable to the extent of the jurisdiction of relevant
laws, and no validity, legality and enforceability of other provisions of this Agreement shall be affected.

18. **Counterparts**

This Agreement shall be executed by the Parties in four originals, each Party shall hold one original, and
all originals shall have the same legal effect. This Agreement may be executed in one or more
counterparts.

19. **Miscellaneous**

If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any
amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the
U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this
Agreement accordingly.

[followed by the signature pages]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Cheetah Mobile Inc.

By: /s/ Sheng Fu ______________________________
Name: Sheng Fu
Title: Director

Beijing Cheetah Mobile Technology Co., Ltd.
(Seal)

/s/ Authorized Signatory ______________________________

Signature Page of the Exclusive Equity Option Agreement
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Weiqin Qiu
By: /s/ Weiqin Qiu

Sheng Fu
By: /s/ Sheng Fu
Annex I

Share Transfer Agreement

This Share Transfer Agreement (this “Agreement”) is entered into by and between the following Parties in Beijing, China:

Transferor:

Transferee:

The Parties hereby agree on the share transfer as follows:

1. The Transferor agrees to transfer to the Transferee, and the Transferee agrees to accept the transfer of, % of the shares held by the Transferor in Beijing Cheetah Mobile Technology Co., Ltd.

2. Upon the completion of the share transfer, the Transferor shall no longer enjoy or undertake the corresponding rights or obligations of the existing shareholders in respect of the transferred shares. The Transferee shall enjoy and undertake the rights and obligations of the existing shareholders of Beijing Cheetah Mobile Technology Co., Ltd.

3. A supplementary agreement may be executed by the Parties with respect to any matter unmentioned in this Agreement.

4. This Agreement shall come into force as of the date when it is executed by the Parties.

5. This Agreement is made in four originals, each Party holds one counterpart, and the remaining shall be used for handling the formalities of industrial and commercial registration change.
Asset Transfer Agreement

This Asset Transfer Agreement (this “Agreement”) is entered into by and between the following Parties in Beijing, China:

Transferor: Beijing Cheetah Mobile Technology Co., Ltd.

Transferee:

The Parties hereby agree on the asset transfer as follows:

1. The Transferor agrees to transfer to the Transferee, and the Transferee agrees to accept the transfer of, the assets listed in the List of Assets attached hereto.

2. Upon the completion of the asset transfer, the Transferor shall no longer enjoy or undertake the corresponding rights or obligations in respect of the transferred assets. The Transferee shall enjoy and undertake the rights and obligations of such assets.

3. A supplementary agreement may be executed by the Parties with respect to any matter unmentioned in this Agreement.

4. This Agreement shall come into force as of the date when it is executed by the Parties.

5. This Agreement is made in four originals, each Party holds one counterpart, and the remaining shall be used for handling the formalities of industrial and commercial registration change (if any).
**Transferor:**

Beijing Cheetah Mobile Technology Co., Ltd.
(Seal)

________________________________________
Date:

**Transferee:**

By: ________________________________

Date:
Annex: List of Assets
Exhibit 4.65

Equity Pledge Agreement

This Equity Pledge Agreement (this “Agreement”) is made and entered into on December 20, 2019 by and among:

(1) Beijing Kingsoft Internet Security Software Co., Ltd., a wholly foreign-owned enterprise established under the laws of the People’s Republic of China (“China”) (the “Pledgee”);

(2) Beijing Cheetah Mobile Technology Co., Ltd., a limited liability company established under the laws of China (the “Company”);

(3) Weiqin Qiu, a Chinese citizen, with the ID number of ***; and

Sheng Fu, a Chinese citizen, with the ID number of *** (collectively referred to as the “Pledgors”).

(The Pledgee, the Company and the Pledgors shall be individually referred to as a “Party” and collectively as the “Parties”.

Recitals

(A) Whereas, on the date of this Agreement, the Pledgors hold 100% of the shares of the Company, with a total amount of capital contribution of RMB 10 million.

(B) Whereas, the Pledgee and the Company executed an Exclusive Technology Development, Support and Consultancy Agreement (the “Exclusive Service Agreement”) on January 1, 2011, under which the Company shall pay the service fees to the Pledgee for the services provided by the Pledgee.

(C) Whereas, Cheetah Mobile Inc. (the “Cayman Company”), the Pledgors and the Company executed an Exclusive Equity Option Agreement (the “Exclusive Equity Option Agreement”) on December 20, 2019, under which the Pledgors granted to the Cayman Company an exclusive equity option to purchase the shares of the Company held by it in accordance with the terms thereof, and the Company granted to the Cayman Company an exclusive equity option to purchase the assets of the Company in accordance with the terms thereof.

NOW, THEREFORE, the Parties agree as follows:

Agreement

1. Major Agreements

The Parties to this Agreement recognize and acknowledge that the major agreements for the pledge under this Agreement shall include the Exclusive Service Agreement, the Exclusive Equity Option Agreement and all agreements executed by the Pledgors, the Cayman Company, the Company and the Pledgee from time to time.

2. Pledge

2.1 The Pledgors agree to unconditionally and irrevocably pledge to the Pledgee all of their shares in the Company (including any interest or dividend paid for such shares) (the “Pledged Shares”) as security for the performance by the Pledgors and the Company of their obligations under the major agreements (the “Pledge”).

3. Scope of the Pledge

3.1 The scope of the Pledge under this Agreement shall include all the obligations of the Pledgors and the Company under the major agreements, including but not limited to loans and interest thereof under the
major agreements (if applicable), all the service fees payable, all the debts owed, all the obligations and
liabilities to be performed (including but not limited to any payment to the Relevant Personnel), liquidated
damages (if any), indemnities, expenses incurred for exercising creditor’s rights and pledge rights
(including but not limited to attorney fees, arbitration fees, and expenses related to the assessment and
auction of the Pledged Shares) and any other related expenses. For the avoidance of doubt, the scope of the
Pledge shall not be limited by the amount of capital contribution of shareholders.

4. Term of the Pledge

4.1 The Pledge shall remain in force, and the term of the Pledge shall terminate on the earlier of (1) the date
when all outstanding secured debts have been paid off or repaid in other applicable ways; (2) the date when
the Pledgee exercises its pledge rights in accordance with the terms and conditions of this Agreement for
the full realization of its rights over the secured debts and the Pledged Shares; or (3) the date when the
Pledgors transfer all their shares to the Cayman Company or a third party designated by the Cayman
Company (a natural or legal person) in accordance with the Exclusive Equity Option Agreement and no
longer hold the shares of the Company.

