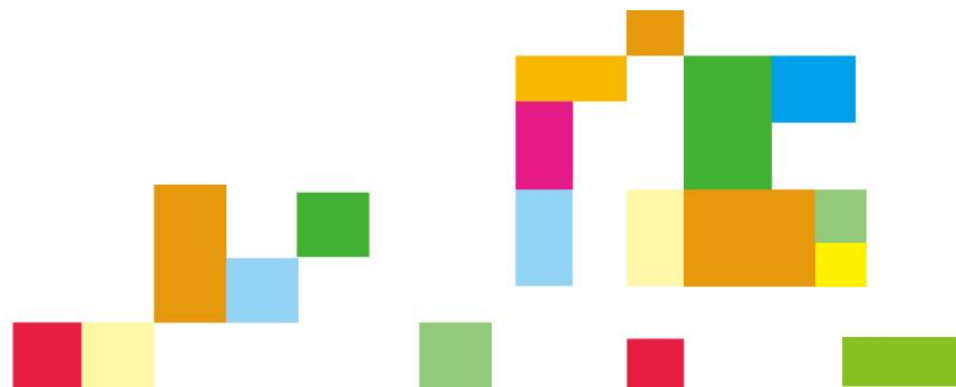




KongZhong Corporation

Net Games, Mobile Games and WVAS

Post 2Q12 Results Presentation
August 2012



Safe Harbor Statement



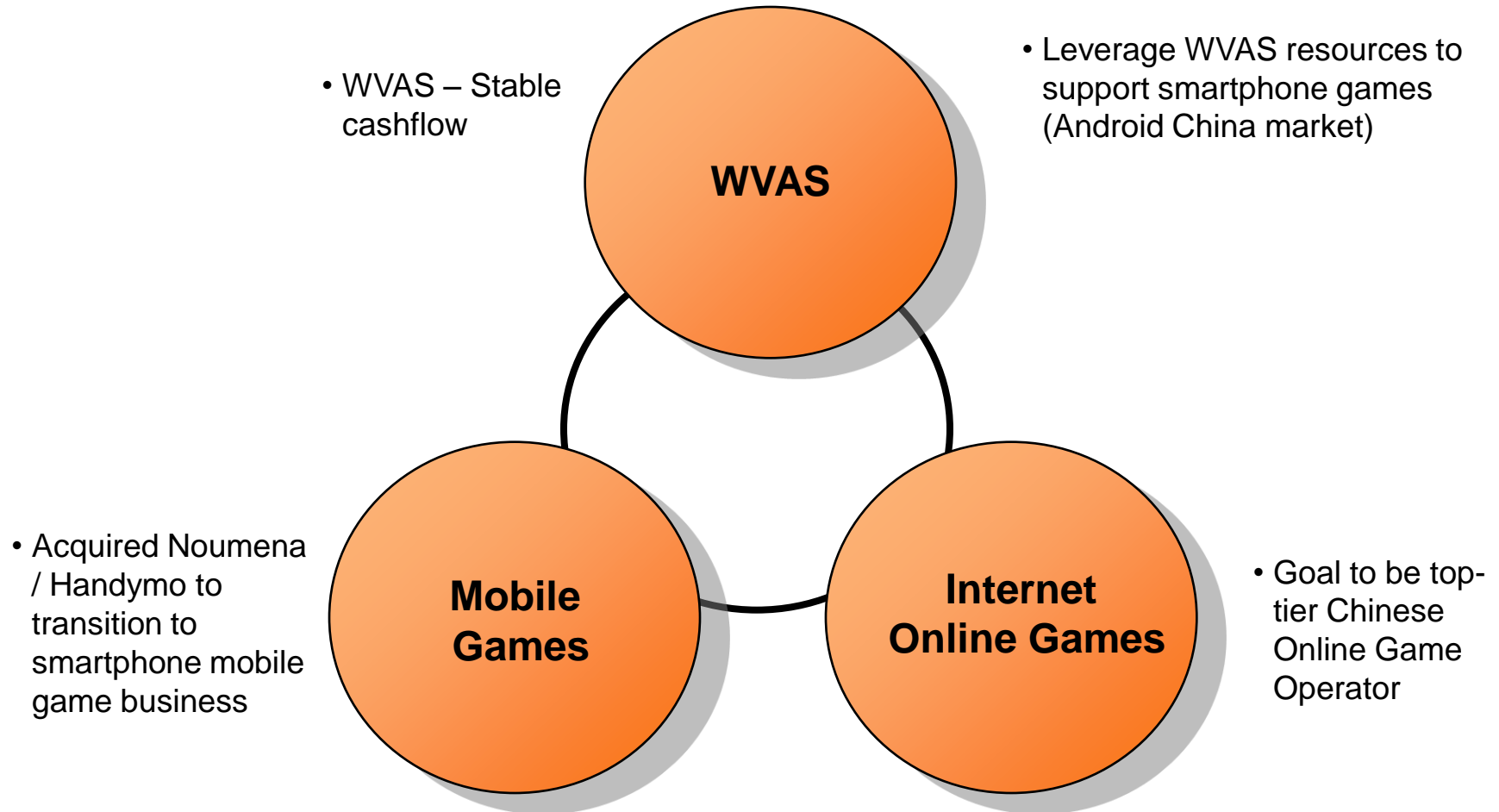
This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include, without limitation, statements regarding trends in the wireless value-added 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
- Emerging Player in 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



