UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

Commission file number: 000-50826

KONGZHONG CORPORATION

(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant's name into English)

Cayman Islands
(Jurisdiction of incorporation or organization)

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The People's Republic of China
(Name, Telephone, E-mail 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	Name of each exchange on which registered
Ordinary shares, par value US$0.0000005 per share*	The NASDAQ Stock Market LLC
American Depositary Shares, each representing 40 ordinary shares	(The NASDAQ Global Select Market)

* Not for trading, but only in connection with the listing on The NASDAQ Global Select Market of American Depositary Shares, or ADSs, each representing 40 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 the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2014, 1,882,073,063 ordinary shares, par value US$0.0000005 per share, were issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included 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 statement item 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 ☒

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Such forward-looking statements include, without limitation, statements that are not historical facts relating to:

- our ability to successfully execute our business strategies and plans;
- our financial performance and business operations;
- our development and capital expenditure plans;
- the expected benefit and future prospects of our strategic alliances and acquisitions, and our ability to cooperate with our alliance partners or integrate acquired businesses;
- our ability to anticipate and launch games that respond to changing consumer tastes and preferences and predict trends in the Internet and mobile games market in the People's Republic of China, or the PRC;
- our ability to license quality Internet and mobile games from the PRC and overseas Internet and mobile game developers that complement our internally developed Internet and mobile games;
- our dependence on a small number of Internet games developed by third party Internet games developers for a significant portion of our Internet games revenues;
- management estimations with respect to revenues from our Internet games, mobile games, and wireless value-added services, or WVAS, businesses;
- the development of our latest product offerings, including, but not limited to, offerings in our Internet games, mobile games and WVAS businesses;
- the development of the regulatory environment and changes in the policies or guidelines of the telecommunications operators in the PRC, as well as our relationships with those operators;
- the development of the PRC smartphone mobile games market and the regulatory environment and changes in polices or guidelines relating to those markets;
- our dependence on the substance and timing of the billing systems of the telecommunications operators in the PRC for our performance; and
- competitive pressures and future growth in the Internet games, mobile games, WVAS, telecommunications and related industries in the PRC.

The words "anticipate," "believe," "could," "estimate," "expect," "forecast," "intend," "may," "plan," "seek," "will," "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in "Item 3 — Key Information — Risk Factors" and the following:

- the effects of competition on, as well as changes in, the demand for or the price of our products or services;
- any changes in our relationship with telecommunications operators in the PRC;
- any changes in our relationships with our Internet games licensors whose games we have the rights to operate in the PRC or other markets;
- any changes in the telecommunications operators' systems for billing users of our mobile games or WVAS or remitting payments to us;
- any changes in technologies related to telecommunications, Internet games, mobile games, or WVAS or applications based on such technologies;
- future developments, trends, regulatory environment and consumer preferences in China with respect to Internet and mobile games and means by which these games are distributed;
- any changes in the regulatory regime or the policies for the Internet games industry in the PRC, including changes in the structure, functions or policies of the regulators, which include (i) the Ministry of Industry and Information Technology, or the MIIT (formerly the Ministry of Information Industry), (ii) the State Administration for Industry and Commerce, or the SAIC, (iii) the Ministry of Culture, or the MOC, (iv) the State Administration of Press, Publication, Radio, Film and Television, or the SAPPRFT (formerly the General Administration of Press and Publication and the State Administration of Radio, Film and Television), and (v) the Ministry of Public Security, or the MPS;
- any changes in the regulatory regime or the policies for the PRC telecommunications industry, including changes in the structure or functions of the primary industry regulator, the MIIT, or its policies, or the policies or other regulatory measures of other relevant government or industry authorities relating to, among other matters, the granting and approval of licenses, procedures for customers to access and subscribe to mobile games or WVAS , restrictions on Internet content, or the introduction of new technology platforms, products and services;
- any changes in political, economic, legal or social conditions in the PRC, including the PRC government's specific policies with respect to (i) foreign investment and entry by foreign companies into the telecommunications, Internet games, mobile games or WVAS market, (ii) economic growth, (iii) inflation, (iv) foreign exchange or (v) the availability of credit; and
- changes in population growth or gross domestic product, or GDP, growth or the impact of those changes on the demand for our products or services.

We do not intend to update or otherwise revise the forward-looking statements in this annual report, whether as a result of new information, future events or otherwise. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this annual report might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this annual report are qualified by reference to the cautionary statements set out in this section.

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

Selected Financial Data

The following selected consolidated financial data should be read in conjunction with our audited consolidated financial statements, the notes thereto and "Item 5 — Operating and Financial Review and Prospects." The selected consolidated statement of operations data for the years ended December 31, 2012, 2013 and 2014 and the selected consolidated balance sheet data as of December 31, 2013 and 2014 set forth below are derived from our audited consolidated financial statements and the notes thereto, which are included elsewhere in this annual report. The selected consolidated statement of operations data for the years ended December 31, 2010 and 2011 and the historical consolidated balance sheet data as of December 31, 2010, 2011 and 2012 set forth below are derived from our audited consolidated financial statements and the notes thereto, which are not included in this annual report.

Our audited consolidated financial statements have been prepared and presented in accordance with the generally accepted accounting principles in the United States, or U.S. GAAP.

	For the year ended December 31,				
Consolidated statements of operations data	**2010**	**2011**	**2012**	**2013**	**2014**
	(in thousands of U.S. dollars, except shares and per share data)				
Revenues	US$ 146,374.4	US$ 156,180.6	US$ 180,586.1	US$ 173,653.8	US$ 227,595.9
Internet games	16,432.1	37,076.2	82,902.8	93,792.3	118,099.8
Mobile games	48,246.4	40,229.4	20,971.0	16,908.3	45,036.4
WVAS	81,695.9	78,875.0	76,712.3	62,953.2	64,459.7
Cost of revenues	(80,238.6)	(91,930.2)	(103,130.3)	(96,399.9)	(129,279.0)
Internet games	(2,338.3)	(15,923.6)	(39,539.8)	(45,534.4)	(61,443.1)
Mobile games	(29,570.8)	(25,248.0)	(10,935.0)	(7,780.3)	(22,977.3)
WVAS	(48,329.5)	(50,758.6)	(52,655.5)	(43,085.2)	(44, 858.6)
Gross profit	66,135.8	64,250.4	77,455.8	77,253.9	98,316.9
Internet games	14,093.8	21,152.6	43,363.0	48,257.9	56,656.7
Mobile games	18,675.6	14,981.4	10,036.0	9,128.0	22,059.1
WVAS	33,366.4	28,116.4	24,056.8	19,868.0	19,601.1
Operating expenses:					
Product development	(23,964.7)	(15,416.9)	(18,382.4)	(26,401.7)	(25,107.4)
Selling and marketing	(18,975.6)	(20,891.6)	(24,586.0)	(26,674.0)	(42,522.7)
General and administrative	(10,481.8)	(11,582.2)	(11,629.3)	(8,976.2)	(12,564.6)
Impairment loss on goodwill	(2,998.3)	(20,255.3)	—	—	—
Impairment loss on intangible assets	(5,730.6)	(3.9)	—	(1,562.4)	(1,323.3)
Total operating expenses	(62,151.0)	(68,149.9)	(54,597.7)	(63,614.3)	(81,518.0)
Change in fair value of contingent consideration for business acquisition	10,894.5	(3,729.5)	—	—	—

Consolidated statements of operations data	For the year ended December 31,				
	2010	2011	2012	2013	2014
	(in thousands of U.S. dollars, except shares and per share data)				
Government subsidies	337.7	319.2	301.4	2,176.4	1,138.9
Income (loss) from operations	15,217.0	(7,309.8)	23,159.5	15,816.0	17,937.8
Interest income	2,342.8	3,569.2	5,231.3	6,764.0	8,864.7
Interest income from loans to third party	—	1,193.2	453.6	—	—
Interest expense	(1,059.9)	(487.8)	(262.7)	(693.3)	(895.0)
Impairment loss on cost method investment	(1,509.9)	—	—	(2,000.0)	(2,000.0)
Loss on extinguishment of debt upon prepayment of convertible senior note	—	(1,567.5)	—	—	—
Exchange gain (loss)	—	—	387.6	1,487.3	(271.6)
Investment income	883.2	85.6	261.5	—	—
Net income (loss) before income taxes	15,873.2	(4,517.1)	29,230.8	21,374.0	23,635.9
Income taxes expense	(3,950.0)	(3,137.8)	(3,490.8)	(712.4)	(1,048.0)
Net income (loss)	US$ 11,923.2	US$ (7,654.9)	US$ 25,740.0	US$ 20,661.6	US$ 22,587.9
Net income (loss) per share:					
Basic	US$ 0.01	US$ (0.00)	US$ 0.02	US$ 0.01	US$ 0.01
Diluted	US$ 0.01	US$ (0.00)	US$ 0.01	US$ 0.01	US$ 0.01
Weighted average shares used in calculating net income (loss) per share:					
Basic	1,466,947,693	1,607,110,119	1,661,864,846	1,714,924,612	1,828,191,540
Diluted (1)	1,547,870,678	1,607,110,119	1,721,622,756	1,751,621,340	1,875,520,094

(1) As of December 31, 2010, 2011, 2012, 2013 and 2014, we had 76 million, 210 million, 285 million,11 million and 97 million ordinary share equivalents, respectively, outstanding that could potentially dilute income per share in the future, but that were excluded in the computation of diluted income per share in the periods as their effect would have been anti-dilutive.

Consolidated balance sheet data	As of December 31,				
	2010	2011	2012	2013	2014
Cash and cash equivalents	US$ 157,170.8	US$ 129,511.5	US$ 120,694.7	US$ 123,427.7	US$ 105,093.2
Term deposits	—	—	—	4,448.8	16,907.3
Available-for-sale securities	—	—	—	—	20,013.5
Held-to-maturity securities	—	17,299.1	17,465.3	51,866.5	24,358.6
Trading securities	20.3	7,754.6	—	—	—
Loans to third party	—	22,187.3	—	—	—
Accounts receivable, net	21,794.0	19,903.0	23,699.7	17,230.8	30,244.3
Property and equipment, net	3,738.6	3,620.3	3,065.5	5,842.5	5,659.2
Intangible assets, net	4,452.7	2,347.9	75,069.3	78,726.6	55,509.8
Long-term investment	—	—	4,000.0	2,000.0	—
Goodwill	87,705.7	72,967.1	87,551.0	90,266.6	90,019.1
Restricted cash	—	—	35,773.3	36,870.7	64,261.3
Total assets	281,445.3	280,248.0	372,784.1	419,240.3	432,580.7
Total current liabilities	63,474.7	32,526.0	71,229.6	67,370.8	100,790.5
Convertible note payable	3,552.7	1,272.6	—	—	—
Total shareholders' equity	213,940.4	246,177.7	282,884.1	332,609.5	321,930.2
Total liabilities and shareholders' equity	281,445.3	280,248.0	372,784.1	419,240.3	432,580.7

Consolidated cash flow data	For the year ended December 31,				
	2010	2011	2012	2013	2014
	(in thousands of U.S. dollars)				
Net Cash (used in) provided by:					
Operating activities	US$ 26,013.6	US$ 33,433.8	US$ 46,655.9	US$ 35,729.5	US$ 31,069.3
Investing activities	(10,314.9)	(40,284.8)	(41,206.8)	(43,944.6)	(32,117.6)
Financing activities	(776.5)	(26,335.0)	(14,313.0)	8,956.8	(16,914.8)

Exchange Rate Information

We present our consolidated financial statements in U.S. dollars. In addition, this annual report contains translations of certain Renminbi amounts to U.S. dollar amounts for transactions denominated in Renminbi. Unless otherwise specified or indicated by context, the translations of Renminbi amounts into U.S. dollar amounts have been made at the rate of RMB6.1190 = US$1.00, the central parity rate set by the People's Bank of China, or the PBOC, China's central bank, on December 31, 2014. The translations are not a representation that the Renminbi amounts could actually be converted to U.S. dollars at this rate. For a discussion of the exchange rates used for the presentation of our financial statements, see Note 2 to our financial statements included elsewhere in this annual report on Form 20-F.

The PBOC sets and publishes daily central parity rates with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange markets. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration for Foreign Exchange, or the SAFE, and other relevant authorities. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all.

The noon buying rate in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York was RMB6.2082 = US$1.00 on April 10, 2015. The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars for each of the periods shown:

Period	Noon Buying Rate RMB per US$1.00	
	High	Low
October 2014	6.1385	6.1107
November 2014	6.1429	6.1117
December 2014	6.2256	6.1490
January 2015	6.2535	6.1870
February 2015	6.2695	6.2399
March 2015	6.2741	6.1955
April 2015 (through April 10, 2015)	6.2082	6.1930

The following table sets forth the average noon buying rates between Renminbi and U.S. dollars for each of 2010, 2011, 2012, 2013, 2014 and 2015 (through April 10, 2015), calculated by averaging the noon buying rates on the last day of each month of the periods shown:

Period	Average Noon Buying Rate RMB per US$1.00
2010	6.7696

Period	Average Noon Buying Rate RMB per US$1.00
2011	6.4630
2012	6.3088
2013	6.1478
2014	6.1704
2015(through April 10, 2015)	6.2316

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

Risk Factors

You should consider carefully all of the information in this annual report, including the risks and uncertainties described below. If any of the following risks actually occurs, our business, financial condition or results of operations could be harmed. In such event, the trading price of our ADSs could decline and you could lose all or part of your investment.

Risks Relating to Our Business

We face increasing competition in the PRC from providers of Internet games, mobile games and WVAS, which could reduce our market share and materially and adversely affect our business, financial condition and results of operations.

The Internet games business is highly competitive in the PRC. We expect more companies to enter the Internet games industry in the PRC and a wider range of Internet games to be introduced to the PRC market. Our principal competitors in the PRC include Perfect World Co., Ltd., Shanda Games Limited, NetEase, Inc., Changyou.com Limited, Giant Interactive Group Inc. and Tencent Holdings Limited. Our potential competitors include major Internet portal operators, other domestic and foreign game developers and publishers and alliances between our existing and new competitors. Many of our competitors have significantly greater financial and marketing resources and name recognition than we do. Some of our competitors or potential competitors, especially major foreign Internet games developers, have greater game development resources than we do. In addition, many of our competitors have developed and operated games that have proven commercially successful for a longer period of time than our games and have a larger portfolio of Internet games than we do.

Moreover, our competitors may introduce new business models that may be more attractive to customers than the business models we currently use. We believe that competition in the PRC Internet games market may become more intense as increasing numbers of Internet games are introduced in the market. We cannot assure you that we will be able to compete successfully against any new or existing competitors, or against any new business models implemented by them. In addition, the increased competition in the Internet games industry may reduce the number of our players or growth rate of our player base, or create pressure for us to reduce usage fees or the prices of certain in-game items. Any of these events could materially decrease our revenues and profitability.

The development, distribution and sale of mobile games are also highly competitive in the PRC. We compete for customers primarily on the basis of game quality, brand and price. In addition, we compete for mobile game distribution platforms and telecommunications operators to distribute our mobile games, principally on the basis of the popularity of our games among customers, our historical performance, perception of our sales potential and our relationships with content and brand licensors. Furthermore, we compete for content and brand licensors who supply game content and brands, mainly on the basis of the economic terms, such as royalty rates, of our cooperation agreements with the licensors, the licensors' perception of our ability to develop games and pre-load games in mobile handsets, our speed of execution, diversity of distribution channels and relationships with telecommunications operators. We also compete for experienced and talented employees in the mobile games business. Moreover, the entry of new competitors, such as developers of personal computer-based Internet games, major media companies, traditional video game developers, content aggregators, mobile software providers and independent mobile games developers, would likely intensify competition in the mobile games market. Increasing competition in this market could make it difficult for us to maintain or increase our market share and have a material adverse effect on our business, financial condition, results of operations and prospects.

The PRC WVAS market has also experienced increasingly intense competition. The MIIT reported on its website that more than 2,900 service providers held nationwide licenses as of December 31, 2014 to supply WVAS on the PRC telecommunications operators' networks. We compete with these companies primarily on the basis of brand, price, type and timing of service offerings, content, customer service, business partners and distribution channel relationships. We also compete with these companies for experienced and talented employees. While we believe that we have certain advantages over our competitors, some of them may have greater personnel and financial resources and a longer operating history than we do. In particular, Internet portal companies that provide WVAS may have an advantage over us as a result of their more established brand names, user bases and Internet distribution channels. Furthermore, our competitors may be able to develop or exploit new technologies faster than we can, or offer a broader range of products and services than we are presently able to offer.

Our ability to succeed in the PRC Internet games market is subject to many challenges and uncertainties.

Our ability to succeed in the PRC Internet games market is subject to many challenges, such as our ability to develop and license popular games. In particular, new Internet games are regularly introduced in the PRC, but only a relatively small number of high quality, popular games account for a significant portion of the PRC Internet games market. Moreover, it is difficult to predict prior to the introduction of an Internet game whether any particular game would be well received by PRC game players. Accordingly, any negative development relating to our Internet games could materially and adversely affect our business, financial condition, results of operations and prospects. Potential negative developments include:

- our failure to make quality upgrades, expansion packs, enhancements or improvements to our Internet games in a timely manner;
- our failure to avoid, or detect and correct, defects in our Internet games in a timely manner;
- any reduction in our server capacity, including our failure to adequately project our future server needs and make advanced purchases of servers to accommodate the expected increase in the number of game players;
- any reduction in or failure to grow our games or player base, or any decrease in the popularity of our Internet games;
- any failure to license popular Internet games from external game developers that complement our internally developed Internet games;
- any failure to properly tailor and localize any foreign games we have licensed for PRC game players;
- any decrease in or failure to grow the amount of revenues generated from our Internet games;
- a failure in our Internet games billing system, which we rely on for revenue recognition and tracking of the consumption patterns of game players; or

- any breach of game-related software security or prolonged server interruption due to network failures or hacking activities.

In addition, our ability to succeed in the Internet games market is subject to many uncertainties beyond our control. As the Internet games industry is a relatively new and evolving industry, the growth of the Internet games industry and the level of demand and market acceptance of our Internet games are subject to a high degree of uncertainty. Our future operating results will depend on numerous factors, including:

- the Internet infrastructure and the continued growth of personal computer, Internet and broadband penetration in the PRC and other markets in which we offer our games;
- whether the Internet games industry, particularly in the PRC and the rest of the Asia-Pacific region, continues to grow and the rate of any such growth;
- our ability to license or operate our games in overseas markets;
- laws, rules, regulations and policies affecting the Internet games industry, including those affecting Internet cafes in the PRC, where a substantial portion of our game players access Internet games;
- general economic conditions, particularly those affecting discretionary consumer spending;
- the availability and popularity of other forms of entertainment, particularly console game systems, which are already popular in developed countries and may gain popularity in the PRC and other countries in which we market our games;
- public opinion regarding Internet games;
- the popularity, pricing and business model of new Internet games and in-game items that we and our competitors launch and distribute; and
- our ability to upgrade and improve our existing games to extend their life spans and to maintain their competitive positions in the Internet games market in a timely manner.

Due to these challenges and uncertainties, we cannot assure you that our Internet games business will make a positive contribution to our future revenues and profitability. Our failure to successfully develop this business could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to anticipate and launch games that respond to changing consumer tastes and preferences or predict trends in the PRC Internet games market, our revenues and profitability could be materially reduced, and our growth and prospects would suffer.

The success of our Internet games business will largely depend on our ability to anticipate and launch games that effectively respond to changing consumer tastes and preferences, as well as technological advances, in a timely manner. For example, we may need to license from overseas developers popular game titles that we believe may be popular with game players in the PRC. These licenses may subject us to significant up-front non-refundable license fees, and there is no assurance these games will be commercially viable in the PRC market. In addition, we will need to replace our existing Internet games as they reach the end of their useful economic lives, which we believe are typically one to three years, as well as operate a larger number of Internet games to continue increasing our overall player base and revenues to meet our growth strategy. If we fail to launch and operate these games successfully in the PRC in a timely manner to meet PRC consumers' changing tastes and preferences, or if these games fail to respond to their tastes and preferences, our revenues could decrease materially, operating costs could increase significantly, profitability could be materially reduced, and we may need to write down all or part of the up-front non-refundable license fees paid to game developers.

Moreover, any failure by us to predict and adapt our Internet games to meet market trends could materially reduce our revenues and profitability, and severely harm our growth and prospects. For example, a majority of our Internet games depend on players to download and install large client-side software, which may require significant computing resources as well as many hours to download. Game players in the PRC have been increasingly turning to web browser-based games in cases where downloading large client-side software is inconvenient or impracticable. As such, we cannot assure you that game players in the PRC will continue to download and install such types of software to play Internet games, or otherwise prefer the convenience and ease of use offered by browser-based or other games.

In addition, expanding our Internet games portfolio may add complexities to our Internet games business and require us to effectively adapt our business and management processes to address particular operational challenges and different requirements of new Internet games in which we operate, which we may not be able to do due to the lack of institutional expertise or otherwise. Accordingly, if we fail to anticipate and successfully launch and operate games that effectively respond to changing consumer tastes and preferences in a timely manner, our revenue and profitability could be materially reduced, and our growth and prospects would suffer.

We apply an item-based revenue model for a number of our current Internet games, which is a relatively new revenue model and may have a negative impact on our financial condition and results of operations.

We have adopted an item-based revenue model for a number of our Internet games, under which players are able to play the Internet games free of charge for an unlimited amount of time, but are charged for purchases of in-game items, such as performance-enhancing items, clothing, accessories and pets. While several other Internet games companies have adopted the item-based model, it is still relatively new compared to time-based billing models, and may create new risks and uncertainties for us. The item-based model will require us to design games that not only attract players to spend more time playing, but also encourage them to purchase in-game items. The sale of in-game items will require us to track closely consumer tastes and preferences, particularly as shown by in-game spending trends. In addition, the item-based model may raise additional concerns for the PRC regulators, who have expressed reservations over the amount of time that Chinese youths spent on Internet games. A model that does not charge based on time spent may be viewed by the PRC regulators as undesirable. We cannot assure you that the item-based revenue model will be successful, or that it will not have a negative impact on our financial condition and results of operations.

In addition, our revenue recognition policy for the item-based games relies on our estimates of the useful lives of various items associated with each of our item-based games. We have relatively limited operating history and data for our item-based games on which to base our revenue recognition policy for these games. With respect to permanent ownership items that we sell to players, we recognize revenues over the estimated useful lives of such items. We take into account paying player behavior patterns in estimating the lives of permanent life in-game items, including the average period that the typical player plays our games based on log-on data, which are affected by various factors such as acceptance and popularity of the game, game updates and other in-game items, promotional events launched, future operating strategies and market conditions. We calculate the actual playing periods of the players based on historical log-on patterns of all the paying players over years of game operations starting from the launch of the games. We review the actual average playing periods for all active games and evaluate other various factors, such as acceptance and popularity of the game, game updates and other in-game items, promotional events launched, future operating strategies and market conditions at least annually, to assess if the estimated life of permanent ownership items remains reasonable. Given the relatively short operating history of our item-based games, however, our estimate of the period that players typically play our games may not accurately reflect the actual useful lives of the items, and changes in player behavior observed over time may also affect the estimate. We revise our estimates as we continue to gather operating data, and refining our estimation process and results accordingly. Any future revisions to estimates could affect the time period during which we recognize revenues from these items. In particular, an increase in the estimated lives of these items would increase the period of time over which the revenues from the items are recognized. If we are required to make adjustments to our financial statements as a result of revisions to our estimates, it could materially and adversely affect market sentiments toward us, and the trading price of our ADSs could decline significantly.

Moreover, we have adopted other business models in our Internet games business to supplement our item-based revenue model, such as the CD-Key model, under which players are able to have full access to our Internet games but only after they have paid an upfront fee. We have adopted the CD-Key model for the Guild Wars 2 game and may in the future apply such model or other revenue models to our other Internet games. We cannot assure you that these new business models will be successful, or that it will not have a negative impact on our financial condition and results of operations, including our revenues, profitability and cash flows.

We depend on a small number of Internet games for a significant portion of our Internet games revenues, and any factors that could have an adverse impact on the development, marketing and distribution of these Internet games, or on our business relationships with the licensors of these Internet games, could materially decrease our Internet games revenues, and have a material adverse effect on our business, financial condition, results of operations and prospects.

A substantial majority of our Internet games revenues is generated from purchases of in-game items by game players based on a small number of Internet games we offer. The revenues generated from these Internet games are responsible for a disproportionate amount of our Internet games revenues. In 2014, revenues generated by in-game items purchased by game players who play the World of Tanks game represented over 72.09% of our Internet games revenues. If the World of Tanks game players become dissatisfied with the World of Tanks game or with the in-game items, they may choose not to purchase additional in-game credits in the future.

Moreover, we depend on Internet games licensors whose games we have the rights to operate in the PRC or other markets to make quality in-game items, upgrades, enhancements, and localized updates and improvements to our licensed Internet games. For example, we entered into a cooperation arrangement with WarGaming.net LLP, or WarGaming, the licensor of the World of Tanks game, under which WarGaming is responsible for developing upgrades, enhancements and improvements to the World of Tanks game. In addition, WarGaming is responsible for providing timely localized updates and enhancements to the game, as well as developing new in-game items that track the preferences and tastes of game players in the PRC. If WarGaming ceased to cooperate with us, we would no longer be able to provide the World of Tanks game to game players in the PRC or generate the corresponding revenues from the game.

Due to the concentration of our Internet games revenue in a small number of Internet games and our dependence on licensors of certain Internet games to continue to develop new in-game items and to upgrade and enhance those games, any factors that could have an adverse impact on the development, marketing and distribution of these Internet games, or on our business relationships with the licensors of these Internet games, could materially reduce our Internet games revenues, and have a material adverse effect on our business, financial condition, results of operations and prospects.

Our Internet games business depends on our ability to acquire and maintain licenses to popular Internet games developed by other developers, and if we are unable to acquire or maintain licenses to these Internet games, our business, financial condition, results of operations and prospects could be materially and adversely affected.

During 2014, approximately 97.5% of our Internet games revenues were generated from Internet games that we licensed from third party Internet games developers. Our ability to acquire and maintain licenses to popular Internet games from third party developers depends on a number of factors, such as:

- identifying and maintaining good relationships with licensors whom we rely on to provide our game players with upgrades, expansion packs, enhancements or improvements;

- changes in the terms, or termination, of or the failure to renew, the Internet games licenses with our licensors, which could be caused by, among others, contractual breach by us or our licensors, demand for new royalty payments by our licensors or refusal by our licensors to renew licenses;

- maintaining the reputation and continued marketability of our licensed games if our licensors are unable to provide our game players with satisfactory upgrades, expansion packs or enhancements;

- protecting our intellectual property rights both inside and outside the PRC;
- complying with the different commercial and legal requirements of the international markets from which we license our games, such as Internet games import regulatory procedures, taxes and other restrictions and expenses;
- fluctuations in currency exchange rates; and
- interruptions in cross-border Internet connections or other system failures.