4.2 During the term of the Pledge, if the Pledgors or the Company or their subsidiaries fail to perform their
respective obligations under the major agreements, the Pledgee shall have the right to dispose of the
Pledged Shares in accordance with the provisions of this Agreement.

4.3 The Pledgee shall have the right to receive any or all dividends or other distributable interests arising from
the Pledged Shares and to determine the distribution or disposal of such dividends or interests at its own
discretion.

5. Registration

5.1 The Company shall (1) register the Pledge in the register of shareholders of the Company on the date of
this Agreement, and provide the register of shareholders to the Pledgee, and (2) submit an application for
pledge registration to the market supervision and administration authority (the “Administration for
Industry and Commerce”) as soon as possible upon the execution of this Agreement, and obtain relevant
supporting documents. The Pledgors and the Company shall submit all documents and complete all
procedures required by the laws and regulations of China and the competent Administration for Industry
and Commerce to ensure that relevant registration procedures are completed as soon as possible after the
Pledge is submitted to the Administration for Industry and Commerce.

5.2 Notwithstanding any provision of this Agreement, during the term of the Pledge, the original register of
shareholders of the Company shall be kept by the Pledgee or its designee.

5.3 The Pledgors may increase their contributions to the Company with the prior consent of the Pledgee,
provided that any contribution of the Pledgors to the Company shall be subject to the provisions of this
Agreement, and the additional contribution shall be a part of the Pledged Shares. The Company shall
immediately change its register of shareholders in accordance with the provisions of this Article 5 and
handle the change registration of the Pledge with the Administration for Industry and Commerce within
five (5) business days.

6. Representations and Warranties of the Pledgors

6.1 The Pledgors are the sole legal owners of the pledged shares.

6.2 The Pledgors have not created any security interest or other encumbrances on the Pledged Shares.

6.3 The Company is a limited liability company duly established and validly existing under the laws of China
and duly registered with the competent Administration for Industry and Commerce. The registered capital
of the Company is RMB 10 million; the Pledgors will make their contributions to the registered capital of
the Company in accordance with the articles of association of the Company.
7. Undertakings and Further Warranties of the Pledgors

7.1 The Pledgors hereby undertake to the Pledgee that during the term of this Agreement, the Pledgors:

7.1.1 shall not transfer the Pledged Shares, or create or allow the creation of any security interest or other encumbrances on the Pledged Shares, or otherwise dispose of the Pledged Shares without the prior written consent of the Pledgee, except for the purpose of performing the Exclusive Equity Option Agreement;

7.1.2 shall comply with all the relevant laws and regulations applicable to the Pledge, submit any notice, order or proposal issued or drafted by the relevant regulatory authority to the Pledgee within five (5) business days upon the receipt thereof, and comply with the aforesaid notice, order or proposal, or make a claim or complaint with respect to the above matters at the reasonable request of the Pledgee or with the consent of the Pledgee; and

7.1.3 shall inform the Pledgee immediately if they get aware of or receive an event or notice which may affect the rights of the Pledgee in respect of the Pledged Shares or other obligations of the Pledgors under this Agreement.

7.2 The Pledgors agree that no rights related to the Pledge obtained by the Pledgee in accordance with this Agreement shall be interrupted or hindered by the Company, the Pledgors, the Pledgors’ successors or representatives, or any other person (collectively referred to as the “Relevant Personnel”) through any legal process. The Pledgors warrant to the Pledgee that they have made all appropriate arrangements and executed all necessary documents to ensure that in the event of their deaths, incapacities, bankruptcies, divorces or other circumstances that may affect the exercise of their shares, their heirs, guardians, creditors, spouses and other persons who may acquire the shares or related rights as a result thereof shall not affect or hinder the performance of this Agreement.

7.2.1 The Relevant Personnel will not supplement, change or modify the articles of association and internal rules of the Company in any form, increase or decrease the registered capital of the Company, or change the registered capital structure of the Company in other ways without the prior written consent of the Pledgee;

7.2.2 The Relevant Personnel will not sell, transfer, mortgage or dispose of any assets of the Company or any subsidiary of the Company or any legal or beneficial interest in the business or income of the Company in any way upon the execution of this Agreement without the prior written consent of the Pledgee, nor will they allow the creation of any security interest thereon;

7.2.3 The Relevant Personnel shall ensure that the Company will not distribute dividends to, make property distribution to, reduce capital for, initiate liquidation procedures for or make any other distribution to the shareholders in any way without the prior written consent of the Pledgee. Any distribution (including but not limited to distributed assets or residual property in liquidation) shall be considered as a part of the Pledge; or

7.2.4 The Relevant Personnel shall not do any act that causes or may cause the value of the Pledged Shares to decrease or jeopardizes or may jeopardize the validity of the Pledge under this Agreement without the prior written consent of the Pledgee. If there is any obvious decrease in the value of the Pledged Shares, which is enough to jeopardize the rights of the Pledgee, the Relevant Personnel shall immediately notify the Pledgee, provide other property satisfactory to the Pledgee as security according to the reasonable requirements of the Pledgee, and take necessary actions to solve the above event or reduce its adverse effects.

7.3 In order to protect or perfect the security interest created by this Agreement for the payment under the major agreements, the Pledgors hereby undertake to execute in good faith and cause other parties related to the Pledge to execute all certificates, agreements, contracts and/or undertakings required by the Pledgee. The Pledgors also undertake to take and cause other parties related to the Pledge to take the actions required by the Pledgee for the exercise of its rights and powers granted by this Agreement, and to execute
all documents related to the ownership of the Pledged Shares with the Pledgee or its designee. The Pledgors undertake to provide the Pledgee with all notices, orders and decisions related to the Pledge required by the Pledgee within a reasonable time.

7.4 The Pledgors hereby undertake to comply with and perform all warranties, undertakings, covenants, representations and conditions under this Agreement. If the above warranties, undertakings, covenants, representations and conditions are not performed or only partially performed, the Pledgors shall indemnify the Pledgee for all losses caused thereby.

8. Exercise of Pledge Rights

8.1 It shall constitute an event of default under this Agreement (the “Event of Default”) (the Event of Default shall be deemed to be “continuing” unless remedied or waived) if:

8.1.1 any representation, warranty or statement made by the Pledgors or the Company under this Agreement or any major agreements is untrue, incomplete or inaccurate in any respect; or the Pledgors or the Company violates or fails to perform any obligation under this Agreement or any major agreements, or fails to comply with any undertaking under this Agreement or any major agreements; or

8.1.2 one or more obligations of the Pledgors or the Company under this Agreement or any major agreements shall be deemed illegal or invalid.

