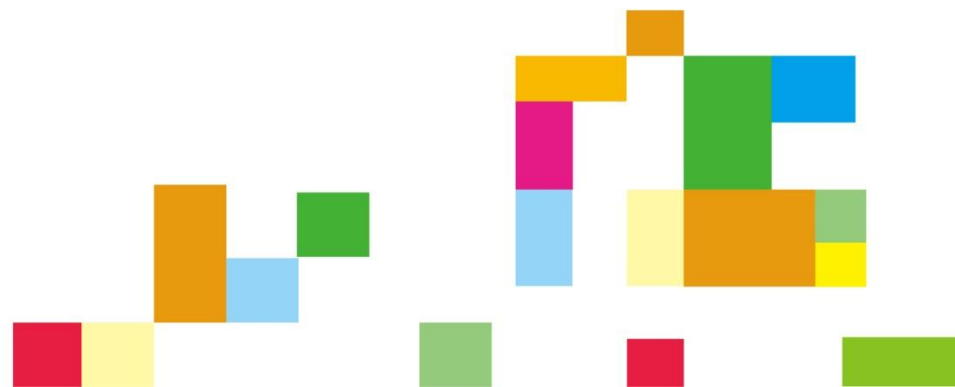




KongZhong Corporation

Net Games, Mobile Games and WVAS

Post 1Q11 Results Presentation
May 2011



Safe Harbor Statement



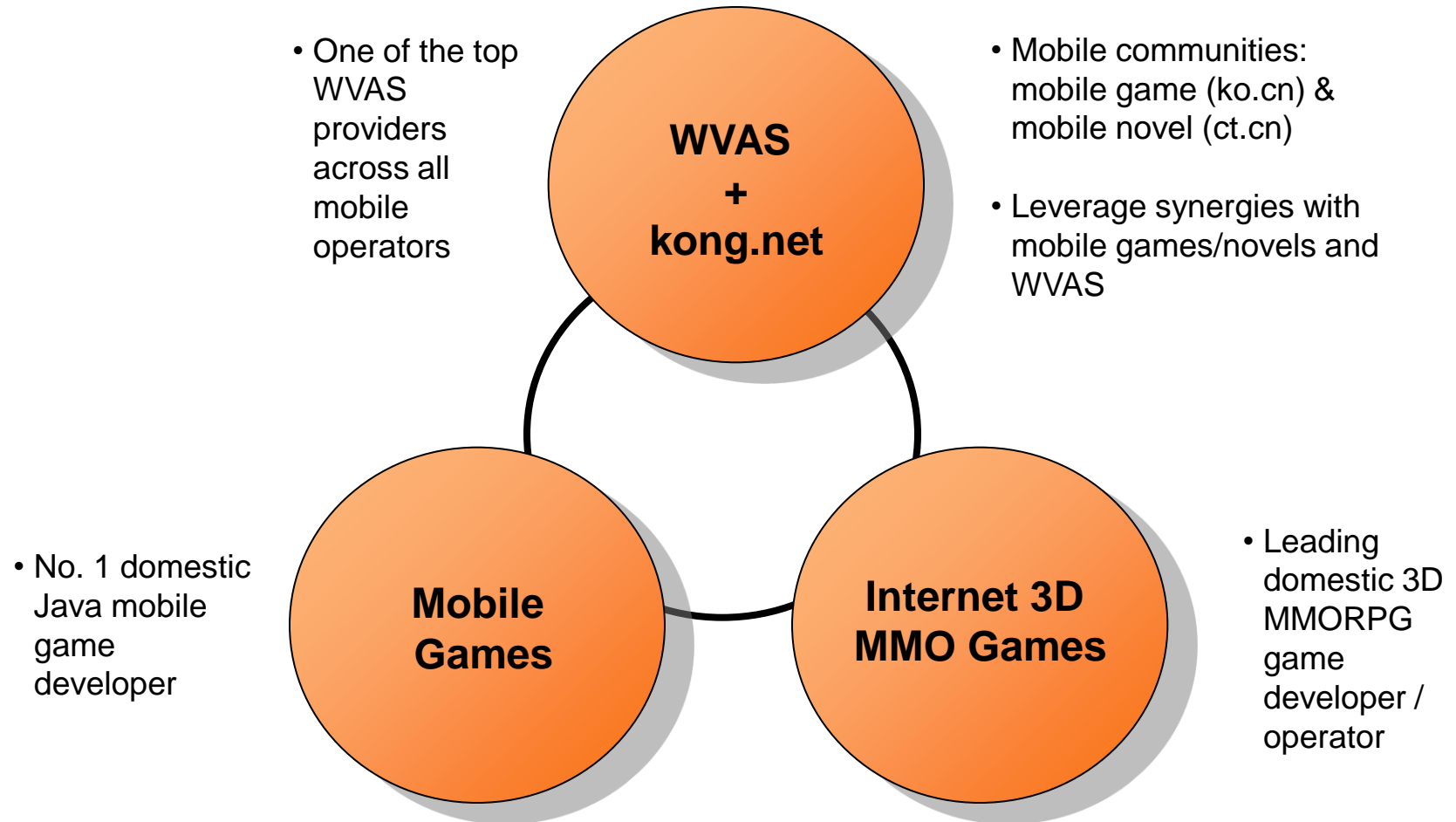
This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include, without limitation, statements regarding trends in the wireless value-added services, wireless media, mobile games and online games industries and our future results of operations, financial condition and business prospects. Although such statements are based on our own information and information from other sources we believe to be reliable, you should not place undue reliance on them. These statements involve risks and uncertainties, and actual market trends and our results may differ materially from those expressed or implied in these forward looking statements for a variety of reasons. Potential risks and uncertainties include, but are not limited to, continued competitive pressure in China’s wireless value-added services, wireless media, mobile games and online games industries and the effect of such pressure on revenues; our ability to develop new products that are commercially successful; unpredictable changes in technology, consumer demand and usage preferences in the markets we operate; our ability to protect our intellectual property rights; the short operating history of certain of our business segments, in particular the online games segment; the state of and any change in our relationship with China’s telecommunications operators; our dependence on the billing systems of telecommunications operators for our performance; the outcome of our investment of operating income generated from the WVAS segment into the development of our wireless Internet, mobile games and online games segments; changes in the regulations or policies of the Ministry of Industry and Information Technology and other government authorities relevant to our businesses; and changes in political, economic, legal and social conditions in China, including the Chinese government’s policies with respect to economic growth, foreign exchange, foreign investment and entry by foreign companies into China’s telecommunications and online games markets. For additional discussion of these risks and uncertainties and other factors, please see the documents we file from time to time with the Securities and Exchange Commission. We assume no obligation to update any forward-looking statements, which apply only as of the date of this press release.



