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8 Counsel for Plaintiff

9 UNITED STATES DISTRICT COURT  
10 CENTRAL DISTRICT OF CALIFORNIA

11 MICHAEL MASTERSON, Individually  
12 and on behalf of all others similarly  
13 situated,

14 Plaintiff,

15 v.

16 CHEETAH MOBILE INC., SHENG  
17 FU, YUK KEUNG NG, and VINCENT  
18 ZHENYU JIANG,

19 Defendants.

Case No. 17-cv-08141

CLASS ACTION COMPLAINT FOR  
VIOLATION OF THE FEDERAL  
SECURITIES LAWS

JURY TRIAL DEMANDED

20  
21 Plaintiff Michael Masterson (“Plaintiff”), individually and on behalf of all  
22 other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s  
23 complaint against Defendants (defined below), alleges the following based upon  
24 personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and  
25 belief as to all other matters, based upon, *inter alia*, the investigation conducted by  
26 and through Plaintiff’s attorneys, which included, among other things, a review of  
27 the Defendants’ public documents, conference calls and announcements made by  
28 Defendants, United States Securities and Exchange Commission (“SEC”) filings,

1 wire and press releases published by and regarding Cheetah Mobile Inc. (“Cheetah  
2 Mobile” or the “Company”), analysts’ reports and advisories about the Company,  
3 and information readily obtainable on the Internet. Plaintiff believes that substantial  
4 evidentiary support will exist for the allegations set forth herein after a reasonable  
5 opportunity for discovery.

6 **NATURE OF THE ACTION**

7 1. This is a federal securities class action on behalf of a class consisting  
8 of all persons and entities other than Defendants who purchased or otherwise  
9 acquired the publicly traded securities of Cheetah Mobile from April 26, 2017  
10 through October 25, 2017, both dates inclusive (the “Class Period”). Plaintiff seeks  
11 to recover compensable damages caused by Defendants’ violations of the federal  
12 securities laws and to pursue remedies under Sections 10(b) and 20(a) of the  
13 Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated  
14 thereunder.

15 **JURISDICTION AND VENUE**

16 2. The claims asserted herein arise under and pursuant to §§10(b) and  
17 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5  
18 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

19 3. This Court has jurisdiction over the subject matter of this action under  
20 28 U.S.C. §1331 and §27 of the Exchange Act.

21 4. Venue is proper in this judicial district pursuant to §27 of the Exchange  
22 Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as the Company conducts business  
23 within this judicial district.

24 5. In connection with the acts, conduct and other wrongs alleged in this  
25 Complaint, Defendants, directly or indirectly, used the means and instrumentalities  
26 of interstate commerce, including but not limited to, the United States mail,  
27 interstate telephone communications and the facilities of the national securities  
28 exchange.

**PARTIES**

1  
2           6. Plaintiff, as set forth in the accompanying Certification, purchased the  
3 Company’s securities at artificially inflated prices during the Class Period and was  
4 damaged upon the revelation of the alleged corrective disclosure.

5           7. Defendant Cheetah Mobile operates a platform that offers mobile and  
6 personal computer applications for its users and global content promotional  
7 channels. The Company is incorporated in Cayman Islands and its principal  
8 executive offices are located at Building No. 8, Hui Tong Times Square, Yaojiayuan  
9 South Road, Beijing 100123 People’s Republic of China. The Company’s  
10 subsidiary, Live.Me America Inc. maintains an office in West Hollywood,  
11 California. The Company’s securities are traded on the New York Stock Exchange  
12 (“NYSE”) under the ticker symbol “CMCM.”

13           8. Defendant Sheng Fu (“Fu”) has been the Company’s Chief Executive  
14 Officer throughout the Class Period.

15           9. Defendant Yuk Keung Ng (“Ng”) has been the Company’s Principal  
16 Financial Officer since March 2017.

17           10. Defendant Vincent Zhenyu Jiang (“Jiang”) has been the Company’s  
18 Chief Financial Officer since April 10, 2017.

19           11. Defendants Fu, Ng, and Jiang are sometimes referred to herein as the  
20 “Individual Defendants.”