8.2 In the event of an Event of Default and when the Event of Default is continuing, the Pledgee shall have the right to exercise all the rights of the secured party in accordance with the relevant applicable laws of China (including the provisions of the Security Law of the People’s Republic of China and the Property Law of the People’s Republic of China), including but not limited to the rights to:

8.2.1 sell part or all of the Pledged Shares in one or more public or private trading markets by giving three (3) days’ prior written notice to the Pledgors, and such sale may be in the form of cash, credit transaction or future delivery; and

8.2.2 execute an agreement with the Pledgors to purchase the Pledged Shares with a monetary value determined by referring to the market price of the Pledged Shares. The Pledgee shall have the right to be first paid the expenses listed in Article 3 of this Agreement out of the proceeds received from the disposal of the Pledged Shares in the above manner.

8.3 At the request of the Pledgee, the Pledgors and the Company shall take all legal and appropriate actions to ensure the exercise by the Pledgee of its pledge rights. For the purpose of the foregoing, the Pledgors and the Company shall execute all documents and materials and take all measures and actions as reasonably required by the Pledgee.

9. Assignment

9.1 The Company and the Pledgors shall not assign any of their rights and obligations under this Agreement to any third party without the prior written consent of the Pledgee.

9.2 The Company and the Pledgors hereby agree that the Pledgee may, in its sole discretion, assign its rights and obligations under this Agreement by giving a prior written notice to the Company and the Pledgors.

10. Termination

This Agreement shall terminate after the term of the Pledge is expired in accordance with Article 4 hereof.

11. Entire Agreement and Amendment

11.1 This Agreement and all agreements and/or documents expressly mentioned or included in this Agreement shall constitute the entire agreement with respect to the subject matter of this Agreement, and shall
supersede all oral agreements, contracts, understandings and communications reached by the Parties with respect to the subject matter of this Agreement.

11.2 Any amendment to this Agreement shall be made in writing and shall come into force only upon the execution by the Parties hereto. Any amendment agreement or supplementary agreement duly executed by the Parties shall constitute an integral part of this Agreement and have the same legal effect as this Agreement.

12. **Governing Law and Dispute Resolution**

12.1 This Agreement shall be governed by and construed in accordance with the laws of China.

12.2 Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

13. **Effective Date and Term**

13.1 This Agreement shall be entered into and come into force on the date first written above.

13.2 This Agreement shall remain in force during the term of the Pledge.

14. **Notice**

Any notice or other communication given by either Party under this Agreement shall be written in English or Chinese and may be delivered by hand, registered mail, postage prepaid mail, or recognized courier service or sent by fax to the address designated by the Parties concerned from time to time. A notice shall be deemed to be duly served (a) on the date when it is delivered if the notice is delivered by hand; (b) on the 10th day after the date of mailing by registered airmail with postage paid (subject to postmark) if the notice is sent by mail, or on the 4th day after it is delivered to the courier service if the notice is sent by the courier service; or (c) on the receipt time indicated on the transmission confirmation of relevant documents if the notice is sent by fax.

15. **Severability**

If any provision of this Agreement is deemed invalid or unenforceable due to inconsistency with relevant laws, such provision shall be deemed invalid or unenforceable to the extent of the jurisdiction of relevant laws, and no validity, legality and enforceability of other provisions of this Agreement shall be affected.

16. **Counterparts**

This Agreement shall be executed by the Parties in five originals, each Party shall hold one original, the remaining shall be used for handling the formalities of industrial and commercial registration, and all originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

17. **Miscellaneous**

If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[followed by the signature pages]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Beijing Kingsoft Internet Security Software Co., Ltd.
(Seal)

/s/ Authorized Signatory

Beijing Cheetah Mobile Technology Co., Ltd.
(Seal)

/s/ Authorized Signatory
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Weiqin Qiu

By: /s/ Weiqin Qiu

Sheng Fu

By: /s/ Sheng Fu
Register of Shareholders of Beijing Cheetah Mobile Technology Co., Ltd.

(prepared on December 20, 2019, with the registered capital of the Company of RMB 10 million and the paid-in capital of RMB 10 million)

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Shareholder</th>
<th>ID No./ Registration No./Unified Social Credit Code</th>
<th>Subscribed Capital Contribution (Shareholding Ratio)</th>
<th>Contribution Mode</th>
<th>Conditions of the Pledge Pledgee</th>
</tr>
</thead>
<tbody>
<tr>
<td>001</td>
<td>Weiqin Qiu</td>
<td>***</td>
<td>RMB 6.5 million (65%)</td>
<td>in cash</td>
<td>the contribution of RMB 6.5 million has been pledged to Beijing Kingsoft Internet Security Software Co., Ltd.</td>
</tr>
<tr>
<td>002</td>
<td>Sheng Fu</td>
<td>***</td>
<td>RMB 3.5 million (35%)</td>
<td>in cash</td>
<td>the contribution of RMB 3.5 million has been pledged to Beijing Kingsoft Internet Security Software Co., Ltd.</td>
</tr>
</tbody>
</table>
Proxy Agreement and Power of Attorney

This Proxy Agreement and Power of Attorney (this “Agreement”) is made and entered into on December 20, 2019 by and among:

(1) Cheetah Mobile Inc., a company established and validly existing under the laws of the Cayman Islands (the “Cayman Company”);
(2) Beijing Cheetah Mobile Technology Co., Ltd., a limited liability company established under the laws of China (the “Company”);
(3) Weiqin Qiu, a Chinese citizen, with the ID number of ***; and
    Sheng Fu, a Chinese citizen, with the ID number of *** (collectively referred to as the “Existing Shareholders”).

The above is individually referred to as a “Party” and collectively as the “Parties”.

Recitals

(A) Whereas, the Existing Shareholders hold 100% of the shares of the Company.

(B) Whereas, the Cayman Company, the Company and the Existing Shareholders executed an Exclusive Equity Option Agreement (the “Exclusive Equity Option Agreement”) on December 20, 2019.

(C) Whereas, Beijing Kingsoft Internet Security Software Co., Ltd., the Company and the Existing Shareholders executed a Equity Pledge Agreement (the “Equity Pledge Agreement”) on December 20, 2019.