If we are unable to maintain a stable relationship with third party Internet game developers due to any of the factors listed above, or if these developers establish similar or more favorable relationships with our competitors in violation of its contractual arrangements with us or otherwise, we may not be able to properly manage our operation of licensed online games, which could materially harm our business as well as our operating results. Moreover, we have incurred significant payment obligations to third party developers. If we are unable to meet these obligations, or if financing is not available in amounts or on terms acceptable to us, our ability to operate our licensed games could be materially disrupted and our licenses with third party developers could be terminated, which could materially reduce our revenues and profitability.

Any difficulties or delays in receiving approval from the relevant government authorities for the operation of games we license from Internet games developers outside of the PRC or any expansion packs for, or material changes to, such games could significantly reduce their popularity and profitability.

We currently license six Internet games from third party developers outside of the PRC. We are required to obtain relevant PRC government approvals before we are permitted to operate these games within the PRC. In addition, after such government approvals have been obtained, any expansion packs for or material changes of content to those games may require further government approvals. We may not be able to receive such government approvals, and we cannot be certain of the duration of any necessary approval processes. Any difficulties or delays in receiving these government approvals may significantly reduce the profitability and popularity of the licensed games and may entitle licensors to terminate their licenses with us.

If we fail to manage risks associated with licensing our internally developed games outside the PRC, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have licensed four of our Internet games to operators outside the PRC. We plan to license our existing and new internally developed games in additional countries and regions in the future. The offering of our internally developed games to the international markets exposes us to a number of risks, including:

- identifying and maintaining good relationships with licensees who are knowledgeable about, and are able to effectively distribute and operate our Internet games in, international markets;
- developing Internet games and expansion packs catered to markets outside the PRC;
- renewing our license agreements with licensees upon their expiration;
- maintaining the reputation of our company and our games that are being operated by licensees in international markets pursuant to their own standards;
- protecting our intellectual property rights both inside and outside the PRC;
- complying with the different commercial and legal requirements of the international markets in which we offer our games, such as Internet games import regulatory procedures, taxes and other restrictions and expenses;

- fluctuations in foreign currency exchange rates; and

- interruptions in cross-border Internet connections or other system failures.

We could be liable for breaches of security of our website and third party online payment channels, which may materially harm our reputation, business and prospects.

A portion of our Internet games revenues is generated from sales through third party online payment platforms. In such transactions, secure transmission of confidential information, such as customers' credit card information, personal information and billing addresses, over public networks, in some cases including the websites for our Internet games, is essential to maintain consumer confidence. While we have not experienced any breach of our security measures to date, we cannot assure you that our current security measures are sufficient. In addition, we expect that an increasing amount of our sales will be conducted over the Internet as a result of the growing use of online payment systems over time. Over the same period, online theft of confidential information will likely increase and we must be prepared to increase our security measures and efforts so that our customers have confidence in the reliability of the online payment systems that we use. We do not have control over the security measures of our third party online payment vendors, and we cannot assure you that these vendors' security measures are sufficient or will be sufficient with the expected increased usage of online payment systems. Security breaches of the online payment systems that we use could expose us to litigation and possible liability for failing to secure confidential customer information, and could harm our reputation, ability to attract customers and ability to encourage customers to purchase in-game items, any of which could materially harm our reputation, business and prospects.

Undetected errors or flaws in our services or failure to maintain effective customer service could harm our reputation or decrease market acceptance of our games, which may materially and adversely affect our financial condition and results of operations.

Our products and services, such as our Internet games, mobile games and WVAS, may contain errors or flaws, which may only become apparent after their release, particularly as we often launch new products or services or introduce new features to existing products or services under tight time constraints. From time to time, our customers have informed us of flaws affecting their experience with our products or services, which we were generally able to resolve promptly. Furthermore, customer service is critical for retaining customers, and we may not be able to maintain and continuously improve the quality of our services to meet customers' expectations. If our products or services contain programming errors or other flaws, or if we fail to provide effective customer service, our customers may be less inclined to continue using our products or services or recommend them to other potential customers, and may use our competitors' products and services. Undetected errors, defects and unsatisfactory customer service can disrupt our operations, adversely affect the experience of our customers, harm our reputation, cause our customers to stop using our products and services, and delay market acceptance of our products and services, any of which could materially and adversely affect our financial condition and results of operations.

Our mobile games business has experienced high volatility in its operations, and the mobile games market in the PRC is subject to many uncertainties.

We have made significant efforts to develop our mobile games business in recent years. As our mobile games business has developed, it has required separate management in respect of decision making, allocation of resources and assessment of performance. However, our mobile games business has experienced high volatility in its operations. For example, revenues from our mobile games business decreased 19.4% from US$21.0 million in 2012 to US$16.9 million in 2013, but increased 166.4% to US$45.0 million in 2014. We cannot assure you that we will be successful in developing our mobile games business, which will depend, among other things, on our ability to:

- respond to market developments, including the development of new platforms and technologies, such as smartphone mobile gaming platform, and changes in pricing and distribution models, such as the advent of application stores, or "app stores," operated by handset manufacturers;

- respond to changes in policies of China Mobile or other PRC telecommunications operators relating to mobile games distributed through them;
- maintain and diversify our distribution channels, including through China Mobile and the other PRC telecommunications operators and handset manufacturers;
- develop new mobile games that achieve significant market acceptance, and timely improve our existing mobile games to extend their life spans and to maintain their competitiveness;
- successfully identify, acquire and integrate other mobile games development companies that could complement our internal mobile games development resources;
- acquiring mobile games from third party mobile game developers or cooperating with third party mobile game developers to jointly develop mobile games; and
- develop and upgrade our mobile games platform technologies.

In addition, the mobile games market is still relatively underdeveloped in the PRC. The continued growth of this market and the level of demand and market acceptance of our mobile games are subject to many uncertainties. The development of this market and our ability to derive revenues from this market depend on a number of factors, some of which are beyond our control, including:

- the growth rate of mobile data services in the PRC;
- changes in consumer demographics, tastes and preferences;
- changes in handset platform technologies that accommodate consumer needs and preferences;
- changes in mobile games distribution channels that accommodate consumer needs and preferences;
- the extent that the mobile games business remains a key area of development for our telecommunications operator partners;
- potential competition from established companies that develop and operate personal computer-based Internet games and may enter the mobile games market; and
- the popularity and price of new mobile games and merchandise and premium features embedded in games that are launched and distributed in the future.

Due to the uncertainties in connection with our mobile games business in particular and the PRC mobile games market generally, we cannot assure you that our mobile games business will contribute significantly to our future revenues. Our failure to successfully develop this business could have a material adverse effect on our business, financial condition, results of operations and prospects.

We depend on China Mobile and other PRC telecommunications operators for a significant portion of our revenues, and any loss or deterioration of our relationship with these telecommunications operators could result in severe disruptions to our business operations and significant loss of revenues.

We derive a significant portion of our revenues from the provision of mobile games and WVAS through the networks of the PRC telecommunications operators. We rely primarily on the networks of China Mobile Limited, or China Mobile, to deliver our products and services. In 2014, we derived approximately 26.6% of our total revenues and approximately 49.9% and 59.1%, respectively, of our mobile games and WVAS revenues from our cooperation arrangements with China Mobile. The remainder of our mobile games and WVAS revenues is derived from cooperation arrangements with China United Telecommunications Corporation, or China Unicom, and China Telecommunications Corporation, or China Telecom.

Through our consolidated variable interests entities, Beijing AirInbox Information Technologies Co., Ltd., or Beijing AirInbox, Beijing Boya Wuji Technologies Co., Ltd., or Beijing Boya Wuji, Beijing Wireless Interactive Network Technologies Co., Ltd., or Beijing WINT, Beijing Chengxitong Information Technology Co., Ltd., or Beijing Chengxitong, Nanjing Net Book Culture Co., Ltd., or Zhulang, Beijing Xinrui Technology Co., Ltd., or BJXR, Shanghai Mailifang Communications Ltd., or Mailifang, and Xiamen Xinreli Technology Co., Ltd., or Xinreli, as the case may be, we have entered into a series of cooperation agreements with the subsidiaries of China Mobile and other PRC telecommunications operators to provide mobile games and WVAS through the networks of these telecommunications operators. Pursuant to our agreements with these telecommunications operators, the telecommunications operators bill and collect fees from mobile phone users for the mobile games and WVAS we provide. Our agreements with the telecommunications operators are generally for terms of one year or less, and are typically not renewed automatically. We usually renew these agreements or enter into new agreements when the prior agreements expire, but on occasion the actual renewals, or entering into, of new contracts could be delayed for one month or more. Any inability to renew these contracts or enter into new contracts could severely disrupt our business and operations and materially decrease our revenues and profitability.

Furthermore, telecommunications operators could discontinue or de-emphasize the use of external mobile games or WVAS providers, such as our company. If any of the PRC telecommunications operators ceases or de-emphasizes its cooperation with us, we would no longer be able to distribute mobile games or provide WVAS to such operator's customers or generate related revenues, and our revenues from such operator's customers would decrease substantially. In particular, if China Mobile ceases or de-emphasizes its cooperation with us, it is unlikely that we would be able to build up sufficient number of new customers through the networks of other PRC telecommunications operators to timely replace those lost from China Mobile. Due to our reliance on China Mobile and other PRC telecommunications operators to deliver our mobile games and WVAS to our customers, any loss or deterioration of our relationship with China Mobile or other PRC telecommunications operators could result in severe disruptions to our business operations, significant loss of revenues and have a material adverse effect on our financial condition and results of operations.

The termination or alteration of our cooperation agreements with China Mobile or other PRC telecommunications operators could materially harm our business and have a material adverse effect on our financial condition and results of operations.

Our negotiating leverage with China Mobile and other PRC telecommunications operators is limited because China Mobile and other PRC telecommunications operators operate the telecommunications networks through which we deliver our products and services to mobile phone users in China. Our revenues and profitability could be materially reduced if China Mobile or other PRC telecommunications operators decided to change the terms of their cooperation agreements with us, such as by increasing their transmission or service fees, or if they fail to comply with the terms of these agreements. We cannot assure you that China Mobile will not seek to terminate or materially alter our cooperation agreements with its provincial subsidiaries.

In addition, China Mobile or other PRC telecommunications operators could impose monetary penalties on us or terminate their cooperation agreements with us for a variety of reasons, including, if:

- we fail to achieve the performance standards established by the relevant telecommunications operator from time to time;
- we breach certain provisions under the agreements, which include, in many cases, the obligation not to deliver content that violates the relevant operator's policies and applicable law; or
- the relevant operator receives a high level of customer complaints about our services.

Any termination or material alteration of our cooperation agreements with China Mobile or other PRC telecommunications operators could severely disrupt our business and operations and have a material adverse effect on our financial condition and results of operations.

Significant changes in the policies or guidelines of China Mobile or other PRC telecommunications operators with respect to services provided by us could result in lower revenues or additional costs for us and materially and adversely affect our financial condition and results of operations.

China Mobile or other PRC telecommunications operators may, from time to time, issue policies or guidelines requesting or stating their preferences for certain actions to be taken, or not taken, by mobile games or WVAS providers using their networks. Due to our reliance on China Mobile and other PRC telecommunications operators, any significant change in their policies or guidelines could cause our revenues to decrease or operating costs to increase. As a result, we cannot assure you that our business and prospects would not be materially and adversely affected by policy or guideline changes by China Mobile or other PRC telecommunications operators.

For example, in January 2010, China Mobile began implementing measures targeted at improving user experience for mobile handset embedded services. Under these measures, WVAS that are embedded in handsets are required to introduce additional notices and confirmations to end-consumers during the purchase of such services.

We cannot assure you that China Mobile or other PRC telecommunications operators will not introduce new requirements with respect to the procedures for ordering monthly subscriptions or single-transaction downloads of our mobile games or WVAS, notifications to customers, the billing of customers, or other measures relating to consumer protection, or adopt policies that may require significant changes in the way we promote, sell and distribute our mobile games and WVAS, the occurrence of any of which could have a material adverse effect on our financial condition and results of operations.

Competition with services offered by China Mobile and other PRC telecommunications operators could materially lower our revenues and profitability as well as our prospects.

We face competition from WVAS offered by PRC telecommunications operators. For example, China Mobile has been developing and marketing its own multimedia messaging service, or MMS, and WAP products that compete with our services. The PRC telecommunications operators may launch additional competing services in the future. Similar to our practices, China Mobile and other PRC telecommunications operators have entered into cooperation agreements with mobile handset manufacturers to pre-load their icons and codes on new handsets, in order to make accessing and subscribing to WVAS provided by China Mobile and other telecommunications operators easier for users of those handsets. Furthermore, China Mobile has entered into strategic alliances with selected handset manufacturers to embed menu items for only its own WVAS products and not the products of other WVAS providers, such as our company. The competing services offered by China Mobile and other PRC telecommunications operators could decrease our market share and result in a material decrease in our revenues, or harm our relationship with China Mobile and other PRC telecommunications operators, the occurrence of any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our dependence on the billing systems and records of the telecommunications operators and their subsidiaries may require us to estimate portions of our reported revenues and cost of revenues for mobile games and WVAS, which could result in subsequent significant adjustments to our financial statements.

As we do not bill our mobile games and WVAS customers directly, we depend on the billing systems and records of the telecommunications operators to record the volume of our mobile games and WVAS provided, bill our customers, collect payments and remit to us our portion of the revenues. We record revenues based on monthly statements from the telecommunications operators confirming the value of our services that the telecommunications operators billed to customers during the month. Due to our past experience with the timing of receipt of the monthly statements from the operators, we expect that we may need to rely on our own internal estimates for the portion of our reported revenues and cost of revenues for which we will not have received monthly statements. In such an instance, our internal estimates would be based on our own internal data of expected revenues and related fees from services provided. We may overstate or understate our revenues and cost of revenues for the relevant reporting period, which could result in subsequent significant adjustments in our financial reports when we actually receive the telecommunications operators' monthly statements for such period. Moreover, to the extent that the telecommunications operators require longer periods of time to send us monthly statements, we may be required to increase our reliance on our internal estimates when preparing our financial statements. If we are required to make adjustments to our quarterly financial statements in subsequent quarters, it could severely damage market sentiment toward us, and the trading price of our ADSs could decline significantly. In addition, we generally do not have the ability to independently verify or challenge the accuracy of the billing systems of the telecommunications operators. Nor could we assure you that any negotiations between us and the telecommunications operators to reconcile billing discrepancies will be resolved in our favor. See "Item 5 — Operating and Financial Review and Prospects — Critical Accounting Policies — Revenue Recognition."

Our efforts to develop additional distribution channels for our mobile games and WVAS may not succeed or may be restricted or halted by the MIIT or the PRC telecommunications operators.

Cooperation with mobile handset manufacturers has provided us with an important distribution channel for our mobile games and WVAS. We pre-load into the menus of certain mobile handsets our mobile games, WAP icons and short codes for products offered on the MMS, SMS and interactive voice response, or IVR, platforms. A consumer who buys a new handset pre-loaded with our mobile games, icons and codes may access and subscribe to our services quickly and easily. Over the years, cooperation with mobile handset manufacturers has become one of the most important distribution channels for us, and a material portion of our revenues is derived from such cooperation. However, in recent years, China Mobile and other PRC telecommunications operators have entered into cooperation agreements with mobile handset manufacturers similar to our agreements with mobile handset manufacturers. We cannot assure you that mobile handset manufacturers will continue their cooperation with us or maintain their current revenue-sharing arrangements with us.

In addition, we cannot assure you that the MIIT or the PRC telecommunications operators will not restrict or halt our cooperation with the mobile handset manufacturers. For example, in addition to pre-loading our mobile games, WAP icons and MMS, SMS and IVR short codes into the menus of selected mobile handsets, we also had embedded our icons and codes in selected handsets until recently. After the MIIT issued a notice barring the production of mobile handsets with embedded icons and codes that cannot be changed or deleted by users, we had to alter our arrangements with mobile handset manufacturers to comply with such notice. Although mobile handset manufacturers are still permitted to pre-load our icons into the handset menus, so long as such icons can be changed or deleted, we cannot assure you that the MIIT will not expand its regulations to bar the pre-loading of icons and codes in the future.

China Mobile has been promoting in recent years only its own WVAS products in the embedded menus of those handsets with those manufacturers China Mobile has entered into strategic alliances. We cannot assure you that China Mobile or other telecommunications operators will not, in the future, take other steps to limit or halt our use of mobile handsets as a distribution channel. Any further actions by the telecommunications operators or the MIIT to limit or halt our use of mobile handsets as a distribution channel could materially decrease our revenues, profitability and future growth.

Our business and growth prospects would be severely disrupted if we lose the services of our key personnel, and we may not be able to grow effectively if we cannot attract and retain skilled management.

Our future success depends heavily upon the continued service of our key executives. In particular, we rely on the expertise and experience of Leilei Wang, the Chairman of our Board of Directors and our Chief Executive Officer, in our business operations, and on his personal relationships with the regulatory authorities, our clients, our suppliers, the telecommunications operators and our operating companies, Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Shanghai Dacheng Network Technology Co., Ltd., or Dacheng. If Mr. Wang becomes unable or unwilling to continue in his present positions, or if he joins a competitor or forms a competing company in contravention of his employment agreement, we may not be able to replace him easily, our business would be significantly disrupted and our financial condition, results of operations and prospects would be materially and adversely affected. Moreover, we cannot assure you that our business would not suffer to the extent Mr. Wang is unable to devote his full time, attention and energy to our company for any reason.

In addition, the incentives to attract and retain employees, in particular skilled management personnel, provided by our equity incentive plans may not be as effective as in the past, in light of the volatility of the market conditions and the price of our ADSs in recent years. The expansion of our Internet games business also requires us to hire and retain experienced Internet game developers and operational staff. We cannot assure you that we will be able to attract or retain such personnel or that any personnel we hire will successfully integrate into our organization or ultimately make a positive contribution to our business. Competition among companies in the PRC Internet industry for skilled and experienced personnel may also result in our having to incur increased compensation costs. If we do not succeed in attracting skilled key personnel or retaining or motivating existing management personnel, we may be unable to manage or develop our business effectively.

Any damage to our reputation could have a material adverse effect on our business and prospects, as well as our financial condition and results of operations.

We are vulnerable to negative market perceptions regarding our company, our products and services, our personnel and other aspects of our business. Furthermore, we are exposed to the risk that litigation, employee misconduct, operational failures, senior personnel changes, customer complaints, outcome of regulatory investigations or other proceedings, and negative publicity generally, among other things, whether or not with merit, could severely damage our reputation. In particular, negative publicity could be based, for example, on allegations that we have failed to comply with applicable regulatory requirements or could result from loss of customer or confidential data, misconduct by employees (including senior management), dissatisfied customers, decline in operating performance or actions by regulatory authorities. Any damage to our reputation could materially and adversely affect our business and prospects, as well as our revenues and profitability.

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 fluctuations. During the three-year period from January 1, 2012 until December 31, 2014, the closing prices of our ADSs ranged from US$ 4.08 to US$ 14.69 per ADS, and the closing price on April 14, 2015 was US$6.35 per ADS. The market price for our ADSs may continue to be volatile and subject to wide fluctuations in response to factors including:

- China Mobile and other PRC telecommunications operators' future policies and measures taken toward WVAS providers;
- actual or anticipated fluctuations in our quarterly operating results;
- conditions in the Internet games, mobile games and WVAS markets;
- changes in the economic performance or market valuations of other companies that are perceived to be comparable to us;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments;
- addition or departure of key personnel;
- changes in financial estimates by securities research analysts;
- fluctuations of exchange rates between RMB and the U.S. dollar;

- intellectual property litigation;
- general conditions in the global financial markets; and
- general economic or political conditions in the PRC.

The stock market in general and the market prices for Internet-related companies with operations in the PRC in particular have experienced volatility that has sometimes been unrelated to the operating performance of such companies. These broad market and industry fluctuations may materially and adversely affect the price of our ADSs, regardless of our operating performance. In addition, sales of our ADSs in the public market, or the perception that such sales could occur, could cause the market price of our ADSs to decline.

Failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business, reputation, financial condition and results of operations and could cause the market price of our ADSs to decline significantly.

We are subject to reporting obligations under the U.S. Federal securities laws. We are required by the U.S. Securities and Exchange Commission, or SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act, to include a report by our management on our internal control over financial reporting in our annual reports on Form 20-F that contains an assessment by management of the effectiveness of our internal control over financial reporting. In addition, our annual reports on Form 20-F shall include an independent registered public accounting firm's attestation report on the effectiveness of our internal control over financial reporting.

Although our management and an independent registered public accounting firm have concluded that our internal controls over our financial reporting were effective as of December 31, 2014, the end of the period covered by this annual report, we may fail to maintain effective internal controls over financial reporting in the future, in which case we and the independent registered public accounting firm may not be able to conclude that we have effective internal control over financial reporting. In addition, even if our management concludes at the end of future reporting periods that our internal controls are effective, the independent registered public accounting firm, or the relevant regulator, may disagree. If such independent registered public accounting firm is not satisfied with our internal control over financial reporting or the level at which our internal control over financial reporting is documented, designed or operated, or if such independent registered public accounting firm interprets the requirements, rules or regulations differently from us, then it may issue an adverse opinion. Any of these possible outcomes could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our consolidated financial statements, which ultimately could cause the market price of our ADSs to decline significantly. We also may need to incur significant costs and use significant management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements.

Moreover, internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. As a result, even effective internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls over financial reporting, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business could be harmed, we could fail to meet our reporting obligations, and the market price of our ADSs could decrease significantly.

Business growth and a rapidly changing operating environment may strain our limited resources.

We have limited operational, administrative and financial resources, which may be inadequate to sustain the growth we want to achieve. As our user base increases and as we diversify into other business segments, we will need to increase our investment in our technological infrastructure, facilities and other areas of operations. In particular, our product development, customer service and sales and marketing are important to our future success. If we are unable to manage our growth and expansion effectively, the quality of our services and our customer support may deteriorate and our business may suffer. Our future success will depend on, among other things, our ability to:

- develop and quickly introduce new services, adapt our existing services and maintain and improve the quality of all of our services, particularly as new mobile technologies are introduced;
- effectively maintain our relationships with China Mobile and other PRC telecommunications operators;
- enter into and maintain relationships with our business partners;
- develop or license attractive mobile and Internet games that can generate recurring revenues;
- continue training, motivating and retaining our existing employees, attract new employees and integrate new employees;
- expand the percentage of our revenues that are recurring and are derived from monthly subscription-based services;
- develop and improve our operational, financial, accounting and other internal systems and controls; and
- maintain adequate controls and procedures relating to our periodic public disclosure under applicable laws.

We may need additional capital and may not be able to obtain such capital on acceptable terms.

Capital requirements are difficult to plan in our rapidly changing industry. We currently expect that we will need capital to fund our future acquisitions, service development, technological infrastructure and sales and marketing activities. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perceptions of, and demand for, securities of telecommunications value-added services companies and/or Internet games companies;
- conditions of the U.S. and other capital markets in which we may seek to raise funds;
- our future financial condition, results of operations and cash flows;
- PRC governmental regulation of foreign investment in value-added telecommunications companies;
- economic, political and other conditions in the PRC; and
- PRC governmental policies relating to foreign currency borrowings.

Any failure by us to raise additional funds on terms favorable to us, or at all, may have a material adverse effect on our business, financial condition and results of operations. For example, we may not be able to carry out parts of our growth strategy to acquire assets, technologies and businesses that are complementary to our existing business or necessary to maintain our growth and competitiveness.

We were likely classified as a passive foreign investment company, or PFIC, in 2014, and we may be classified as a PFIC in 2015, which may cause U.S. holders of our securities to be subject to adverse United States Federal income tax consequences.

We have substantial passive assets in the form of cash and cash equivalents, which likely caused us to be classified as a PFIC for U.S. Federal income tax purposes in 2014. We cannot assure you that we will not continue to be classified as a PFIC in 2015 or future taxable years. The determination of whether we would continue to be a PFIC would be principally based upon the composition of our assets, including goodwill, the amount of which will depend, in part, on our total net assets and the market value of our ordinary shares and ADSs, which is subject to change.

We have limited control over some of these variables. Furthermore, with regard to any additional capital markets or corporate finance transactions we might conduct in the future, we cannot, at this stage, specify the timing, amounts or the particular uses of the net proceeds. As a result, we cannot provide any assurance as to how the net proceeds of any such transactions would impact whether we are classified as a PFIC in any future periods.

In respect of any taxable year during which we are a PFIC, U.S. investors of our securities may be subject to adverse U.S. Federal income tax consequences (and may be subject to adverse U.S. Federal income tax consequences in subsequent years as well). For further discussion regarding our status as a PFIC, please see "Item 10 — Additional Information — Taxation — United States Taxation — PFIC Rules." U.S. investors are urged to consult their own tax advisors regarding the application of the PFIC rules to their particular circumstances.

The audit report included in this annual report is prepared by auditors who are not inspected by the Public Company Accounting Oversight Board, and, as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm, Deloitte Touche Tohmatsu Certified Public Accountants LLP, as auditors of companies that are publicly traded in the United States and a firm registered with the Public Company Accounting Oversight Board of the United States, or PCAOB, is required by the laws of the United States to undergo regular inspection by the PCAOB to assess its compliance with the laws of the United States and applicable professional standards. Since the PRC is a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the PRC regulatory authorities, the operations in the PRC of our independent registered public accounting firm, similar to the PRC operations of other independent registered public accounting firms, is not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside the PRC 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. This lack of PCAOB inspections in the PRC prevents the PCAOB from regularly evaluating audits of our independent registered public accounting firm and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of the PRC that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

The exercise of warrants issued to various third parties could result in substantial dilution to the holders of our ordinary shares and ADSs and may depress the market price of our ADSs.

In August 2012, in connection with the licensing of certain Internet games, we granted to each of Meteor Entertainment, Inc., or Meteor Entertainment, and ArenaNet a warrant to purchase up to 40 million of our ordinary shares (equivalent to 1 million of our ADSs) respectively. The warrants are exercisable within one year after the launch of the respective licensed games. The warrant granted to Meteor Entertainment has been forfeited as Meteor Entertainment was dissolved in August 2014. The warrant granted to ArenaNet remains outstanding. In addition, we have issued warrants to purchase up to a total of 200 million of our ordinary shares (equivalent to 5 million of our ADSs) to WarGaming in connection with our various licensing arrangements with WarGaming. In May 2013, WarGaming exercised the warrant to purchase 120 million of our ordinary shares. In October 2014, WarGaming exercised the warrant to purchase additional 40 million of our ordinary shares.