2Q 2012 Highlights

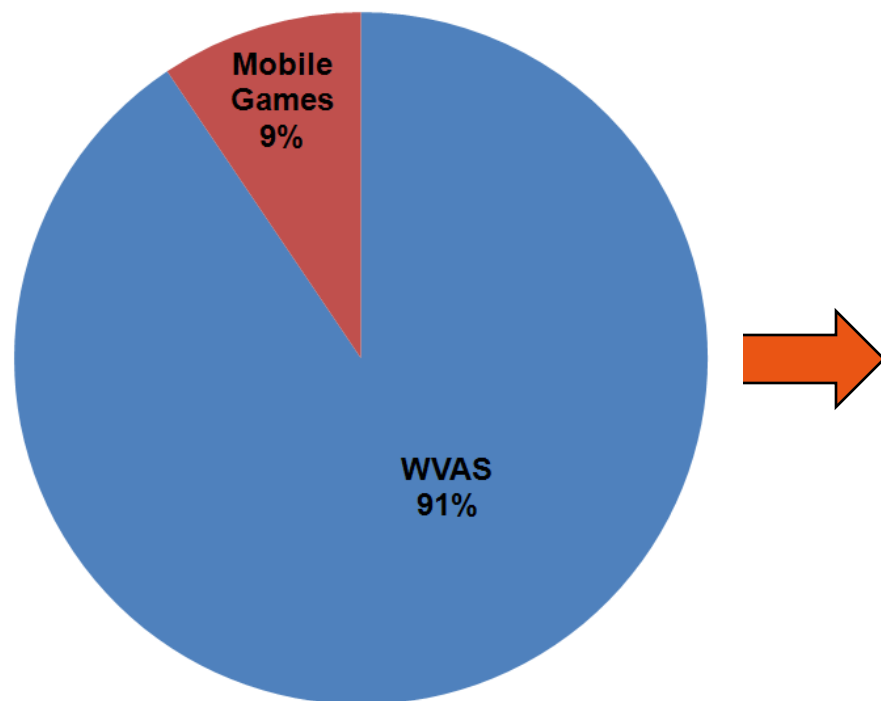


- Achieved record revenues and non-GAAP NPAT of US\$ 10.1 mn
- **One of the most exciting online game lineups for the 2013 period.**
- World of Tanks continues to be one of the top team-based massively multiplayer online games in China
- “Dragon’s Inn”, 3D side-scrolling fighting game, 3Q12 small scale beta test and pending results, open beta test in 4Q12.
- Demo’d Offensive Combat to Chinese media at Chinajoy 2012 to strong interest
- Signed exclusive rights for Hawken with Meteor Entertainment for China market.
- Exited 2Q12 with US\$ 173 mn in cash and cash equivalents, or US\$ 4.1 per basic ADS
- 3Q 2012 Guidance: Non-GAAP NPAT of US\$ 10-11 mn