NOW, THEREFORE, the Parties agree as follows:

Agreement

Article 1

The Existing Shareholders hereby irrevocably entrust the Cayman Company (the “Entrustee”, including any entrustee replaced in accordance with this Agreement) to exercise on behalf of the Existing Shareholders any and all rights in respect of the shares of the Company held by the Existing Shareholders as stipulated in relevant laws and regulations and the articles of association, including but not limited to the rights listed below (collectively referred to as the “Rights of Existing Shareholders”):

(a) convening and attending the shareholders’ meeting of the Company;
(b) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders;
(c) voting in person or by proxy on any matter discussed at the shareholders’ meeting of the Company (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company);
(d) sale, transfer, pledge or disposal of any or all shares of the Company;
(e) nomination, appointment or removal of the directors of the Company if necessary;
(f) supervising the operation performance of the Company;
(g) checking the financial information of the Company at any time;

1
(h) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or the Existing Shareholders;

(i) approval of the annual budget or declaration of dividends; and

(j) any other rights granted to the Existing Shareholders by the articles of association or relevant laws and regulations.

The Existing Shareholders further agree and undertake that they shall not exercise any Right of Existing Shareholders without the prior written consent of the Cayman Company.

Article 2

The Cayman Company agrees to accept the entrustment to act as the Entrustee, the Cayman Company has the right to appoint one or more replacements at its sole discretion to exercise any or all of the rights of the Entrustee under this Agreement, and the Cayman Company also has the right to revoke the appointment of such replacements at its sole discretion. No prior notice is required to be sent to the Company or the Existing Shareholders and no consent or direction of the Company or the Existing Shareholders is required for the above appointment or revocation made by the Cayman Company.

Article 3

The Company acknowledges, recognizes and agrees that the Entrustee shall exercise any and all of the Rights of Existing Shareholders on behalf of the Existing Shareholders. The Company further acknowledges and recognizes that any act done or to be done, any decision made or to be made, any instrument or other document executed or to be executed by the Entrustee shall be deemed as the act done, the decision made or the document executed by the Existing Shareholders, and shall have the same legal effect.

Article 4

(a) The Existing Shareholders hereby agree that if there is any increase in the shares held by the Existing Shareholders in the Company, whether by means of increased capital contribution or not, the increased shares held by any Existing Shareholders shall be subject to this Agreement, and the Entrustee shall have the right to exercise the Rights of Existing Shareholders specified in Article 1 of this Agreement on behalf of the Existing Shareholders in respect of any increased shares; similarly, if any person acquires the shares of the Company, whether through voluntary transfer, transfer according to law, compulsory auction or any other means, all the shares of the Company acquired by the transferee shall be subject to this Agreement, and the Entrustee shall have the right to exercise the Rights of Existing Shareholders specified in Article 1 of this Agreement in respect of such shares.

(b) For the avoidance of any doubt, if the Existing Shareholders need to transfer their shares to the Cayman Company or its affiliates in accordance with the Exclusive Equity Option Agreement and the Equity Pledge Agreement executed by them (including the future amendment thereof), the Entrustee shall have the right to execute the Share Transfer Agreement and other relevant agreements on behalf of the Existing Shareholders and perform all obligations of the Existing Shareholders under the Exclusive Equity Option Agreement and the Equity Pledge Agreement. At the request of the Cayman Company, the Existing Shareholders shall execute any document, affix with official seal and/or seal and take any other necessary contractual action to complete the above share transfer. The Existing Shareholders shall ensure the completion of such share transfer and cause any transferee to execute an agreement substantially the same as this Agreement with the Cayman Company.

Article 5

The Existing Shareholders further agree and undertake to the Cayman Company that if the Existing Shareholders receive any dividend, interest, any other form of capital distribution, residual assets after liquidation, or income...
or consideration arising from the share transfer as a result of their shares in the Company, the Existing Shareholders will, to the extent permitted by law, transfer all such dividend, interest, capital distribution, assets, income or consideration to the Cayman Company without compensation.

Article 6
The Existing Shareholders hereby authorize the Entrustee to exercise the Rights of Existing Shareholders in its sole discretion without any oral or written instruction from the Existing Shareholders. The Existing Shareholders undertake to approve and recognize any lawful act done by the Entrustee or any replacement or agent appointed by it under this Agreement or caused to be done by the Existing Shareholders.

Article 7
This Agreement shall be duly executed by the Parties, shall come into force as of the date indicated in this Agreement and shall remain in force during the existence of the Company. The Existing Shareholders shall have no right to make any amendment to this Agreement, terminate this Agreement or revoke the appointment of the Entrustee without the prior written consent of the Cayman Company. This Agreement shall be legally binding on the successors and assigns of the Parties.

Article 8
This Agreement shall constitute the entire agreement between the Parties with respect to the subject matter of this Agreement.

Article 9
This Agreement shall be governed by and construed in accordance with the laws of China.

Article 10
Any dispute arising from or in connection with this Agreement shall be submitted to China International Economic and Trade Arbitration Commission for arbitration in accordance with the arbitration rules of the Commission in force at the time of applying for arbitration. The arbitration award is final and binding on the Parties. The place of arbitration shall be Beijing.

Article 11
This Agreement shall be executed by the Parties in four originals, each Party shall hold one original, and all originals shall have the same legal effect. This Agreement may be executed in one or more counterparts.

Article 12
If the U.S. Securities and Exchange Commission or any other regulatory authority proposes any amendment to this Agreement, or any change occurs to the listing rules or relevant requirements of the U.S. Securities and Exchange Commission in connection with this Agreement, the Parties shall amend this Agreement accordingly.

[followed by the signature pages]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Cheetah Mobile Inc.

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Director

Beijing Cheetah Mobile Technology Co., Ltd.
(Seal)

/s/ Authorized Signatory
IN WITNESS WHEREOF, the Parties have duly executed this Agreement as of the date first above written.

Wei Qin Qiu
By: /s/ Wei Qin Qiu________________________

Sheng Fu
By: /s/ Sheng Fu________________________
Power of Attorney

I, Weiqin Qiu, a citizen of the People’s Republic of China ("China"), with the ID number of ***, am the holder of 65% (corresponding to the capital contribution of RMB 6.5 million) of the total registered capital of Beijing Cheetah Mobile Technology Co., Ltd. (the “Company”) ("My Shares"), and hereby irrevocably authorize Cheetah Mobile Inc. (the “Cayman Company”) on December 20, 2019 to exercise the following rights during the term of this Power of Attorney with respect to My Shares:

The Cayman Company is hereby authorized to act for me as my sole agent and proxy with respect to all matters related to My Shares, including but not limited to: 1) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders; 2) voting in person or by proxy on any matter discussed at the existing shareholders’ meeting (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company); 3) sale, transfer, pledge or disposal of any or all shares of the Company; 4) nomination, appointment or removal of the directors of the Company if necessary; 5) supervising the operation performance of the Company; 6) checking the financial information of the Company at any time; 7) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or its Existing Shareholders; 8) approval of the annual budget or declaration of dividends; and 9) any other rights granted to the Existing Shareholders by the articles of association of the Company or relevant laws and regulations.