The issuance of additional ordinary shares under the warrants may result in substantial further dilution to the holders of our ordinary shares and ADSs, and the market price of our ADSs could decline significantly. The sale of the ordinary shares issued as a result of the exercise of the warrants by various parties, or the perception that such events may occur, could also materially and adversely affect the market price of our ADSs. Furthermore, we may issue additional securities in the future that may have a dilutive effect to the holders of our ordinary shares and ADSs.

We may not be able to adequately protect our intellectual property, and we also may be exposed to infringement claims by third parties.

We believe the copyrights, service marks, trademarks, trade secrets and other intellectual property we use are important to our business, and any unauthorized use of such intellectual property by third parties may harm our business and reputation. We rely on the intellectual property laws and contractual arrangements with our employees, clients, business partners and others to protect such intellectual property rights. Third parties may be able to obtain and use such intellectual property without authorization. Furthermore, the validity, enforceability and scope of protection of intellectual property in the Internet games, mobile games and WVAS industries in the PRC is uncertain and still evolving, and these laws may not protect intellectual property rights to the same extent as the laws of some other jurisdictions, such as the United States. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, and have a material adverse effect on our business, financial condition and results of operations.

Due to the manner in which we obtain, collect, produce and aggregate content and applications for our Internet games, mobile games and WVAS, and because our services may be used for the distribution of information, claims may be filed against us for defamation, negligence, copyright or trademark infringement or other violations. In addition, third parties could assert claims against us for losses in reliance on information distributed by us. When we license third party content or other intellectual properties, we rely on the licensor's representations and warranties of its rights or titles to the content or intellectual properties. Although we perform reasonable due diligence, we cannot guarantee that such a licensor actually has the legal rights or titles to the content or intellectual properties that we distribute or use. We cannot assure you that third parties will not assert claims against us or challenge the validity of our license agreements. If we are found to have infringed any intellectual property rights of others, we may be enjoined from using such intellectual property, and we may incur licensing fees or be forced to develop alternative intellectual property. We may also incur significant costs in investigating and defending these claims.

We are not able to register the Chinese name of our service mark "KongZhong Network" in the PRC, and we may not be able to effectively prevent its unauthorized use by third parties.

We are unable to register the Chinese name of "KongZhong Network" as our service mark because it is deemed a generic term under existing PRC trademark laws, rules and regulations, which prohibit registration of generic terms as trademarks or service marks. As a result, we may not be able to effectively prevent the unauthorized use of the Chinese name of our service mark, "KongZhong Network," and our brand name and reputation may be materially harmed by such unauthorized use.

We may fail to realize the anticipated benefits of our acquisitions, and such acquisitions may also expose us to uncertainties and risks, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

One of our growth strategies is to continue expanding our businesses and game development capabilities and resources through, among others, acquisitions. We believe that growing our businesses and game development capabilities and resources both organically and through selective acquisitions will enable us to expand our Internet and mobile games businesses more quickly and efficiently. However, we may fail to realize the anticipated benefits of our acquisitions, and such acquisitions may also expose us to uncertainties and risks. In particular, acquisitions may not meet our expectations and the realization of the anticipated benefits may be delayed or reduced as a result of numerous factors, some of which are outside of our control. These factors include:

- unforeseen contingent risks or latent liabilities relating to acquisitions that may only become apparent in the future;
- difficulties in managing a much larger business;

- loss of key personnel; and
- increases in competition in the PRC Internet and mobile games industries, which, among other things, may require us to increase our development and/or marketing efforts.

Furthermore, acquisitions may also expose us to uncertainties and risks, including uncertainties and risks associated with:

- the management and development of acquired businesses;
- the integration of acquired businesses with our existing businesses and game development resources and infrastructures;
- the integration of our accounting policies and procedures with those of acquired businesses;
- unforeseen or potential liabilities and exposures relating to acquired businesses and their past financial results;
- the diversion of financial or other resources from our existing businesses; and
- potential loss of, or harm to, relationships with employees or customers.

Future acquisitions may severely disrupt our ability to manage our business as well as our future growth.

Selective acquisitions form part of our strategy to further expand our business and growth prospects. If we are presented with appropriate opportunities, we may acquire additional businesses, technologies, services or products that are complementary to our business, such as our acquisition of Dacheng in 2010. Any acquisition and the subsequent integration of new companies into our company may require significant attention from our management to ensure that, among other things, the acquisition does not disrupt our relationships with the telecommunications operators or affect our users' opinion of our services and customer support, and to ensure that the acquired company is effectively integrated with our existing operations. The diversion of our management's attention and any difficulties encountered in any integration process could severely impair our ability to manage our business. Acquisitions may also expose us to risks, including risks associated with the assimilation of new operations, services and personnel, unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, the inability to generate sufficient revenues to offset the costs and expenses of acquisitions and potential loss of, or harm to, relationships with employees and content providers. Given the sophisticated technologies used in the Internet games, mobile games and WVAS industries, the successful, cost-effective integration of other businesses' technology platforms and services into our company will also be a critical and highly complicated aspect of any acquisition. Acquisitions may also result in potentially dilutive issuances of equity securities.

In addition, we are required under U.S. GAAP to review our intangible assets with definite life for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill and intangible assets with indefinite life are required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets may not be recoverable include a decline in stock price and market capitalization and slower growth rates in our industry. We may be required to record a charge to earnings in our financial statements during the period in which any impairment of our goodwill or intangible assets is determined. For example, as a result of the unsatisfactory performance of certain Internet games and uncertainty in the localization development of some other Internet games, the carrying amount of the relevant Internet game licenses we possessed in 2013 and 2014 exceeded the sum of undiscounted cash flows expected to generate from the use and eventual disposition of such licenses. Accordingly, we recognized an impairment loss of US$1.56 million and US$1.32 million, respectively, in 2013 and 2014.

We have limited business insurance coverage.

The insurance industry in the PRC is still at an early stage of development. Insurance companies in the PRC offer limited business insurance products, and do not, to our knowledge, offer business liability insurance. As a result, we do not have any business liability insurance coverage for our operations. Moreover, while business disruption insurance is available, we have determined that the risks of disruption and cost of the insurance are such that we do not require it at this time. Any business disruption, litigation or natural disaster could result in substantial costs and diversion of resources.

Our Articles of Association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares and ADSs.

Our Articles of Association include certain provisions that could limit the ability of others or discourage a third party to acquire control of our company and thus deprive holders of our ordinary shares and ADSs of the opportunity to sell their ordinary shares or ADSs at a premium over the prevailing market price. These provisions provide for, among others, the following:

- a classified board structure, with three classes of board members and each class having a three-year term;
- authority of our Board of Directors, or the Board, to issue up to a total of 1,000,000,000,000 ordinary shares, with or without preferred, deferred or other special rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise and to such persons, at such time and on such other terms as the directors think proper;
- power of our Board to elect directors either as an addition to the existing directors or to fill a vacancy resulting from death, resignation, retirement, disqualification, removal from office or any other reason; and
- the directors' discretion to decline to register any transfer of ordinary shares without assigning any reason.

Risks Relating to Our Corporate Structure

Our business and operations could be significantly disrupted, and we could be subject to sanctions, if the contractual arrangements between us and our consolidated variable interest entities that we depend on for operating our Internet games, mobile games and WVAS are found to be non-compliant with applicable PRC law.

Under applicable PRC law, foreign investment in Internet game operators in the PRC is subject to restrictions. In particular, the SAPPRFT, which is responsible for the registration of Internet games operated in the PRC, published a notice in September 2009 indicating that foreign investors are prohibited from obtaining control over Internet game operators in the PRC or participating in the Internet games sector through the establishment of joint venture companies or contractual or technical arrangements. In addition, foreign investment in the PRC enterprises that provide value-added telecommunications services (except for e-commerce services) is generally subject to an ownership limitation of not more than 50% . As a result, our ability to directly engage in such services is severely restricted.

We and our subsidiaries, KongZhong Information Technologies (Beijing) Co., Ltd., or KongZhong Beijing, and KongZhong China Co., Ltd., or KongZhong China, are considered foreign persons or foreign-invested enterprises under applicable PRC law. As a result, we operate our Internet games, mobile games and WVAS in the PRC through Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, each of which is owned by PRC citizens. We do not own any equity interest in these operating companies, which are considered to be our consolidated variable interest entities for U.S. GAAP purposes, but are able to enjoy the economic benefits through contractual arrangements entered into between us and consolidated variable interest entities, including contractual arrangements relating to the provision of services and certain corporate governance and shareholder rights matters. These operating companies conduct substantially all of our operations and generate substantially all of our revenues, and also hold the licenses and approvals that are essential to our business. For a detailed description of these contractual arrangements, see "Item 7 — Related Party Transactions — Contractual Arrangements Relating to our Operating Companies."

In January 2015, the Ministry of Commerce, or the MOFCOM, released for public comment a draft foreign investment law, or the Draft FIL, which proposes to include variable interest entities within the scope of entities that could be considered to be foreign-invested enterprises and be subject to restrictions under PRC law on foreign investment in certain categories of industry. Specifically, the Draft FIL introduces the concept of "actual control" which includes control through contractual arrangements for determining whether an entity is a foreign-invested enterprise. If the Draft FIL goes into effect in its current form, these provisions regarding control through contractual arrangements could be construed to apply to our variable interest entities arrangements and, as a result, our variable interest entities could become explicitly subject to restrictions on foreign investment.

As the applicable PRC laws, rules and regulations governing foreign investment are evolving and subject to differing interpretations, there are substantial uncertainties regarding the validity and enforceability of the contractual arrangements between us and our consolidated variable interest entities. We have been advised by our PRC legal counsel, Commerce & Finance Law Offices, that each agreement under the contractual arrangements with our consolidated variable interest entities constitutes a valid and legally binding obligation under applicable PRC law. In addition, Commerce & Finance Law Offices is of the opinion that, with respect to Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, no consent, approval or license, other than those already obtained, is required under any existing PRC laws, rules and regulations for the effectiveness and enforceability of the contractual arrangements, businesses and operations of these companies. We cannot assure you, however, that the relevant PRC regulatory authorities will not ultimately determine that these contractual arrangements are non-compliant with applicable PRC laws, rules and regulations.

If we or our operating companies were found to violate any existing or future PRC laws, rules or regulations, the relevant PRC regulatory authorities would have broad discretion in dealing with such violation, including:

- revoke the business and operating licenses of our wholly-owned subsidiaries, our consolidated variable interest entities and their subsidiaries;
- discontinue or restrict the operations of any related party transactions among our wholly-owned subsidiaries, our consolidated variable interest entities and their subsidiaries;
- impose fines or other requirements on our wholly-owned subsidiaries, our consolidated variable interest entities and their subsidiaries;
- require us to revise our ownership structure or restructure our operations; and/or
- restrict or prohibit us from using the proceeds from public offerings to finance our business and operations in China.

Any of these or similar actions could cause significant disruptions to our business, as well as materially reduce our revenues, profitability and cash flows.

In addition, if any of these actions results in our inability to direct the activities of our consolidated variable interest entities and their subsidiaries that most significantly impact their economic performance, and/or such actions prevent us from receiving the economic benefits from our consolidated variable interest entities, we may not be able to consolidate the financial results of these variable interest entities into our consolidated financial statements in accordance with U.S. GAAP.

Our contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng may not be as effective in providing operational control as direct ownership of these businesses and may be difficult to enforce.

The applicable PRC laws, rules and regulations currently restrict foreign ownership of companies that provide value-added telecommunications services, which include Internet content services, or that operate Internet games, mobile games and WVAS. As a result, we conduct substantially all of our operations and generate substantially all of our revenues through Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng pursuant to a series of direct or indirect contractual arrangements with them and their respective shareholders. These agreements may not be as effective in providing control over our operating companies as direct ownership. In the event we are unable to enforce these contractual arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of our consolidated variable interest entities. In addition, our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of our consolidated variable interest entities into our consolidated financial statements in accordance with U.S. GAAP. In particular, our operating companies could fail to perform or make payments as required under the contractual agreements, and we will have to rely on the PRC legal system to enforce these agreements, which may not be effective.

We believe that we have the ability to cause the contractual arrangements with our variable interest entities to be renewed when necessary based on (i) our exclusive option to purchase all or part of the equity interests in our consolidated variable interest entities, when and to the extent permitted by PRC law, or request any existing shareholder of our consolidated variable interest entities to transfer all or part of the equity interest in our consolidated variable interest entities to another PRC person or entity designated by us at any time in our discretion, and (ii) the power of attorney that our consolidated variable interest entities' shareholders have granted to us.

Our ability to enforce the equity pledge agreements between us and consolidated variable interest entities' shareholder may be subject to limitations based on PRC laws, rules and regulations.

Under our equity pledge agreements with our consolidated variable interest entities and their shareholders, these shareholders have agreed to pledge all of their respective equity interests in the consolidated variable interest entities to us. The purpose of such pledges is to secure the performance of our consolidated variable interest entities' obligations under the various contractual arrangements, including the business operation agreements and technology development agreements. As of March 31, 2015, the pledges of equity interests by shareholders of our consolidated variable interest entities have all been registered with the relevant local SAIC. According to the applicable PRC laws, when an obligor fails to pay its debt, the pledgee may choose to either conclude an agreement with the pledgor to obtain the pledged equity or seek payments from the proceeds of the auction or sell-off of the pledged equity. If our consolidated variable interest entities or their shareholder fails to perform their respective obligations secured by the pledges under the equity pledge agreements, one remedy in the event of default under the equity pledge agreements is to require the pledgor to sell the pledged equity interests in an auction or private sale and remit the proceeds to our wholly-owned subsidiaries in China, net of related taxes and expenses. Such an auction or private sale may not result in our receipt of the full value of the equity interests in consolidated variable interest entities.

In addition, in the registration forms of the local branch of the SAIC for the pledges, the amount of registered equity interests pledged to our wholly-owned subsidiaries, including Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang, Xinreli, BJXR and Dacheng, was stated as RMB10,000,000, RMB10,000,000, RMB10,100,000, RMB10,000,000, RMB10,000,000, RMB10,000,000 and RMB11,182,480, respectively, which in aggregate represent 100% of the registered capital of our consolidated variable interest entities. A PRC court may take the position that the amounts listed on the equity pledge registration forms represent the full amounts of the collateral that have been registered and perfected. In that event, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by a PRC court to be unsecured debt, and our ability to be repaid may be materially harmed.

The shareholders of our consolidated variable interest entities may have potential conflicts of interest with us, which may substantially disrupt our business.

The registered shareholders of our consolidated variable interest entities are our current or former directors, officers or employees and their relatives. For example, Leilei Wang, our Chairman and Chief Executive Officer, is one of the registered shareholders of Dacheng, a consolidated variable interest entity that was acquired in 2010. In addition, Mr. Wang owned 19.4% of our outstanding ordinary shares as of the date of this annual report on Form 20-F. See "Item 4 — Information on the Company — Our Corporate Structure" for a list of the registered shareholders of our consolidated variable interest entities and their respective shareholdings. Conflicts of interest may arise between such shareholders' duties to us and our consolidated variable interest entities. If such conflicts arise, these shareholders may not act in our best interests and such conflicts of interest may not be resolved in our favor. In addition, these shareholders may breach or cause our consolidated variable interest entities to breach or refuse to renew their existing contractual arrangements that allow us to exercise effective control over them and to receive economic benefits from them. The laws of the Cayman Islands provide that directors of a company owe a fiduciary duty to the company, which requires them to act in good faith and in the best interests of the company and not to use their positions for personal gain. If certain shareholders of our consolidated variable interest entities do not comply with their fiduciary duties to us as our designated directors, or if we cannot resolve any conflicts of interest or disputes between us and any current or future registered shareholders of our consolidated variable interest entities, we would have to rely on legal proceedings to remedy the situation, the outcome of which is uncertain and which may result in substantial disruptions to our business.

The dividends and other distributions on equity we may receive from our subsidiaries are subject to restrictions under PRC law or agreements that our subsidiaries may enter into with third parties.

We are a holding company and rely largely on dividends and other distributions paid by our subsidiaries for cash, financing and other requirements. Our wholly-owned subsidiaries, KongZhong Beijing and KongZhong China, have entered into contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng through which we conduct business and receive revenues in the form of service fees. We rely on dividends and other distributions on equity paid by KongZhong Beijing and KongZhong China, as well as service fees from Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, for our cash requirements in excess of any cash raised from investors and retained by us. If either of KongZhong Beijing or KongZhong China incurs debt in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us.

Furthermore, PRC law requires that payment of dividends by each of KongZhong Beijing and KongZhong China may be made only out of their respective net income, if any, determined in accordance with PRC accounting standards and regulations. Under the applicable PRC laws, KongZhong Beijing and KongZhong China are also required to set aside no less than 10% of their respective after-tax net income each year as reserve funds unless such reserve funds, after making up losses of preceding years, have reached 50% of their respective registered capital, and these reserves are not distributable as dividends. Any limitation on the payment of dividends by our subsidiaries could have a material adverse effect on our ability to grow, fund investments, make acquisitions, pay dividends and otherwise fund and conduct our business.

In addition, under the PRC enterprise income tax law and its implementation regulation, a non-PRC-resident enterprise's net income originating from "sources within the PRC" will be subject to a 10% enterprise income tax, or EIT, rate. Whether a dividend payment constitutes income from "sources within the PRC" is determined by the location of the enterprise which pays the dividend. Income tax on dividends from the PRC payable to a non-PRC-resident enterprise is at a rate of 10%. As a result, KongZhong Beijing and KongZhong China may be required to withhold all or part of such income tax when paying us dividends. See "Item 5 — Operating and Financial Review and Prospects — Taxation."

Our Chairman and Chief Executive Office is our single largest shareholder, and his interests may differ from other holders of our ordinary shares or ADSs.

Leilei Wang, our Chairman and Chief Executive Officer, owned 19.4% of our outstanding ordinary shares as of the date of this annual report on Form 20-F. Accordingly, he exerts significant influence in determining the outcome of any corporate transaction or other matter submitted to the holders of our ordinary shares and ADSs for approval, including mergers, consolidations, the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. He will also have significant influence in preventing or causing a change in control. In addition, without his consent, we may be prevented from entering into transactions that could be beneficial to us. Mr. Wang's interests may differ from the interests of the other holders of our ordinary shares or ADSs.

Our contractual arrangements with our consolidated variable interest entities and their respective shareholders may require us to pay additional taxes.

Arrangements and transactions among related parties may be subject to audits or challenges by the PRC tax authorities. We could face material adverse tax consequences if the PRC tax authorities determine that our contractual arrangements between us and our consolidated variable interest entities are not arm's-length transactions. If this were to occur, the tax authorities could adjust our subsidiaries' and our consolidated variable interest entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, for PRC tax purposes, increase the tax liabilities of our subsidiaries and our consolidated variable interest entities. If our subsidiaries and our consolidated variable interest entities' tax liabilities increase or if our subsidiaries and our consolidated variable interest entities are found to be subject to late payment fees or other penalties, our financial condition and results of operations could be materially and adversely affected.

Risks Relating to Our Industry

Our ability to generate revenues could suffer if the PRC markets for Internet games, mobile games and WVAS do not develop as anticipated.

The Internet games, mobile games and WVAS markets in the PRC have evolved rapidly in recent years, with the introduction of new and advanced services, development of consumer preferences, changes in policies and guidelines initiated government agencies and our partners, market entry by new competitors and adoption of new strategies by existing competitors. Accordingly, it is extremely difficult to accurately predict consumer acceptance and demand for various existing and potential new offerings and services, and the future size, as well as composition and growth, of these markets. Furthermore, given the limited history and rapidly evolving nature of our markets, we cannot predict the prices that users will be willing to pay for our services and games or whether users will have concerns about security, reliability, cost and quality of service associated with Internet games, mobile games and WVAS. If acceptance of our Internet games, mobile games and WVAS is different from what we anticipate, our ability to maintain or increase our revenues and net income could be materially and adversely affected.

The laws, rules and regulations governing the Internet games, mobile games and WVAS industries in the PRC are developing and subject to future changes. Substantial uncertainties exist as to the interpretation and implementation of the applicable laws, rules and regulations.

In recent years, the PRC government has begun to promulgate laws, rules and regulations applicable to the Internet games, mobile games and WVAS industries in the PRC, many of which are relatively new and untested and are subject to future changes. In addition, various regulatory authorities of the central PRC government, such as the State Council of the PRC, or the State Council, the MIIT, the MOC, the SAIC, the MPS and the SAPPRFT, are empowered to issue and implement rules to regulate certain aspects of Internet-related services and activities. Furthermore, certain local governments also have promulgated local rules applicable to Internet-related services and activities within their respective jurisdictions. As the Internet industry itself is at a relatively early stage of development in the PRC, it is likely that additional laws, rules and regulations will be promulgated in the future to address issues that may arise from time to time. As a result, uncertainties exist regarding the interpretation and implementation of current and future applicable PRC laws, rules and regulations. We cannot assure you that we will not be found in violation of these PRC laws, rules or regulations due to these uncertainties, in which case we could be subject to various penalties, including redressing the violations, confiscation of income, imposition of fines or even suspension of our operations. See "Item 4 — Information on the Company — Regulation."

Each of Beijing AirInbox, Beijing Boya Wuji, Beijing WINT, BJXR and Beijing Chengxitong has obtained a telecommunications and information services operating license for their Internet content businesses from the Beijing Telecommunications Administration Bureau. In addition, each of Beijing AirInbox, Beijing WINT, BJXR, Beijing Chengxitong, Mailifang and Xinreli has obtained a value-added telecommunications license from the MIIT in order to provide services in multiple provinces, autonomous regions and municipalities. Each of Beijing Boya Wuji, Zhulang, Dacheng and Shanghai KongZhong Brilliant Game Co., Ltd., or Brilliant Game, has obtained a value-added telecommunications license from branches of the MIIT at the provincial level to provide intra-provincial services. Each of Beijing AirInbox, Dacheng, Zhulang, Xinreli and Brilliant Game has obtained an Internet Culture Business Permit for our Internet games business. If any of Beijing AirInbox, Beijing Boya Wuji, Beijing WINT, BJXR, Beijing Chengxitong, Zhulang, Mailifang, Xinreli, Dacheng or Brilliant Game fails to obtain or maintain any required licenses or permits, it may be subject to various penalties, including redressing the violations, confiscation of income, imposition of fines or even suspension of its operations. Any of these measures could materially disrupt our business and materially and adversely affect our financial condition and results of operations.

The PRC government has promulgated a series of rules, regulations and policies that may have negative impact on the Internet games industry, and we cannot assure you that the PRC government will not promulgate similar rules, regulations or policies in the future.

The PRC government has adopted a series of rules, regulations and policies to monitor and control the Internet games industry in response to, among other things, perceived addiction to Internet games and its perceived negative social effects, particularly for minors. For example, PRC governmental authorities have in the past adopted rules to curb addiction to Internet games by minors, under which PRC Internet game operators are required to reduce the value of game benefits for minor game players as their continuous playing time reaches certain thresholds. Internet games players in the PRC are also required to register their identity numbers before they can play. In addition, PRC governmental agencies have issued a series of rules and regulations limiting the use of virtual currencies in Internet games, which may result in higher costs for the operation of our Internet games and lowers sales of virtual items in our Internet games.We cannot assure you that the PRC government will not promulgate similar rules, regulations or policies in the future, particularly during periods when public opinion does not favor Internet games. Such rules, regulations and policies may significantly reduce our revenues and net income from Internet games and materially and adversely affect our business, financial condition, results of operations and prospects. See “Item 4 — Information on the Company — Regulation.”

The PRC government or the telecommunications operators may prevent us from distributing, and we may be subject to sanctions for, content that any of them believes is inappropriate.

The PRC government has promulgated regulations governing telecommunications service providers, Internet access, the distribution of news and other information and the operation of Internet games. In the past, the PRC government has stopped the distribution of information over the Internet that it believes violates PRC law, including content that it deems to be obscene, to incite violence, to endanger national security, to be contrary to the national interest or to be defamatory. The telecommunications operators also have their own policies that restrict the distribution by WVAS providers they deem inappropriate. For instance, they have punished certain providers for distributing content deemed by them to be obscene. These punishments have included censoring of content, delays in payments of fees by the telecommunications operators to the offending service provider, forfeiture of fees owed by the telecommunications operators to the offending service provider and suspension of the service on the telecommunications operators’ networks. Accordingly, even if we comply with PRC governmental regulations relating to licensing and foreign investment restrictions, if the PRC government or the telecommunications operators were to take any action to limit or prohibit the distribution of information we provide or to limit or regulate any current or future content or services available to our users, our revenues could be materially reduced, and traffic to our reputation could be severely damaged.

Network interruptions, security breaches or computer virus attacks could have a material adverse effect on our business, financial condition and results of operations.

Any failure to maintain the satisfactory performance, reliability, security and availability of our network infrastructure may cause significant harm to our reputation and our ability to attract and maintain users. Major risks involved in such network infrastructure include, among others, any breakdowns or system failures resulting in a prolonged shutdown of all or a material portion of our servers, including failures which may be attributable to sustained power outages, or effort to gain unauthorized access to our systems causing loss or corruption of data or malfunctions of software or hardware. In addition, certain players of our Internet games may attempt to obtain unauthorized access to our Internet games to gain unfair advantages in the games. The growth of our business may also be inhibited if the public concern over the security and privacy of confidential user information transmitted over the Internet and wireless networks is not adequately addressed.

Our network systems are vulnerable to damage from fire, flood, power loss, telecommunications failures, computer viruses, hackings and other similar events. Any network interruption or inadequacy that causes interruptions in the availability of our services or deterioration in the quality of access to our services could reduce our user satisfaction and our competitiveness. In addition, any security breach caused by hacking, which involves effort to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could have a material adverse effect on our business, financial condition and results of operations. We do not maintain insurance policies covering losses relating to our systems, and we do not have business interruption insurance.

If we are unable to respond successfully to technological or industry developments, our business and prospects may be materially and adversely affected.

The Internet games, mobile games and WVAS industries are characterized by rapid advances in technology, industry standards and customer demands. In particular, new technologies, industry standards or market demands may render our existing products, services or technologies less competitive or even obsolete. Moreover, telecommunications operators in the PRC are currently in the process of expanding 3G telecommunications services and upgrading to 4G telecommunications services, while a number of different types of more advanced smart phone platforms have already entered the PRC market and are increasingly popular. Responding and adapting to the growing 3G and 4G telecommunications market and other technological developments and standard changes in our industry may require substantial time, effort and capital investment. In addition, updating and developing our proprietary game engines and game development platforms may also require significant expenditures in research and development. If we are unable to respond successfully to technology, industry and market developments, these developments may materially and adversely affect our business, financial condition and results of operations as well as our competitiveness.