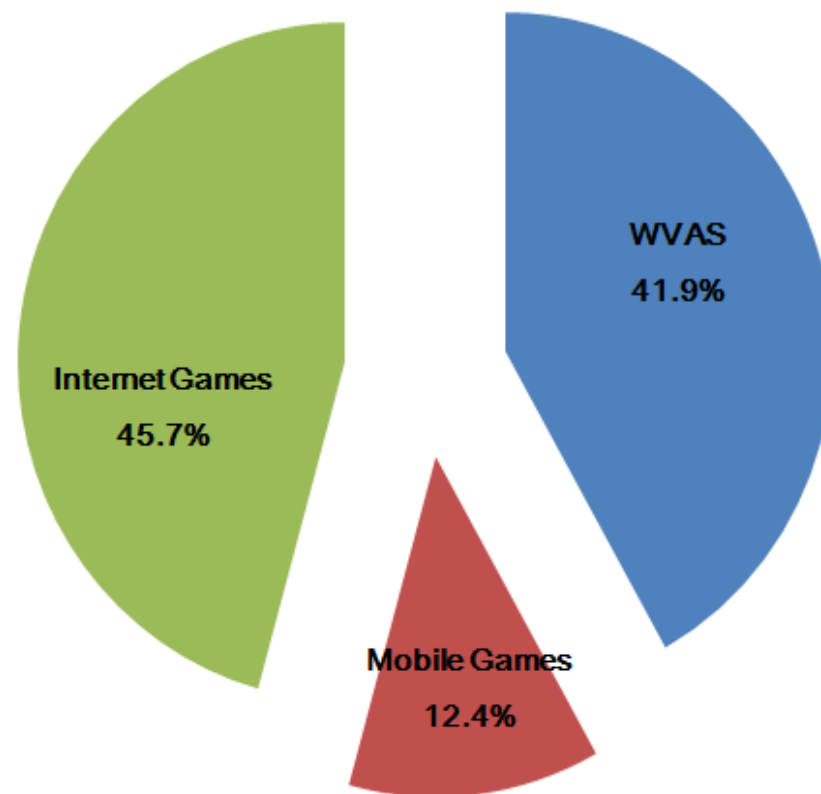


From WVAS to Net / Smartphone Games

3Q08 Revenue Mix



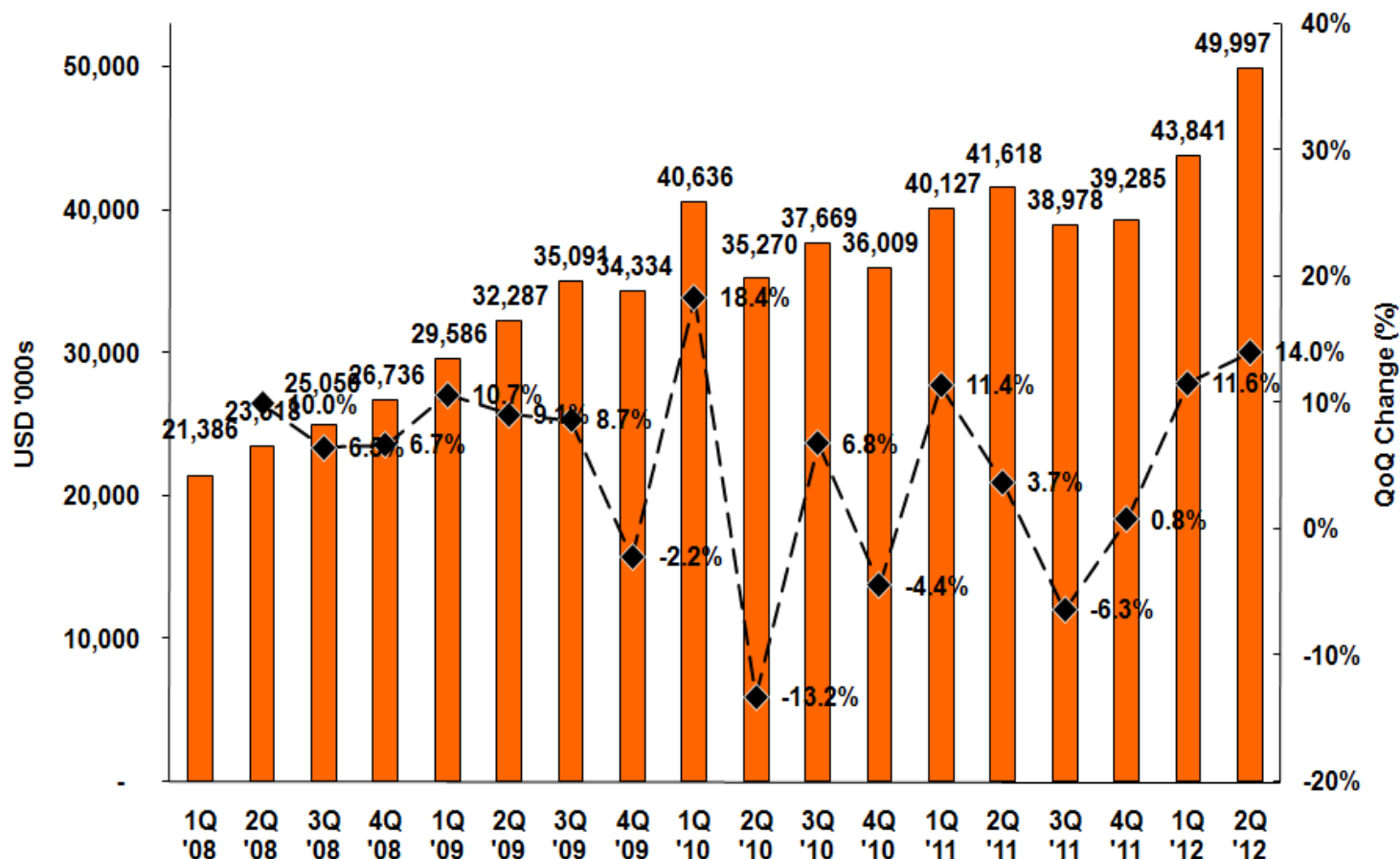
2Q12 Revenue Mix



2Q12 Total Revenues



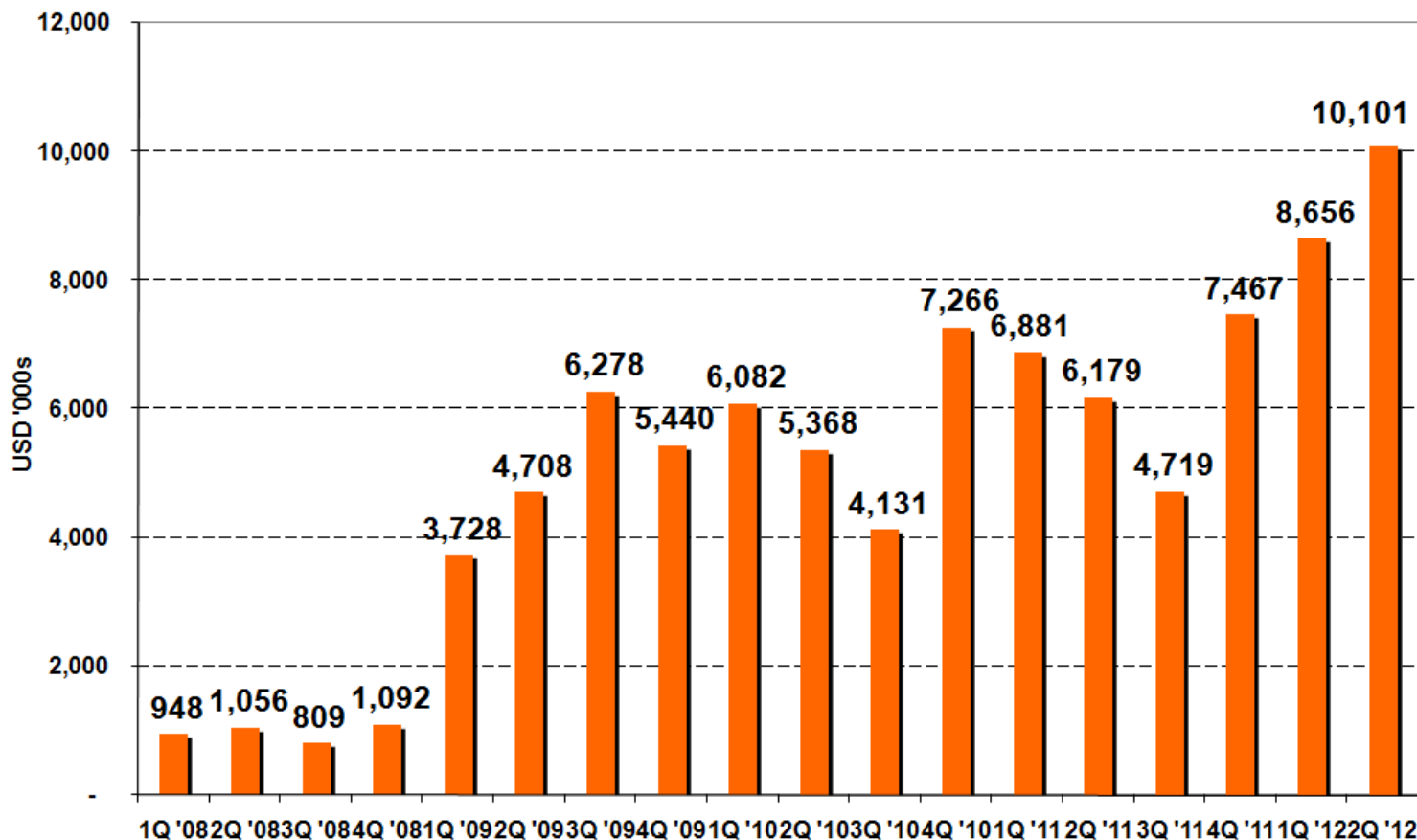
- 2Q12 revenues achieved Company record high
- Internet Game revenues (WoT) has become key growth driver with significant potential for new 2013 game pipeline