Without limiting the generality of the powers granted under this Power of Attorney, the Cayman Company shall have the powers under this Power of Attorney and be authorized to execute on behalf of me the Transfer Contract (to which I am required to be a party) stipulated in the Exclusive Equity Option Agreement and to perform the terms of the Equity Pledge Agreement and the Exclusive Equity Option Agreement to which I am a party and executed on the same day as this Power of Attorney.

All actions of the Cayman Company in relation to My Shares shall be deemed to be my own actions and all documents executed thereby shall be deemed to be executed by me. The Cayman Company may act based on its own will without my prior consent when taking the above-mentioned actions, and I hereby acknowledge and approve such actions and/or documents of the Cayman Company.

The Cayman Company shall have the right, at its sole discretion, to delegate or transfer its rights related to the above matters to any other person or entity without a prior notice to me or without my prior consent.

This Power of Attorney shall be irrevocable and remain in force from the date of execution provided that I am a shareholder of the Company, unless otherwise instructed in writing by the Cayman Company. Once the Cayman Company informs me in writing to terminate this Power of Attorney in whole or in part, I will immediately withdraw the entrustment and authorization granted hereby to the Cayman Company, and immediately execute a power of attorney in the same format as this Power of Attorney to grant the authorization and entrustment the same as that of this Power of Attorney to any other person nominated by the Cayman Company.

During the term of this Power of Attorney, I hereby waive all rights related to My Shares that have been authorized to the Cayman Company in this Power of Attorney and shall not exercise such rights on my own.

[followed by the signature page]
IN WITNESS WHEREOF, I have executed this Power of Attorney on the date first written above.

Name: WeiQin Qiu

By: /[s/] WeiQin Qiu
Power of Attorney

I, Sheng Fu, a citizen of the People’s Republic of China (“China”), with the ID number of ***, am the holder of 35% (corresponding to the capital contribution of RMB 3.5 million) of the total registered capital of Beijing Cheetah Mobile Technology Co., Ltd. (the “Company”) (“My Shares”), and hereby irrevocably authorize Cheetah Mobile Inc. (the “Cayman Company”) on December 20, 2019 to exercise the following rights during the term of this Power of Attorney with respect to My Shares:

The Cayman Company is hereby authorized to act for me as my sole agent and proxy with respect to all matters related to My Shares, including but not limited to: 1) execution and delivery of any written resolution in the name of and on behalf of the Existing Shareholders; 2) voting in person or by proxy on any matter discussed at the existing shareholders’ meeting (including but not limited to the sale, transfer, mortgage, pledge or disposal of any or all assets of the Company); 3) sale, transfer, pledge or disposal of any or all shares of the Company; 4) nomination, appointment or removal of the directors of the Company if necessary; 5) supervising the operation performance of the Company; 6) checking the financial information of the Company at any time; 7) filing a lawsuit or taking other legal actions against the directors or senior executives of the Company if any of their acts damages the interests of the Company or its Existing Shareholders; 8) approval of the annual budget or declaration of dividends; and 9) any other rights granted to the Existing Shareholders by the articles of association of the Company or relevant laws and regulations.

Without limiting the generality of the powers granted under this Power of Attorney, the Cayman Company shall have the powers under this Power of Attorney and be authorized to execute on behalf of me the Transfer Contract (to which I am required to be a party) stipulated in the Exclusive Equity Option Agreement and to perform the terms of the Equity Pledge Agreement and the Exclusive Equity Option Agreement to which I am a party and executed on the same day as this Power of Attorney.

All actions of the Cayman Company in relation to My Shares shall be deemed to be my own actions and all documents executed thereby shall be deemed to be executed by me. The Cayman Company may act based on its own will without my prior consent when taking the above-mentioned actions, and I hereby acknowledge and approve such actions and/or documents of the Cayman Company.

The Cayman Company shall have the right, at its sole discretion, to delegate or transfer its rights related to the above matters to any other person or entity without a prior notice to me or without my prior consent.

This Power of Attorney shall be irrevocable and remain in force from the date of execution provided that I am a shareholder of the Company, unless otherwise instructed in writing by the Cayman Company. Once the Cayman Company informs me in writing to terminate this Power of Attorney in whole or in part, I will immediately withdraw the entrustment and authorization granted hereby to the Cayman Company, and immediately execute a power of attorney in the same format as this Power of Attorney to grant the authorization and entrustment the same as that of this Power of Attorney to any other person nominated by the Cayman Company.

During the term of this Power of Attorney, I hereby waive all rights related to My Shares that have been authorized to the Cayman Company in this Power of Attorney and shall not exercise such rights on my own.

[followed by the signature page]
IN WITNESS WHEREOF, I have executed this Power of Attorney on the date first written above.

Name: Sheng Fu

By: /s/ Sheng Fu
Google AdSense Online Terms of Service

1. Welcome to AdSense!

Thanks for your interest in our search and advertising services (the “Services”)

By using our Services, you agree to (1) these Terms of Service, (2) the AdSense Program Policies, which include but are not limited to the Content Policies, the Webmaster Quality Guidelines, the Ad Implementation Policies, and the EU User Consent policy (collectively, the “AdSense Policies”), and (3) the Google Branding Guidelines (collectively, the “AdSense Terms”). If ever in conflict, these Terms of Service will take precedence over any other terms in the policies and guidelines enumerated in numbers (2) and (3) above. Please read these Terms of Service and the rest of the AdSense Terms carefully.

As used in these Terms of Service, “you” or “publisher” means the individual or entity using the Services (and/or any individual, agent, employee, representative, network, parent, subsidiary, affiliate, successor, related entities, assigns, or all other individuals or entities acting on your behalf, at your direction, under your control, or under the direction or control of the same individual or entity who controls you). “We,” “us” or “Google” means Google LLC, and the “parties” means you and Google.

2. Access to the Services; AdSense Accounts

Your use of the Services is subject to your creation and our approval of an AdSense Account (an “Account”). We have the right to refuse or limit your access to the Services. In order to verify your Account, from time-to-time we may ask for additional information from you, including, but not limited to, verification of your name, address, and other identifying information. By submitting an application to use the Services, if you are an individual, you represent that you are at least 18 years of age. You may only have one Account. If you (including those under your direction or control) create multiple Accounts, you will not be entitled to further payment from Google, and your Accounts will be subject to termination, pursuant to the provisions below.