Risks Relating to the PRC

Substantially all of our assets are located in the PRC and substantially all of our revenues are derived from our operations in the PRC. Accordingly, our financial condition and results of operations are subject, to a significant extent, to the economic, political and legal developments in the PRC.

Substantially all of our assets and end customers are located in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social conditions in the PRC. Although the PRC has been one of the world's fastest-growing economies in terms of GDP since 1978, we cannot assure you that such growth will be sustained in the future. Moreover, any negative development in the economies of the United States, the European Union and certain Asian countries may adversely affect economic growth in the PRC.

In addition, the PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy but have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. However, we cannot assure you that the PRC economy will sustain this rate of growth in the future.

Although the PRC government has implemented measures since the late 1970s emphasizing the use of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over PRC economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot assure you that the PRC's economic, political or legal systems will not develop in a way that is detrimental to our business, financial condition and results of operations.

Government control of currency conversion may adversely affect our financial condition and results of operations.

We receive substantially all of our revenues in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to meet our foreign currency obligations including, among others, payment of dividends declared, if any, in respect of our ordinary shares.

Under the PRC's existing foreign exchange regulations, our subsidiaries, KongZhong Beijing and KongZhong China, are able to pay dividends in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. However, we cannot assure you that the PRC government will not take measures in the future to restrict access to foreign currencies for current account transactions.

Foreign exchange transactions under the capital accounts of our subsidiaries, KongZhong Beijing and KongZhong China, and of our operating companies, Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, continue to be subject to significant foreign exchange controls and require the approval of PRC governmental authorities, including the SAFE. In particular, if KongZhong Beijing or KongZhong China borrow foreign currency loans from us or other foreign lenders, these loans must be registered with SAFE, and if we finance KongZhong Beijing or KongZhong China by means of additional capital contributions, these capital contributions must be approved by certain government authorities including the MOFCOM or its local counterparts. In addition, if we finance Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli or Dacheng by loans, we must obtain approval from SAFE. These limitations could affect the ability of KongZhong Beijing, KongZhong China, Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli or Dacheng to obtain foreign exchange through debt or equity financing.

PRC regulations relating to offshore investment activities by PRC residents may increase the administrative burden we face and create regulatory uncertainties that could restrict our overseas and cross-border investment activity, and a failure by holders of our ordinary shares or ADSs who are PRC residents to make any required applications and filings pursuant to such regulations may prevent us from being able to distribute profits and could expose us and the PRC resident holders of our ordinary shares or ADSs to liability under PRC law.

SAFE has promulgated regulations that require PRC residents and PRC corporate entities to register with and obtain approvals from relevant PRC government authorities in connection with their direct or indirect offshore investment activities. These regulations may apply to holders of our ordinary shares and ADSs who are PRC residents in connection with our prior and any future offshore acquisitions.

The relevant SAFE regulation required registration by March 31, 2006 of direct or indirect investments previously made by PRC residents in offshore companies prior to the implementation of the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies on November 1, 2005. If a PRC holder of our ordinary shares or ADSs with a direct or indirect stake in an offshore parent company fails to make the required SAFE registration, the PRC subsidiaries of such offshore parent company may be prohibited from making distributions of profit to the offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange restrictions.

Those of our Directors and senior officers who are holders of our ordinary shares or ADSs and PRC residents have informed us that they have made the necessary applications and filings, as required under this regulation. However, there is uncertainty concerning the reconciliation of this regulation with other approval requirements, and it is unclear how the regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended, implemented or enforced by the relevant government authorities. The failure or inability of any PRC resident holder of our ordinary shares or ADSs to obtain any required approvals or make any required registrations may subject us to fines and other legal sanctions, and prevent us from being able to make distributions or pay dividends.

We may be subject to fines and legal sanctions if we or our employees who are PRC citizens fail to comply with the PRC regulations relating to employee share options granted by overseas listed companies to PRC citizens.

In February 2012, SAFE promulgated the Notice Relating to Foreign Exchange Administration for Domestic Individuals Participating in the Stock Incentive Plans of Overseas-Listed Companies, or SAFE Notice 7, replacing the Application Procedure of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Holding Plan or Stock Option Plan of Overseas-Listed Company promulgated in March 2007, or SAFE Notice 78. Under SAFE Notice 7, PRC individuals and foreign citizens who have been a resident of the PRC for one year or more, or, collectively, Domestic Individuals, participating in a stock incentive plan of an overseas-listed company, are required, through a PRC domestic agent to register with SAFE and complete certain other procedures. Such PRC domestic agent should be a PRC subsidiary of the overseas-listed company or a qualified domestic institution selected by the PRC subsidiary. As we are an overseas-listed company, we and those employees deemed to be Domestic Individuals and who have been granted share options and/or restricted share units under our equity incentive plans are subject to SAFE Notice 7. We and those employees subject to SAFE Notice 7 intend to make such application and complete all the requisite procedures. In 2009 and 2010, we registered, and registered on behalf of those employees subject to SAFE Notice 7, with the relevant local SAFE branches our previously adopted employee stock incentive plans, pursuant to regulations promulgated under SAFE Notice 78. However, there exist significant uncertainties in practice with respect to the interpretation and implementation of SAFE Notice 7, and we cannot assure you that our registration under SAFE Notice 78 would be sufficient for compliance with SAFE Notice 7. If SAFE or other PRC governmental authorities determine that we or those of our employees subject to SAFE Notice 7 have failed to comply with the provisions of SAFE Notice 7, we or they may be subject to fines and legal sanctions, which could have a material adverse effect on the implementation of our equity incentive plans and our ability to attract and retain qualified personnel, as well as our business and prospects. See “Item 4 — Information on the Company — Regulation — Regulation of Share Options and Restricted Share Units.”

Fluctuation of the Renminbi could adversely affect the value of and dividends payable on our ADSs.

The value of the Renminbi fluctuates and is subject to changes in PRC political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the PRC government's new policy, the Renminbi is permitted to fluctuate within a managed band against a basket of certain foreign currencies. Although daily fluctuations of the Renminbi against the basket of currencies are currently limited to 1.0% per day, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the long term. On June 20, 2010, the People's Bank of China, or the PBOC, announced that the PRC government would further reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate, and on April 14, 2012, the PBOC announced that, effective as of April 16, 2012, the Renminbi is permitted to fluctuate with a band of 1.0% per day, doubling the previous announced fluctuation limit of 0.5% per day. We cannot assure you that the Renminbi will not be permitted to enter into a free float, which also may result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar. As we receive substantially all of our revenues in Renminbi and a majority of our cash and cash equivalents are denominated in Renminbi, any fluctuation in the exchange rate against the U.S. dollar will affect our balance sheet and earnings per share in U.S. dollar terms and the value of dividends, if any, payable on our ordinary shares in U.S. dollar terms and the value of any U.S. dollar-denominated investments we may make in the future. As of December 31, 2014, we had cash and cash equivalents in the amount of US$105.1 million. A 1.0% appreciation of the Renminbi against the U.S. dollar will result in an estimated increase of approximately US$1.0 million in our total amount of cash and cash equivalents, and a 1.0% appreciation of the U.S. dollar against the Renminbi will result in a decrease of approximately US$1.0 million in our total amount of cash and cash equivalents.As of the date of this annual report on Form 20-F, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk.

The discontinuation of any of the preferential tax treatments available to us in the PRC or the rejection of our application for preferential tax treatments could adversely affect our business, operating results and financial condition.

On March 16, 2007, the National People's Congress adopted the Enterprise Income Tax Law, or the New EIT Law, which became effective on January 1, 2008. It imposes a tax rate of 25% on all foreign-invested enterprises, and terminates many of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. However, under the New EIT Law and its implementation rules, "high-and-new technology enterprises strongly supported by the State," or HNTE, are entitled to a preferential tax rate of 15%, and "software enterprises" are entitled to an income tax exemption for two years beginning with their first profitable year and a 50% tax reduction to a rate of 12.5% for the subsequent three years. In 2008, 2011 and 2014, KongZhong Beijing, Beijing AirInbox, BJXR and Tianjin Mammoth were granted the HNTE status by the PRC tax authority under the New EIT Law. In 2009 and 2012, KongZhong China, Beijing Chengxitong and Beijing WINT were granted the HNTE status by the PRC tax authority under the New EIT Law. As of December 31, 2014, Beijing AirInbox, KongZhong China, Dacheng, Xinreli, Brilliant Game and Tianjin Mammoth were qualified as "software enterprise" by the local industry and information technology department. However, we cannot assure you that the PRC tax authorities or local industry and information technology department will not revoke the HNTE status or "software enterprise" status of such companies or that we will be able to renew the HNTE status or "software enterprise" status for these companies in the future. The loss of preferential tax treatments by our subsidiaries and/or operating entities could materially reduce our net income and cash flows.

We may be subject to PRC income tax on our global income, or dividends we receive from our PRC subsidiaries may be subject to PRC withholding tax, depending on whether we are recognized as a resident enterprise in the PRC.

Pursuant to the New EIT Law and Enterprise Income Tax Law Implementation Rules under the New EIT Law, or the New EIT Implementation Regulation, enacted by the State Council on December 6, 2007 and which became effective on January 1, 2008, an enterprise established under the laws of a foreign country or region whose "de facto management body" is located within the PRC territory is considered a resident enterprise and will generally be subject to the enterprise income tax at the rate of 25% on its global income. According to the New EIT Implementation Regulation, "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the production and business, personnel, accounting and assets of an enterprise. The PRC State Administration for Taxation, or the SAT, issued the Notice on Issues Relating to Determination of Chinese-Controlled Offshore Enterprises as PRC Resident Enterprises by Applying the "De Facto Management Body" Test, or the SAT Notice 82, on April 22, 2009. The SAT Notice 82 provides for certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore enterprise is located in the PRC. Although the SAT Notice 82 provides that it only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals, like our company, it is generally believed that the determining criteria set forth in the SAT Notice 82 very likely reflect the SAT's general position as to how the "de facto management body" test should be applied to determine the tax residency of all offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. We believe that we are not a PRC resident enterprise on the basis of the fact that (i) we are a Cayman Islands company that was incorporated outside the PRC and (ii) the SAT Notice 82 does not, on its face, apply to companies that are controlled by PRC individuals. However, if we were considered a PRC resident enterprise, we would be subject to the enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow would be adversely affected as a result of our global income being taxed under the New EIT Law.

If we are considered as a non-resident enterprise under the New EIT Law, we will not be subject to the enterprise income tax at the rate of 25% on our global income. In such case, however, dividends we receive from our PRC subsidiaries will be subject to a PRC withholding tax, the standard rate for which is 10%, subject to reductions pursuant to any applicable tax treaty. To the extent we are considered as a non-resident enterprise, dividends we receive from our PRC subsidiaries will be subject to the standard rate of 10%. Such withholding tax will increase our tax burden and reduce the amount of cash available to us.

Dividends payable by us to our non-PRC shareholders and ADS holders, and gains on the sales of our ordinary shares or ADSs, may be subject to withholding taxes under PRC tax laws, which may materially reduce the value of your investment.

Prior to January 1, 2008, dividends payable to non-PRC investors were exempted from withholding tax. The New EIT Law and the New EIT Implementation Regulation, both of which became effective on January 1, 2008, provide that an income tax rate of 10% (subject to reductions pursuant to any tax treaties between the PRC and other jurisdictions) will generally be applicable to dividends payable to non-PRC investors that are derived from sources within the PRC, provided that dividends are not subject to the 10% tax if they are paid out of distributable profits accumulated before January 1, 2008. Similarly, any gain realized on the transfer of shares by such investors is also subject to 10% tax if such gains are regarded as income derived from sources within the PRC.

We are a Cayman Islands holding company, and substantially all of our income may come from dividends we receive from our subsidiaries located in the PRC. As a result, dividends we receive from our PRC subsidiaries may be subject to withholding tax under the New EIT Law. See "Item 3 — Key Information — Risk Factors — Risks Relating to the PRC — We may be subject to PRC income tax on our global income, or dividends we receive from our PRC subsidiary may be subject to PRC withholding tax, depending on whether we are recognized as a resident enterprise in the PRC." If we are recognized as a qualified PRC resident enterprise, the dividends we receive from our subsidiaries in the PRC will not be subject to any withholding tax. However, our dividends payable to our non-PRC shareholders and ADS holders would be subject to withholding tax under the New EIT Law.

If dividends we receive from our PRC subsidiaries or dividends payable to our non-PRC shareholders and ADS holders are subject to withholding tax under the New EIT Law, or if non-PRC foreign shareholders and ADS holders are required to pay PRC income tax on the transfer of their ordinary shares or ADSs, the value of your investment may be materially reduced.

We face uncertainties with respect to application of the Circular on Strengthening the Management of Enterprise Income Tax for Equity Transfer by Non-PRC Resident Enterprises.

Pursuant to the Notice on Strengthening the Management of Enterprise Income Tax Collection of Proceeds from Equity Transfers by Non-PRC Resident Enterprises issued by the SAT on December 10, 2009, or Circular 698, with retroactive effect from January 1, 2008, which was further explained by a notice issued by the SAT implemented as of March 28, 2011, pursuant to which 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), or an Indirect Transfer, the gains of non-resident enterprise derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%.

On February 3, 2015, the SAT promulgated the Announcement on Several Issues Related to Enterprise Income Tax for Indirect Asset Transfer by Non-PRC Resident Enterprises, or SAT Announcement 7, which became effective immediately to supersede the existing tax rules in relation to the Indirect Transfer, while the other provisions of Circular 698 remain in force. SAT Announcement 7 introduces a new tax regime that is significantly different from that under Circular 698. In particular, SAT Announcement 7 extends its tax jurisdiction to capture not only Indirect Transfer as set forth under Circular 698, but also transactions involving transfer of real properties in China and the assets of an "establishment or place" situated in China, of a non-PRC resident enterprise through the offshore transfer of a foreign intermediate holding company. SAT Announcement 7 also interprets the term "transfer of the equity interest in a foreign intermediate holding company" broadly. In addition, SAT Announcement 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also brings challenges to both the foreign transferor and transferee of the Indirect Transfer as they are required to make self-assessment on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly. Under SAT Announcement 7, the entity which has the obligation to pay the consideration for the transfer to the transferring party has the obligation to withhold any PRC enterprise income tax that is due. If the transferring party does not pay enterprise income tax that is due for a transfer and the entity which has the obligation to pay the consideration does not withhold the tax due, the PRC tax authorities may impose a penalty on the entity that so fails to withhold.

There is uncertainty as to the application of Circular 698 and SAT Announcement 7. The PRC tax authorities have discretion under Circular 698 or SAT Announcement 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment. We may pursue acquisitions in the future that involve complex corporate structures. If we are considered a non-resident enterprise under the New EIT Law and if the PRC tax authorities make adjustments to the taxable income of these transactions under Circular 698 or SAT Announcement 7, our income tax expenses associated with such potential acquisitions will increase, which may have a material adverse effect on our financial condition and results of operations.

Affiliated transactions between our PRC resident enterprises and offshore affiliates may be subject to scrutiny by the PRC tax authorities.

On March 18, 2015, the SAT promulgated the Announcement on Issues Related to Enterprise Income Tax on the Expenses Paid by Enterprises to Offshore Affiliated Parties, or SAT Announcement 16, which became effective immediately. Pursuant to SAT Announcement 16, the expenses paid by the PRC resident enterprises to their offshore affiliates would not be deducted before tax under certain circumstances, including but not limited to the expenses paid to offshore affiliates that fail to perform their functions, bear risks and that have no substantial operating activities, and expenses paid for the services provided by offshore affiliates which cannot bring economic interests, directly or indirectly, to such PRC resident enterprises.

Our PRC resident subsidiaries may pay expenses to their offshore affiliated parties in the future. If the PRC tax authorities conclude that the affiliated transactions between our PRC resident subsidiaries and their offshore affiliates have not been conducted on an arms' length basis, they may adjust the taxable income of our PRC subsidiaries through a transfer pricing adjustment and impose additional taxes (together with applicable interest) on our PRC subsidiaries, as well as penalties for under-reporting of taxable income, which may materially increase our tax expenses and decrease our net income.

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

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. Although legislation in the PRC over the past 30 years has significantly improved the protection afforded to various forms of foreign investment and contractual arrangements in the PRC, these laws, regulations and legal requirements are relatively new and their interpretation and enforcement involve uncertainties, which could limit the legal protection available to us and foreign investors, including you. In addition, the PRC government may enact new laws or amend current laws that may be detrimental to our current contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, which may in turn have a material adverse effect on our business and prospects.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the Cayman Islands, and our subsidiary and substantially all of our assets are located outside the United States. In addition, most of our Directors and officers and their assets are located outside the United States. As a result, it may not be possible to effect service of process within the United States upon our Directors or officers, including with respect to matters arising under U.S. Federal securities laws or applicable state securities laws.

Our PRC legal counsel, Commerce & Finance Law Offices, has advised us that the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom or most other Western countries. As a result, recognition and enforcement in the PRC of judgments of a court obtained in those jurisdictions may be difficult or impossible.

We have been advised by Maples and Calder, our Cayman Islands legal advisers, that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, or any state thereof, a judgment obtained in the United States, or any state thereof, will be recognized and enforced in the courts of the Cayman Islands under common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided that such judgment (i) was given by a foreign court of competent jurisdiction; (ii) imposes on the debtor a liability to pay a liquidated sum for which the judgment has been given; (iii) is final; (iv) is not in respect of taxes, a fine or a penalty; and (v) was not obtained in a manner and is not of a kind of enforcement that is contrary to natural justice or the public policy of the Cayman Islands.

If additional remedial measures are imposed on the PRC-based affiliates of the "big four" accounting firms, including our independent registered public accounting firm, in connection with administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC with respect to requests for the production of documents, we may not be able to timely file future financial statements in compliance with the requirements of the Securities Exchange Act of 1934.

In late 2012,the SEC commenced administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the PRC affiliates of the "big four" accounting firms, including our independent registered public accounting firm. A first instance trial of the proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms including a temporary suspension of their right to practice before the SEC, although that proposed penalty did not take effect pending review by the Commissioners of the SEC. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the China Securities Regulatory Commission, or the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

In the event the SEC restarts the administrative proceedings, depending upon the final outcome, issuers with major PRC operations, such as our company, 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 any such future proceedings against these audit firms may cause investor uncertainty regarding China-based, United States-listed companies and the market price of their securities may be adversely affected.

If our independent registered public accounting firm was 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 financial statements, our financial statements could be determined not to be in compliance with the requirements of the Exchange Act. Such a determination could ultimately lead to the delisting of our ordinary shares from the Nasdaq Global Market or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Item 4. Information on the Company

History and Development of the Company

We were incorporated on May 6, 2002 under the laws of the Cayman Islands as Communication Over The Air Inc., an exempted limited liability company. In March 2004, we changed our name to KongZhong Corporation. We are headquartered in Beijing, the PRC.

We are one of the leading providers of WVAS to mobile phone users and have been cooperating with all major telecommunications operators in the PRC since 2002. In 2005, we began providing feature phone mobile games on the networks of China Mobile with the acquisition of Tianjin Mammoth, a feature phone mobile games developer. To further expand our mobile games development capabilities, we acquired Noumena in 2012 in order to develop smartphone mobile games on smartphone mobile operating systems, such as Android and iOS.

We commenced our Internet games business in 2010 through our acquisition of Dacheng, a developer and operator of Internet games in the PRC. In addition to developing and operating our self-developed Internet games, such as Loong, Demon Code and Kung Fu Hero, we are the exclusive operator of the popular World of Tanks, World of Warplanes and Guild Wars 2 games for the PRC Internet games market.

In January 2007, we established a wholly-owned subsidiary, Monkey King Search Corporation, or Monkey King, under the laws of the Cayman Islands, in an effort to develop our wireless search business. Monkey King in turn established its own wholly-owned subsidiary, Wukong Shentong, under the laws of the PRC. In September 2008, we decided to terminate our project of developing a wireless search business and liquidate Monkey King and Wukong Shentong, which did not have significant business activities at the time. We completed the liquidation of Wukong Shentong in July 2010. As part of the winding-up of the businesses of Monkey King and Wukong Shentong, we sold certain assets of these companies to Nick Yang, the former Vice Chairman of our Board of Directors. In July 2008, we liquidated Beijing Shuziyuansu Advertising Co., Ltd., a company formerly owned by two of our operating companies, Beijing Boya Wuji and Beijing WINT, because it had not had any operating activity since its incorporation in September 2005. In July 2008, BJXR, one of our operating companies, established its own subsidiary, Beijing Shiyuan Leya, which operates certain types of our WVAS business. We completed the liquidation of Anjian Xingye Technology (Beijing) Co., Ltd., or Anjian Xingye, our wholly-foreign-owned enterprise in the PRC, in May 2010. In July 2012, Beijing AirInbox established its own subsidiary, Brilliant Game, which operates certain types of our Internet games. In October 2014, Beijing AirInbox transferred its ownership in Brilliant Game to Dacheng.

We conduct substantially all of our business in the PRC through our wholly-owned subsidiaries in the PRC, KongZhong Beijing and KongZhong China. In order to meet domestic ownership requirements under PRC laws, which restrict us and our PRC subsidiaries, as either foreign or foreign-invested companies, from operating certain value-added telecommunications, Internet services and Internet games businesses. We operate Internet games, mobile games and WVAS through Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, all of which are based in the PRC and are wholly owned by PRC citizens. We do not have any equity interests in Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli or Dacheng, but enjoy the economic benefits of these companies through a series of contractual arrangements as described below.

Our principal executive office is located at 35th Floor, Tengda Plaza, No. 168, Xizhimenwai Street, Beijing, 100044, the PRC. Our telephone number is (8610) 8857-6000. The address of our primary website is www.KongZhong.com.Information contained on our website does not constitute a part of the annual report.

In July 2004, we completed the initial public offering of our ADSs representing our ordinary shares and listed the ADSs on the NASDAQ Global Market, or NASDAQ. Effective January 1, 2008, our ADSs are listed on the NASDAQ Global Select Market.

Investments and Acquisitions

We have made a number of acquisitions and received a number of outside investments during our history. Set forth below are the most significant acquisitions and investments in our history.

In March 2009, we issued to Nokia Growth Partners II, L.P., or NGP, a convertible senior note due in 2014 with an aggregate principal amount of US$6,775,400, convertible into our ordinary shares. NGP also received a warrant to purchase up to 80 million of our ordinary shares at US$0.125 per ordinary share, exercisable within five years. The issuance of the convertible senior note and warrant was completed in March 2009. In February 2011, we prepaid 70% of the aggregate principal amount, plus any accrued but unpaid interest thereof, of the convertible senior note for US$9.31 million in cash. Subsequently, on March 1, 2012, NGP fully converted the convertible senior note into 22.8 million of our ordinary shares, which is equivalent to 570,000 of our ADSs, at a conversion price of US$0.08915 per ordinary share (equivalent to US$3.6 per ADS), representing approximately 1.0% of our total shares outstanding as of March 31, 2012. In August 2012, NGP transferred a warrant to purchase up to 40 million of our ordinary shares, exercisable prior to March 18, 2014, which constituted 50% of the original warrant, to Fit Run Limited. We consented to this transfer and, in exchange for the original warrant, issued a new warrant to purchase up to 40 million of our ordinary shares, exercisable prior to March 18, 2014, to NGP. In September 2013, NGP exercised the warrant to purchase 40 million of our ordinary shares and Fit Run Limited exercised the warrant to purchase 40 million of our ordinary shares.

On December 15, 2009, we entered into a definitive share purchase agreement to acquire Dacheng. We agreed to pay up to US$80 million, in a mix of cash and our ordinary shares, to Dacheng's shareholders, based on Dacheng's 2010 net profit after tax as calculated under U.S. GAAP. Dacheng agreed to engage in a reorganization whereby an offshore holding company would be established, and Dacheng would enter into certain contractual arrangements with such holding company and/or its subsidiary that would allow the holding company to enjoy, among other things, the economic benefits of Dacheng's operations. On January 13, 2010, we amended the original share purchase agreement to permit one of our subsidiaries to enter into a series of contractual arrangements with Dacheng that allowed us to consolidate Dacheng's financial results. Subsequently, the reorganization was completed and we acquired the holding company. In March 2011, we completed the last payment due to Dacheng's shareholders under the share purchase agreement. The total consideration paid for the acquisition of Dacheng was US$68.0 million, including US$24.2 million in cash and 166,292,783 million of our ordinary shares. Dacheng is a leading developer of 3D massive multiplayer online role-playing games, or MMORPGs.

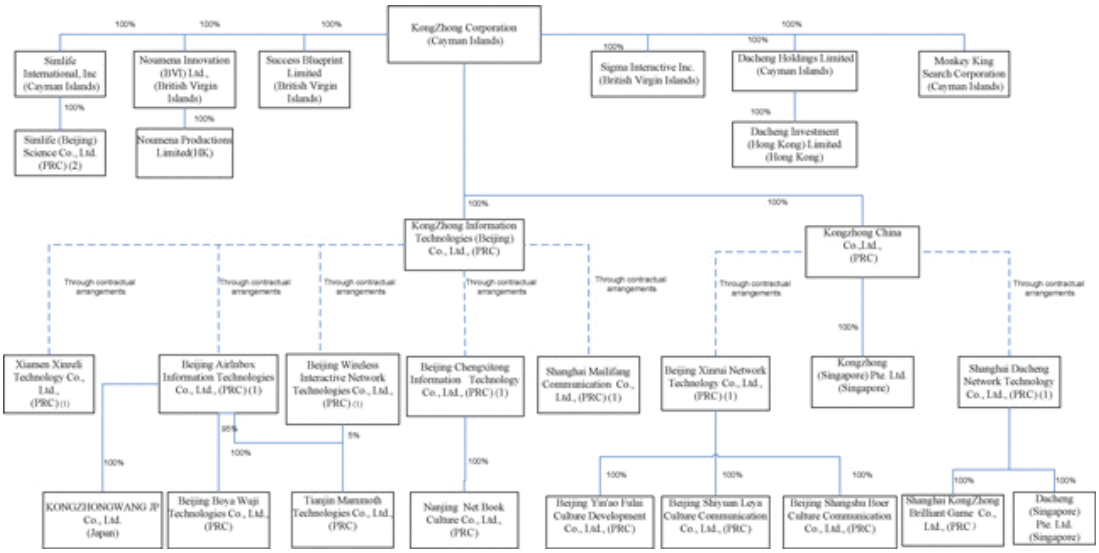
On February 15 and February 10, 2012, respectively, we entered into definitive agreements to acquire 100% of the equity interest in Noumena Innovations (BVI) Ltd., or Noumena, and certain assets from a related party of Noumena for a total consideration of US$15 million in cash and 40 million of our ordinary shares. Noumena is a developer of cross-platform smartphone mobile game engines. The Handymo game engine, which Noumena developed, enables a proprietary JavaScript-based development environment and supports all major smartphone mobile game platforms, including Android and iOS, among other platforms. We completed the acquisition in March 2012.