- Diversified Digital Entertainment for Chinese Consumers
- Strengths in Mobile and Internet 3D MMO Games
- Listed on NASDAQ in July 2004 under ticker “KONG”
- CEO and major shareholder, Mr. Wang Lei Lei joined in October 2008



Cross-Platform: Digital Entertainment



1Q 2011 Highlights



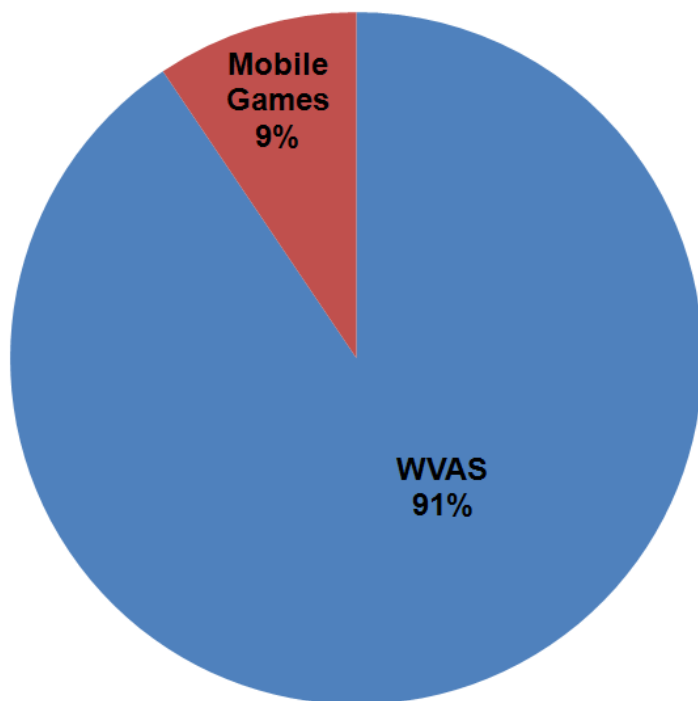
- Stable non-GAAP NPAT
- WoT commercial launch on March 15th
- WVAS stabilized
- Mobile games facing operator marketing strategy adjustments
- Kung Fu Hero / EMFZ 3: Self-developed game pipeline for 2011 on track
- Signed Paperman (Anime style FPS) from Gamepot Japan
- 2Q 2011 Guidance: Non-GAAP US\$ 6-7 mn vs. US\$ 6.9 mn 1Q11
- Exited 1Q11 with US\$ 140.0 mn in cash and loan to 3rd party, post Dacheng and NGP convertible note cash payments



Continue to transition our business model

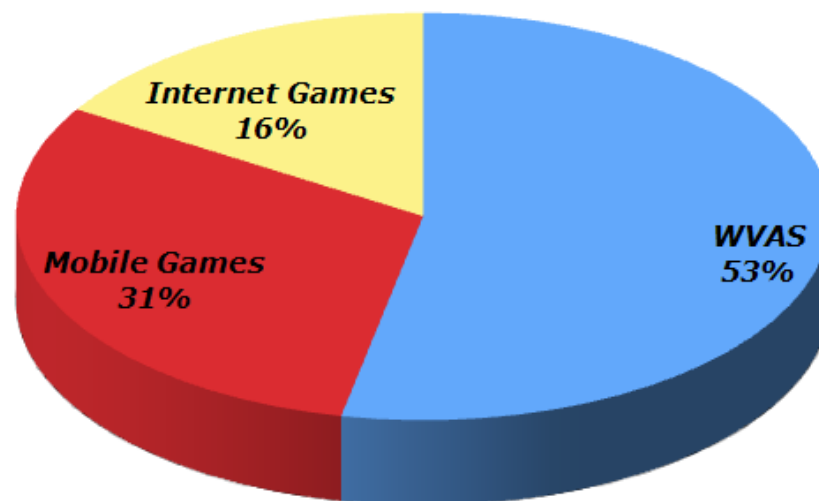


3Q08 Revenue Mix



1Q11 Revenue Mix

Note: In 3Q10, we combined WIS and WVAS into single WVAS business unit reporting line item

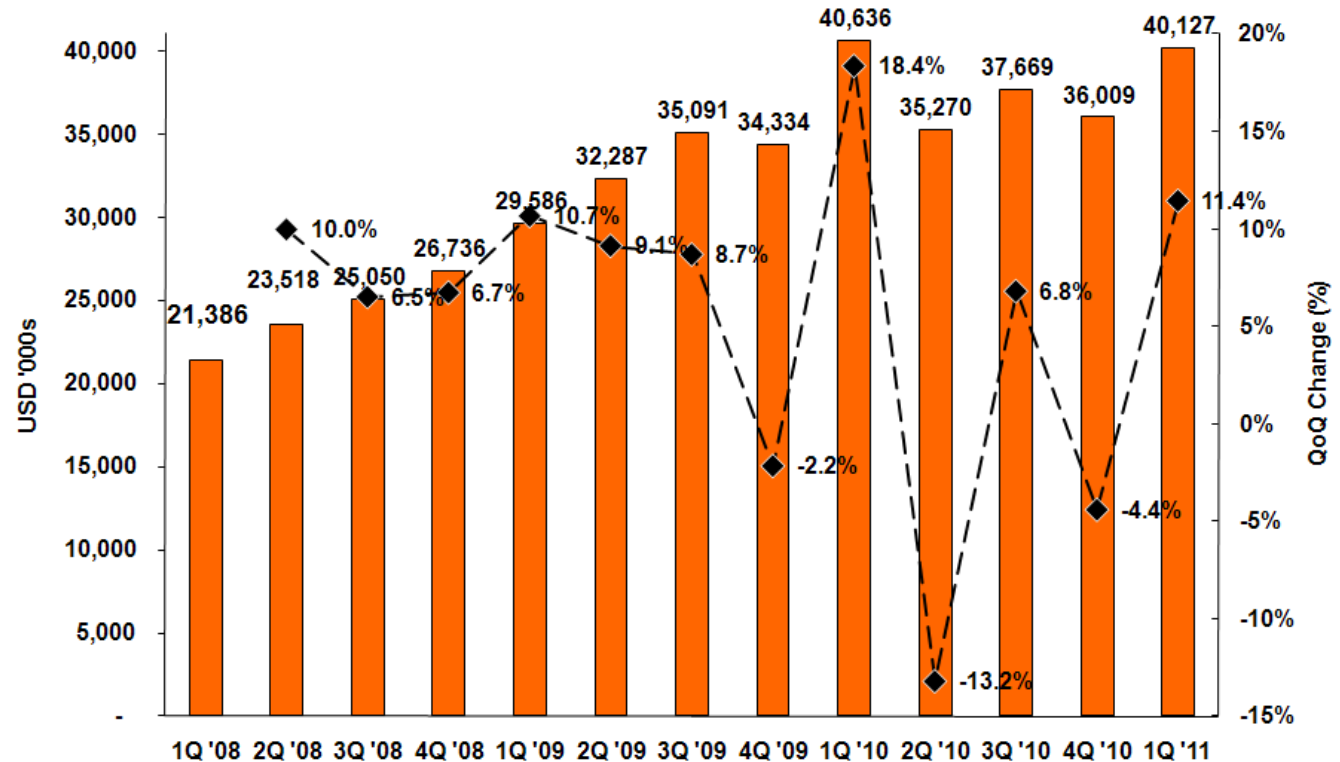


Internet and Mobile Games business make up roughly half of revenues and gross profits