21           12. Each of the Individual Defendants:

- 22           (a) directly participated in the management of the Company;  
23           (b) was directly involved in the day-to-day operations of the Company at  
24           the highest levels;  
25           (c) was privy to confidential proprietary information concerning the  
26           Company and its business and operations;

1 (d) was directly or indirectly involved in drafting, producing, reviewing  
2 and/or disseminating the false and misleading statements and  
3 information alleged herein;

4 (e) was directly or indirectly involved in the oversight or implementation  
5 of the Company's internal controls;

6 (f) was aware of or recklessly disregarded the fact that the false and  
7 misleading statements were being issued concerning the Company;  
8 and/or

9 (g) approved or ratified these statements in violation of the federal  
10 securities laws.

11 13. The Company is liable for the acts of the Individual Defendants and its  
12 employees under the doctrine of *respondeat superior* and common law principles  
13 of agency because all of the wrongful acts complained of herein were carried out  
14 within the scope of their employment.

15 14. The scienter of the Individual Defendants and other employees and  
16 agents of the Company is similarly imputed to the Company under *respondeat*  
17 *superior* and agency principles.

18 15. The Company and the Individual Defendants are referred to herein,  
19 collectively, as the "Defendants."

20 **SUBSTANTIVE ALLEGATIONS**

21 **Background**

22 16. The Company's 90%-owned Cayman Islands subsidiary operates  
23 Live.me, a live video streaming application.

24 17. Broadcasters on Live.me can earn real money from users via the  
25 application's gifting system.

26 **Materially False and Misleading Statements**

27 18. On April 26, 2017, the Company filed a Form 20-F for the fiscal year  
28 ended December 31, 2016 (the "2016 20-F") with the SEC, which provided the

1 Company's annual financial results and position. The 2016 20-F was signed by  
2 Defendant Fu. The 2016 20-F also contained signed certifications pursuant to the  
3 Sarbanes-Oxley Act of 2002 ("SOX") by Defendants Fu and Ng attesting to the  
4 accuracy of financial reporting, the disclosure of any material changes to the  
5 Company's internal controls over financial reporting, and the disclosure of all fraud.

6 19. The 2016 20-F stated the following regarding the Company's  
7 applications:

8 We offer utility applications and content-driven applications on our  
9 platform. Our diversified suite of utility applications, which have  
10 amassed a large user base over the years, optimizes mobile and PC  
11 internet system performance and provides real time protection against  
12 known and unknown security threats. Leveraging the success of our  
13 utility applications, we recently started to offer our content-driven  
14 mobile applications, such as News Republic and Live.me. The number  
15 of monthly active users of our mobile applications increased from 395.4  
16 million in December 2014 to 635.5 million in December 2015, which  
17 slightly decreased to 622.9 million in December 2016. Our applications  
18 had been installed on 1,089.1 million, 2,340.8 million and 3,810.0  
19 million mobile devices as of December 31, 2014, 2015 and 2016,  
20 respectively.

21 20. On August 22, 2017, the Company issued a press release announcing  
22 its unaudited consolidated financial results for the second quarter ended June 30,  
23 2017, stating in part:

24 **Second Quarter 2017 Financial Highlights**

25 Total revenues increased by 14.8% year over year to RMB1,201.6  
26 million (US\$177.2 million), mostly driven by the Company's growth in  
27 mobile revenues, which achieved a record high during the second  
28 quarter of 2017.

Operating profit increased to RMB66.2 million (US\$9.8 million) from  
an operating loss of RMB63.0 million in the same period last year.  
Non-GAAP operating profit increased by 254.3% year over year to  
RMB90.4 million (US\$13.3 million). In particular, operating profit for

1 the Company's utility products and related services business increased  
2 by 50.6% year over year to RMB212.8 million (US\$31.4 million) in the  
3 second quarter of 2017, primarily driven by the Company's effort in  
4 optimizing its utility products' cost and expense structure.

5 Net income attributable to Cheetah Mobile shareholders increased to  
6 RMB70.2 million (US\$10.4 million) from a net loss attributable to  
7 Cheetah Mobile shareholders of RMB150.5 million in the same period  
8 last year. Non-GAAP net income attributable to Cheetah Mobile  
9 shareholders increased to RMB94.4 million (US\$13.9 million) from a  
10 non-GAAP net loss attributable to Cheetah Mobile shareholders of  
11 RMB61.9 million in the same period last year.