In January 2014, we entered into a definitive agreement to acquire approximately 28.6 million series A preferred shares in Ourgame International Holdings Limited, or LianZhong, for a total consideration of approximately US$16.3 million. The series A preferred shares may be converted into such number of ordinary shares of LianZhong as is determined by dividing the subscription price per series A preferred share by the then applicable conversion price per series A preferred share, at any time following the completion date of the acquisition, provided that all the outstanding series A preferred shares shall be converted into ordinary shares immediately preceding the occurrence of an initial public offering by LianZhong.The series A preferred shares we acquired account for 10% of LianZhong's issued share capital on a fully diluted basis upon completion of the acquisition. LianZhong is one of the leading providers of Internet-based casual board and card games in the PRC. The acquisition was completed in February 2014.

In December 2014, we entered into a definitive agreement to acquire approximately 8.89 million existing ordinary shares in Forgame Holdings Limited, or Forgame, for a total cash consideration of approximately US$16.4 million. The ordinary shares we acquired accounted for 7% of Forgame's issued share capital upon completion of the acquisition. Forgame is listed on the Hong Kong Stock Exchange with the stock code 00484, and is a leading developer and publisher of web games in China. The acquisition was completed on January 23, 2015.

Our Corporate Structure

The chart below sets forth our corporate and share ownership structure as of March 31, 2015.



(1) We do not have any ownership interest in Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli or Dacheng. Our wholly-owned subsidiaries have entered into a series of contractual arrangements with these companies and/or their respective shareholders.

(2) Due to the expiration of its operating term on November 15, 2014, Simlife (Beijing) Science Co., Ltd., or Simlife Beijing, is currently in the process of being deregistered from the registration records maintained by the Beijing Municipal Administration for Industry and Commerce, or the Beijing AIC, in the PRC, during which Simlife Beijing is not allowed to conduct any business except for those necessary for the deregistration.

The applicable PRC regulations currently restrict foreign ownership of companies that provide value-added telecommunications services, which include operate Internet games, or WVAS. See also "— Regulation." To comply with PRC regulations, we conduct substantially all of our Internet games, mobile games and wireless value-added operations and generate substantially all of our revenues through Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, which are wholly-owned by PRC citizens, and their subsidiaries. Our operations not conducted through such consolidated variable interest entities primarily consist of our smartphone games business. In 2014, our consolidated variable interest entities accounted for an aggregate of 95.7% of our total revenue. As of December 31, 2014, our consolidated variable interest entities accounted for an aggregate of 48.8% of our total assets and 54.9% of our total liabilities. The assets not associated with our consolidated variable interest entities primarily consist of cash and cash equivalents, goodwill and intangible assets.

Beijing AirInbox is 45% owned by Linguang Wu, one of our former employees; 10% owned by Guijun Wang, one of our former employees; 42% owned by Songlin Yang, uncle of Nick Yang, the former Vice Chairman of our Board of Directors; and 3% owned by Zhen Huang, wife of Nick Yang. Beijing Chengxitong is 90.1% owned by Yang Li and 9.9% owned by Xuelei Wu, both of whom are our former employees. Beijing WINT is 40% owned by Yang Yang, one of our employees, 30% owned by Jingye Sun and 30% owned by Li Ai, both of whom are our former employees. BJXR is 51% owned by Guijun Wang and 49% owned by Yang Li, both of whom are our former employees. Dacheng is 40.8% owned by Zhen Yang and 59.2% by Leilei Wang, both of whom are our employees. Xinreli is 80% owned by Tao Jia, one of our employees, and 20% owned by Junhong Chen, one of our former employees. Mailifang is 90% owned by Xu Guo and 10% owned by Yang Yang, both of whom are our employees. Zhulang is 100% owned by Beijing Chengxitong. Beijing Boya Wuji is 100% owned by Beijing AirInbox. Tianjin Mammoth is 95% owned by Beijing AirInbox and 5% owned by Beijing WINT. Shenzhen Zhida is 100% owned by Beijing WINT. Beijing Yin'ao Fulai Culture Development Co., Ltd., or Beijing Yin'ao, is 100% owned by BJXR. Beijing Shiyuan Leya is 100% owned by BJXR. Wuxi Dacheng Network Technology Co., Ltd., or Wuxi Dacheng, is 100% owned by Dacheng.Beijing Shangshu Boer Culture Communication Co., Ltd., or Beijing Shangshu, is 100% owned by BJXR. Brilliant Game is 100% owned by Dacheng. We completed the liquidation of Shenzhen Zhida Network Technology Co., Ltd. in March 2013, and the liquidation of Wuxi Dacheng in September 2013.

We do not have any equity interests in Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli or Dacheng, or their subsidiaries, but instead have effective control over and enjoy the economic benefits of these companies through a series of contractual arrangements, which we and our subsidiaries, KongZhong China and KongZhong Beijing, have entered into with these companies and/or their respective shareholders as described below. Due to the expiration of its operating term on November 15, 2014, Simlife Beijing is currently in the process of being deregistered from the registration records maintained by the Beijing AIC in the PRC, during which Simlife Beijing is not allowed to conduct any business except for those necessary for the deregistration. As advised by our PRC legal counsel, Commerce & Finance Law Offices, for the period from the date on which the operating term of Simlife Beijing expired to the date on which the deregistration of Simlife Beijing is completed, our entitlement in Simlife Beijing's residual assets (including those under contractual arrangements entered into prior to the operating term expiration date), as its holding company and owner, will not be changed solely by such expiration of operating term as compared with that before the operating term expiration date. On December 1, 2014, Simlife Beijing terminated its option agreement, exclusive technical and consulting services agreement, share pledge agreement and business operations agreement with Xinreli and its shareholders. On the same date, KongZhong Beijing entered into an option agreement, exclusive consulting and services agreement, share pledge agreement and business operations agreement with Xinreli and its shareholders to ensure our effective control over Xinreli. For a further description of each of these agreements, see "Item 7 — Major Shareholders and Related Party Transactions — Related Party Transactions."

Each of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang, Xinreli and their respective shareholders also has entered into an exclusive share option agreement with KongZhong Beijing. Pursuant to these agreements, each of the shareholders of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang and Xinreli granted an exclusive option to KongZhong Beijing or our designees to purchase all or part of such shareholder's equity interest in Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang or Xinreli, as the case may be, in accordance with PRC laws, and agreed not to encumber such equity interest in any manner other than as permitted by KongZhong Beijing.

KongZhong Beijing has entered into business operation agreements with each of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang, Xinreli and their respective shareholders. Pursuant to these agreements, Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang, Xinreli and their respective shareholders agreed to appoint individuals designated by KongZhong Beijing to the management team of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang and Xinreli and to refrain from taking certain actions that may materially affect these companies' operations. Each of the shareholders of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang and Xinreli also has executed an irrevocable power of attorney in favor of individuals designated by KongZhong Beijing. Pursuant to these powers of attorney, those designated individuals have full power and authority to exercise all of such shareholders' rights with respect to their equity interests in Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang or Xinreli.

KongZhong Beijing has entered into technical and consulting services agreements with each of Beijing AirInbox, Beijing Boya Wuji, Beijing WINT, Beijing Chengxitong, Mailifang and Xinreli. These technical and consulting services agreements may only be terminated or renewed at KongZhong Beijing's sole discretion. Pursuant to these technical and consulting services agreements, KongZhong Beijing provides certain technical and consulting services to Beijing AirInbox, Beijing Boya Wuji, Beijing WINT, Beijing Chengxitong, Mailifang and Xinreli in exchange for service fees. KongZhong Beijing has the sole discretion to determine the amounts of the technical and consulting service fees. Each of the shareholders of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang and Xinreli has also entered into an equity pledge agreement with KongZhong Beijing, pursuant to which these shareholders pledged their respective interests in Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang or Xinreli, as the case may be, to guarantee the performance of such companies' payment obligations under the respective technical and consulting services agreements.

Each of BJXR, Dacheng and their respective shareholders has entered into an exclusive share option agreement with KongZhong China. Pursuant to these agreements, each of the shareholders of BJXR and Dacheng has granted an exclusive option to KongZhong China or our designees to purchase all or part of such shareholder's equity interest in BJXR or Dacheng, as the case may be, in accordance with PRC law and has agreed not to encumber such equity interest in any manner other than as permitted by KongZhong China. The purchase price is equal to the respective audited net asset value of the variable interest entities or the minimum price required under applicable PRC laws at the time of such purchase. KongZhong China has also entered into a business operation agreement with each of BJXR, Dacheng and their respective shareholders. Pursuant to these agreements, BJXR, Dacheng and their respective shareholders agreed to appoint individuals designated by KongZhong China to the management team of BJXR and Dacheng and to refrain from taking certain actions that may materially affect the operations of these companies. Each of the shareholders of BJXR and Dacheng also has executed an irrevocable power of attorney in favor of individuals designated by KongZhong China. Pursuant to these powers of attorney, those designated individuals have full power and authority to exercise all of such shareholders' rights with respect to their equity interests in BJXR or Dacheng. KongZhong China has entered into a technical and consulting services agreement with each of BJXR and Dacheng. These technical and consulting services agreements are automatically renewed and may only be terminated at KongZhong China's sole discretion. Pursuant to these technical and consulting services agreements, KongZhong China provides certain technical and consulting services to BJXR and Dacheng in exchange for service fees. KongZhong China has the sole discretion to determine the amounts of the technical and consulting service fees. Each of the shareholders of BJXR and Dacheng has entered into an equity pledge agreement with KongZhong China, pursuant to which these shareholders pledged their respective interests in BJXR or Dacheng, as the case may be, to guarantee the performance by these companies of their payment obligations under the technical and consulting services agreements.

In the opinion of our PRC legal counsel, Commerce & Finance Law Offices, each of the agreements constitutes a valid and legally binding obligation of each party to such contractual agreements under PRC laws. In addition, Commerce & Finance Law Offices, is of the opinion that, with respect to Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, no consent, approval or license, other than those already obtained, is required under any existing PRC laws, rules and regulations for the effectiveness and enforceability of the contractual arrangements, businesses and operations of these companies. However, there are substantial uncertainties regarding the interpretation and implementation of current PRC laws, rules and regulations. See "— Regulation" and "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — 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 value-added telecommunications industry, we could be subject to severe penalties," and "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — Our contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng may not be as effective in providing operational control as direct ownership of these businesses and may be difficult to enforce." As discussed in those risk factors, certain events may cause us to lose the benefits and control intended to be created by these arrangements.

Capital Expenditures and Divestitures

See "Item 5 — Operating and Financial Review and Prospects — Capital Expenditures" for information concerning our principal capital expenditures since our inception and those planned for 2015. We have not undertaken any significant divestitures and do not have any significant divestitures currently in progress.

Business Overview

We are one of the leading providers of digital entertainment services for consumers in the PRC. We operate three main business units, namely Internet games, mobile games and WVAS. We are one of the leading providers of WVAS to mobile phone users and have been in cooperation with all major telecommunications operators in the PRC since 2002. In 2005, we began providing feature phone mobile games on the networks of China Mobile with the acquisition of Tianjin Mammoth, a feature phone mobile games developer. To further expand our mobile games development capabilities, we acquired Noumena in 2012 in order to develop smartphone mobile games on smartphone mobile operating systems, such as Android and iOS. We commenced our Internet games business in 2010 through our acquisition of Dacheng, a developer and operator of Internet games in the PRC. In addition to developing and operating our self-developed Internet games, such as Loong, Demon Code and Kung Fu Hero, we are the exclusive operator of the popular World of Tanks game for the PRC Internet games market. In May 2012, we entered into a strategic partnership with WarGaming, which granted us the exclusive license to all of WarGaming's future games in the PRC, including but not limited to World of Tanks, World of Warplanes and World of Warships. In addition, as of December 31, 2014, we were also the exclusive licensee in the PRC for the Guild Wars 2 game developed by ArenaNet, Blitzkrieg 3 game developed by ZZima International Sarl, or ZZima and Auto Club Revolution game developed by Eutechnyx Limited, or Eutechnyx.

Our Internet Games Business

In January 2010, we acquired Dacheng and with it our Internet games business unit. We launched our self-developed 3D MMORPGs, Loong, EMoFaZe, XiaKeXing, ShengMoZhiXue, Kung Fu Hero, Kung Fu World and Master of Meteor Blades games from December 2009 to December 2014.

In 2010, we entered into a license agreement with WarGaming for the World of Tanks game. World of Tanks is a "freemium" 3D team-based massive multiplayer online game, featuring historic fighting vehicles from the 1930s to the 1950s. The initial term of the license is three years, commencing from the commercial release of the game. We have the exclusive right to copy, distribute, operate and sell the World of Tanks game in the PRC, Hong Kong and Macau during the term of the license. Our license payments to WarGaming consist of a fixed license fee in the amount of US$500,000 and a certain percentage of our gross revenue received from the services and merchandise related to the World of Tanks game. In 2012, we amended our license agreement with WarGaming to extend the term of the license in perpetuity. In exchange for the extension, we granted WarGaming a warrant to purchase up to 120,000,000 of our ordinary shares (equivalent to 3 million of our ADSs) and increased the percentage of our gross revenue that we pay to WarGaming if the monthly gross revenue exceeds a specified target. Since its launch, the World of Tanks game has become one of the most popular games we offer. As of December 31, 2014, the World of Tanks game had over 40.4 million registered users. As a result of the successful launching of the game, revenues generated from in-game items purchased by game players who play the World of Tanks game represented over 95% and 72% of our Internet games revenues in 2013 and 2014, respectively.

In May 2012, we entered into a strategic partnership with WarGaming under which we enjoy exclusive rights to license all of WarGaming's future games in the PRC. Under this partnership, we licensed World of Warplanes and World of Warships games from WarGaming. We launched the headstart open beta for World of Warplanes game in May 2014. As of April 16, 2015, the World of Warships game has not been commercially released.

In August 2012, we agreed to license on an exclusive basis in the PRC the Guild Wars 2 game from ArenaNet. The initial term of the license is three years, with further extensions to be agreed among the parties, commencing from the secure public testing of the game. We agreed to pay license fees and additional royalties calculated based on revenue generated from the game. To guarantee our payment obligations to ArenaNet, we arranged a standby letter of credit with a maximum guarantee amount of US$35 million from the Bank of Communications in ArenaNet's favor. We also entered into a back-to-back guarantee arrangement with the Bank of Communications. We launched the headstart open beta for the Guild Wars 2 game in May 2014. As of December 31, 2014, the Guild Wars 2 game had over 1.0 million registered users. Revenues generated from in-game items purchased by game players who play the Guild Wars 2 game represented 23% of our Internet games revenues in 2014.

In January 2013, we agreed to license on an exclusive basis in the PRC the Blitzkrieg 3 game from ZZima. The initial term of the license is three years, with further extensions to be agreed among the parties, commencing from the open beta test of the game. We have paid a license fee in the amount of US$1.5 million to ZZima before the secure public testing of the game and have agreed to pay royalties calculated based on revenues generated from the game after the launch of the game. As of April 16, 2015, the Blitzkrieg 3 game has not been commercially released.

In April 2013, we agreed to license on an exclusive basis in the PRC the Auto Club Revolution game from Eutechnyx. The initial term of the license is three years, with further extensions upon our meeting certain conditions, commencing from the commercial release of the game. We have paid a license fee in the amount of US$1.5 million to Eutechnyx before the secure public testing of the game and have agreed to pay royalties calculated based on revenues generated from the game after the launch of the game. As of April 16, 2015, the Auto Club Revolution game has not been commercially released.

In addition to licensed games, we also develop Internet games internally based mainly on our proprietary technologies, which include our proprietary game engine (Dazzler 3D), game development platforms and online game billing system, all developed by our internal team. In particular, our Dazzler 3D game engine enables us to create high-quality 3D graphics and visual effects, and provides the technical foundation for creating innovative features in our games. Furthermore, our game development platforms give us the capacity to develop Internet games within approximately six to 24 months and to update our Internet games frequently in response to players' preferences. Based on these platforms, we have developed on ourselves Internet games such as Master of Meteor Blades. The Master of Meteor Blades has been licensed to another Internet game operator in China on an exclusive basis for commercial release.

We use an item-based revenue model for our games, whether internally developed or licensed, under which players can play our games on the Internet free of charge or with small amount of initial access fee, but have to pay for purchases of in-game virtual items, such as in-game currencies, performance-enhancing clothing, weapons, accessories and pets. We distribute our electronic prepaid game cards and game points, which may be used to purchase in-game virtual items, to players through multiple payment channels. Although we expect a substantial portion of our Internet games revenues to be generated in the PRC, we have also licensed our games to leading game operators outside the PRC and plan to license them in additional countries and regions.

Our Mobile Games Business

We are a leading developer and publisher of mobile games for mobile phone users in the PRC. Our mobile games revenues consist of (i) revenues from carrier billing channels, which are generated from mobile games operated on the PRC telecommunications operators' platforms, and (ii) revenues from non-carrier billing channel, which are collected from various Internet platforms, such as Xiaomi, 91 Wireless, 360 and Snappea. Our internal development team develops mobile games based primarily on the Java™ technology, but more recently we have broadened our development of mobile games to include smartphone mobile operating systems, such as Android and iOS. The mobile games we develop include action, role-playing and leisure games. We established a dedicated mobile games product development team, and acquired Tianjin Mammoth, a mobile games developer, in 2005. In 2009, we acquired Xinreli, a leading mobile games developer in the PRC. In 2012, we acquired Noumena, a developer of cross-platform smartphone mobile game engines. For a detailed description of the acquisitions, see "—Investments and Acquisitions." We believe the integration of the Noumena team into our existing mobile game development team will enable us to create new smartphone mobile games that can take advantage of the Handymo game engine technologies developed by Noumena. We believe these new smartphone mobile games will enable us to leverage our existing mobile game distribution channels in China and capture market share in the nascent PRC smartphone mobile games market.

In August 2013, we obtained adaptation rights on an exclusive and worldwide basis from Beijing Qingqingshu Animation Technology Co., Ltd., or Beijing Qingqingshu, to adapt and develop the KuiBa series of animated movies into Internet games and mobile games. The term of our agreement with Beijing Qingqingshu is 10 years, commencing from August 21, 2013 and ending on August 20, 2023. We have agreed to pay a license fee in the amount of RMB5 million in the aggregate to Beijing Qingqingshu, of which 50% has been paid and the remaining RMB2.5 million will be paid after the commercial release of the first game developed by us based on adaption of the KuiBa series of animated movies. We have also agreed to pay royalties calculated based on net revenues generated from the games. Beijing Qingqingshu agreed to pay royalties to us calculated based on the box office revenues of the Kuiba series of movies. We launched the mobile game Kuiba: the Rising of Warlord in October 2014, which is the first game developed by us based on adaption of the Kuiba series of animated movies, and the RMB2.5 million remaining license fee was paid to Beijing Qingqingshu in January 2015.

On October 1, 2013, we entered into an agreement with Kakao Corporation, or Kakao, a South Korean publisher for mobile games and applications, under which we partnered with Kakao to launch our mobile game Kooky Three Kingdoms on the Kakao Game Center operated by Kakao.

Our WVAS Business

We provide interactive entertainment, media and other interactive services to mobile phone users in China, including SMS, IVR, color ring back tone, or CRBT, WAP and MMS. Our WVAS are tailored to the technical or other requirements of our telecommunications operator partners, through whom we deliver most of our WVAS, and to various billing systems for WVAS. Our WVAS are also delivered and marketed through various media partners, including handset manufacturers, television stations, radio stations, print media and Internet sites. Our WVAS revenues accounted for 42.5%, 36.3% and 28.3% of our total revenues in 2012, 2013 and 2014, respectively.

We offer a variety of WVAS, such as mobile games, pictures, karaoke, electronic books, mobile phone personalization features, and entertainment news, chat and message boards. Customers may access these services directly from their mobile phones: (i) by using our access code or by choosing a feature pre-loaded in select models of handsets; and (ii) from a telecommunications operator's portal or website. Substantially all of our WVAS are ordered or accessed by users directly through their mobile phones, and all services are delivered through mobile phones.

We provide our services mainly pursuant to our cooperation arrangements with the telecommunications operators and their provincial subsidiaries, the terms of which are generally for one year or less. We do not directly bill our users, and depend on the billing systems and records of the telecommunications operators to bill and collect all fees. We generally do not have the ability to independently verify the accuracy of the billing systems of the telecommunications operators. As the telecommunications operators do not provide us with a detailed revenue breakdown on a service-by-service basis, we depend on our internal data management system to monitor revenues derived from each of our services. We make our business decisions based on our internal data, taking into account our historical experience in reconciling our internal data to our actual results of operations and other factors, including strategic considerations. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — Our dependence on the substance and timing of the billing systems of the telecommunications operators and their subsidiaries may require us to estimate portions of our reported revenues and cost of revenues for mobile games and WVAS. As a result, subsequent adjustments may have to be made to our financial statements."

Strategic Relationships

We have established cooperation arrangements with telecommunications operators, mobile handset manufacturers, content providers and other business partners to produce, promote and market our services. We provide our mobile games and WVAS primarily pursuant to cooperation agreements with China Mobile and other telecommunications operators. In addition, we cooperate with several leading PRC mobile handset manufacturers, which make selected handset models with a WVAS icon in the handset's menu that enables users to access our services directly. We pay service fees to the telecommunications operators, mobile handset manufacturers, mobile handset distributors, content providers and other partners, where relevant.

In May 2012, we entered into a strategic partnership with WarGaming under which we enjoy exclusive rights to license all of WarGaming's future games in the PRC. Under this partnership, we licensed World of Warplanes and World of Warships games from WarGaming.

Telecommunications Operators

China Mobile is the world's largest mobile telecommunications network operator in terms of subscribers, with more than 800 million subscribers as of December 31, 2014, according to China Mobile's website. Our working relationship with China Mobile is critical to the operation and continued development of our mobile games and WVAS businesses. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business —We depend on China Mobile and other PRC telecommunications operators for the majority of our revenues, and any loss or deterioration of our relationship with these telecommunications operators may result in severe disruptions to our business operations and the loss of the majority of our revenues." We provide WVAS in 31 Chinese provinces or provincial-level municipalities pursuant to cooperation agreements with China Mobile and its provincial subsidiaries. Generally, these agreements have terms of one year or shorter, but may be renewed automatically unless either party objects. We were one of the first wireless service providers to work with China Mobile to develop and offer WAP, MMS and Java™ services.

We charge our customers content fees, which vary among our different services, on either a single-transaction or a monthly subscription basis. We establish the fees paid by our customers in consultation with the telecommunications operators and, in turn, pay a portion of these fees to the telecommunications operators through which our services are provided.

Pursuant to our agreements with the subsidiaries of China Mobile, we generally pay to these subsidiaries 15% to 60% of the revenues we generate from providing our services to customers through their networks, with the exception of IVR services, with respect to which we pay to these subsidiaries 30% of the revenues we generate. In addition, the subsidiaries of China Mobile deduct a net transmission charge from our portion of the fees for services provided on the MMS and SMS platforms. These transmission charges are equivalent to the transmission fee set forth in the table below multiplied by the number of messages we send through the telecommunications operator's network minus the number of messages we receive from users requesting our services.

Pursuant to our agreements with China Unicom and its subsidiaries, we generally pay each China Unicom subsidiary 20% to 70% of the revenues we generate from providing our services to customers through such subsidiary's network, with the exception of IVR services, with respect to which we pay 45% of the revenues we generate.

Pursuant to our agreements with China Telecom and China Netcom and their respective subsidiaries, we generally pay each China Telecom subsidiary and China Netcom subsidiary 15% to 60% of the revenues we generate from providing our services to customers through such subsidiary's network, with the exception of IVR services, with respect to which we pay 40% of the revenues we generate.

The following table sets forth the principal fees that we charge our customers for our mobile games and WVAS related services and the service and transmission fees that we paid to the telecommunications operators as of December 31, 2014.

	Fees we charged customers		**Fees we paid telecommunication operators**	
	Transaction fee per unit (1)	**Monthly subscription fee**	**Service fees**	**Transmission fee (2)**
	(in RMB, except percentages)			
SMS	1.00-3.00	0.00-15.00	15%-50%	0.02-0.08
IVR	1.00-30.00	15.00	30%-45%	N/A
CRBT	0.50-3.00	1.00-5.00	15%-70%	N/A
Mobile Games	0.01-100.00	5.00-30.00	30%-50%	N/A
MMS	1.00-2.00	5.00-15.00	15%	0.15-0.20
WAP	1.00-2.00	5.00-8.00	15%-50%	N/A
E-Book	0.00-25.00	3.00-30.00	30%-60%	N/A

(1) Transaction fees are per download for WAP, MMS, mobile games, SMS, CRBT and e-book services and per minute for IVR services.

(2) A transmission fee is assessed for each message we send in excess of the number of messages we receive. The amount of the transmission fees for each month depends on the volume of messages sent in that month. No transmission fees are assessed for WAP, mobile games, IVR or CRBT services.

For our mobile games and WVAS, we rely primarily on the telecommunications operators to provide billing and collection services for us. Each telecommunications operator incorporates the fees for our services into the invoices that such operator sends to its customers on a monthly basis. We receive monthly statements from each of the telecommunications operators, which indicate the aggregate amount of fees that were charged to customers for services that we provided. For a description of our revenue recognition policy, see "Item 5 — Operating and Financial Review and Prospects — Critical Accounting Policies — Revenue Recognition." Also see "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — We depend on China Mobile and other PRC telecommunications operators for the majority of our revenues, and any loss or deterioration of our relationship with these telecommunications operators may result in severe disruptions to our business operations and the loss of the majority of our revenues."

Material Contracts with Telecommunications Operators for Mobile Games and WVAS

The term of our contracts with the telecommunications operators is generally for one year or less. When these contracts expire, we generally execute an extension or enter into new contracts. On occasion, the extension or the execution of new contracts may be delayed by several months. Based on our experience, in the event that a contract expires and is not promptly renewed, the telecommunications operator typically continues to honor the terms of the expired contract until an extension or a new contract is signed. We cannot assure you that any telecommunications operator will in fact continue to honor the terms of an expired contract. The specific termination and other material provisions of our more significant contracts with the telecommunications operators are set forth below.

Beijing AirInbox has entered into a cooperation agreement with China Mobile's Jiangsu subsidiary to provide IVR services on China Mobile's nationwide network. Pursuant to this agreement, Beijing AirInbox pays China Mobile a service fee of 30% of the revenues generated from providing IVR services to customers.