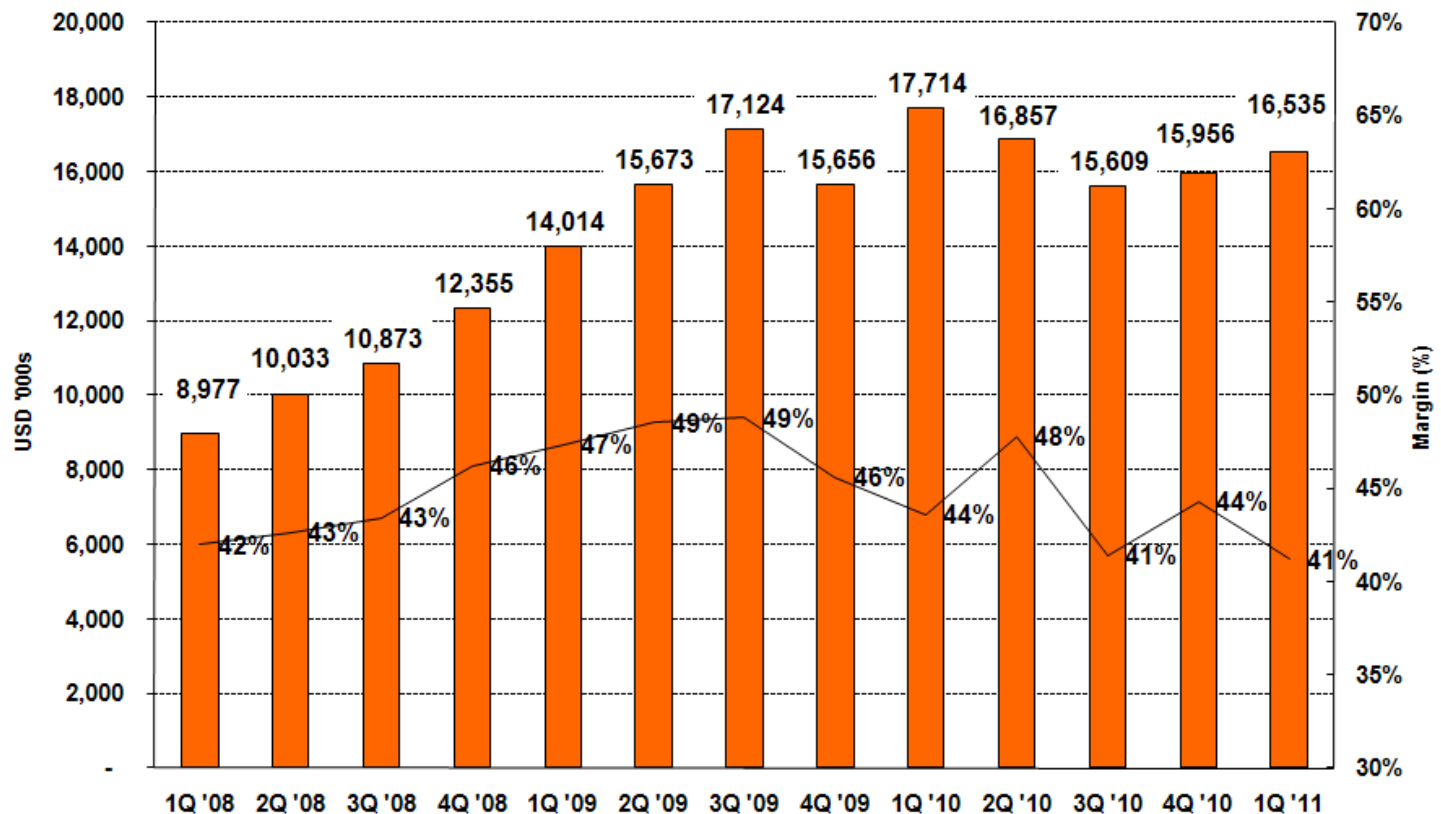
1Q11 Total Revenues: Stabilized

- WVAS rebounded from 4Q10 levels
- Mobile games underperformed slightly due to operator marketing strategy adjustments
- WoT launched on March 15th, offset by lower self-developed domestic and overseas licensing revenues



Gross Profit / Margins - WVAS improved

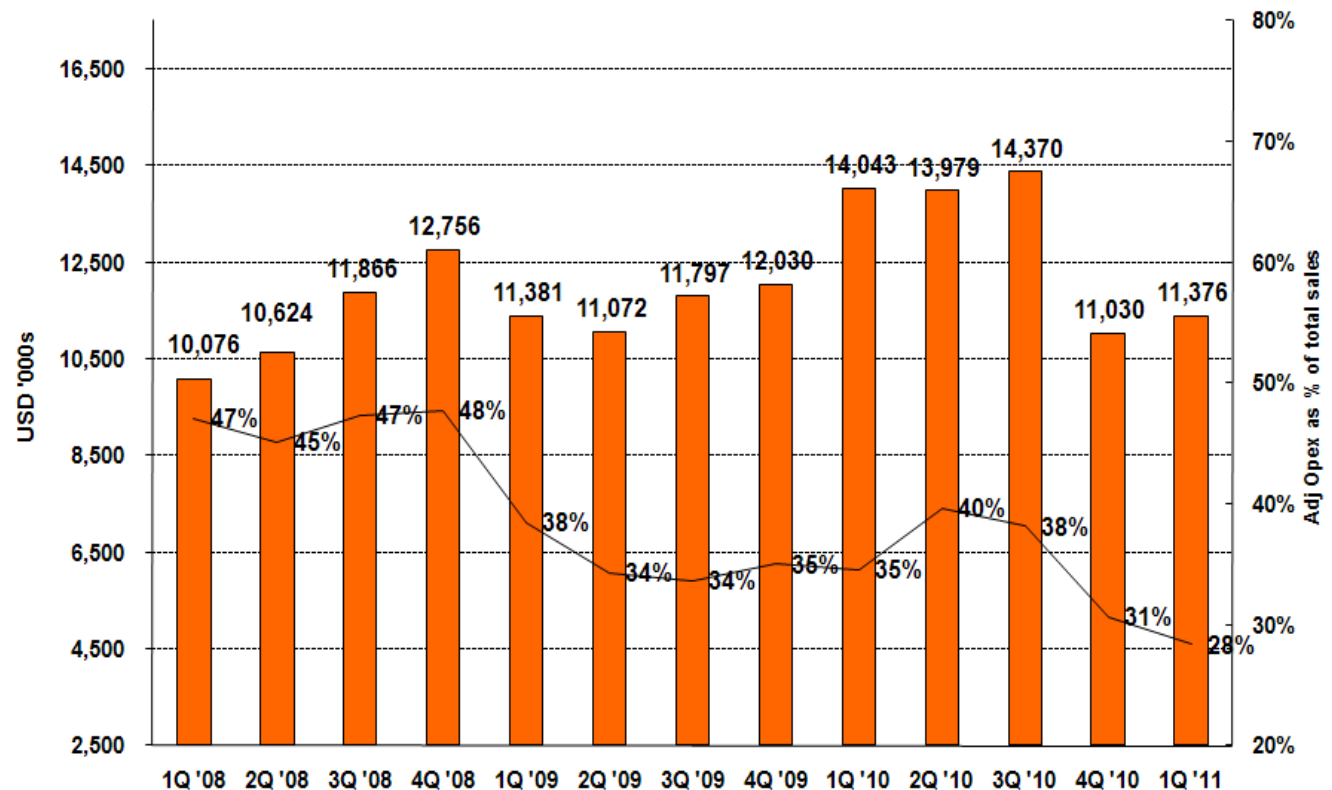
- Gross profits improved from 4Q10 levels due to improved contribution from WVAS.
- Contribution from mobile games decreased
- Net games gross profit decreased due to lower overseas licensing revenues in 1Q vs. 4Q