By enrolling in AdSense, you permit Google to serve, as applicable, (i) advertisements and other content (“Ads”), (ii) Google search boxes and search results, and (iii) related search queries and other links to your websites, mobile applications, media players, mobile content, and/or other properties approved by Google (each individually a “Property”). In addition, you grant Google the right to access, index and cache the Properties, or any portion thereof, including by automated means. Google may refuse to provide the Services to any Property.

Any Property that is a software application and accesses our Services (a) may require preapproval by Google in writing, and (b) must comply with Google’s Software Principles.

3. Using our Services

You may use our Services only as permitted by the AdSense Terms and any applicable laws. Don’t misuse our Services. For example, don’t interfere with our Services or try to access them using a method other than the interface and the instructions that we provide.

You may discontinue your use of any Service at any time by removing the relevant code from your Properties.

4. Changes to our Services; Changes to the AdSense Terms

We are constantly changing and improving our Services. We may add or remove functionalities or features of the Services at any time, and we may suspend or stop a Service altogether.
We may modify the AdSense Terms at any time. We’ll post any modifications to the Terms of Service on this page and any modifications to the AdSense Policies or the Google Branding Guidelines on their respective pages. Changes will generally become effective 14 days after they are posted. However, changes addressing new functions for a Service or changes made for legal reasons will be effective immediately. If you don’t agree to any modified terms in the AdSense Terms, you’ll have to stop using the affected Services.

5. Payment

Subject to this Section and Section 6 of these Terms of Service, you will receive a payment related to the number of valid clicks on Ads displayed on your Properties, the number of valid impressions of Ads displayed on your Properties, or other valid events performed in connection with the display of Ads on your Properties, only if and when Google determines that your Properties have remained in compliance with the AdSense Terms (including all AdSense Policies as identified in Section 1 above) for the entirety of the period for which payment is made and through to the date that the payment is issued.

If your Account is in good standing through to the time when Google issues you a payment, we will pay you by the end of the calendar month following any calendar month in which the balance reflected in your Account equals or exceeds the applicable payment threshold. If Google is investigating your compliance with the AdSense Terms or you have been suspended or terminated, your payment may be delayed or withheld. To ensure proper payment, you are responsible for providing and maintaining accurate contact and payment information in your Account.

If you implement search Services, our payments may be offset by any applicable fees for such Services. In addition, Google may (a) withhold and offset any payments owed to you under the AdSense Terms against any fees you owe us under the AdSense Terms or any other agreement, or (b) require you to refund us within 30 days of any invoice any amounts we may have overpaid to you in prior periods. You are responsible for any charges assessed by your bank or payment provider.

Unless expressly authorized in writing by Google, you may not enter into any type of arrangement with a third party where that third party receives payments made to you under the AdSense Terms or other financial benefit in relation to the Services.

Payments will be calculated solely based on Google’s accounting. You acknowledge and agree that you are only entitled to payment for your use of the Services for which Google has been paid; if, for any reason, Google does not receive payment from an advertiser or credits such payment back to an advertiser, you are not entitled to be paid for any associated use of the Services. Additionally, if an advertiser whose Ads are displayed on any Property defaults on payment to Google, we may withhold payment or charge back your Account.

Google has the right to withhold or adjust payments to you to exclude any amounts Google determines arise from invalid activity. Invalid activity includes, but is not limited to, (i) spam, invalid clicks, invalid impressions, invalid queries, invalid conversions, or other invalid events on Ads generated by any person, bot, automated program or similar device, including through any clicks, impressions, queries, conversions, or other events originating from your IP addresses or computers under your control; (ii) clicks, impressions, queries, conversions, or other events solicited or generated by payment of money, false representation, or requests for end users to click on Ads or take other actions; (iii) Ads served to end users whose browsers have JavaScript disabled or who are otherwise tampering with ad serving or measurement; (iv) any click, impression, query, conversion, or other event occurring on a Property that does not comply with the AdSense Policies; (v) any click, impression, query, conversion, or other event occurring on a Property associated with another AdSense Account you use; and (vi) all clicks, impressions, queries, conversions, or other events in any Account with significant amounts of invalid activity, as described in (i-v) above or with the types of invalid activity indicating intentional misconduct. In the event Google detects invalid activity, either before or after issuing a payment for that activity, Google reserves the right to debit your Account, and adjust future payments accordingly, for all invalid clicks, impressions, queries, conversions, or other events including for all clicks, impressions, queries, conversions, or other events on Properties that do not comply with the AdSense Policies.
Additionally, Google may refund or credit advertisers for some or all of the advertiser payments associated with a publisher’s Account. You acknowledge and agree that, whenever Google issues such refunds or credits, you will not be entitled to receive any payment for any associated use of the Services.

6. Termination, Suspension, and Entitlement to Further Payment

Google may at any time, without providing a warning or prior notice, temporarily suspend further payments on your Account, suspend or terminate the participation of any Property in the Services, or suspend or terminate your Account because of, among other reasons, invalid activity or your failure to otherwise fully comply with the AdSense Policies. Google can terminate your participation in the Services, and close your Account, if your Account remains inactive for a period of 6 or more consecutive months. If Google closes your Account due to inactivity, and the balance reflected in your Account equals or exceeds the applicable threshold, we will pay you that balance, subject to our payment provisions in Section 5. If Google closes your Account due to inactivity, you will not be prevented from submitting a new application to use the Services.

If Google terminates your Account due to your breach of the AdSense Terms, including, but not limited to, your causing or failing to prevent invalid activity on any Property, or your failure to otherwise fully comply with the AdSense Policies, you will not be entitled to any further payment from Google for any prior use of the Services. If you breach the AdSense Terms or Google suspends or terminates your Account, you (i) are prohibited from creating a new Account, and (ii) may not be permitted to monetize content on other Google products.

If you dispute any payment made or withheld relating to your use of the Services, or, if Google terminates your Account and you dispute your termination, you must notify Google within 30 days of any such payment, non-payment, or termination by submitting an appeal. If you do not, any claim related to the disputed payment or your termination is waived.

You may terminate your use of the Services at any time by completing the account cancellation process. Your AdSense Account will be considered terminated within 10 business days of Google’s receipt of your notice. If you terminate your Account and the balance reflected in your Account equals or exceeds the applicable threshold, we will pay you that balance, subject to the payment provisions in Section 5, within approximately 90 days after the end of the calendar month in which you terminated your use of the Services. Any balance reflected in your Account below the applicable threshold will remain unpaid.