2Q12 Non-GAAP Net Profit – Record high



- 3Q12 Non-GAAP NPAT guidance is US\$ 10-11 mn

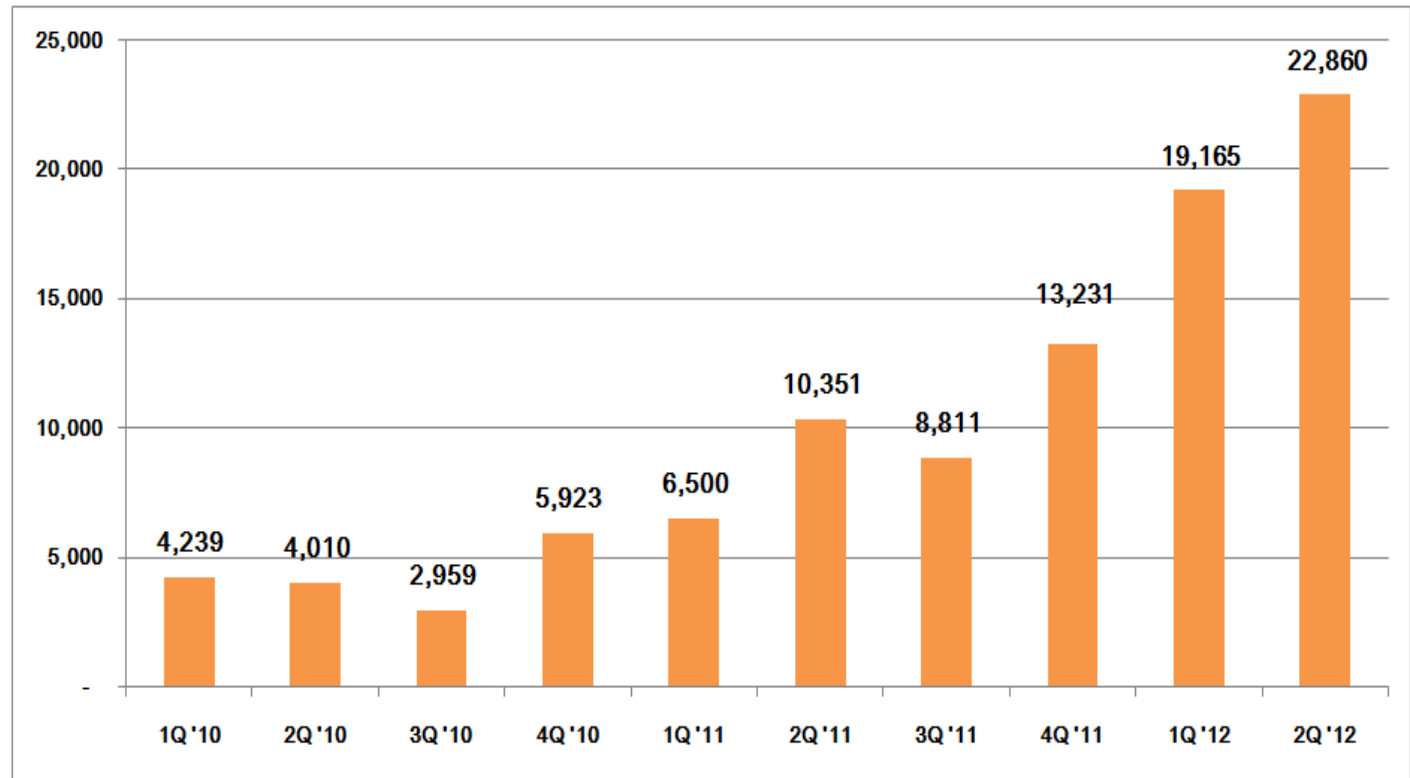


- Non-GAAP Financial Measures are described and reconciled to the corresponding GAAP measures in the section titled “Non-GAAP Financial Measures” in our corresponding financial reports / earnings releases

Internet Game Revenues – WoT key driver



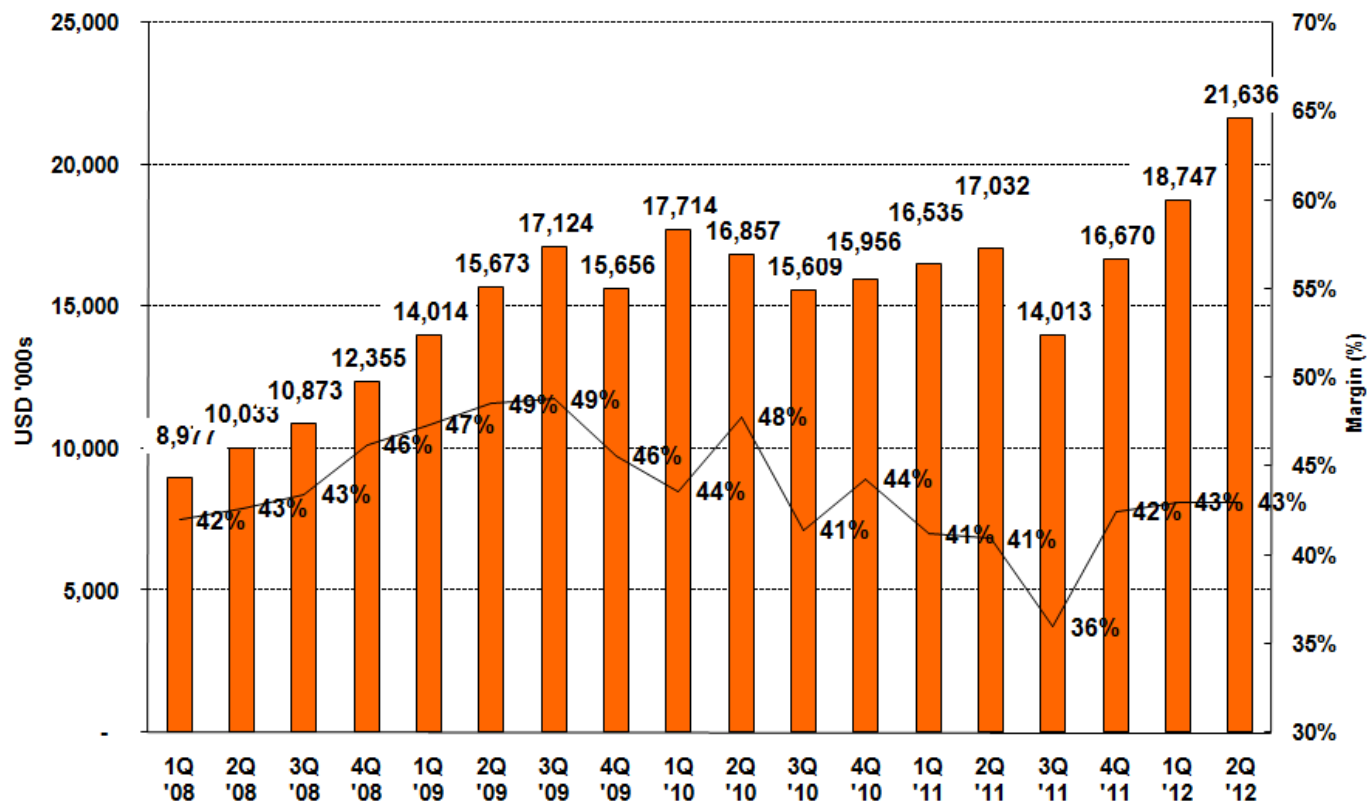
- 3Q12 guidance is US\$ 23.5 mn
- Expect continued growth in WoT in 3Q12
- However, weighed down overall by self-developed games domestically and overseas