Operating Expenses - Efficiencies took effect 4Q



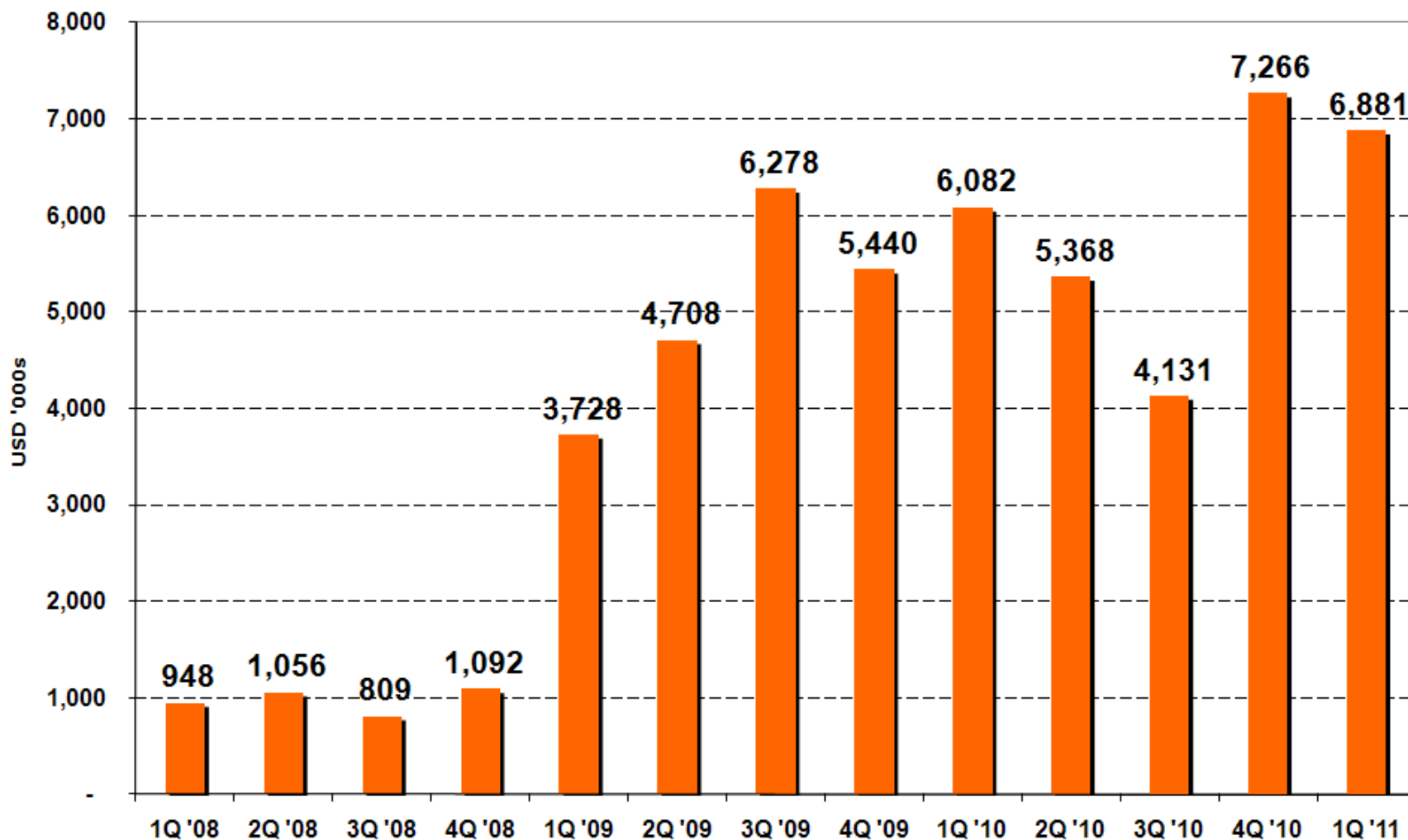
- KONG undertook cost efficiencies measures in 2nd half of 2010 (combined WVAS and WIS business lines).
- 1Q11 opex and opex as % of sales showed benefits from more efficient operating structure
- However, expect gradual increase in 2Q opex due to new game launches and continued investments in product development



• Note: 4Q10 opex excludes US\$ 8.7 mn provision for impairment of goodwill and intangibles



1Q11 Non-GAAP Net Profit - Stable



• Non-GAAP Financial Measures are described and reconciled to the corresponding GAAP measures in the section titled "Non-GAAP Financial Measures" in our corresponding financial reports / earnings releases