7. Taxes

As between you and Google, Google is responsible for all taxes (if any) associated with the transactions between Google and advertisers in connection with Ads displayed on the Properties. You are responsible for all taxes (if any) associated with the Services, other than taxes based on Google’s net income. All payments to you from Google in relation to the Services will be treated as inclusive of tax (if applicable) and will not be adjusted.

8. Testing

You authorize Google to periodically conduct tests that may affect your use of the Services. To ensure the timeliness and validity of test results, you authorize Google to conduct such tests without notice.

9. Intellectual Property; Brand Features

Other than as set out expressly in the Agreement, neither party will acquire any right, title, or interest in any intellectual property rights belonging to the other party or to the other party’s licensors.

If Google provides you with software in connection with the Services, we grant you a non-exclusive, non-sublicensable license for use of such software. This license is for the sole purpose of enabling you to use and
enjoy the benefit of the Services as provided by Google, in the manner permitted by the Agreement. Other than distributing content via the AdMob SDK, you may not copy, modify, distribute, sell, or lease any part of our Services or included software, or reverse engineer or attempt to extract the source code of that software, unless laws prohibit those restrictions or you have our written permission. You will not remove, obscure, or alter Google’s copyright notice, Brand Features, or other proprietary rights notices affixed to or contained within any Google services, software, or documentation.

We grant you a non-exclusive, non-sublicensable license to use Google’s trade names, trademarks, service marks, logos, domain names, and other distinctive brand features (“Brand Features”) solely in connection with your use of the Services and in accordance with the AdSense Terms. We may revoke this license at any time. Any goodwill arising from your use of Google’s Brand Features will belong to Google.

We may include your name and Brand Features in our presentations, marketing materials, customer lists and financial reports.

10. Privacy

Our privacy policy explains how we treat your personal data and protect your privacy when you use our Services. By using our Services, you agree that Google can use such data in accordance with our privacy policy. You and Google also agree to the Google Ads Controller-Controller Data Protection Terms.

You will ensure that at all times you use the Services, the Properties have a clearly labeled and easily accessible privacy policy that provides end users with clear and comprehensive information about cookies, device-specific information, location information and other information stored on, accessed on, or collected from end users’ devices in connection with the Services, including, as applicable, information about end users’ options for cookie management. You will use commercially reasonable efforts to ensure that an end user gives consent to the storing and accessing of cookies, device-specific information, location information, or other information on the end user’s device in connection with the Services where such consent is required by law.

11. Confidentiality

You agree not to disclose Google Confidential Information without our prior written consent. “Google Confidential Information” includes: (a) all Google software, technology and documentation relating to the Services; (b) click-through rates or other statistics relating to Property performance as pertaining to the Services; (c) the existence of, information about, or the terms of, any non-public beta or experimental features in a Service; and (d) any other information made available by Google that is marked confidential or would normally be considered confidential under the circumstances in which it is presented. Google Confidential Information does not include information that you already knew prior to your use of the Services, that becomes public through no fault of yours, that was independently developed by you, or that was lawfully given to you by a third party. Notwithstanding this Section 11, you may accurately disclose the amount of Google’s gross payments resulting from your use of the Services. 12. Indemnity You agree to indemnify and defend Google, its affiliates, agents, and advertisers from and against any and all third-party claims and liabilities arising out of or related to the Properties, including any content served on the Properties that is not provided by Google; your use of the Services; or your breach of any term of the AdSense Terms. Google’s advertisers are third-party beneficiaries of this indemnity.

13. Representations; Warranties; Disclaimers

You represent and warrant that (i) you have full power and authority to enter into the AdSense Terms; (ii) you are the owner of, or are legally authorized to act on behalf of the owner of, each Property; (iii) you are the technical and editorial decision maker in relation to each Property on which the Services are implemented and you have control over the way in which the Services are implemented on each Property; (iv) Google has never previously terminated or otherwise disabled an AdSense Account created by you due to your breach of the AdSense Terms, including due to invalid activity; (v) entering into or performing under the AdSense Terms will not violate any agreement you have with a third party or any third-party rights; and (vi) all of the information provided by you to Google is correct and current.
OTHER THAN AS EXPRESSLY SET OUT IN THE ADSENSE TERMS, WE DO NOT MAKE ANY PROMISES ABOUT THE SERVICES. FOR EXAMPLE, GOOGLE MAY REFUSE TO SERVE, AS APPLICABLE, (i) ADVERTISEMENTS AND OTHER CONTENT (“ADS”), (ii) GOOGLE SEARCH BOXES AND SEARCH RESULTS, AND (iii) RELATED SEARCH QUERIES AND OTHER LINKS TO YOUR PROPERTIES. WE DO NOT GUARANTEE THAT EVERY PAGE WILL RECEIVE ADS OR THAT GOOGLE WILL SERVE A CERTAIN NUMBER OF ADS. ADDITIONALLY, WE DO NOT MAKE ANY COMMITMENTS ABOUT THE CONTENT WITHIN THE SERVICES, THE SPECIFIC FUNCTION OF THE SERVICES, OR THEIR PROFITABILITY, RELIABILITY, AVAILABILITY, OR ABILITY TO MEET YOUR NEEDS. WE PROVIDE EACH SERVICE “AS IS”.

TO THE EXTENT PERMITTED BY LAW, WE EXCLUDE ALL WARRANTIES, EXPRESS, STATUTORY, OR IMPLIED. WE EXPRESSLY DISCLAIM THE WARRANTIES OR CONDITIONS OF NONINFRINGEMENT, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE.

14. Limitation of Liability

TO THE EXTENT PERMITTED BY LAW, EXCEPT FOR ANY INDEMNIFICATION OBLIGATIONS HEREUNDER OR YOUR BREACH OF ANY INTELLECTUAL PROPERTY RIGHTS, CONFIDENTIALITY OBLIGATIONS, AND/OR PROPRIETARY INTERESTS RELATING TO THE ADSENSE TERMS, (i) IN NO EVENT SHALL EITHER PARTY BE LIABLE UNDER THE ADSENSE TERMS FOR ANY CONSEQUENTIAL, SPECIAL, INDIRECT, EXEMPLARY, OR PUNITIVE DAMAGES WHETHER IN CONTRACT, TORT, OR ANY OTHER THEORY, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY, AND (ii) EACH PARTY’S AGGREGATE LIABILITY UNDER THE ADSENSE TERMS IS LIMITED TO THE NET AMOUNT RECEIVED AND RETAINED BY THAT PARTICULAR PARTY IN CONNECTION WITH THESE ADSENSE TERMS DURING THE THREE MONTH PERIOD IMMEDIATELY PRECEDING THE DATE OF THE CLAIM. Each party acknowledges that the other party has entered into the AdSense Terms relying on the limitations of liability stated herein and that those limitations are an essential basis of the bargain between the parties.