Beijing AirInbox has entered into a cooperation agreement with China Unicom to provide telecommunication value-added services, such as WAP, MMS, mobile TV, mobile commercial applications, etc., on China Unicom's nationwide network. Pursuant to this agreement, Beijing AirInbox pays China Unicom a service fee ranging from 15% to 50% of the revenues generated from providing value-added services to customers through China Unicom's network.

Beijing AirInbox has entered into a mobile value-added service agreement with China Telecom to provide short message value-added services on China Telecom's nationwide mobile network. Pursuant to this agreement, Beijing AirInbox pays China Telecom a service fee of 15% of the revenues generated from providing mobile value-added services to customers through China Telecom's network.

Zhulang has entered into a cooperation agreement with China Mobile's Zhejiang subsidiary to provide e-book works for China Mobile's mobile phone reading platform. Zhulang receives a royalty of 40% of the revenues generated from providing e-book works to customers through China Mobile's mobile phone reading platform.

Mobile Handset Manufacturers

We have established distribution arrangements with mobile handset manufacturers, including Samsung, Ericsson and other major international and domestic handset manufacturers. Pursuant to these distribution arrangements, we pre-load into the menu of certain mobile handsets our mobile games, WAP icons and MMS, SMS and IVR short codes, which enable customers to access our WVAS quickly and easily. We pay the mobile handset manufacturers 35% to 70% of the net revenues that we receive from the telecommunications operators, generally after deducting the telecommunications operators' service fees, with respect to our mobile games and WVAS that are accessed by means of the pre-loaded icons and short codes. The terms of these agreements are generally for one year, and pertain to specific mobile handset models. In addition, we leverage our relationships with the mobile handset manufacturers to enter into joint marketing programs.

In addition to pre-loading our mobile games, icons and short codes into selected mobile handsets, we used to embed our icons and codes in selected handsets. On April 11, 2007, the MIIT issued a notice prohibiting the production of mobile handsets with embedded icons and codes that cannot be changed or deleted by customers. We have altered our arrangements with mobile handset manufacturers to comply with the notice, which took effect on June 1, 2007. In addition, on January 27, 2010, China Mobile began implementing an additional series of measures which are targeted at further improving the user experience for mobile handset embedded services. Under the guidance of China Mobile, WVAS that are embedded in handsets will be required to introduce additional notices and confirmations to users during the purchase of such services. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — Significant changes in the policies or guidelines of China Mobile or other PRC telecommunications operators with respect to services provided by us may result in lower revenues or additional costs for us and materially adversely affect our financial condition and results of operations." and "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — Our effort to develop additional distribution channels for our mobile games and WVAS may not succeed or may be halted by the MIIT or the telecommunications operators."

Content Providers for Our Mobile Games and WVAS

We have entered into licensing agreements with content providers, whereby we contract to use their content for a fixed licensing fee or for a certain percentage, generally from 10% to 80%, of the net revenues we receive from telecommunications operators with respect to products and services that contain the licensed content, generally after deducting the fees paid to our distribution partners. These arrangements are typically for one or two years and are not exclusive, except for the content specifically produced for us by our freelance writers and certain content from our third party content providers. We currently license news content from www.xunlei.com and Beijing News Media Corporation, among others, and license music content from Tianyu Brother and Peacock Porch. We use the music that we license in our CRBT, song dedication, song listening, mobile karaoke, true ringtone and music video streaming and download services. In addition, we have entered into licensing agreements with Gameloft, KONAMI and China Entertainment Television Broadcast Limited to provide their games to mobile phone users in the PRC.

Product Development

Product Development for Internet Games

We believe that timely and quality game development and operations is critical to our Internet games business and our business as a whole, and we have formed a separate department for the development of Internet games, which had 620 employees as of December 31, 2014. Our Internet games development department mainly consists of programming, design, operations and graphics divisions.

Unlike many of our competitors that operate MMORPGs licensed from foreign game developers, we have in-house development capabilities that allow us to develop games in timely response to constantly changing market demands and trends. Our systematic game development process includes the following key steps:

- *Concept Generation*. Our design division takes the lead in generating ideas for new games based on the latest trends in player preferences. We recruit game players for our design division to closely track popular topics among players and on the Internet. We also encourage all of our employees to provide creative ideas and concepts for game development.

- *Detailed Proposal*. Upon our management's approval of a new game concept, the design division will prepare a detailed proposal that sets forth preliminary game storylines and characters, estimates of costs and targeted audience.

- *Development Plan*. After the completion of the technical review of the detailed proposal, a project team consisting of our programming staff, design staff and graphics artists will work together to set the technical criteria for the development of the game and formulate a development plan with certain milestones.

- *Design, Style and Story Concepts*. Based on the game development plan, our graphics artists will determine the style of the new game and design game characters, our game designers will develop the game story and define game environments and our program developers will develop both the server-end software and the user-end software modules.

- *Internal Reviews*. Management reviews will take place upon the completion of each milestone of the development plan. Concurrently, our testing division will test the accuracy and completeness of the development milestones and our marketing department will initiate marketing campaigns according to the development milestones.

- *Closed Beta Testing and Open Beta Testing*. We conduct closed beta testing to correct technical issues of a new game. Thereafter, we conduct open beta testing to test the operation of the new game under open market conditions. Finally, we introduce the new game to players online.

Anticipating the potential growth of 3D Internet games in the PRC and recognizing the importance of possessing our own game engine, we have also focused on the development of our proprietary game engine, Dazzler 3D. Our game engine enables us to create quality 3D graphics, innovative gameplay and visual effects to better capture characters' motions. Our game engine is designed to allow for effective game playing on both high-end and lower-end computers.

Product Development for Our Mobile Games

Our product development team focuses on creating innovative products that use the latest standards and technologies with respect to our mobile games. To further expand our mobile games development capabilities, we acquired Noumena in 2012 in order to develop smartphone mobile games on smartphone mobile operating systems, such as Android and iOS. We have launched a number of mobile games for Android and iOS markets, including Kingdom Story, Tiny War, NecroDefense, Battleland: Warrior vs. Monster, Kuiba: the Rising of Warlord and Rushing Three Kingdoms during 2014 and the first quarter of 2015.

Product Development for Our WVAS

We were one of the first WVAS providers to work with China Mobile to develop and offer MMS and WAP services, and have continued to be a leading developer of innovative services compatible with these technology platforms. At the same time, we have increased our product development team's emphasis on developing and supporting IVR and CRBT, which we distribute on the networks of China Mobile, China Unicom and China Telecom. We believe that our timely delivery of new services that meet telecommunications operators' specifications demonstrates our technical capabilities and strengthens our cooperation relationship with the telecommunications operators.

In addition to developing a range of innovative mobile games and WVAS, we also have developed a variety of programming tools that allow us to enhance customers' enjoyment of our services. For instance, in response to the current lack of a standard operating system among mobile phones produced by different manufacturers in the PRC, which may result in inconsistent experiences for customers accessing our services through different handset models, we have developed software tools that allow our services to be readily adapted for use on most mobile phones on the market. These tools reduce the cost of adapting our services to new models of mobile phones and optimize the user experience in terms of format and presentation of our services. In 2012, we acquired Noumena, a developer of cross-platform smartphone mobile game engines. We believe the integration of the Noumena team into our existing mobile game development team will enable us to create new smartphone mobile games that may take advantage of the Handymo game engine technologies developed by Noumena.

Sales, Marketing and Customer Service

We are committed to establishing our KongZhong name as a well-recognized and reputable brand not only among our customers and users, but also among telecommunications operators, key industry players and other owners of brand names. We sell our mobile games and WVAS principally through the telecommunication operators, as well as other distribution partners. We market through our website, promotional events, direct marketing and media advertising. We also provide support and technical services to China Mobile, China Unicom and China Telecom and to our customers and users.

Sales and Marketing

In the past, we have focused our marketing activities on enhancing our KongZhong brand name, as we believed that branding was important in the wireless Internet business. In 2007, we increased our efforts in advertising in traditional media such as television, billboards, newspapers and magazines, as well as through the Internet, to promote our wireless Internet sites, including Kong.net and Ko.cn, and our corporate brand name, KongZhong. We conducted a major advertising campaign in the first half of 2007 and have been cooperating with the NBA to promote cn.NBA.com since the second half of 2007.

However, beginning in 2008 and continuing into 2009, as we adjusted our business strategy to develop our mobile games business, we began to decrease branding efforts through traditional media channels and increase our effort to promote our mobile games in cooperation with the PRC telecommunications operators. Starting from 2012, we made efforts to enhance our marketing to include marketing activities for the launch of our new Internet games and game expansion packs.

We utilize our leading position among providers of WVAS and our knowledge of our customers to attract joint promotion arrangements with brand owners seeking effective channels of publicity among trend-conscious consumers. Through select distribution channels, we target young and fashion-driven consumers whom we believe set trends for consumer products and services in the PRC. In addition, we market through traditional offline media venues, such as through newspapers, magazines and flyers.

A significant portion of our revenues are derived from services provided through the networks of China Mobile. Accordingly, we devote significant resources to maintaining, expanding and strengthening our relationship with China Mobile and its subsidiaries. With our acquisition of Dacheng and commencement of our Internet games business, marketing of our Internet games has become an important part of our strategy. We aim to attract new game players and increase revenues from existing game players by introducing marketing and promotion strategies that are specifically tailored to each of our Internet games. We advertise primarily in sites devoted to Internet games and game magazines, and marketing events are usually timed with the release of a new game or updates of a game's content. In addition, in light of the successful operation of the World of Tanks game, the launching of the World of Warplanes game and the expected launching of the World of Warships in the near future, we officially launched our "WAR SAGA" brand in April 2014, creating a leading military online game platform in China.

As of December 31, 2014, our sales and marketing department consisted of 32 persons strategically located in 31 provinces across the PRC to work closely with telecommunications operators at the provincial and local levels, where pricing and other important decisions on marketing and operations are made. Our localized sales team helps us gain insight into developments in the local markets and the competitive landscape, as well as new market opportunities.

To motivate our sales professionals, a portion of their compensation is based on the usage of our services in their respective regions. Sales quotas are assigned to all sales personnel according to quarterly sales plans. We also continuously explore other joint marketing strategies in order to maximize our cooperation arrangements and resources.

Customer Service

We view both the telecommunications operators and end users of our services as customers. Customer service is a key to building our brand and our relationships with the telecommunications operators. We train our customer service representatives with an emphasis on customer satisfaction. Our customer service center handles calls, faxes and e-mails from our end users, as well as inquiries forwarded from the telecommunications operators. Our customer service representatives interact regularly with, and provide training materials to, customer service representatives of telecommunications operators to enhance our customers' experience with our services.

We provide high-quality customer service and are responsive to the needs of the players of our Internet games. In particular, our game players can access our customer service center through in-game chats, phone or e-mail 24 hours a day, seven days a week. In addition, we have a website for game players to submit feedback and a service center in Shanghai, which is open to walk-in game players during normal business hours. We had 155 customer service representatives dedicated to our Internet games business as of December 31, 2014, many of whom are MMORPG enthusiasts with a deep understanding of Internet games players. We also have dedicated supervisors to monitor our calls to ensure quality services. Feedback collected by our customer service team is important to the integration of our product development and game operations teams. The information collected by our customer service team forms the basis of our feedback database, which helps us track the trends in players' tastes and preferences and provide direction when we design changes, upgrades and expansion packs for our Internet games.

Competition

We face significant competition in the Internet games, mobile games and WVAS markets in the PRC. We compete principally with the following three groups of competitors in the Internet games business in China: Internet games developers and operators in the PRC, other private companies in the PRC devoted to game development or operation, and international competitors. Our existing and potential competitors in the Internet games business compete with us for talent, game player spending, time spent on game playing, marketing activities, quality of games and distribution network. Some of our existing and potential competitors have significantly greater financial and marketing resources than we do.

Competition in the mobile game market in China and the overseas markets where we offer our mobile games is intense. We believe that the key competitive factors include design, quality, popularity and price of online games and in-game items, the ability to rapidly update and upgrade games, marketing activities, sales and distribution network and customer service. We compete principally with the following groups of competitors: mobile game developers and operators in China, including Tencent Holdings Limited, NetEase, Inc., Shanda Games Limited, Changyou.com Limited, Giant Interactive Group Inc. and other mobile game developers who recently entered into this emerging market; and other competitors, including major internet portal operators in China, and game developers and operators in the overseas markets where we offer our mobile games.

In particular, the MIIT has reported on its website that, as of December 31, 2014, more than 2,900 service providers held nationwide licenses to supply content and services on the PRC telecommunications operators' networks. Moreover, China Mobile has been developing and marketing its own MMS and WAP products, and other PRC telecommunications operators may decide to do the same. We compete with these companies primarily on the basis of brand, the type and timing of service offerings, content and business partner and channel relationships. The telecommunications operators may also decide to enter the mobile games market in the future. Other potential competitors in this market include developers of personal-computer-based Internet games, major media companies, traditional video game developers, content aggregators, mobile software providers and independent mobile games developers. In addition to competition for products, services and distribution channels, we also compete for experienced and talented employees.

Some of our competitors may have more personnel and financial resources and a longer operating history than us. For example, Internet portals providing WVAS may have an advantage over us with their longer operating history, more established brand name, larger user base and Internet distribution channels. Furthermore, some competitors may be able to develop or exploit new technologies faster than us, or offer a broader range of products and services than we are presently able to offer. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — We face increasing competition in the PRC from providers of Internet games, mobile games and WVAS, which could reduce our market share and materially and adversely affect our financial condition and results of operations."

Internet Games Business

Our principal competitors for our Internet games business in the PRC include other Internet games developers and operators, such as Perfect World Co., Ltd., Shanda Games Limited, NetEase, Inc., Changyou.com Limited, Giant Interactive Group Inc. and Tencent Holdings Limited.

Mobile Games Services

Our primary competitors in the mobile games market in the PRC include Internet portals, such as Sina Corporation, Sohu.com Inc., Phoenix New Media Limited and China Wireless Arts., as well as providers focused on mobile games and WVAS, such as Tencent Holdings Limited.

WVAS Services

Competition is particularly intense in the WVAS market in the PRC as the barriers to entry are relatively low. Our primary competitors in this market include Internet portals, such as Sina Corporation, Sohu.com Inc. and TOM Online Inc., and providers focused on WVAS, such as Tencent Holdings Limited and A8 Music Group.

Intellectual Property and Proprietary Rights

Intellectual property right

We regard our copyrights, trademarks, trade secrets and other intellectual property rights as critical to our business. We rely on trademark and copyright law, trade secret protection, non-competition, confidentiality and licensing agreements with our senior officers, clients, partners and others to protect our intellectual property rights. Despite our effort to protect our proprietary rights, we cannot be certain that the steps we have taken will prevent misappropriation of our content or technology, particularly in foreign countries where the relevant laws may not protect our proprietary rights as fully as in the United States or other jurisdictions. For a description of the regulations applicable to our industry in the PRC, see "— Regulation."

We have registered KongZhong Network as a commercial website with the SAIC. As a result, no one else may operate a website, whether commercial or otherwise, using the name of KongZhong Network. We also have registered our logo, the KongZhong thumb, and certain of our product names as trademarks in the PRC. Our trademarks are registered in the name of Beijing AirInbox. In addition, Beijing AirInbox is the registered owner of a number of domain names, the principal ones of which are www.kongzhong.com, www.kongzhong.com.cn, www.kongzhong.net, www.kongzhong.net.cn, www.cota.com.cn, www.cota.cn, ko.cn, Kong.net, heroandgoddess.com, pocketfort.net, and nswyapp.com. Xinreli is the registered owner of a number of domain names, the principal ones of which are Simlife.com, Simlife.com.cn, Simlife.cn, Simlife.net and Simlife.net.cn. Dacheng is also the registered owner of a number of domain names, the principal ones of which are Loong3d.com, gamall.net and dacn.com.cn.

We are unable to register the Chinese name of "KongZhong Network" as our service mark in the PRC because it is deemed a generic term under existing PRC trademark laws, rules and regulations, which prohibit registration of generic terms as trademarks or service marks. However, we do not expect to face a proliferation of counterfeit services or products without any legal remedy, as we may seek a remedy for piracy under the PRC's Anti-Unfair Competition Law, by bringing a suit against a third party that uses the Chinese name of "KongZhong Network" if the overall design or appearance of that third party's services is substantially the same as that of the well-known or established services provided by us. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — We may not be able to adequately protect our intellectual property, and we also may be exposed to infringement claims by third parties."

Information Technology Systems and Infrastructure

We maintain most of our servers at the premises of Beijing Telecommunication Corporation, which is the administrator of the central hub of the ChinaNet backbone. We also maintain servers at other Internet data centers, including China United Network Communications Corporation Limited, Chongqing Mobile Communications Company Limited and Hangzhou Mobile Communications Company Limited. Following our acquisition of Dacheng, most of our servers used for our Internet games are hosted at the premises of 21 Vianet Data Center, one of the largest Internet infrastructure service providers in China. We also maintain online game servers at other Internet data centers, including Chengdu United Network Communications Company Limited, Shanghai Technology Network Company Limited, Shenzhen United Network Communications Company Limited, Hebei United Network Communications Company, Beijing United Network Communications Company, Beijing Telecommunications Corporation, Beijing United Network Communications Company and Beijing Capital Online Company Limited. We believe that utilizing these hosting partners provides significant operating benefits, such as protecting our systems from power loss, break-ins and other potential external causes of service interruption. In addition, we back up all of our data. We believe we will be able to increase our server capacity as needed to accommodate future growth.

Employees

General

Our senior management and many of our employees have had prior experience in the Internet portal, Internet games or telecommunications-related industries. Our employees receive a base salary and a performance-based bonus, with the amounts of such bonuses calculated based on the performance ranking of the employee. In addition, we have a broad-based equity incentive plan pursuant to which we grant share options and restricted share units, or non-vested shares, from time to time to employees who have passed their initial probation period. We also offer internal training programs tailored to different job requirements to help enhance our employees' talents and skills. We believe that these initiatives have contributed to the growth of our business.

As of December 31, 2014, we had 1,091 employees, including 1,087 employees in the PRC and four employees in Japan. The table below sets forth the number of our employees by job function as of the dates indicated:

	As of December 31,					
	2012		2013		2014	
	Number	% of Total	Number	% of Total	Number	% of Total
Sales, marketing and business development	247	22.5%	208	18.1%	227	20.8%
Customer service	91	8.3	111	9.6	155	14.2
Product development	698	63.5	747	64.8	620	56.8
General and administrative	64	5.7	87	7.5	89	8.2
Total	1,100	100.0%	1,153	100.0%	1,091	100.0%

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes. Our employees are not represented through any collective bargaining agreements or by labor unions.

Employee Benefits Plan

Our full-time employees in the PRC participate in a government-mandated defined contribution plan, under which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The PRC labor regulations require us to accrue for these benefits based on certain percentages of the employees' salaries. The total provisions for such employee benefits were approximately US$3.5 million, US$5.1 million and US$4.8 million in 2012, 2013 and 2014, respectively.

We have granted share options to our employees pursuant to our KongZhong Corporation 2002 Equity Incentive Plan, or the 2002 Plan, our KongZhong Corporation 2006 Equity Incentive Plan, or the 2006 Plan, and our KongZhong Corporation 2013 Equity Incentive Plan, or the 2013 Plan, as described in "Item 6 — Directors, Senior Management and Employees — Share Options." We did not adopt any new equity incentive plan during 2014 through the date of this annual report on Form 20-F.

Properties

Our principal executive office currently occupies approximately 12,850 square meters of office space in Beijing, the PRC, the leases for which have been extended in August 2014 for another 2 years. In addition, we lease sales offices in 11 provinces throughout the PRC.

Legal Proceedings

We are not currently a party to any material legal proceeding. From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business.

Despite our effort to comply with the intellectual property rights of third parties, we cannot be certain that we have not, and will not, infringe on the intellectual property rights of others, which may subject us to legal proceedings and claims in the ordinary course of our business from time to time. Such legal proceedings or claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources. In addition, we may also initiate litigation to protect our intellectual property rights. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — We may not be able to adequately protect our intellectual property, and we also may be exposed to infringement claims by third parties."

Regulation

The telecommunications industry in the PRC, including computer information and Internet access services, is highly regulated by the PRC government. In particular, regulations issued or implemented by the State Council, the MIIT, and other relevant government authorities cover virtually every aspect of telecommunications network operations, including entry into the telecommunications industry, the scope of permissible business activities, interconnection and transmission line arrangements, tariff policy and foreign investment.

The MIIT, under the leadership of the State Council, is responsible for, among other things:

- formulating and enforcing telecommunications industry policy, standards and regulations;
- granting licenses to provide telecommunications and Internet services;
- formulating tariff and service charge policies for telecommunications and Internet services;
- supervising the operations of telecommunications and Internet service providers; and
- maintaining fair and orderly market competition among operators.

In addition, other governmental agencies that may have jurisdiction over our business activities include, but are not limited to, the following:

- the MOC;
- the MPS;
- the SAIC;
- the SAPPRFT;
- the State Council Information Office, or SCIO; and
- SAFE.

Telecom Regulations

In September 2000, the State Council promulgated the Telecommunications Regulations, or the Telecom Regulations. The Telecom Regulations categorize all telecommunications businesses in the PRC as either infrastructure telecommunications businesses or value-added telecommunications businesses, with Internet games, mobile games and WVAS classified as value-added telecommunications businesses. Pursuant to the Telecom Regulations, a commercial operator of value-added telecommunications business must obtain an operating license. The Telecom Regulations also set forth extensive guidelines with respect to different aspects of telecommunications operations in the PRC.

In December 2001, in order to comply with the PRC's commitments with respect to its entry into the World Trade Organization, or the WTO, the State Council promulgated the Administrative Rules for Foreign Investments in Telecommunications Enterprises, or the Telecom FIE Rules. In September 2008, the State Council promulgated the Decree of the State Council No. 534 to amend certain provisions of the 2001 Telecom FIE Rules. The Telecom FIE Rules set forth detailed requirements with respect to capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. Pursuant to the Telecom FIE Rules, the ultimate capital contribution ratio of the foreign investor(s) in a foreign-funded telecommunications enterprise that provides value-added telecommunications services shall not exceed 50%. In addition, the principal foreign investor in such an enterprise must have a sufficient track record in the operation of telecommunications business. Pursuant to the Foreign Investment Industrial Guidance Catalogue, as of December 24, 2011, the permitted foreign investment ratio of value-added telecommunications services is no more than 50%. To comply with these regulations, we conduct substantially all of our operations through Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, which are wholly-owned by PRC citizens or entities and incorporated in the PRC. We do not have any equity interests in these operating companies, but instead enjoy the economic benefits of these operating companies through a series of contractual arrangements, which we and our wholly-owned subsidiaries, KongZhong Beijing and KongZhong China, have entered into with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli, Dacheng and their respective shareholders as described in "— Our Corporate Structure" and "Item 7 — Major Shareholders and Related Party Transactions — Related Party Transactions."

In July 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business. In the circular, the MIIT reiterated the existing regulations regarding foreign investment in telecommunications business, which require foreign investors to set up foreign-invested enterprises and obtain a business operating license for Internet content provision, or an ICP license, in order to conduct any value-added telecommunications business in the PRC. Under this circular, a domestic company that holds an ICP license is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing resources, sites or facilities to foreign investors that conduct value-added telecommunications business illegally in the PRC. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business shall be owned by the local ICP license holder or its shareholders. This circular further requires each ICP license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. Due to the lack of further interpretation from the PRC regulator, it remains unclear what impact the above circular will have on us or other PRC Internet companies that have adopted the same or similar corporate and contractual structures as ours.

In addition to the regulations promulgated by the central PRC government, some local governments have also promulgated local rules applicable to Internet or other value-added telecommunications companies operating within their respective jurisdictions. In Beijing, the Beijing Municipal Administrative Bureau of Industry and Commerce, or the Beijing AIC, has promulgated a number of Internet-related rules. In 2000, the Beijing AIC adopted the Interim Administration Rules on Filing Commercial Websites and the Detailed Rules for Implementation of Interim Administration Rules on Filing Commercial Websites, and in 2004, the Beijing AIC adopted the Administrative Rules on Filing Commercial Websites, which require owners of the domain names of commercial websites located within Beijing to file their website names and commercial websites with the Beijing AIC.

Regulation of Internet Content Services

In September 2000, the State Council promulgated the Telecom Regulations and the Internet Information Services Administrative Measures, or the Internet Information Measures. The Internet Information Measures require that commercial Internet content providers must obtain an Internet information license from the appropriate telecommunications authorities in order to carry on any commercial Internet content operations within the PRC. Internet content operators must display their operating license numbers in a conspicuous location on their home page. Internet content operators are obliged to police their websites in order to remove categories of harmful content that are broadly defined. This obligation reiterates Internet content restrictions that have been promulgated by other ministries over the past few years. In addition, the Internet Information Measures also provide that Internet content operators which operate in sensitive and strategic sectors, including news, publishing, education, health care, medicine and medical devices, must obtain additional approvals from the relevant authorities in charge of those sectors as well. Furthermore, the Internet Information Measures stipulate that Internet content operators must obtain the consent of the MIIT prior to establishing an equity or cooperative joint venture with a foreign partner.

Certain local governments have promulgated local rules applicable to Internet companies operating within their respective jurisdictions. In Beijing, the Beijing AIC has promulgated a number of Internet-related rules. In October 2004, the Beijing AIC adopted the Administrative Rules on Filing Commercial Websites, which require owners of the domain names of commercial websites located within Beijing to file their website names and commercial websites with the Beijing AIC.

Each of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR and Beijing Boya Wuji has a telecommunications and information services operating license for their Internet content businesses from the Beijing Telecommunications Administration Bureau. Each of Dacheng and Brilliant Game has a value-added telecommunications business operation permit for its Internet content business from the Shanghai Telecommunications Administration Bureau. Zhulang has a value-added telecommunications business operation permit for its Internet content business from the Jiangsu Telecommunications Administration Bureau. These licenses are subject to standard annual review.

Regulation of Internet Culture Activities

On February 17, 2011, the MOC promulgated the Interim Measures on Administration of Internet Culture, or the Internet Culture Measures, replacing previous interim measures promulgated in May 2003 and amended in July 2004. "Internet cultural products" are classified as cultural products developed, published and disseminated via the Internet, which mainly include: (i) products for publication via Internet, such as, among other things, online music and entertainment files, network games, online performing arts and artworks and online animation features and cartoons, and (ii) products converted from traditional music entertainment products, games, performing arts, artworks and animation features and cartoons, and published via the Internet. Pursuant to the Internet Culture Measures, entities are required to obtain Internet Culture Business Permits from a provincial counterpart of the MOC if they intend to commercially engage in any of the following types of activities: (1) production, duplication, import, sale or broadcasting of Internet cultural products; (2) publication of cultural products on the Internet or transmission thereof through information networks such as Internet and mobile network to computers, fixed-line or mobile phones, television sets, gaming consoles or Internet access service sites including Internet cafes for the purpose of browsing, reviewing, using or downloading such products by internet users; or (3) exhibitions or contests related to Internet cultural products.