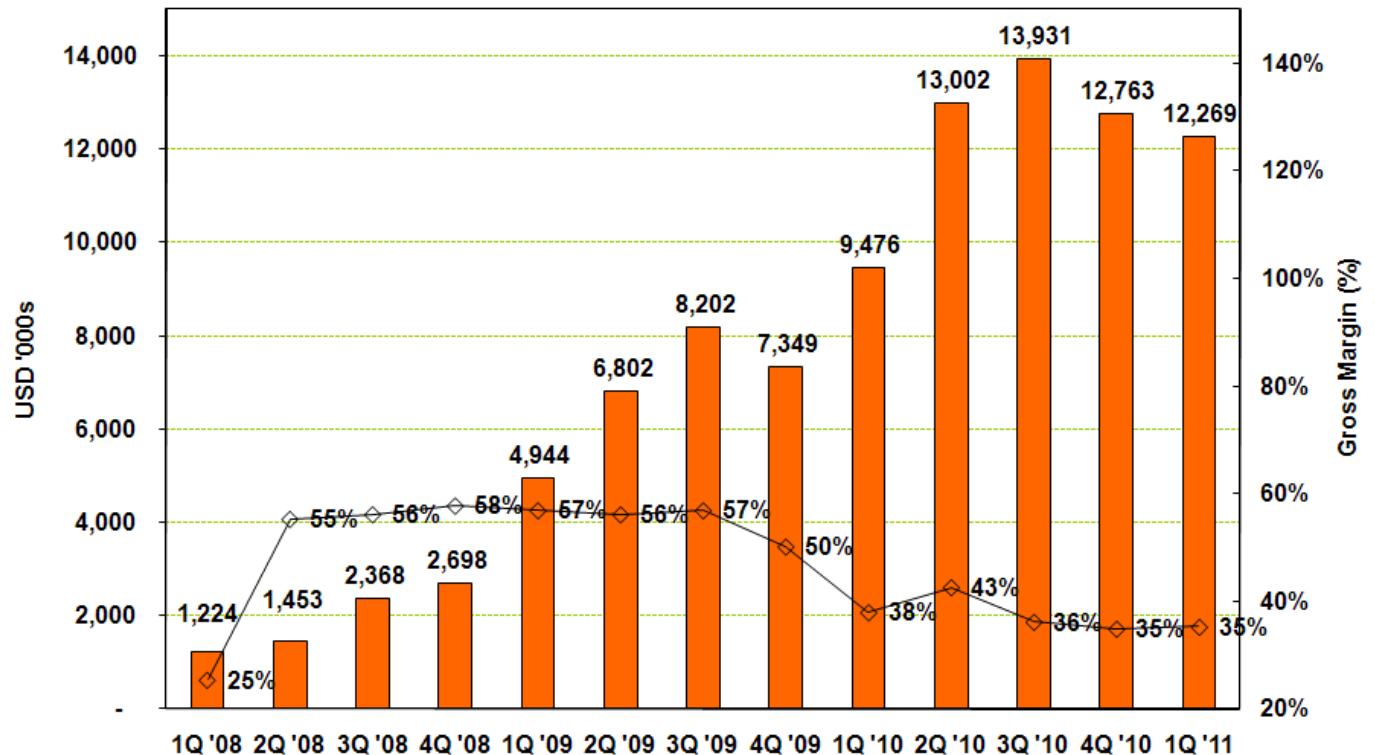
Key Business Segments



Mobile Games - 1st half 2011 growth challenges



- Proactively shifted to CMCC monthly subscription package in 4Q09
- Roughly 2.0 mn monthly subscribers in 1Q11, similar to 4Q
- 1st half 2011 likely to experience growth challenges due to adjustments in China Mobile marketing strategies towards mobile games



Mobile Games - Transition to Monthly Package



中国移动游戏门户
中国移动游戏官方网站



Currently roughly 2.0 mn monthly subscribers

RMB 5 / mth package

- At least 5 mobile games, unlimited usage per month
- At least 1 new game per month with a full refresh every half year
- KONG and high-quality game partners content only

RMB 15 / mth package

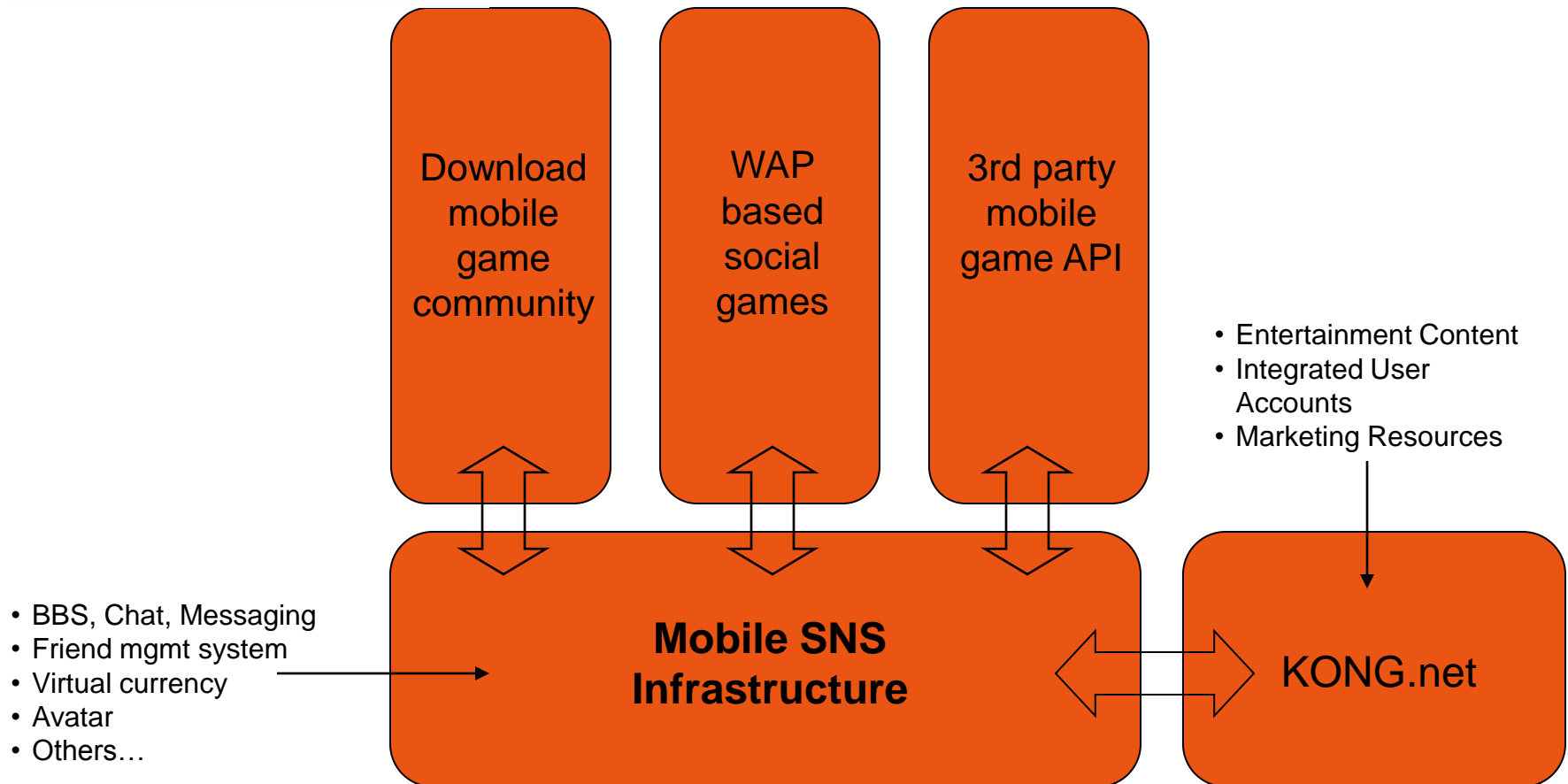
- At least 10 mobile games, unlimited usage per month
- At least 3 new game per month with a full refresh every half year
- KONG and high-quality game partners content only