2Q12 Total Gross Profit



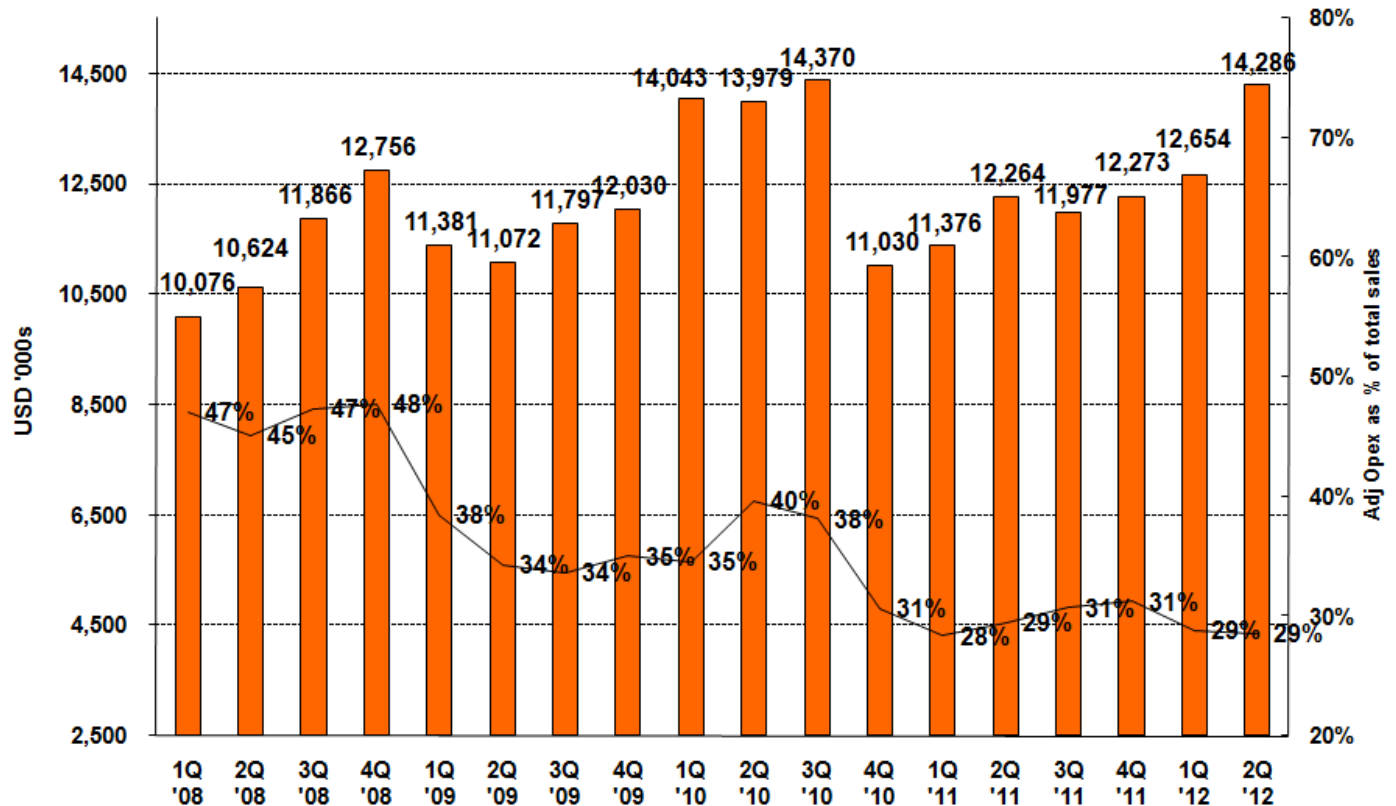
- 3Q12 gross profit guidance range is US\$ 21.5 – 22.5 mn
- Relatively flat performance is due to additional intangible amortization costs from new online game IP rights



2Q12 Operating Expenses



- KONG undertook cost efficiencies measures in 2nd half of 2010 (combined WVAS and WIS business lines).
- However, we expect to increase S&M expenses in 2nd half 2012 and 2013 as we launch new Net Games to support 2013 pipeline



- Note 1: 4Q10 opex excludes US\$ 8.7 mn provision for impairment of goodwill and intangibles
- Note 2: 3Q11 opex excludes US\$ 20.26 mn provision for impairment of goodwill and intangibles



Key Business Segments



Net Games – Most Exciting 2013 Game Pipeline?



World of Tanks – Team-based MMO Game



- Commercialized March 15th 2011
- One of top (top 20) most searched games in China according to Baidu search ranking
- Working closely with Wargaming to deploy new and timely content to WoT China users (China Tank Tree for end 2012)
- Continue to build up loyal WoT community while developing Net Café and Online competition strategy



Strategic Partnership with Wargaming.net



- On May 14th, announced strategic partnership with Wargaming.net, developer of World of Tanks
- World of Tanks – Extended initial 3-year agreement into no time limited, long-term operating rights
- World of Warplanes – Signed exclusive and long-term rights for China, expected testing 2012 /2013
- World of Warships-- Signed exclusive and long-term rights for China, expected testing 2013 / 2014
- Future Wargaming.net games (including mobile games) – Right of first offer for mainland China
- Wargaming.net to receive up to 5.0 mn ADS warrants with exercise price of US\$ 5.94 / ADS.
- The warrants have a duration ranging from 1 to 6 years and the exercise of the warrants is subject to various conditions, including the commercial launch of Wargaming.net's future games in China.