12 The Company generated RMB194.7 million (US\$28.7 million) of net  
13 cash from operating activities and RMB185.1 million (US\$27.3  
14 million) of free cash flow<sup>1</sup> in the second quarter of 2017.

15 [1] Free cash flow is defined as net cash generated by operating  
16 activities less capital expenditure

17 21. The statements referenced in ¶¶ 18-20 above were materially false  
18 and/or misleading because they misrepresented and failed to disclose the following  
19 adverse facts pertaining to the Company's business, operational and financial  
20 results, which were known to Defendants or recklessly disregarded by them.  
21 Specifically, Defendants made false and/or misleading statements and/or failed to  
22 disclose that: (1) the Company is using company-controlled accounts to inflate the  
23 gifting on Live.me; (2) the Company overstated its revenue; and (3) as a result, the  
24 Company's public statements were materially false and misleading at all relevant  
25 times.

### 26 **The Truth Emerges**

27 22. On October 26, 2017, Prescience Point Research Group published a  
28 report asserting, among other things, that: (1) approximately 55% of Cheetah  
Mobile's second quarter 2017 consolidated revenue does not exist; and (2) the  
Company uses company-controlled or "fake" accounts on Live.me to gift other  
users using company money.

1           23. On this news, shares of the Company fell \$0.37 per share or over 4%  
2 from its previous closing price to close at \$8.05 per share on October 26, 2017,  
3 damaging investors.

4           24. As a result of Defendants' wrongful acts and omissions, and the  
5 precipitous decline in the market value of the Company's securities, Plaintiff and  
6 other Class members have suffered significant losses and damages.

7                           **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

8           25. Plaintiff brings this action as a class action pursuant to Federal Rule of  
9 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who  
10 purchased or otherwise acquired the publicly traded securities of Cheetah Mobile  
11 during the Class Period (the "Class") and were damaged upon the revelation of the  
12 alleged corrective disclosure. Excluded from the Class are Defendants herein, the  
13 officers and directors of the Company, at all relevant times, members of their  
14 immediate families and their legal representatives, heirs, successors or assigns and  
15 any entity in which Defendants have or had a controlling interest.

16           26. The members of the Class are so numerous that joinder of all members  
17 is impracticable. Throughout the Class Period, the Company's securities were  
18 actively traded on the NYSE. While the exact number of Class members is unknown  
19 to Plaintiff at this time and can be ascertained only through appropriate discovery,  
20 Plaintiff believes that there are hundreds or thousands of members in the proposed  
21 Class. Record owners and other members of the Class may be identified from  
22 records maintained by the Company or its transfer agent and may be notified of the  
23 pendency of this action by mail, using the form of notice similar to that customarily  
24 used in securities class actions.

25           27. Plaintiff's claims are typical of the claims of the members of the Class  
26 as all members of the Class are similarly affected by Defendants' wrongful conduct  
27 in violation of federal law that is complained of herein.

1           28. Plaintiff will fairly and adequately protect the interests of the members  
2 of the Class and has retained counsel competent and experienced in class and  
3 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those  
4 of the Class.

5           29. Common questions of law and fact exist as to all members of the Class  
6 and predominate over any questions solely affecting individual members of the  
7 Class. Among the questions of law and fact common to the Class are:

- 8           (a) whether Defendants' acts as alleged violated the federal securities  
9 laws;
- 10           (b) whether Defendants' statements to the investing public during the  
11 Class Period misrepresented material facts about the financial  
12 condition, business, operations, and management of the Company;
- 13           (c) whether Defendants' statements to the investing public during the  
14 Class Period omitted material facts necessary to make the statements  
15 made, in light of the circumstances under which they were made, not  
16 misleading;
- 17           (d) whether the Individual Defendants caused the Company to issue false  
18 and misleading SEC filings and public statements during the Class  
19 Period;
- 20           (e) whether Defendants acted knowingly or recklessly in issuing false and  
21 misleading SEC filings and public statements during the Class Period;
- 22           (f) whether the prices of the Company's securities during the Class Period  
23 were artificially inflated because of the Defendants' conduct  
24 complained of herein; and
- 25           (g) whether the members of the Class have sustained damages and, if so,  
26 what is the proper measure of damages.