15. Miscellaneous

Entire Agreement; Amendments. The AdSense Terms are our entire agreement relating to your use of the Services and supersede any prior or contemporaneous agreements on that subject. The AdSense Terms may be amended (i) in a writing signed by both parties that expressly states that it is amending the AdSense Terms, or (ii) as set forth in Section 4, if you keep using the Services after Google modifies the AdSense Terms.

Assignment. You may not assign or transfer any of your rights under the AdSense Terms.

Independent Contractors. The parties are independent contractors and the AdSense Terms do not create an agency, partnership, or joint venture.

No Third-Party Beneficiaries. Other than as set forth in Section 12, the AdSense Terms do not create any third-party beneficiary rights.

No Waiver. Other than as set forth in Section 6, the failure of either party to enforce any provision of the AdSense Terms will not constitute a waiver.

Severability. If it turns out that a particular term of the AdSense Terms is not enforceable, the balance of the AdSense Terms will remain in full force and effect.

Survival. Sections 5, 6, 8, 12, 14, and 15 of these Terms of Service will survive termination.

Governing Law; Venue. All claims arising out of or relating to the AdSense Terms or the Services will be governed by California law, excluding California’s conflict of laws rules, and will be litigated exclusively in the federal or state courts of Santa Clara County, California, USA, and you and Google consent to personal jurisdiction in those courts.
Force Majeure. Neither party will be liable for inadequate performance to the extent caused by a condition (for example, natural disaster, act of war or terrorism, riot, labor condition, governmental action, and Internet disturbance) that was beyond the party’s reasonable control.

Communications. In connection with your use of the Services, we may contact you regarding service announcements, administrative messages, and other information. You may opt out of some of those communications in your Account settings. For information about how to contact Google, please visit our contact page.

* * *

16. Service-Specific Terms

If you choose to implement any of the following Services on a Property, you also agree to the additional terms identified below: AdMob: the AdMob Publisher Guidelines and Policies.

Custom Search Engine: the Custom Search Engine Terms of Service.
### Exhibit 8.1

#### List of Significant Subsidiaries and VIEs

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Place of Incorporation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheetah Information Technology Company Limited</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Cheetah Mobile Hong Kong Limited</td>
<td>Hong Kong</td>
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<tr>
<td>Cheetah Technology Corporation Limited</td>
<td>Hong Kong</td>
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<tr>
<td>Hongkong Zoom Interactive Network Marketing Technology Limited</td>
<td>Hong Kong</td>
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<tr>
<td>Japan Kingsoft Inc.</td>
<td>Japan</td>
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<tr>
<td>Cheetah Mobile Singapore Pte. Ltd.</td>
<td>Singapore</td>
</tr>
<tr>
<td>Beijing Kingsoft Internet Security Software Co., Ltd.</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>Conew Network Technology (Beijing) Co., Ltd.</td>
<td>People’s Republic of China</td>
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<tr>
<td>Beijing Chibao Technology Co., Ltd.</td>
<td>People’s Republic of China</td>
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<tr>
<td>Beijing Kingsoft Cheetah Technology Co., Ltd.</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>Zhuhai Baoqu Technology Co., Ltd.</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>Jingdezhen Jibao Information Service Co., Ltd.</td>
<td>People’s Republic of China</td>
</tr>
</tbody>
</table>

### Variable Interest Entities

- Beijing Cheetah Network Technology Co., Ltd.                               | People’s Republic of China    |
- Beijing Conew Technology Development Co., Ltd.                             | People’s Republic of China    |
- Beijing Cheetah Mobile Technology Co., Ltd.                                | People’s Republic of China    |
I, Sheng Fu, certify that:

1. I have reviewed this annual report on Form 20-F of Cheetah Mobile Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: May 15, 2020

By: /s/ Sheng Fu

Name: Sheng Fu
Title: Chief Executive Officer
Exhibit 12.2

Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas Jintao Ren, certify that:

1. I have reviewed this annual report on Form 20-F of Cheetah Mobile Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting; and

5. The company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company’s auditors and the audit committee of the company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company’s internal control over financial reporting.

Date: May 15, 2020

By: /s/ Thomas Jintao Ren
Name: Thomas Jintao Ren
Title: Chief Financial Officer
Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Cheetah Mobile Inc. (the “Company”) on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sheng Fu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2020

By: /s/ Sheng Fu
Name: Sheng Fu
Title: Chief Executive Officer
Exhibit 13.2

Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Cheetah Mobile Inc. (the “Company”) on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas Jintao Ren, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2020

By: /s/ Thomas Jintao Ren

Name: Thomas Jintao Ren
Title: Chief Financial Officer
GLOBAL LAW OFFICE

May 15, 2020
Cheetah Mobile Inc.
Building 8, Huitong Time Square
No. 1, Yaojiayuan South Road
Chaoyang District, Beijing 100123
People’s Republic of China

Dear Sirs,

We hereby consent to the reference of our name under the headings “Item 3. Key Information—D. Risk Factors”, “Item 4. Information on the Company—B. Business Overview—Regulations” and “Item 4. Information on the Company—C. Organizational Structure” in Cheetah Mobile Inc.’s Annual Report on Form 20-F for the year ended December 31, 2019 (the “Annual Report”), which will be filed with the Securities and Exchange Commission (the “SEC”) in the month of May 2020, and further consent to the incorporation by reference into the Registration Statement on Form S-8 (No. 333-199577) filed with the SEC on October 24, 2015 of the summary of our opinions and advice under the headings “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company—B. Business Overview—Regulation” and “Item 4. Information on the Company—C. Organizational Structure” in the Annual Report. We also consent to the filing of this consent letter with the SEC as an exhibit to the Annual Report.

In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Very truly yours,

/s/ Global Law Office

Global Law Office
Exhibit 15.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 File No. 333-199577) pertaining to the 2013 Equity Incentive Plan and 2014 Restricted Shares Plan of Cheetah Mobile Inc. of our reports dated May 15, 2020, with respect to the consolidated financial statements of Cheetah Mobile Inc., and the effectiveness of internal control over financial reporting of Cheetah Mobile Inc. included in this Annual Report (Form 20-F) for the year ended December 31, 2019.

/s/ Ernst & Young Hua Ming LLP
Beijing, the People’s Republic of China
May 15, 2020