Dragon's Inn

- 3D side-scrolling action / fighting game, similar to DNF
- Expect small-scale beta test sometime in 3Q12
- OBT potentially 4Q12



Offensive Combat – Social FPS



- From U4iA Games, Offensive Combat, still under-development, to be world's first browser-based, console-quality, first person social shooter
- Expected sometime in 2nd half 2012 in US / Europe and 1st half 2013 in China



Hawken (Meteor Entertainment)



- On August 2nd, announced partnership to bring Hawken exclusively to China
- Hawken is a free-to-play first person mech combat shooter.



2Q12 Internet Game Metrics



US\$ '000s	3-mths 1Q '10	3-mths 2Q '10	3-mths 3Q '10	3-mths 4Q '10	3-mths 1Q '11	3-mths 2Q '11	3-mths 3Q '11	3-mths 4Q '11	3-mths 1Q '12	3-mths 2Q '12	QoQ Chg (%)	YoY Chg (%)
NET Game Revs	4,239	4,011	2,959	5,922	6,500	10,351	8,811	13,231	19,165	22,860	19%	121%
Overseas -%	7%	37%	18%	39%	23%	20%	12%	7%	6%	9%		
Net Game % of til revs	10%	11%	8%	16%	16%	25%	23%	34%	44%	46%		
ACUs ('000s)	77	75	69	81	66	157	157	194	228	302	32%	92%
APAs ('000s)	185	115	69	120	218	445	450	570	744	821	10%	84%
ARPU (RMB) - qtr	172	149	240	201	150	121	111	137	153	160	5%	32%
China operations revs	3,925	2,524	2,435	3,620	4,980	8,289	7,776	12,294	18,108	20,912	15%	152%
Overseas revs	314	1,487	524	2,302	1,520	2,062	1,035	937	1,057	1,949	84%	-5%



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

Handymo – Smartphone Mobile Game Engine



- Handymo – 3 advantages for KONG in the China Android smartphone market

1. We believe the Handymo mobile game engine allows us to cost efficiently and rapidly produce high-quality, cross-platform games, compared to other 3rd party mobile game engines, especially for the fragmented China Android market.
2. Compared to other standalone iOS or Android game studios, we are leveraging the knowledge of our PC-based MMORPG development teams to design and produce high-quality connected smartphone games.
3. We are also leveraging our wireless value-added services team's knowledge and resources in the marketing, distribution and management of how to reach China's 1.0 bn mobile phone subscribers.



KONG Smartphone Games – iOS China



- Although still integrating Noumena in 2Q12, have begun to see fruits of acquisition



TOP 50 Grossing

3

2

2

2

2

1

1

2

0

1

TOP 100 Grossing

5

0

3

0

3

1

1

1

1

1

★ End June



Smartphone Game Pipeline



4Q 12+

Under Development

Under Development

Under Development

Under Development

Under Development

Under Development

Under Development

Under Development

Under Development

1Q 12

Kingdom Story



Battleland V1.0



Tiny Ear



Hook 'em Fishing



2Q 12

Battleland :Warrior&Monst



Tiny War



Necro Defense



Super Star



3Q 12

Star Empires



“SLG”



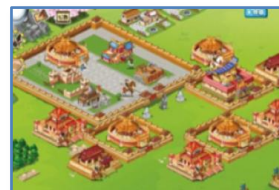
“RPG/SGL”



Scrolling Shooter



“SLG”



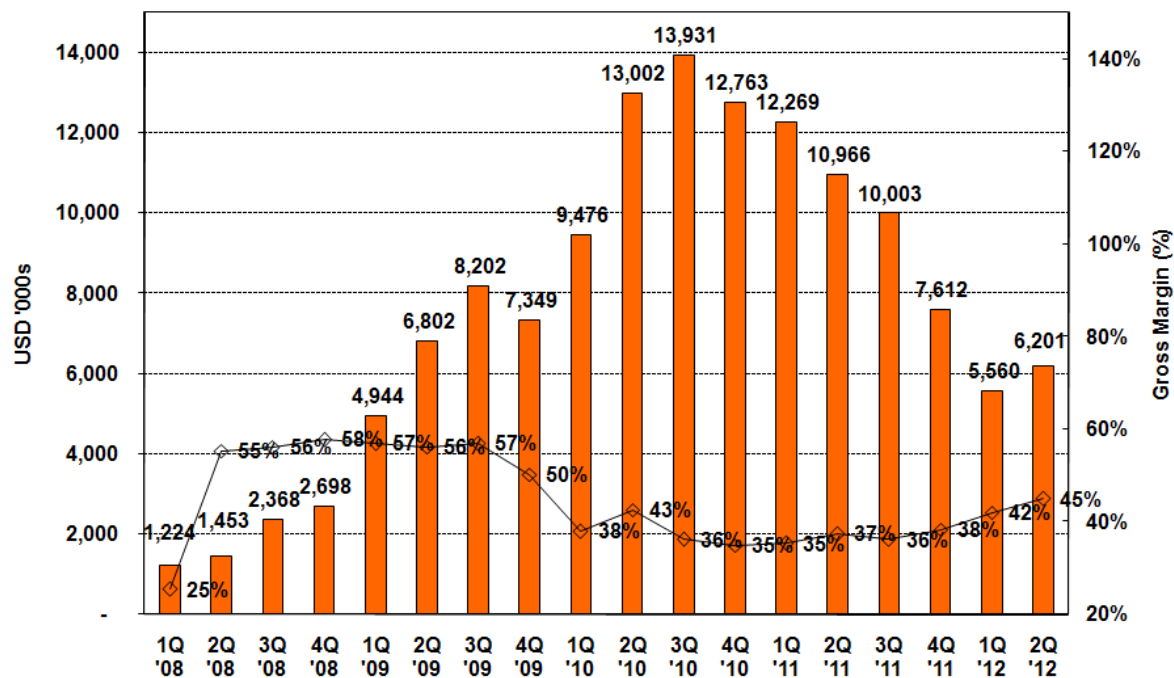
“RPG/SLG”