27           30. A class action is superior to all other available methods for the fair and  
28 efficient adjudication of this controversy since joinder of all members is



1 impracticable. Furthermore, as the damages suffered by individual Class members  
2 may be relatively small, the expense and burden of individual litigation make it  
3 impossible for members of the Class to individually redress the wrongs done to  
4 them. There will be no difficulty in the management of this action as a class action.

5 31. Plaintiff will rely, in part, upon the presumption of reliance established  
6 by the fraud-on-the-market doctrine in that:

- 7 (a) Defendants made public misrepresentations or failed to disclose  
8 material facts during the Class Period;
- 9 (b) the omissions and misrepresentations were material;
- 10 (c) the Company's securities are traded in efficient markets;
- 11 (d) the Company's securities were liquid and traded with moderate to  
12 heavy volume during the Class Period;
- 13 (e) the Company traded on the NYSE, and was covered by multiple  
14 analysts;
- 15 (f) the misrepresentations and omissions alleged would tend to induce a  
16 reasonable investor to misjudge the value of the Company's securities;  
17 Plaintiff and members of the Class purchased and/or sold the  
18 Company's securities between the time the Defendants failed to  
19 disclose or misrepresented material facts and the time the true facts  
20 were disclosed, without knowledge of the omitted or misrepresented  
21 facts; and
- 22 (g) Unexpected material news about the Company was rapidly reflected  
23 in and incorporated into the Company's stock price during the Class  
24 Period.

25 32. Based upon the foregoing, Plaintiff and the members of the Class are  
26 entitled to a presumption of reliance upon the integrity of the market.

27 33. Alternatively, Plaintiff and the members of the Class are entitled to the  
28 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens*

1 *of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as  
2 Defendants omitted material information in their Class Period statements in  
3 violation of a duty to disclose such information, as detailed above.

4 **COUNT I**

5 **Violation of Section 10(b) of The Exchange Act and Rule 10b-5**  
6 **Against All Defendants**

7 34. Plaintiff repeats and realleges each and every allegation contained  
8 above as if fully set forth herein.

9 35. This Count is asserted against the Company and the Individual  
10 Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. §  
11 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

12 36. During the Class Period, the Company and the Individual Defendants,  
13 individually and in concert, directly or indirectly, disseminated or approved the  
14 false statements specified above, which they knew or deliberately disregarded were  
15 misleading in that they contained misrepresentations and failed to disclose material  
16 facts necessary in order to make the statements made, in light of the circumstances  
17 under which they were made, not misleading.

18 37. The Company and the Individual Defendants violated §10(b) of the  
19 1934 Act and Rule 10b-5 in that they: employed devices, schemes and artifices to  
20 defraud; made untrue statements of material facts or omitted to state material facts  
21 necessary in order to make the statements made, in light of the circumstances under  
22 which they were made, not misleading; and/or engaged in acts, practices and a  
23 course of business that operated as a fraud or deceit upon plaintiff and others  
24 similarly situated in connection with their purchases of the Company's securities  
25 during the Class Period.

26 38. The Company and the Individual Defendants acted with scienter in that  
27 they knew that the public documents and statements issued or disseminated in the  
28 name of the Company were materially false and misleading; knew that such

1 statements or documents would be issued or disseminated to the investing public;  
2 and knowingly and substantially participated, or acquiesced in the issuance or  
3 dissemination of such statements or documents as primary violations of the  
4 securities laws. These defendants by virtue of their receipt of information reflecting  
5 the true facts of the Company, their control over, and/or receipt and/or modification  
6 of the Company's allegedly materially misleading statements, and/or their  
7 associations with the Company which made them privy to confidential proprietary  
8 information concerning the Company, participated in the fraudulent scheme alleged  
9 herein.

10 39. Individual Defendants, who are the senior officers and/or directors of  
11 the Company, had actual knowledge of the material omissions and/or the falsity of  
12 the material statements set forth above, and intended to deceive Plaintiff and the  
13 other members of the Class, or, in the alternative, acted with reckless disregard for  
14 the truth when they failed to ascertain and disclose the true facts in the statements  
15 made by them or other personnel of the Company to members of the investing  
16 public, including Plaintiff and the Class.