Ko.cn - Mobile Social Gaming Platform



KO.CN 手机游戏城



Internet Games - Emerging Player in 3D MMO



1Q11 Internet Game Metrics



- WoT commercialized on March 15th

- Overseas license fees were down in 1Q, lower gross profit vs. 4Q10

- 2011 self-developed pipeline still on track with Kung Fu Hero targeted for 3Q11 OB and EMoFaZe targeted for late 2011 / 2012 OB

Game Title	Loong	EMoFaZe	XiaKeXing	ShengMo ZhiXue	WoT
Theme	Chinese Style Fantasy Martial Arts	Western Mythology	Chinese Style Martial Arts	Western Mystery	Military Team-based Shooter
Open Beta	Dec 2009	May 2010	Aug 2010	Oct 2010	Mar 2011

US\$ '000s	3-mths 1Q '10	3-mths 2Q '10	3-mths 3Q '10	3-mths 4Q '10	3-mths 1Q '11	QoQ Chg (%)	YoY Chg (%)
NET Game Revs	4,239	4,011	2,959	5,922	6,500	10%	53%
Overseas -%	7%	37%	18%	39%	23%		
Online Game % of total KONG revs	10%	11%	8%	16%			
ACUs ('000s)	77	75	69	81	145	79%	88%
APAs ('000s)	185	115	68	120	218	82%	18%
ARPU (RMB) - qtr	172	149	240	201	150	-25%	-12%
China operations revs	3,925	2,524	2,435	3,620	4,980	38%	27%
Overseas revs	314	1,487	524	2,302	1,520	-34%	384%

• Note: 1Q11 figures only include WoT ACU / APA as of March 2011

Internet Game Pipeline for 2011 / 2012



Self-Developed (Announced)

Exclusive License



Game Title

Kung Fu Hero

EMFZ 3

Paperman

Theme

Chinese Style
Martial Arts

Western Fantasy

First Person Shooter

**Market
Position**

Superior
Graphics /
Fighting

Based on famous
Online novel content

Anime / Free-to-Play

Open Beta

3Q 2011

Late 2011 /
2012

Late 2011 /
2012



World of Tanks - “Counter-Strike with Tanks”

- Commercialized March 15th
- One of top (top 50) most searched games in China according to Baidu search ranking
- Working closely with Wargaming to deploy new and timely content to WoT China users
- Expect to gradually build up loyal WoT community while developing Net Café and Online competition strategy



Kung Fu Hero – Contemporary Martial Arts

- Expect open beta testing in 3Q11
- New fresh contemporary martial arts genre
- Advanced 3D game engine to deploy new gameplay features, including QTE (quick-time events), advanced BOSS system and 3D cinematic effects
- Currently ranked as top 20 most antipated game in China on 17173.com game portal



EMFZ3 – Fantasy MMO / Sequel

- Sequel to Fantasy MMO EMFZ 1, based on popular Chinese online novel of same name
- Builds upon the storyline of EMFZ and expect to leverage previous EMFZ players to market EMFZ 3
- Incorporates many of the new 3D and gameplay features developed for Shengmo (e.g. better fighting special effects, character climbing, in-game puzzles / challenges, etc...)