• Expect to ramp up development over the next 6-12 months



Mobile phone business metrics



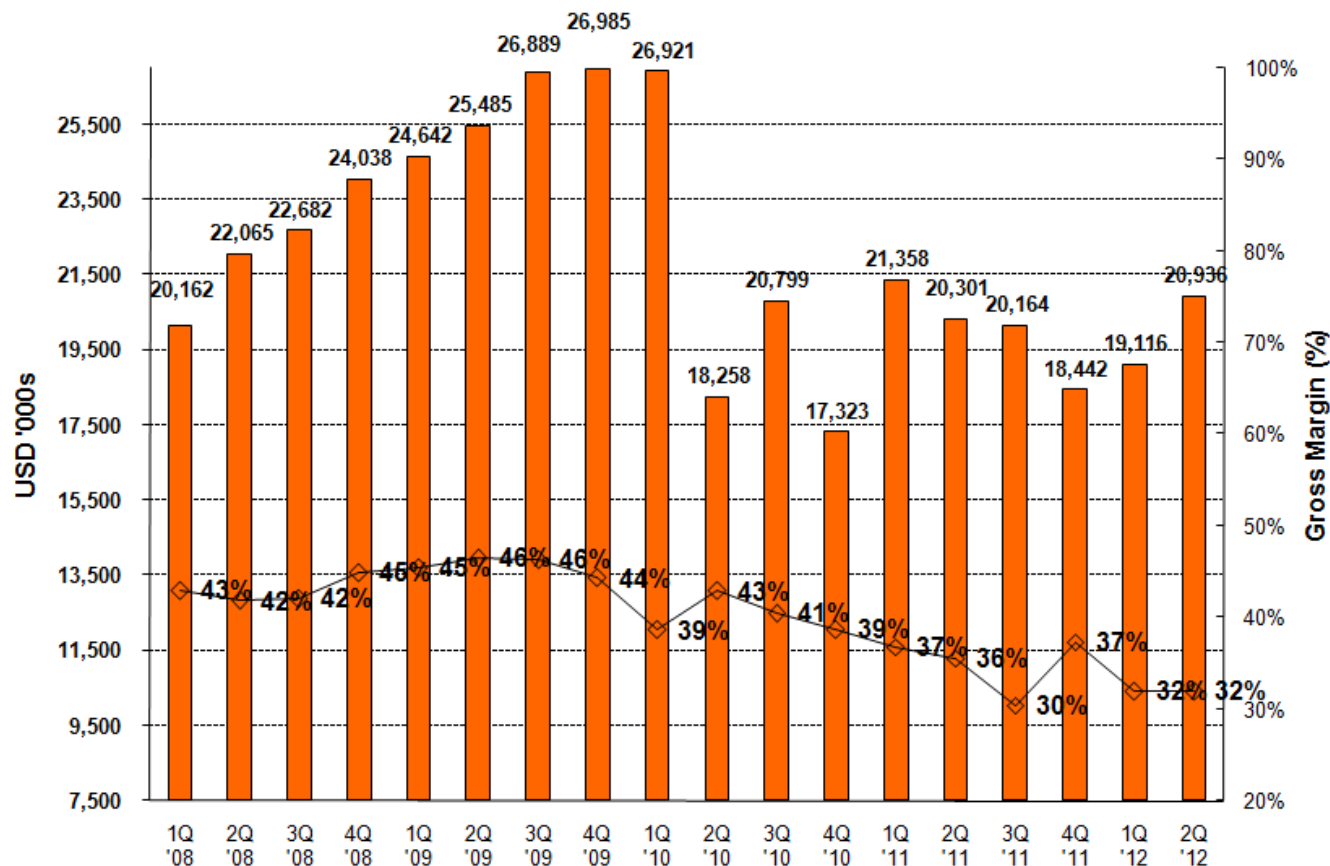
	2Q 2012	Mix (%)
Featurephone	4,860	78.4%
Smartphone	1,341	21.6%
Total	6,201	



WVAS: Remains difficult, but stabilizing



- New mobile operator policies were introduced in 4Q09 / 1Q10 with first full qtr impact in 2Q10
- Expect WVAS policy environment to remain difficult
- KONG strategy is to organically grow our Internet game business to be less dependent on WVAS
- **3Q12 WVAS rev guidance is US\$ 20.5 mn**



Company Guidance - 3Q 2012



3Q 2012 Guidance



3Q 2012 Guidance	Range
Total revenues	US\$ 50-51 mn
Gross profit	US\$ 21.5-22.5 mn
Operating profit	US\$ 7-8 mn
Net profit	US\$ 7-8 mn
Non-GAAP net profit	US\$ 10-11 mn

At Mid-Point	US\$ mn	QoQ (%)	2Q 2012	3Q 2011	YoY (%)
<u>Total revenues</u>	<u>50.5</u>	<u>1%</u>	<u>50.0</u>	<u>39.0</u>	<u>30%</u>
WVAS	20.5	-2%	20.9	20.2	2%
Mobile Games	6.5	5%	6.2	10.0	-35%
Net Games	23.5	3%	22.9	8.8	167%