On August 12, 2013, the MOC promulgated the Notice of the Ministry of Culture on the Application of the Administrative Measures for Content Self-Review by Internet Culture Business Entities, or Self-Review Notice, which took effect on December 1, 2013. The Self-Review Notice requires an Internet culture business entity to review in advance the contents of the Internet culture products and services prior to providing services to the public, and establish and improve its content management system, establish specialized content management departments, have in place staff members who could adapt to the needs of review work to be responsible for the content management of Internet cultural products and services, and safeguard the legality of the contents of Internet cultural products and services. The content management system of an Internet culture business entity should specify the responsibilities, standards and processes for content review as well as accountability measures, and should be submitted to the local provincial cultural administrative department for record-filing.

Software Products Registration

On March 5, 2009, the MIIT issued the Measures Concerning Software Products Administration, or the Software Measures. Under the Software Measures, producers of software products registered with the relevant PRC authorities may be entitled to certain preferential policies in PRC. Software developers or producers are allowed to sell or license their registered software products independently or through agents. Upon registration, the software products shall be granted registration certificates. Each registration certificate is valid for five years and may be renewed upon expiration. The MIIT and other relevant departments may carry out supervision and inspection over the development, production, operation and importing and exporting of software products in the PRC. As of December 31, 2014, we had registered the software for the games Kung Fu World, Loong, Doodle Dino, Blood of Sheng Mo, Deification OL, Kingdom Story, Fishing Master, Jelly Roll, Ninja Chicken, Jet Heroes, Master of Meteor Blades, Three Kingdoms in Pocket and Gudong Gudong, and had registered the software of AirInbox New Media Real-time Platform, AirInbox New Customer Service Query System, AirInbox Resource Management System and AirInbox Basic Data Management System, with the relevant PRC authority and had obtained the software product registration certificates for these software products.

Regulation of Information Security and Censorship

PRC legislation concerning information security and censorship specifically prohibits the use of Internet infrastructure where it results in a breach of public security, the provision of socially destabilizing content or the divulgence of state secrets.

- “A breach of public security” includes a breach of national security or disclosure of state secrets; infringement on state, social or collective interests or the legal rights and interests of citizens; or illegal or criminal activities.

- “Socially destabilizing content” includes any action that: (1) incites defiance or violation of PRC laws; (2) incites subversion of state power and the overturning of the socialist system; fabricates or distorts the truth, spreads rumors or disrupts social order; (3) advocates cult activities; or (4) spreads feudal superstition, involves obscenities, pornography, gambling, violence, murder or horrific acts or instigates criminal acts.

- “State secrets” are defined under applicable PRC law as matters that affect the security and interest of the state. The term covers such broad areas as national defense, diplomatic affairs, policy decisions on state affairs, national economic and social development, political parties and other state secrets that the State Secrecy Bureau has determined should be safeguarded.

According to the aforementioned legislation, it is mandatory for Internet companies in the PRC to complete security filing procedures with the local public security bureau and for them to update their filings regularly with the local public security bureau regarding information security and censorship systems for their websites.

Regulation of Pornographic Materials

Since the development of the Internet, the PRC government has carried out a series of actions targeting pornographic materials on the Internet, mobile phones and other Internet-based equipment. On May 11, 2007, the MIIT issued the Notice of Schemes of Special Campaign Against Internet-Based Pornography and, on December 15, 2009, the MIIT issued the Further Schemes of Special Campaign against Mobile Phone Pornography to regulate the dissemination of pornographic materials through mobile phones and the Internet. Subsequently, on July 22, 2014, the MIIT issued the Notice of Further Measures Against Distributing Pornographic and Eroticism Information via Intelligent Mobile Terminal Application, pursuant to which the MIIT will take additional measures against distributing pornographic and eroticism information via Apps.

The Supreme People’s Court and Supreme People’s Procuratorate issued the Interpretation on Issues of Application of the Laws for Production, Reproduction, Publication, Sale and Dissemination, of Pornographic Information Through Internet, Mobile Equipment and Information Service Centers on September 3, 2004, and the Interpretation on Issues of Application of the Laws for Production, Reproduction, Publication, Sale and Dissemination, of Pornography Information Through Internet, Mobile Equipment and Information Service Centers II on February 4, 2010. These interpretations define the applicable laws, crimes and penalties for the dissemination of pornographic materials on the Internet or through mobile telecommunications equipment.

Due to the uncertainty over how the above-mentioned rules and regulations will be interpreted and enforced, we cannot predict how they will affect our business operations and future strategies. Although we believe that our products and services are in compliance with these rules and regulations, we cannot assure that any of the relevant governmental authorities will not disagree and will not take legal action against us.

Regulation of Advertisements

The principal regulations governing advertisements in the PRC are the Advertising Law (1995), the Administrative Regulations of Advertisements (1987) and the Detailed Rules of Implementation of the Administrative Regulations of Advertisements (2004), pursuant to which an entity conducting advertising activities as a supplementary business must obtain a permit from the local AIC and specifically mention advertising activities as a permitted business activity in such entity’s business license. The SAIC is the government agency responsible for regulating advertising activities in the PRC. The Advertising Law (1995), the Administrative Regulations of Advertisements (1987) and the Detailed Rules of Implementation of the Administrative Regulations of Advertisements (2004) do not contain, and the SAIC has not promulgated, regulations specifically aimed at mobile advertising through SMS or MMS services.

As part of our non-telecommunications operator marketing activities, we have developed integrated marketing campaigns with traditional media companies and multinational corporations through certain cross-selling efforts with these companies. Beijing AirInbox has applied to the Beijing AIC to amend its business license to specify that the mobile advertising business is a permitted business activity and Beijing AIC has informed Beijing AirInbox that this is not necessary because Beijing AirInbox's business license already permits it to undertake the mobile advertising activities that it presently conducts. We cannot assure you that the SAIC or Beijing AIC will not require Beijing AirInbox to obtain an advertising permit from the Beijing AIC and specifically mention advertising activities as a permitted business in its business license in the future. In such an event, failure to comply could result in penalties including being banned from engaging in online advertising activities, confiscation of illegal earnings and fines.

Technology Import and Export

China imposes controls on technology import and export. The term "technology import and export" is broadly defined in the regulations to include, without limitation, the transfer or license of patents, software and know-how, and the provision of services in relation to technology. Depending on the nature of the relevant technology, the import and export of technology require either approval by, or registration with, the relevant PRC governmental authorities. If we enter into licensing agreements with third parties outside of the PRC through our PRC entities, such licenses will be required to be registered with applicable PRC governmental authorities. We intend to register the licenses we have granted to the non-PRC entities.

Regulation of Online Publications

The SAPPRFT is the government agency responsible for regulating publishing activities in the PRC. The Rules for the Administration of Electronic Publications, or Electronic Publication Rules, promulgated on February 21, 2008 and took effect on April 15, 2008, regulate the production, publishing and importation of electronic publication in the PRC and outline a licensing system for business operations involving electronic publishing. Under the Electronic Publication Rules and other regulations issued by the SAPPRFT, Internet games are classified as a kind of electronic production, and publishing of Internet games can be done only by licensed electronic publishing entities with standard publication codes.

The Tentative Internet Publishing Administrative Measures, or the Internet Publishing Measures, which were jointly promulgated by the MIIT and the SAPPRFT on July 27, 2002 and took effect on August 1, 2002, require Internet publishers to secure approval from the SAPPRFT. The term "Internet publishing" is defined as an act of online dissemination whereby Internet information service providers select, edit and process works created by themselves or others (including content from books, newspapers, periodicals, audio and video products, electronic publications, and other sources that have already been formally published or works that have been made public in other media) and subsequently post the same on the Internet or transmit the same to users via the Internet for browsing, using or downloading by the public.

The SAPPRFT and the MIIT have not specified whether the aforementioned approval in the Internet Publishing Measures is applicable to dissemination of works through SMS, MMS, WAP, Java™, IVR, CRBT or other wireless technologies. If, in the future, the SAPPRFT and the MIIT clarify that the Internet Publishing Measures are applicable to wireless value-added telecommunications services operators or issue new regulations or rules regulating wireless publishing, we may need to apply for a license or permit from governmental agencies in charge for our WVAS business. We cannot assure you that such application would be approved by the relevant governmental agencies. As the provision of Internet games is deemed an Internet publication activity, an Internet games operator needs to obtain an Internet publishing license in order to directly make its Internet games publicly available in the PRC. As of the date of this annual report on Form 20-F, Beijing AirInbox and Dacheng have each obtained an Internet publishing license from the SAPPRFT.

Regulation of Internet-Based Audio-Video Programming Services

On December 20, 2007, the SAPPRFT and the MIIT jointly promulgated the Regulations on Administration of Internet-based Audio-Video Programming Service, or the Internet-based Audio-Video Regulations, which became effective as of January 31, 2008. The Internet-based Audio-Video Regulations are applicable to the public dissemination of Internet-based services, including audio-video programming services within the territory of the PRC. Activities covered by the Internet-based Audio-Video Regulations include producing, compiling, integrating and public dissemination over the Internet of audio or video programs, as well as aiding others to upload and disseminate such programs.

Providers of Internet-based Audio-Video programming services are required to obtain the Internet-based Audio-Video License or complete registration procedures as required in the Internet-based Audio-Video Regulations. Pursuant to the Internet-based Audio-Video Regulations, such provider must:

- be a limited liability company that is either wholly owned or majority controlled by the state, without any violation of law or regulation within three years before the application date;
- have measures that ensure the safe dissemination of audio-video programs and protect against security breaches;
- have audio-video programming resources that are appropriate for their businesses and in compliance with laws and regulations;
- possess technical competence, network resources and lawful funds that are appropriate for their businesses;
- retain professionals who are appropriate for their businesses, and its major investors and operators did not violate any law or regulation within three years before the application date;
- have network technical designs that comply with laws and regulations and industry standards and guidance;
- be in compliance with plans, layouts and business guidelines issued by the departments in charge of radio, film and television operations under the State Council; and
- be in compliance with laws and administrative regulations.

Pursuant to explanations of the Internet-based Audio-Video Regulations provided by the responsible persons at the SAPPRFT and the MIIT in a press conference, providers who engaged in Internet-based audio-video programming services before the promulgation of the Internet-based Audio-Video Regulations and who have not violated any other laws, rules or regulations are eligible to register their business and continue their operations. Beijing AirInbox has obtained an Internet-based Audio-Video License. However, given the short history of the Internet-based Audio-Video Regulations and the lack of interpretations, we cannot assure you that other of our operating companies will be qualified to apply for the Internet-based Audio-Video License or complete the required registration, and we cannot assure you that we will be granted the Internet-based Audio-Video License.

Regulation of Virtual Currency

The use of “virtual currency,” which is typically used to purchase in-game virtual items, is also regulated by the PRC government. Under the Internet Cafes Notice described above, the PBOC is directed to strengthen the administration of virtual currency in Internet games to avoid any adverse impact on the economy and financial system of the PRC. This notice provides that the total amount of virtual currency issued by Internet games operators and the amount purchased by individual game players should be limited, with a strict and clear division between virtual transactions and real transactions carried out by way of electronic commerce. This notice also provides that virtual currency should only be used to purchase virtual items.

On June 4, 2009, the MOC and MOFCOM jointly issued a circular regulating the trading of Internet games virtual currencies. The circular clearly defines for the first time the meaning of virtual currency and places a set of restrictions on the trading and issuance of virtual currency. The circular also states that Internet games operators are not allowed to give out virtual items or virtual currency through lottery-based activities, such as lucky draws, betting or random computer sampling, in exchange for user's cash or virtual money. This regulation is mainly targeted at lottery-based activities found in some Internet games.

On July 20, 2009, the MOC promulgated the Filing Guidelines on Online Game Virtual Currency Issuing Enterprise and Online Game Virtual Currency Trading Enterprise, which specifically define the meaning of "issuing enterprise" and "trading enterprise" and stipulate that both of these businesses may not be operated by the same enterprise.

According to the Internet Game Measures, a company must also obtain an Internet Culture Business Permit in order to issue and conduct transactions in virtual currency. Furthermore, the virtual currency issued by an Internet games operator may only be used to exchange for such operator's Internet games assets. As an additional requirement, the Internet games operator must register the kind, price, and total quantity of virtual currency used in its online games with the local provincial branch of the MOC.

Privacy Protection

On December 29, 2011, the MIIT promulgated the Several Provisions on Regulating the Market Order of Internet Information Services, which became effective on March 15, 2012. This regulation stipulates that Internet content providers must not, without the consent of users, collect information on such users that could be used, alone or in combination with other information, to identify a user, or corresponding personal information, and may not provide any user's personal information to third parties without prior user consent. The Internet content providers may only collect personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such information. In addition, an Internet content provider may use the personal information only for the stated purposes under the Internet content providers' scope of services. The Internet content providers are also required to ensure the proper security of such personal information, and take immediate remedial measures if such information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, the Internet content provider must immediately report the incident to the telecommunications regulatory authorities and cooperate with the authorities in their investigations.

On December 28, 2012, the Standing Committee of the National People's Congress enacted the Decision to Enhance the Protection of Network Information, or the Information Protection Decision, to further enhance the protection of user's personal information in electronic form. The Information Protection Decision provides that the Internet content providers must expressly inform their users of the purpose, manner and scope of the Internet content providers' collection and use of personal information, publish the Internet content providers' standards for the collection and use of personal information, and collect and use personal information only with the consent of users and only within the scope of such consent. The Information Protection Decision also mandates that Internet content providers and their employees must keep strictly confidential the personal information that they collect, and should take such technical and other measures as are necessary to safeguard the information against disclosure, damage and loss.

On July 16, 2013, the MIIT promulgated the Provisions on Protecting the Personal Information of Telecommunications and Internet Users, which became effective on September 1, 2013. This regulation stipulates that telecommunications business operators and Internet information service providers shall formulate rules on the collection and use of users' personal information, and publish the same in their business or service premises. Without the consent of users, telecommunications business operators and Internet information service providers are not allowed to collect and use the personal information of the users. Telecommunications business operators and Internet information service providers shall not collect or use information in a deceptive, misleading or compulsory manner, in violation of laws, rules or administrative regulations, or in breach of the agreements between relevant parties. After users have terminated the use of telecommunications services or Internet information service, telecommunications business operators and Internet information service providers must stop the collection and use of the users' personal information, and provide the users with services for deregistering relevant phone numbers or account numbers.

On August 28, 2014, the MIIT promulgated the Guidance Suggestions on Strengthening the Network Security in the Telecommunications and Internet Sectors, or the Guidance Suggestions. The Guidance Suggestions stipulate priorities to strengthen network security, including deepening the security protection for network infrastructure and business systems, safeguarding the network security environment of the public Internet, strengthening the network security management for new technology and business. The Guidance Suggestions also set forth safeguarding measures for network security in the telecommunications and internet sectors.

We require the customers of our Internet games to accept a user agreement whereby they agree to provide certain personal information to us. Applicable PRC law prohibits Internet content providers from disclosing to any third parties any information transmitted by users through their networks 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.

Regulation of Internet Games

In addition to rules and regulations described above, the PRC authorities have promulgated other specific regulations for Internet games.

On July 12, 2005, the MOC and the MIIT promulgated the Opinions on the Development and Administration of Online Game, reflecting the PRC government's intent to foster and control the development of the Internet games industry in China. Accordingly, the MOC will censor Internet games that "threaten state security," "disturb the social order," or contain "obscenity" or "violence."

Many of our customers access our games in Internet cafes, which are also regulated by the PRC government. Internet cafes are required to obtain a license from the MOC and the SAIC, and are subject to requirements and regulations with respect to location, size, number of computers, age limit of customers and hours of operation. In 2004, the MOC, the SAIC and other PRC governmental authorities jointly issued a notice to suspend issuance of new Internet cafe licenses. Although this nationwide suspension has been generally lifted in 2005, the local authorities have the authority of controlling the number and recipients of new licenses at their discretion. In addition, local and higher-level governmental authorities may from time to time strictly enforce customer age limits and other requirements relating to Internet cafes, as a result of the occurrence of, and media attention on, gang fights, arson or other incidents in or related to Internet cafes. On February 15, 2007, the MOC and other relevant governmental authorities jointly issued the Internet Cafes Notice, which suspended nationwide the approval for the establishment of new Internet cafes in 2007 and imposed tougher penalties for Internet cafes admitting minors. In 2008 and 2010, the MOC, SAIC and other relevant governmental authorities, individually or jointly, issued several notices which provide various ways to strengthen the regulation of Internet cafes, including investigating and punishing the Internet cafes which accept minors, cracking down on Internet cafes without sufficient and valid licenses, limiting the total number of Internet cafes, screening unlawful games and websites, and improving the coordination of regulation over Internet cafes and Internet games. As many of our customers access our games from Internet cafes, any reduction in the number, or any slowdown in the growth, of Internet cafes in the PRC as a result of stricter Internet cafe regulation will limit our ability to maintain or increase our revenues and expand our customer base, which will in turn materially and adversely affect our business, financial condition and results of operations.

The SAPPRFT and several other governmental authorities have issued a circular requiring the implementation of an "anti-fatigue system" and a real-name registration (by Internet games players) system by all PRC Internet games operators, in an effort to curb addictive Internet games playing behaviors of minors. Under the anti-fatigue system, three hours or less of continuous playing by minors is considered to be "healthy," three to five hours to be "fatiguing," and five hours or more to be "unhealthy." Game operators are required to reduce the value of in-game benefits to a player by half if the player has reached "fatiguing" level, and to zero in the case of "unhealthy" level. To identify whether a player is a minor and thus subject to the anti-fatigue system, a real-name registration system is also adopted, which requires Internet games players to register their real identity information before they play Internet games. Dacheng has successfully developed such an anti-fatigue system. On July 1, 2011, the SAPPRFT and several other government authorities jointly promulgated a further notice to strengthen the implementation of the anti-fatigue system and real-name registration, entitled the Notice on Initializing the Verification of Real-Name Registration for Anti-Fatigue System on Internet Games, or the Real-Name Registration Notice, which took effect on October 1, 2011. The Real-Name Registration Notice's main focus is to prevent minors from using adults' identification cards to play Internet games. Accordingly, the notice provides more stringent punishment for Internet game operators for not implementing the anti-fatigue and real-name registration measures properly and effectively. The most severe punishment contemplated by the Real-Name Registration Notice is termination of the operation of an Internet game if it is found to be in violation of the anti-fatigue and real-name registration requirements. On February 5, 2013, the MOC and several other governmental authorities issued the Work Plan of Comprehensive Prevention and Cure Project on Internet Games Addiction of Minors. The plan emphasizes that the cultural administrative authorities and press and publication administrative authorities must further supervise the Internet game operators to implement the anti-fatigue system and other measures. On July 25, 2014, the SAPPRFT issued the Notice of Depth Measures regarding Verification of Real-Name Registration for Anti-Fatigue System on Internet Games, which took effect on October 1, 2014. The notice provides that the press and publication administrative authorities shall take further measures to implement the verification of real-name registration for anti-fatigue system.

On September 7, 2009, the State Commission Office for Public Sector Reform issued the Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the "Three Provisions" jointly promulgated by the MOC and the SAPPRFT, which became effective immediately. According to this notice, the SAPPRFT is responsible for the examination and approval of the Internet games prior to being uploaded on the Internet, after which the Internet games is to be administrated by the MOC.

On September 28, 2009, the SAPPRFT, the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications jointly published the Notice on the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games, which took effect on the same date of promulgation. This notice restates that foreign investors are not permitted to invest in Internet games operating businesses in the PRC through wholly-owned, equity joint venture or cooperative joint venture investments and expressly prohibits foreign investors from gaining control over or participating in domestic Internet games operators through establishing other joint venture companies, or contractual or technical arrangements. According to this notice, where new versions, expansion packs or new content shall be updated for Internet games which have been approved by the SAPPRFT, the operation entity shall undertake the same procedures for the examination and approval by the SAPPRFT of such new versions, expansion packs or new content.

On November 13, 2009, the MOC issued the Circular on Improving and Strengthening the Administration of Content in Internet Games. This circular emphasizes that correct cultural values shall be maintained to enhance the cultural implications of Internet games. Internet games which comprise mainly of killing beasts, combat and marriage shall be further restricted. Minors should be guided in their choice of games and their playing time should be limited through technical measures. This circular also requires Internet games operators to establish and maintain committees to monitor game content. Dacheng has established such a committee.

On June 3, 2010, the MOC issued the Interim Measures for the Administration of Internet Games, or the Internet Game Measures, which took effect on August 1, 2010, to further strengthen the supervision over the Internet games industry. The Internet Game Measures regulate a broad range of operation activities relating to Internet games, including development and production of Internet games, operation of Internet games, issuance of virtual currencies used for Internet games, and virtual currency trading services. The Internet Game Measures provide that any entity that is engaged in the operation of Internet games must obtain an Internet Culture Business Permit, which is valid for three years and renewable before its expiration. The Internet Game Measures require the content of an imported Internet game to be examined and approved by the MOC prior to the game's launch and the content of a domestic Internet game to be filed with the MOC. The Internet Game Measures also request Internet game operators to protect the interests of game players and stipulate that the service agreement between an Internet game operator and the players of its online games must include certain mandatory terms required by the MOC. On July 29, 2010, the MOC issued the Notice of the Ministry of Culture on the Implementation of the Interim Measures for the Administration of Internet Games, which took effect on the date of its issuance. This notice provides details as to the requirements and procedures relating to applications for Internet Culture Business Permits and the MOC's review of the content of Internet games. In addition, the notice emphasizes the protection of minors who play online games and requests Internet games operators to promote real-name registration of their game players. Each of Beijing AirInbox, Dacheng, Xinreli and Brilliant Game has obtained an Internet Culture Business Permit for our Internet games business.

Regulation of WVAS

Pursuant to the Telecom Regulations, a commercial operator of Internet content services must obtain an operating license. Other than this requirement, PRC legislation on wireless telecommunications is generally aimed at regulating equipment and infrastructure rather than applications and value-added service providers.

The Administrative Measures for Telecommunications Business Operating Licenses, or Telecom License Measures, were promulgated by the MIIT on March 5, 2009. The Telecom License Measures confirm that there are two types of telecommunications operations licenses for operators in the PRC (including foreign-invested telecommunications enterprises), namely, licenses for infrastructure services and licenses for value-added services, for which a distinction is made as to whether a license is granted for intra-provincial or nationwide activities. An appendix to the license details the permitted activities of the enterprise to which it was granted. An approved telecommunications service operator must conduct its business, for both infrastructure and value-added services types of businesses, according to the specifications recorded on its Telecom Business Operating License. The MIIT is the competent approval authority for foreign-invested telecommunications enterprises and for granting nationwide licenses to value-added telecommunications enterprises.

Other than a general classification of wireless information services as value-added telecommunications services by an appendix to the Telecom Regulations, as amended, there is currently no nationwide legislation in the PRC that specifically addresses the provision of WVAS, such as SMS, MMS, WAP, Java™, IVR or CRBT services.

Beijing Boya Wuji has obtained a value-added telecommunications business operation permit in order to operate wireless value-added businesses in Beijing. Each of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang and Xinreli has obtained a nationwide value-added telecommunications license from the MIIT in order to provide services in multiple provinces, autonomous regions and municipalities. These licenses are subject to standard annual review.

Regulation of Foreign Exchange Control

The principal regulations governing foreign exchange in the PRC are the Foreign Exchange Control Regulations (Amended in 2008) and the Administration of Settlement, Sale and Payment of Foreign Exchange Regulations (1996), or together, the Exchange Regulations. Under the Exchange Regulations, the Renminbi is freely convertible into foreign exchange for current account items, including the distribution of dividends. Conversion of Renminbi for capital account items, such as direct investment, loans, security investment and repatriation of investment, however, is still subject to the approval of SAFE.

Under the Exchange Regulations, foreign-invested enterprises are required to open and maintain separate foreign exchange accounts for capital account items (but not for other items). In addition, foreign-invested enterprises may buy, sell or remit foreign currencies only at those banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE.

In July 2014, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Overseas Investment, Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies, or Notice 37, which became effective on July 4, 2014 and superseded prior SAFE regulations promulgated in October 2005. Notice 37 and relevant SAFE regulations require PRC residents to register with the relevant SAFE branch before contributing the onshore or offshore assets or interests to the special purpose companies and complete amended registrations with the relevant SAFE branch upon the change of basic information of the registered overseas special purpose company such as PRC resident shareholder, name, operating period, or major events such as increase or reduce of PRC resident's capital contribution, share transfer or exchange, merger or division. The term "PRC residents," as used in Notice 37, includes not only PRC citizens but also other persons who habitually reside in the PRC for economic benefit.

A number of terms and provisions in Notice 37 and relevant SAFE regulations remain unclear. Due to the uncertainty regarding the interpretation and implementation of Notice 37 and relevant SAFE regulations, we cannot predict how such notice and regulations will affect our business operations or future strategies. For example, the ability of our present and prospective PRC subsidiaries to conduct foreign exchange activities, such as remitting dividends and foreign currency-denominated borrowings, may be subject to compliance with requirements of Notice 37 and relevant SAFE regulations by the PRC resident holders of our ordinary shares and ADSs. Despite our efforts to fully comply with the SAFE regulations, we cannot assure you that we will obtain, or receive waivers from, any necessary approvals or not be found in violation of the SAFE regulations or any other related foreign exchange regulations. In particular, we cannot assure you that we will be able to cause all the present or prospective PRC resident holders of our ordinary shares or ADSs to comply with all SAFE regulations. A failure by the PRC resident holders of our ordinary shares or ADSs to comply with Notice 37 and relevant SAFE regulations or our inability to secure required approvals or registrations may subject us to fines or legal sanctions, limit our subsidiaries' ability to make distributions or pay dividends, restrict our overseas or cross-border investment activities or affect our ownership structure, any of which could affect our business and prospects.

Regulation of Share Options and Restricted Share Units

On December 25, 2006, the PBOC issued the Administration Measures on Individual Foreign Exchange Control, and its Implementation Rules was issued by SAFE on January 5, 2007, both of which became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee share ownership plans, share option plans and other equity incentive plans participated by PRC individuals may be transacted upon receipt of the approval from SAFE or its authorized branch.