17 40. As a result of the foregoing, the market price of the Company's  
18 securities was artificially inflated during the Class Period. In ignorance of the falsity  
19 of the Company's and the Individual Defendants' statements, Plaintiff and the other  
20 members of the Class relied on the statements described above and/or the integrity  
21 of the market price of the Company's securities during the Class Period in  
22 purchasing the Company's securities at prices that were artificially inflated as a  
23 result of the Company's and the Individual Defendants' false and misleading  
24 statements.

25 41. Had Plaintiff and the other members of the Class been aware that the  
26 market price of the Company's securities had been artificially and falsely inflated  
27 by the Company's and the Individual Defendants' misleading statements and by the  
28 material adverse information which the Company's and the Individual Defendants

1 did not disclose, they would not have purchased the Company's securities at the  
2 artificially inflated prices that they did, or at all.

3 42. As a result of the wrongful conduct alleged herein, Plaintiff and other  
4 members of the Class have suffered damages in an amount to be established at trial.

5 43. By reason of the foregoing, the Company and the Individual  
6 Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5  
7 promulgated thereunder and are liable to the Plaintiff and the other members of the  
8 Class for substantial damages which they suffered in connection with their  
9 purchases of the Company's securities during the Class Period.

10 **COUNT II**

11 **Violation of Section 20(a) of The Exchange Act**  
12 **Against The Individual Defendants**

13 44. Plaintiff repeats and realleges each and every allegation contained in  
14 the foregoing paragraphs as if fully set forth herein.

15 45. During the Class Period, the Individual Defendants participated in the  
16 operation and management of the Company, and conducted and participated,  
17 directly and indirectly, in the conduct of the Company's business affairs. Because  
18 of their senior positions, they knew the adverse non-public information regarding  
19 the Company's business practices.

20 46. As officers and/or directors of a publicly owned company, the  
21 Individual Defendants had a duty to disseminate accurate and truthful information  
22 with respect to the Company's financial condition and results of operations, and to  
23 correct promptly any public statements issued by the Company which had become  
24 materially false or misleading.

25 47. Because of their positions of control and authority as senior officers,  
26 the Individual Defendants were able to, and did, control the contents of the various  
27 reports, press releases and public filings which the Company disseminated in the  
28 marketplace during the Class Period. Throughout the Class Period, the Individual

1 Defendants exercised their power and authority to cause the Company to engage in  
2 the wrongful acts complained of herein. The Individual Defendants therefore, were  
3 “controlling persons” of the Company within the meaning of Section 20(a) of the  
4 Exchange Act. In this capacity, they participated in the unlawful conduct alleged  
5 which artificially inflated the market price of the Company’s securities.

6 48. Each of the Individual Defendants, therefore, acted as a controlling  
7 person of the Company. By reason of their senior management positions and/or  
8 being directors of the Company, each of the Individual Defendants had the power  
9 to direct the actions of, and exercised the same to cause, the Company to engage in  
10 the unlawful acts and conduct complained of herein. Each of the Individual  
11 Defendants exercised control over the general operations of the Company and  
12 possessed the power to control the specific activities which comprise the primary  
13 violations about which Plaintiff and the other members of the Class complain.

14 49. By reason of the above conduct, the Individual Defendants are liable  
15 pursuant to Section 20(a) of the Exchange Act for the violations committed by the  
16 Company.

17 **PRAYER FOR RELIEF**

18 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

19 A. Determining that the instant action may be maintained as a class action  
20 under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as  
21 the Class representative;

22 B. Requiring Defendants to pay damages sustained by Plaintiff and the  
23 Class by reason of the acts and transactions alleged herein;

24 C. Awarding Plaintiff and the other members of the Class prejudgment  
25 and post-judgment interest, as well as their reasonable attorneys’ fees, expert fees  
26 and other costs; and

27 D. Awarding such other and further relief as this Court may deem just and  
28 proper.

1 **DEMAND FOR TRIAL BY JURY**

2 Plaintiff hereby demands a trial by jury.

3 Dated: November 8, 2017

Respectfully submitted,

4 **THE ROSEN LAW FIRM, P.A.**

5  
6 By: /s/ Laurence Rosen

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Counsel for Plaintiff