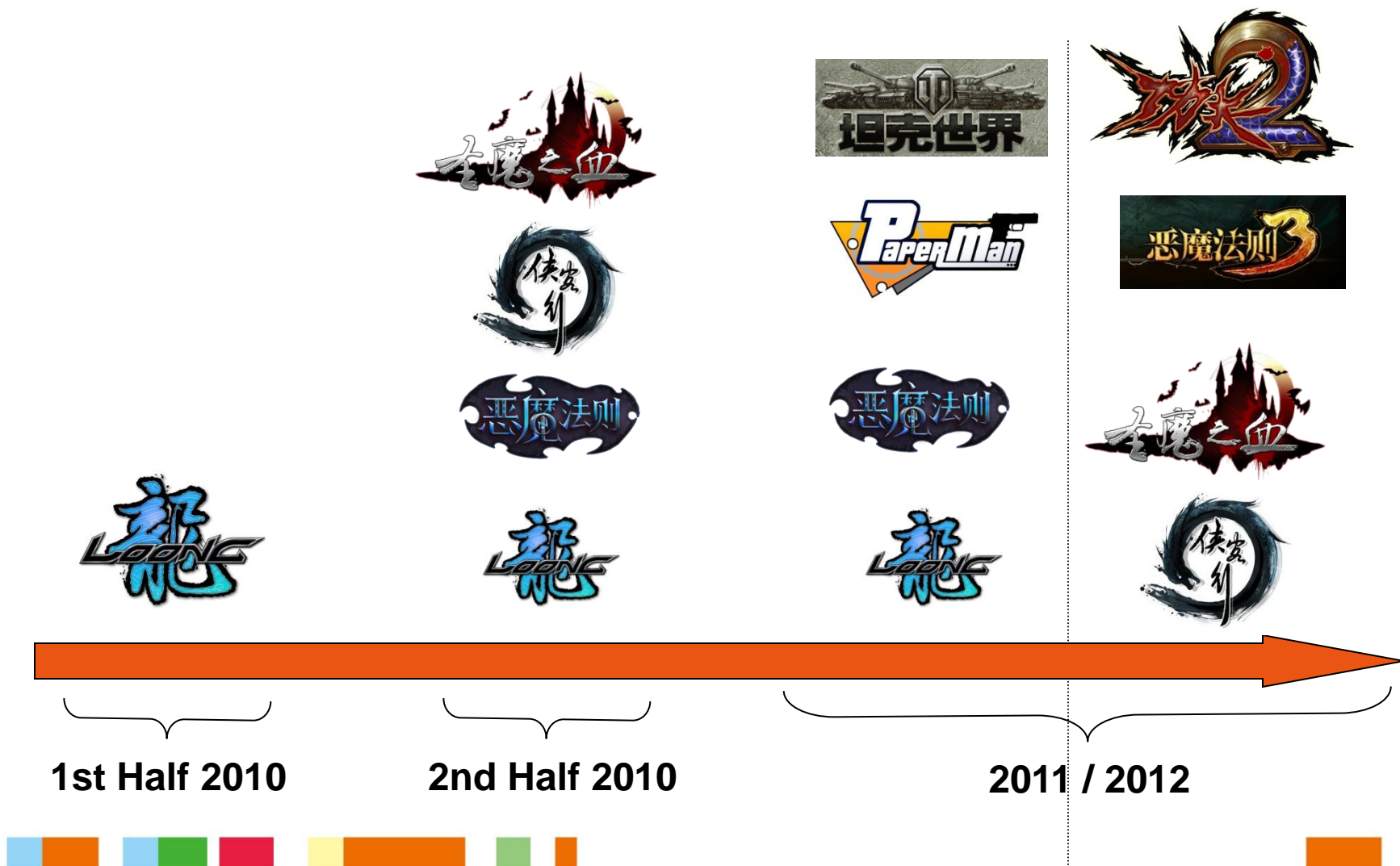


Paperman – Anime Style FPS

- First Person Shooter, from Gamepot Japan (free-to-play)
- “Anime” style characters and advanced gameplay are key differentiators
- Over 2 years of content from operation in Japan where currently one of top FPS in the Japan market
- Special features include “paper thin” characters which when face front are fully visible, but when turned sideways are 2D like paper cut outs
- Expect late 2011 / 2012 open beta depending on govt approvals



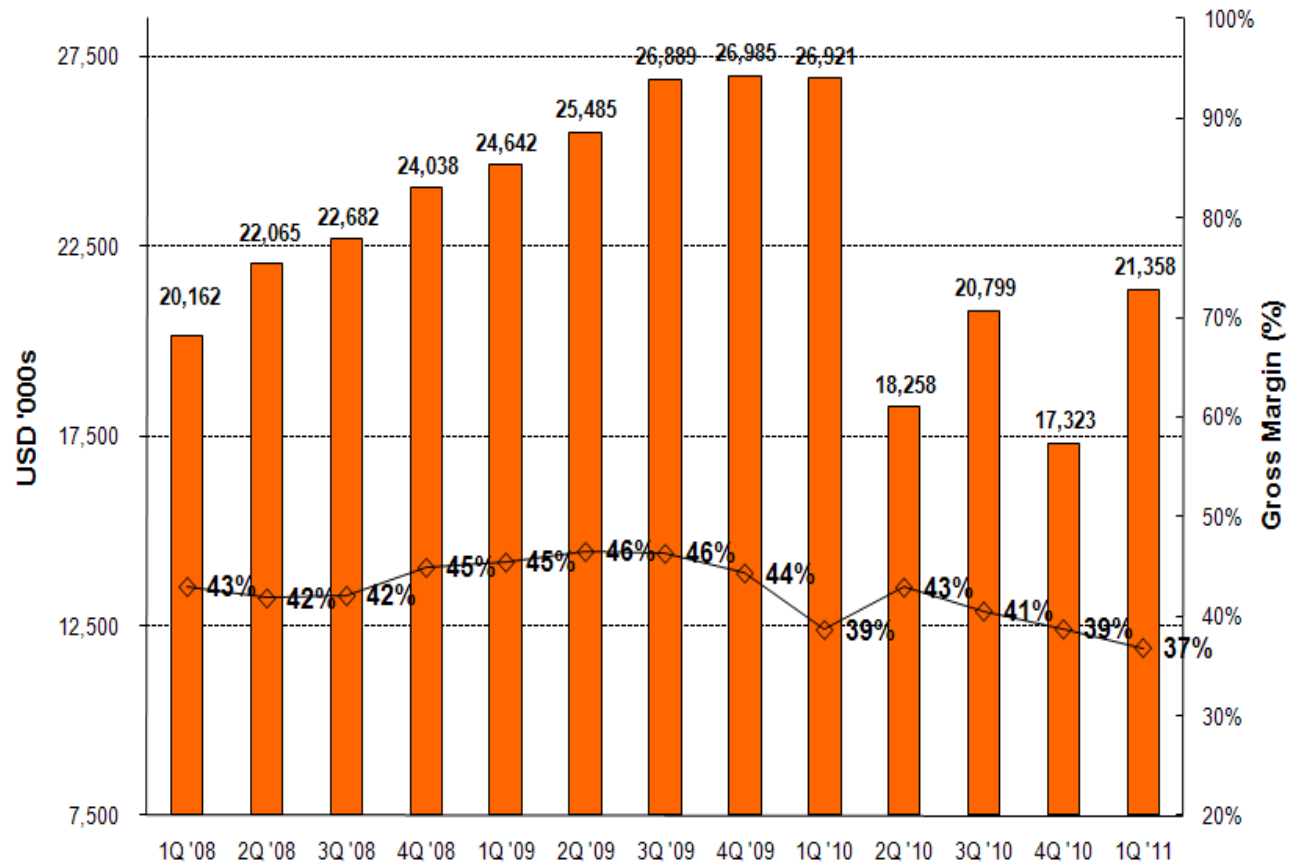
Online Game Strategy: From One to Portfolio



WVAS: Remains difficult, but stabilizing



- New mobile operator policies were introduced in 4Q09 / 1Q10 with first full qtr impact in 2Q10
- 3Q10 rebound mainly due to seasonal CRBT promotions
- Expect WVAS policy environment to remain difficult
- KONG strategy is to organically grow our Internet game business to be less dependent on WVAS, but benefit from coming consolidation of WVAS market in 2011 / 2012



Note: In 3Q, we consolidated WIS into WVAS, due to change in nature of our WIS business and future reliance on mobile literature and WVAS resources



Company Guidance - 2Q 2011



2Q 2011 Guidance



2Q 2011 Guidance	Range
Total revenues	US\$ 41.5 mn to US\$ 42.5 mn
Gross profit	US\$ 16.0 mn to US\$ 17.0 mn
Operating profit	US\$ 4.0 mn to US\$ 5.0 mn
Net profit	US\$ 4.0 mn to US\$ 5.0 mn
Non-GAAP net profit	US\$ 6.0 mn to US\$ 7.0 mn

At Mid-Point	US\$ mn	QoQ (%)
<u>Total revenues</u>	<u>42.0</u>	<u>5%</u>
WVAS	20.0	-6%
Mobile Games	12.0	-2%
Net Games	10.0	54%



Appendix



Dacheng: Final Consideration



- Based on audited full year 2010 US GAAP net profit for Dacheng, the final payment for Dacheng consisted of:
 - US\$ 14.6 mn in cash (paid on March 23rd 2011);
 - US\$ 25.8 mn in shares at US\$ 8.28 per ADS or equivalent to 3.1 mn ADS issued on March 23rd 2011.
 - However, as the market price of our shares were US\$ 9.71 per ADS on March 23rd, due to the difference in fair market value and the equivalent 30-day average, we recognized a US\$ 3.7 mn change in contingent consideration non-cash charge to our income statement in 1Q11.