Company Financials



Key Business Segments



in US\$ '000s	3-mths 1Q '10	3-mths 2Q '10	3-mths 3Q '10	3-mths 4Q '10	3-mths 1Q '11	3-mths 2Q '11	3-mths 3Q '11	3-mths 4Q '11	3-mths 1Q '12	3-mths 2Q '12	QoQ (%)	YoY (%)
Revenues	40,636	35,270	37,669	36,009	40,127	41,618	38,978	39,285	43,841	49,997	14.0%	20.1%
WVAS	26,921	18,258	20,779	17,323	21,358	20,301	20,164	18,442	19,116	20,936	9.5%	3.1%
Mobile Games	9,476	13,002	13,931	12,763	12,269	10,966	10,003	7,612	5,560	6,201	11.5%	-43.5%
Net Games	4,239	4,010	2,959	5,923	6,500	10,351	8,811	13,231	19,165	22,860	19.3%	120.8%
Sales tax	825	794	694	896	839	986	941	1,062	1,381	1,539		
WVAS	475	474	407	228	381	370	367	272	277	303		
Mobile Games	252	253	225	195	178	166	154	124	86	66		
Net Games	98	67	62	473	280	450	420	666	1,018	1,170		
Gross Profit	17,714	16,857	15,609	15,956	16,535	17,032	14,013	16,670	18,747	21,636	15.4%	27.0%
WVAS	10,404	7,833	8,425	6,706	7,866	7,224	6,132	6,894	6,140	6,781	10.4%	-6.1%
Mobile Games	3,623	5,546	5,047	4,459	4,331	4,106	3,620	2,923	2,341	2,763	18.0%	-32.7%
Net Games	3,687	3,478	2,137	4,791	4,338	5,702	4,261	6,853	10,266	12,092	17.8%	112.1%
Gross Margin (%)	44%	48%	41%	44%	41%	41%	36%	42%	43%	43%		
WVAS	39%	43%	41%	39%	37%	36%	30%	37%	32%	32%		
Mobile Games	38%	43%	36%	35%	35%	37%	36%	38%	42%	45%		
Net Games	87%	87%	72%	81%	67%	55%	48%	52%	54%	53%		
Revenue Mix (%)												
WVAS	66%	52%	55%	48%	53%	49%	52%	47%	44%	42%		
Mobile Games	23%	37%	37%	35%	31%	26%	26%	19%	13%	12%		
Net Games	10%	11%	8%	16%	16%	25%	23%	34%	44%	46%		



Income Statement



in US\$ '000s	3-mths 1Q '10	3-mths 2Q '10	3-mths 3Q '10	3-mths 4Q '10	3-mths 1Q '11	3-mths 2Q '11	3-mths 3Q '11	3-mths 4Q '11	3-mths 1Q '12	3-mths 2Q '12	QoQ (%)	YoY (%)
Revenues	40,636	35,270	37,669	36,009	40,127	41,618	38,978	39,285	43,841	49,997	14%	20%
Cost of revenues	22,097	17,619	21,366	19,157	22,753	23,600	24,024	21,553	23,713	26,822		
Sales tax	825	794	694	896	839	986	941	1,062	1,381	1,539		
Gross profit	17,714	16,857	15,609	15,956	16,535	17,032	14,013	16,670	18,747	21,636	15%	27%
Gross margin (%)	44%	48%	41%	44%	41%	41%	36%	42%	43%	43%		
Operating expenses												
Product development	6,841	6,144	6,209	4,771	3,606	3,952	3,960	3,899	4,080	4,424	8%	12%
Sales and marketing	4,406	5,143	5,302	4,125	4,831	5,351	5,074	5,636	5,712	7,147	25%	34%
General & administrative	2,796	2,692	2,859	2,134	2,939	2,961	2,943	2,738	2,862	2,715	-5%	-8%
Goodwill impairment/intangibles	-	-	-	8,729	-	-	20,259	-	-	-		
Total operating expenses	14,043	13,979	14,370	19,759	11,376	12,264	32,236	12,273	12,654	14,286	13%	16%
Govt subsidy	-	-	-	-	-	-	-	-	-	159		
Operating profit / (loss)	3,671	2,878	1,239	(3,803)	5,159	4,768	(18,223)	4,397	6,093	7,509	23%	57%
Operating margin (%)	9.0%	8.2%	3.3%	-10.6%	12.9%	11.5%	-46.8%	11.2%	13.9%	15.0%		
Income (loss) before tax exp	3,956	3,436	1,795	6,686	611	5,275	(16,855)	6,452	7,895	9,051		
Income tax expense	791	859	628	1,671	1,067	885	402	784	1,037	1,159		
Net income (loss)	3,165	2,577	1,167	5,015	(456)	4,390	(17,257)	5,668	6,858	7,892	15%	80%
Diluted earnings/(loss) per ADS	\$ 0.08	\$ 0.07	\$ 0.03	\$ 0.13	\$ (0.01)	\$ 0.11	\$ (0.41)	\$ 0.14	\$ 0.16	\$ 0.18	12%	68%
ADS diluted (mn)	38.77	38.65	38.28	39.08	37.58	42.54	41.18	41.57	41.91	43.87		
Net margin (%)	7.8%	7.3%	3.1%	13.9%	-1.1%	10.5%	-44.3%	14.4%	15.6%	15.8%		

- Cash and cash equivalents as of June 30th 2012 = US\$ 173 mn or US\$ 4.10 per basic ADS
- For our full financial statements, please see our filings with the SEC



Non-GAAP Net Income



in US\$ '000s	3-mths 1Q '10	3-mths 2Q '10	3-mths 3Q '10	3-mths 4Q '10	3-mths 1Q '11	3-mths 2Q '11	3-mths 3Q '11	3-mths 4Q '11	3-mths 1Q '12	3-mths 2Q '12	QoQ (%)	YoY (%)
GAAP Net income / (loss)	3,165	2,577	1,167	5,015	(456)	4,390	(17,257)	5,668	6,858	7,892		
Share-based comp	1,240	1,161	1,299	1,299	1,191	1,117	1,097	1,174	1,150	1,150		
Financial exp on conv notes	253	253	277	277	230	82	88	88	63	-		
Amortisation of Intangibles	1,424	1,377	1,388	1,330	619	590	532	537	585	1,059		
Impairments of goodwill/intangibles	-	-	-	8,729	-	-	20,259	-	-	-		
Change of contingent payable	-	-	-	(10,894)	-	-	-	-	-	-		
Investment impairments loss	-	-	-	1,510	-	-	-	-	-	-		
Change in fair value of contingent payab	-	-	-	-	3,730	-	-	-	-	-		
Loss on extinguishment	-	-	-	-	1,567	-	-	-	-	-		
Non-GAAP Net Income	6,082	5,368	4,131	7,266	6,881	6,179	4,719	7,467	8,656	10,101	17%	63%
Non-GAAP Income per ADS	\$ 0.15	\$ 0.13	\$ 0.10	\$ 0.18	\$ 0.17	\$ 0.14	\$ 0.11	\$ 0.18	\$ 0.21	\$ 0.23	12%	61%
ADS mn	40.7	40.6	40.2	41.0	40.9	43.1	42.1	42.2	41.9	43.9		



Thanks

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NASDAQ: KONG