Company Financials

Key Business Segments



in US\$ '000s	3-mths 1Q '09	3-mths 2Q '09	3-mths 3Q '09	3-mths 4Q '09	3-mths 1Q '10	3-mths 2Q '10	3-mths 3Q '10	3-mths 4Q '10	3-mths 1Q '11	QoQ (%)	YoY (%)
Revenues	29,586	32,287	35,091	34,334	40,636	35,270	37,669	36,009	40,127	11.4%	-1.3%
WVAS	24,642	25,485	26,889	26,985	26,921	18,258	20,779	17,323	21,358	23.3%	-20.7%
Mobile Games	4,944	6,802	8,202	7,349	9,476	13,002	13,931	12,763	12,269	-3.9%	29.5%
Net Games	-	-	-	-	4,239	4,010	2,959	5,923	6,500	9.8%	53.3%
Sales tax	562	882	800	641	825	794	694	896	839		
WVAS	479	693	608	493	475	474	407	228	381		
Mobile Games	83	189	192	148	252	253	225	195	178		
Net Games	-	-	-	-	98	67	62	473	280		
Gross Profit	14,014	15,673	17,124	15,656	17,714	16,857	15,609	15,956	16,535	3.6%	-6.7%
WVAS	11,198	11,850	12,455	11,966	10,404	7,833	8,425	6,706	7,866	17.3%	-24.4%
Mobile Games	2,815	3,823	4,669	3,690	3,623	5,546	5,047	4,459	4,331	-2.9%	19.5%
Net Games	-	-	-	-	3,687	3,478	2,137	4,791	4,338	-9.4%	17.7%
Gross Margin (%)	47%	49%	49%	46%	44%	48%	41%	44%	41%		
WVAS	45%	46%	46%	44%	39%	43%	41%	39%	37%		
Mobile Games	57%	56%	57%	50%	38%	43%	36%	35%	35%		
Net Games	-	-	-	-	87%	87%	72%	81%	67%		
Revenue Mix (%)											
WVAS	83%	79%	77%	79%	66%	52%	55%	48%	53%		
Mobile Games	17%	21%	23%	21%	23%	37%	37%	35%	31%		
Net Games	-	-	-	-	10%	11%	8%	16%	16%		

Note: In 3Q, we consolidated WIS into WVAS, due to change in nature of our WIS business and future reliance on mobile literature and WVAS resources



Income Statement

in US\$ '000s	3-mths 1Q '09	3-mths 2Q '09	3-mths 3Q '09	3-mths 4Q '09	3-mths 1Q '10	3-mths 2Q '10	3-mths 3Q '10	3-mths 4Q '10	3-mths 1Q '11	QoQ (%)	YoY (%)
Revenues	29,586	32,287	35,091	34,334	40,636	35,270	37,669	36,009	40,127	11%	-1%
Cost of revenues	15,010	15,733	17,167	18,037	22,097	17,619	21,366	19,157	22,753	19%	3%
Sales tax	562	882	800	641	825	794	694	896	839	-6%	2%
Gross profit	14,014	15,673	17,124	15,656	17,714	16,857	15,609	15,956	16,535	4%	-7%
<i>Gross margin (%)</i>	47%	49%	49%	46%	44%	48%	41%	44%	41%		
Operating expenses											
Product development	4,848	4,373	4,829	4,221	6,841	6,144	6,209	4,771	3,606	-24%	-47%
Sales and marketing	4,077	4,453	4,338	4,953	4,406	5,143	5,302	4,125	4,831	17%	10%
General & administrative	2,456	2,246	2,630	2,856	2,796	2,692	2,859	2,134	2,939	38%	5%
Goodwill impairment	-	-	-	-	-	-	-	8,729	-		
Total operating expenses	11,381	11,072	11,797	12,030	14,043	13,979	14,370	19,759	11,376	-42%	-19%
Operating profit / (loss)	2,632	4,601	5,327	3,626	3,671	2,878	1,239	(3,803)	5,159	-236%	41%
<i>Operating margin (%)</i>	8.9%	14.3%	15.2%	10.6%	9.0%	8.2%	3.3%	-10.6%	12.9%		
Govt subsidy	-	-	-	-	-	-	-	338	-		
Interest income - net	999	542	600	454	285	558	556	767	749		
Change of contingent payable	-	-	-	-	-	-	-	10,894	-		
LT investment impairment	-	-	-	1,500	-	-	-	1,510	-		
Loss on extinguishment of CN									1,567		
Change of contingent payable									3,730		
Income (loss) before tax exp	3,631	5,143	5,927	2,580	3,956	3,436	1,795	6,686	611	-91%	-85%
Income tax expense	1,110	1,594	1,431	563	791	859	628	1,671	1,067		
Net income (loss)	2,521	3,549	4,496	2,017	3,165	2,577	1,167	5,015	(456)	-109%	-114%
Diluted earnings/(loss) per A	\$ 0.07	\$ 0.09	\$ 0.11	\$ 0.05	\$ 0.08	\$ 0.07	\$ 0.03	\$ 0.13	\$ (0.01)		
ADS diluted (mn)	36.74	38.53	39.24	39.27	38.77	38.65	38.28	39.08	37.58		
Net margin (%)	8.5%	11.0%	12.8%	5.9%	7.8%	7.3%	3.1%	13.9%	-1.1%		

- Cash and 3rd party loan balance as of March 31st 2011 = US\$ 140 mn or US\$ 3.7 per basic ADS



Non-GAAP Net Income



in US\$ '000s	3-mths 1Q '09	3-mths 2Q '09	3-mths 3Q '09	3-mths 4Q '09	3-mths 1Q '10	3-mths 2Q '10	3-mths 3Q '10	3-mths 4Q '10	3-mths 1Q '11	QoQ (%)	YoY (%)
GAAP Net income / (loss)	2,521	3,549	4,496	2,017	3,165	2,577	1,167	5,015	(456)		
Share-based comp	1,014	721	1,229	1,248	1,240	1,161	1,299	1,299	1,191		
Financial exp on conv notes	34	223	234	234	253	253	277	277	230		
Amortisation of Intangibles	159	215	319	441	1,424	1,377	1,388	1,330	619		
Impairments of goodwill	-	-	-	-	-	-	-	8,729	-		
Change of contingent payable	-	-	-	-	-	-	-	(10,894)	-		
Investment impairments loss	-	-	-	1,500	-	-	-	1,510	-		
Change in fair value of contingent payab	-	-	-	-	-	-	-	-	3,730		
Loss on extinguishment	-	-	-	-	-	-	-	-	1,567		
Non-GAAP Net Income	3,728	4,708	6,278	5,440	6,082	5,368	4,131	7,266	6,881	-5%	13%
Non-GAAP Income per ADS	\$ 0.10	\$ 0.12	\$ 0.16	\$ 0.13	\$ 0.15	\$ 0.13	\$ 0.10	\$ 0.18	\$ 0.17		
ADS mn	36.7	38.5	39.2	41.2	40.7	40.6	40.2	41.0	40.9		



Thanks

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