In February 2012, SAFE promulgated SAFE Notice 7, replacing SAFE Notice 78. SAFE Notice 7 is applicable to (i) PRC directors, supervisors, senior management and other employees of an overseas-listed PRC company, (ii) PRC subsidiaries or branches of, and any PRC entities directly or indirectly controlled by, an overseas-listed company, and (iii) the Domestic Individuals. Under SAFE Notice 7, Domestic Individuals who are granted stock options or any other stock-related rights and benefits under a stock incentive plan by an overseas publicly-listed company are required to complete certain procedures and transactional foreign exchange matters under the stock incentive plan upon the examination by, and the approval of, SAFE or its authorized local counterparts.

In 2009 and 2010, we registered, and registered on behalf of those employees subject to SAFE Notice 7, with the relevant local SAFE branches our previously adopted employee stock incentive plans, pursuant to regulations promulgated under SAFE Notice 78. However, there exist significant uncertainties in practice with respect to the interpretation and implementation of SAFE Notice 7, and we cannot assure you that our registration under SAFE Notice 78 would be sufficient for compliance with SAFE Notice 7. If SAFE or other PRC governmental authorities determine that we or those of our employees subject to SAFE Notice 7 have failed to comply with the provisions of the SAFE Notice 7, we or they may be subject to fines and legal sanctions.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the related notes thereto included elsewhere in this annual report. Our audited consolidated financial statements have been prepared in accordance with U.S. GAAP. Actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in "Item 3 — Key Information — Risk Factors."

Overview

We are one of the leading providers of digital entertainment services for consumers in the PRC. We operate three main business units, namely Internet games, mobile games and WVAS. We are one of the leading providers of WVAS to mobile phone users and have been in cooperation with all major telecommunications operators in the PRC since 2002. In 2005, we began providing feature-phone mobile games on the networks of China Mobile with the acquisition of Tianjin Mammoth, a feature phone mobile games developer. To further expand our mobile games development capabilities, we acquired Noumena in 2012 in order to develop smartphone mobile games on smartphone mobile operating systems, such as Android and iOS. We commenced our Internet games business in 2010 through our acquisition of Dacheng, a developer and operator of Internet games in the PRC. In addition to developing and operating our self-developed Internet games, such as Loong, Demon Code and Kung Fu Hero, we are the exclusive operator of the popular World of Tanks game for the PRC Internet games market. In May 2012, we entered into a strategic partnership with WarGaming, which granted us the exclusive license to all of WarGaming's games in the PRC, including World of Tanks, World of Warplanes and World of Warships. In addition, as of December 31, 2014, we were also the exclusive licensee in the PRC for the Guild Wars 2 game developed by ArenaNet, Blitzkrieg 3 game developed by ZZima, Auto Club Revolution game developed by Eutechnyx and Guozhan Online game developed by Guangzhou Sixiang.

We were incorporated under the laws of the Cayman Islands on May 6, 2002. Our revenues were US$227.6 million in 2014, compared to US$173.7 million in 2013. Our net income was US$22.6 million in 2014, compared to US$20.7 million in 2013. As a percentage of our total revenues, revenues generated from Internet games, mobile games and WVAS and accounted for 51.9%, 19.8% and 28.3% in 2014, respectively.

We have a limited operating history on which to base an evaluation of our business and prospects. Our prospects should be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in the early stages of their development, particularly in new and rapidly evolving markets such as the Internet games, mobile games and WVAS.

The major factors affecting our financial condition and results of operations include:

- trends in the Internet games, mobile games and WVAS markets in the PRC;
- continued growth in the number of players for, and revenues generated from, the World of Tanks game;
- our product development efforts to capitalize on market opportunities, including the successful launches of new smartphone mobile games and Internet games, which depend, in part, on our ability to anticipate and effectively respond to the changing consumer tastes and preferences and technological advances in a timely manner;
- changes in the policies or guidelines of China Mobile and other PRC telecommunications operators with respect to our mobile games and WVAS businesses;
- changes in laws, rules and regulation affecting our businesses;

- development of competing services from China Mobile, other PRC telecommunications operators, and increased competition in the mobile games and Internet games markets from the more established companies that develop and operate personal computer-based games, as well as the mobile platform application developers;

- effectiveness of our marketing and promotional activities;

- technological advancement of the mobile telecommunications market, including the adoption of 4G and subsequent standards of mobile handsets and networks, and the smartphone mobile games and Internet games market in the PRC; and

- changes in the number, scope and terms of our cooperation arrangements with the telecommunications operators, content providers, mobile handset manufacturers, mobile handset distributors and other key players in the PRC's mobile telecommunications industry.

In order to reduce the risk that our financial condition and results of operations will be overly dependent upon, and disproportionately impacted by, any particular service offering, technology platform or telecommunications operator, we have sought to broaden the range of our services, expand our distribution channels, cultivate new relationships with telecommunications operators and develop our non-carrier billing channel mobile games and Internet games businesses, both of which are less dependent on the telecommunications operators than either carrier billing channel mobile games or WVAS. Our acquisitions of Dacheng and Noumena are also part of this diversification strategy.

Revenues

The following table sets forth the revenues attributable to services derived from the Internet games, mobile games and WVAS segments in terms of amount and as a percentage of our total revenues (net of sales tax) for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	Amount	Percentage of revenues	Amount	Percentage of revenues	Amount	Percentage of revenues
	(in thousands of U.S. dollars, except percentages)					
Internet games	US$ 82,902.8	45.9%	US$ 93,792.3	54.0%	US$ 118,099.8	51.9%
Mobile games	20,971.0	11.6	16,908.3	9.7	45,036.4	19.8
WVAS	76,712.3	42.5	62,953.2	36.3	64,459.7	28.3
Total	US$ 180,586.1	100.0%	US$ 173,653.8	100.0%	US$ 227,595.9	100.0%

Internet Games Revenues

The Internet games revenues are primarily derived from Internet games operation revenues and licensing revenues. We earn Internet games operation revenues through the provision of Internet games services to players under an item-based revenue model, whereby players are able to play the Internet games free of charge for an unlimited amount of time, or a small amount of initial fee in the case of Guild Wars 2 game, but are charged for purchasing in-game items, such as in-game performance-enhancing items, mechanized vehicles, clothing, accessories and pets. In 2014, we derived a majority of our Internet games revenues from revenues generated through the operation of our licensed Internet games, especially the World of Tanks game, the World of Warplanes game and the Guild Wars 2 game, which generated approximately 72.1%, 1.8% and 23.3%, respectively, of our Internet games revenues from the in-game items purchased for the Internet games for 2014. We expect revenues generated from those games to continue to be major drivers for growing our Internet games revenues in 2015. Both the World of Tanks game and the World of Warplanes game are licensed from WarGaming, and due to our dependence on the World of Tanks game and the World of Warplanes game for about 73.9% of our Internet games revenues, our business relationship with WarGaming is critical to the continued operation of the World of Tanks game. For a description of risks related to our dependence on a small number of Internet games for a significant portion of our Internet games revenues, see "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — We depend on a small number of Internet games for a significant portion of our Internet games revenues. As a result, any factors that could have an adverse impact on the development, marketing and distribution of these Internet games, or on our business relationships with the licensors of these Internet games, could materially decrease our Internet games revenues, and have a material adverse effect on our business, financial condition, results of operations and prospects."

Revenues from the sales of in-game items are recognized when items are consumed by customers or over the estimated lives of the items. The revenue recognition policy for the item-based games relies on the useful lives of various items associated with each of our item-based games. The in-game items have different life patterns: one-time use items, limited life items with useful life ranging from three days to 90 days and permanent life items. To determine whether an in-game item has a limited or permanent life, we consider whether such in-game items are offered with unlimited lasting benefit, which means that players may use such in-game items at will without any usage or time limits as long as such players are active. Limited life in-game items have usage or time limits while permanent life in-game items offer unlimited lasting benefit. Revenues from the sales of one-time use in-game items are recognized upon consumption. Revenues from the sales of limited life in-game items are recognized ratably based on the extent of time passed until expiration. Revenues from the sales of permanent life in-game items are recognized ratably based on the estimated lives of the in-game items, which is the period during which the player is expected to continue to play the game.

We consider player behavior patterns in estimating the lives of permanent life in-game items, including the average period that the typically play our games based on log-on data, which are affected by various factors such as acceptance and popularity of the game, game updates and other in-game items, promotional events launched, future operating strategies and market conditions. Based on the above considerations for all active games, we have determined the estimated life for all permanent life in-game items is six months. Given the short operating history of our Internet games, our estimates of the period that game players typically play our games may not accurately reflect the actual lives of the permanent life in-game items. We review, at least annually, the average playing periods of game players for all active games to determine if the six-month estimated life for permanent in-game items remains reasonable. Based on our latest review, such estimated life remains reasonable and has not changed over time. We may revise our estimates as we continue to collect operating data and refine our estimation process and results accordingly. All paying users' data in active games collected since the launch date of such games are used to perform the relevant assessments. Historical behavior patterns of these paying users during the period between their first log-on date and last log-on date are used to estimate the lives of the permanent life in-game items.

Under the item-based revenue model, proceeds received from sales of game points to players, which can be converted into in-game currencies to purchase in-game items, are initially recorded as advances from customers as game points are refundable. As players convert game points into in-game currencies, proceeds received from sales of those game points are transferred from advances from customers to deferred revenues. Deferred revenues are recognized as revenues when in-game items purchased with in-game currencies are consumed by players over the estimated lives of such items. In addition to game points that we sell and distribute by ourselves, a portion of our game points are sold and distributed through third party vendors. As we do not have control and generally do not know the ultimate selling price of the prepaid game cards or game points sold by the distributors, net proceeds from distributors are recorded as advances from customers. Upon activation of the game cards or the game points, these advances from customers are immediately transferred to deferred revenues. For a description of our revenue recognition policy, see "— Critical Accounting Policies."

In addition, we entered into licensing arrangements with various licensees to operate our games in the PRC and in other countries and regions. These licensing agreements provide for two revenue streams: the initial fees and the usage-based royalty fees. In certain licensing arrangements, we provide free upgrades, maintenance support and training, which are our post-sale customer support, or PCS, for the first year. The licensees have the option to purchase PCS in subsequent years at specified renewal rates. In these arrangements, we allocate the initial fee into two parts. The first part represents the license of the game and is recognized as license revenue immediately upon the launch of the games in foreign countries or regions. The second part represents fees for the PCS and is recognized ratably over the contractual period of the PCS. In other licensing arrangements, we provide PCS over the full licensing period for no additional charge. In such cases, the total amount of the initial fee is recognized ratably over the full contractual licensing period.

According to our license agreements, we are also entitled to ongoing usage-based royalties determined based on the amount of fees charged to the players' accounts or services payable by players in a given country or region. The usage-based royalties are recognized when they are earned, provided that collection is probable.

Our Internet games revenues were US$118.1 million in 2014, of which 98.9% was generated from game operations and 1.1% was generated from licensing our Internet games to third party licensees.

Mobile Games Revenues

Our mobile games revenues were US$21.0 million, US$16.9 million and US$45.0 million in 2012, 2013 and 2014, respectively. Our mobile games revenues consist of (i) revenues from carrier billing channels, which are generated from mobile games operated on the PRC telecommunications operators' platforms, and (ii) revenues from non-carrier billing channel, which are collected from various Internet platforms, such as Xiaomi, 91 Wireless, 360 and Snappea. Mobile games revenues from carrier billing channel increased from US$10.1 million in 2013 to US$23.8 million in 2014 and mobile games revenues from non-carrier billing channel increased from US$6.8 million in 2013 to US$21.2 million in 2014. The increase in mobile games revenues from carrier billing channel in 2014 was primarily due to the launch of new mobile games, including self-developed smartphone games, on telecommunication operators' platforms. The increase in mobile games revenues from non-carrier billing channel in 2014 was primarily due to new smartphone games we launched on the Android and iOS platforms during 2014, including Rushing Three Kingdoms, My Princess is Cutest and Kuiba: the Rising of Warlord.

We generate a part of our mobile games revenues by distributing mobile games through the networks of China Mobile. As a percentage of our total mobile games revenues, mobile games revenues received through China Mobile accounted for 72.6%, 60.4% and 49.9% in 2012, 2013 and 2014, respectively. Due to our dependence on China Mobile for substantial portion of our mobile games revenues, our working relationship with China Mobile is critical to the operation of our mobile games business. For a description of risks related to our dependence on China Mobile, see "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — We depend on China Mobile and other PRC telecommunications operators for the part of our revenues, and any loss or deterioration of our relationship with these telecommunications operators may result in severe disruptions to our business operations and the loss of the majority of our revenues." We expect to supplement these streams of revenues in 2015 with revenues that we expect to generate from sales of our internally developed smartphone mobile games, which we distribute through digital distribution platforms, such as app stores developed by smartphone handset manufacturers.

WVAS Revenues

The following table sets forth the revenues attributable to each line of WVAS service in terms of amount and as a percentage of our total revenues for the periods indicated:

	For the year ended December 31,					
	2012		2013		2014	
	Amount	Percentage of revenues	Amount	Percentage of revenues	Amount	Percentage of revenues
	(in thousands of U.S. dollars, except percentages)					
SMS	US$ 38,647.6	21.4%	US$ 31,844.5	18.4%	US$ 31,923.0	14.0%
IVR	13,256.0	7.3	14,658.6	8.5	13,210.5	5.8
CRBT and others	18,810.9	10.4	14,645.0	8.4	17,993.5	7.9
WAP	2,651.6	1.5	709.0	0.4	364.7	0.2
MMS	3,346.2	1.9	1,096.1	0.6	968.0	0.4
Total WVAS revenues	US$ 76,712.3	42.5%	US$ 62,953.2	36.3%	US$ 64,459.7	28.3%

We generate our WVAS revenues from fees paid by mobile phone users who use our services through the networks of China Mobile, China Unicom and China Telecom. Our dependence on China Mobile decreased in 2014, as China Mobile continued to de-emphasize their WVAS businesses. As a percentage of our total WVAS revenues, WVAS revenues generated from China Mobile represented approximately 66.8% and 59.1% in 2013 and 2014, respectively. Due to our dependence on China Mobile for a substantial portion of our WVAS revenues, our working relationship with China Mobile is critical to the financial condition and results of operations of our WVAS business. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — We depend on China Mobile and other PRC telecommunications operators for the majority of our revenues, and any loss or deterioration of our relationship with these telecommunications operators may result in severe disruptions to our business operations and the loss of the majority of our revenues."

We allocate our WVAS resources based on the geographic concentration of our customers. Due to our customer base being primarily concentrated in the coastal regions of the PRC, we generally allocate more of our WVAS resources to these regions, including maintaining sales offices in most of the coastal regions of the PRC.

We recognize revenues derived from our services before deducting the service fees and the net transmission charges that we pay to the telecommunications operators. Fees for our services are charged on either a single-transaction or monthly subscription basis and vary according to the type of services delivered. For a description of our fees and arrangements with the telecommunications operators, see "Item 4 — Information on the Company — Our Business — Strategic Relationships — Telecommunications Operators." We recognize all revenues in the period in which the services are performed.

As telecommunications operators do not provide us with a detailed revenue breakdown on a service-by-service basis, we depend on our internal data management system to monitor revenues derived from each of our services. We make our business decisions, including research and development of new services and reallocation of resources to popular services, based on our internal data, taking into account other factors including strategic considerations. For a description of our revenue recognition policy, see "— Critical Accounting Policies."

The billing policies of the PRC telecommunications operators have historically had a significant impact on our WVAS revenues. In particular, China Mobile and its provincial subsidiaries have been implementing a series of policies designed to improve customer service and satisfaction. These policies include:

- not recognizing revenues to us and other service providers for MMS messages that cannot be delivered because of network or handset problems;
- canceling monthly subscriptions of customers who have not accessed their WVAS subscriptions for a certain period of time;
- implementing more complicated procedures for customers to confirm new subscriptions to certain WVAS; and
- removing from subscriber lists those customers who fail to pay China Mobile or the provincial subsidiaries, or who cannot be billed because they use pre-paid telecommunications service cards.

Additional measures implemented by China Mobile with respect to the billing of customers of WVAS on its network that have had a significant impact on our financial condition and results of operations include:

- for any new monthly subscriptions to WVAS, China Mobile sends customers two reminder notices prior to charging monthly subscription fees in the customers' monthly mobile phone bills, and customers must confirm twice, once in response to each reminder, that they wish to subscribe to those services on a monthly basis; previously, China Mobile sent one reminder notice immediately after a monthly subscription order was placed, and customers needed to confirm only once;

- customers enjoy a free trial period of 11 to 41 days, depending on the day of the month on which they place their monthly subscriptions; previously, customers enjoyed a free trial period of three to 11 days; and

- China Mobile cancels WAP monthly subscriptions that have not been active for more than four months.

The other PRC telecommunications operators have also implemented new policies requiring double confirmation of monthly subscriptions, and China Mobile sends notices of transmission fees to be incurred by using GPRS to the handsets of its customers when those customers launched their browsers, which discouraged some customers from purchasing our WAP products.

In addition, China Mobile has been implementing a series of measures targeted at further improving the user experience for mobile handset embedded services, in addition to the introduction of a new SMS code management system. Under these measures, WVAS that are embedded in handsets will be required to introduce additional notices and confirmations to end-consumers during the purchase of such services. In addition, services related to SMS short codes will be required to be more tailored to the specific service offerings or service partners. Previously, a single SMS code could be used for multiple service offerings or partners.

For a description of risks related to significant changes in the billing and service provider policies of the telecommunications operators, see "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — Significant changes in the policies or guidelines of China Mobile or other PRC telecommunications operators with respect to services provided by us could result in lower revenues or additional costs for us and materially and adversely affect our financial condition and results of operations."

Our WVAS revenues were US$76.7 million, US$63.0 million and US$64.5 million in 2012, 2013 and 2014, respectively. The continued decrease of our WVAS revenues over the past three years also reflects the decreased reliance by telecommunications operators on products of third party services providers such as our company, to generate revenues as well as their increased emphasis on data transmission to generate revenues. We believe such trends are likely to continue in the near future.

Cost of Revenues

Our cost of revenues includes Internet games cost of revenues, mobile games cost of revenues and WVAS cost of revenues.

Internet Games Cost of Revenues

Our Internet games cost of revenues consists mainly of revenue sharing paid to third party Internet game licensors, labor costs, warrant amortization, bandwidth leasing charges, depreciation and facility costs relating to equipment used to provide Internet games services. Total Internet games cost of revenues in 2012, 2013 and 2014 was US$39.5 million, US$45.5 million and US$61.4 million, respectively. As a percentage of our Internet games cost of revenues, revenue sharing paid to third party Internet game licensors accounted for 76.9%, 86.2% and 84.2% in 2012, 2013 and 2014, respectively. The increase in Internet games cost of revenues in 2014 was primarily due to increases in our overall Internet games business and associated revenue sharing and game license fees paid to third party Internet game licensors. We began acquiring licenses to operate Internet games from other Internet games developers in 2011, as part of our plan to grow our portfolio of licensed Internet games that complement our internally developed games. We expect our Internet games cost of revenues to increase in 2015 as we expect revenues generated from our licensed games such as the World of Tanks, the World of Warplanes and the Guild Wars 2 games to continue to be major drivers for growing our Internet games revenues in 2015. To a lesser extent, we expect our Internet games cost of revenues to increase in 2015 as a result of the launch of certain new games that we licensed in 2013.

Mobile Games Cost of Revenues

For carrier billing channel mobile games, our cost of revenues consists mainly of server trustee fee, testing fee and fees paid to telecommunication operators. For non-carrier billing channel mobile games, our cost of revenues consists mainly of revenue sharing with channel partners and license fees. Total mobile games cost of revenues in 2012, 2013 and 2014 was US$10.9 million, US$7.8 million and US$23.0 million, respectively. Total carrier billing channel mobile games cost of revenues increased by 70.5% from US$6.1 million in 2013 to US$10.3 million in 2014. This increase of cost of revenues is largely as a result of the increase of fees paid to telecommunication operators. Total non-carrier billing channel mobile games cost of revenues increased from US$1.7 million in 2013 to US$12.7 million in 2014. This significant increase in cost of revenues is largely as a result of the increase in revenue sharing with channel partners and the increase of license fees.

We expect our mobile games cost of revenues to increase as a percentage of our total mobile game revenue in 2015 as a result of additional fees paid for non-carrier distribution channels as well as increased licenses fees and revenue sharing in connection with licensed mobile games. We further expect our mobile games cost of revenues to correspondingly increase as a result of higher sales of our internally developed non-carrier billing channel mobile games, which we plan to distribute through digital distribution platforms, such as app stores developed by smartphone handset manufacturers.

We intend to develop internally our mobile games, which generally have higher profit margin. However, in order to expand our mobile games business and increase our market share, we also plan to actively identify quality mobile games to be acquired or licensed from third parties, which generally have lower profit margins.

WVAS Cost of Revenues

Our WVAS cost of revenues includes the following:

- Service fees payable by us to the telecommunications operators. In the case of China Mobile and its subsidiaries, service fees are generally 15% to 60% of the revenues, while in the case of China Unicom and China Telecom, service fees are in the range of 15% to 70%, varying according to the service platform. We are not obligated to pay the service fees to the telecommunications operators if customers cannot be billed or do not pay the telecommunications operators;

- Net transmission charges payable by us to the telecommunications operators, calculated as the number of messages we send to customers in any given month, minus the number of messages we receive from customers regarding our services in that month, and multiplied by a per-message transmission fee. We are obligated to pay the telecommunications operators the net transmission charges even if customers cannot be billed or do not pay the telecommunications operators;

- Payments to content providers for the use of their content, and to mobile handset manufacturers and other industry partners with whom we have cooperation arrangements, in the form of a fixed fee or a percentage of our aggregate net revenues received from the telecommunications operators with respect to services provided through the cooperation arrangements;

- Bandwidth leasing charges and depreciation and facility costs relating to equipment used to provide WVAS; and

- Depreciation and facility maintenance.

Our total WVAS cost of revenues in 2012, 2013 and 2014 was US$52.7 million, US$43.1 million and US$44.9 million, respectively. As a percentage of our WVAS revenues, our WVAS cost of revenues in 2012, 2013 and 2014 was 68.6%, 68.4% and 69.6%, respectively. In 2014, as a percentage of our WVAS cost of revenues, service fees to the telecommunications operators represented approximately 17.8%, payments to handset manufacturers represented approximately 2.5%, net transmission charges to the telecommunications operators represented approximately 3.2%, payments to content providers represented approximately 5.1%, payments to other cooperation partners represented approximately 38.4% and bandwidth leasing charges, depreciation and other facility costs represented approximately 2.6%.

Our WVAS cost of revenues slightly increased in 2014 principally as a result of the increase in service fees we paid to our content providers and media partners.

As part of our business strategy, we expect to continue to pursue more cooperation arrangements with business partners, such as handset manufacturers, because these arrangements make it easier for customers to access our products and services and are a cost-effective way to increase our market share as compared to traditional advertising. However, as we generally pay higher rates of service fees, in terms of percentages of revenues generated from cooperation arrangements, to such business partners than those paid to telecommunications operators, this strategy may result in a decrease in our gross profit margin.

Operating Expenses

	For the year ended December 31,					
	2012		2013		2014	
	Amount	Percentage of revenues	Amount	Percentage of revenues	Amount	Percentage of revenues
	(in thousands of U.S. dollars, except percentages)					
Product development	US$ 18,382.4	10.2%	US$ 26,401.7	15.2%	US$ 25,107.4	11.0%
Selling and marketing	24,586.0	13.6	26,674.0	15.3	42,522.7	18.7
General and administrative	11,629.3	6.4	8,976.2	5.2	12,564.6	5.5
Goodwill and intangible assets impairment loss	-	-	1,562.4	0.9	1,323.3	0.6
Total	US$ 54,597.7	30.2%	US$ 63,614.3	36.6%	US$ 81,518.0	35.8%

Product Development Expenses

Our product development expenses consist primarily of compensation and benefits for our product and development team. Our product development expenses in 2012, 2013 and 2014 were US$18.4 million, US$26.4 million and US$25.1 million, respectively. We expect our product development expenses to increase in 2015, as we continue to expand our offerings in Internet games and mobile games.

Sales and Marketing Expenses

Our sales and marketing expenses consist mainly of expenses associated with sponsoring promotional events and compensation and benefits for our sales, marketing and customer service teams. Our sales and marketing expenses in 2012, 2013 and 2014 were US$24.6 million, US$26.7 million and US$42.5 million, respectively. We expect our sales and marketing expenses to increase in 2015, as we plan to continue promoting our Internet and mobile games and launching several licensed Internet and mobile games in 2015.

General and Administrative Expense

Our general and administrative expenses consist primarily of compensation and benefits for general management, finance and administrative personnel, professional fees and other office expenses. Our general and administrative expenses in 2012, 2013 and 2014 were US$11.6 million, US$9.0 million and US$12.6 million, respectively. We expect our general and administrative expenses to increase if our business grows in future periods as we may also incur more expenses relating to employee compensation and other administrative and professional fees.

Impairment of Goodwill and Intangibles

In the annual goodwill impairment test conducted in December 2012, 2013 and 2014, the fair value of each reporting unit exceeded its carrying value. As a result, no goodwill impairment was recorded in 2012, 2013 or 2014.

As a result of the unsatisfactory performance of certain Internet games and uncertainty in the localization development of some other Internet games, the carrying amount of the relevant Internet game licenses we possessed in 2013 and 2014 exceeded the sum of undiscounted cash flows expected to generate from the use and eventual disposition of such licenses. Accordingly, we recognized an impairment loss of US$1.56 million and US$1.32 million, respectively, in 2013 and 2014.

Critical Accounting Policies

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Set forth below is a summary of our accounting policies that we believe are both important to the portrayal of our financial results and require us to make estimates and adjustments about the effect of matters that are inherently uncertain. Our critical accounting policies generally require us to make estimates or judgments that are difficult or subjective.

Revenue Recognition

Internet Games Revenues

We derive Internet games revenues primarily from Internet games operation revenues and licensing revenues. Normally, we earn Internet games operation revenues through providing Internet games services to players under an item-based revenue model, whereby players are able to play the Internet games free of charge for an unlimited amount of time, but are charged for purchasing in-game items, such as in-game performance-enhancing items, mechanized vehicles, clothing, accessories and pets. For Guild Wars 2, where the players need to pay an initial fee to access the games, we recognize the revenue from such initial access fees ratably throughout the estimated lives of the players in the games. Revenues from the sales of in-game items are recognized when the items are consumed by customers or over the estimated lives of the items.

The revenue recognition policy for the item-based games relies on the useful lives of various items associated with each of our item-based games. The in-game items have different life patterns: one-time use items, limited life items with useful life ranging from three days to 90 days and permanent life items. To determine whether an in-game item has a limited or permanent life, we consider whether such in-game items are offered with unlimited lasting benefit, which means that players may use such in-game items at will without any usage or time limits as long as such players are active. Limited life in-game items have usage or time limits while permanent life in-game items offer unlimited lasting benefit to the players. Revenues from the sales of one-time use in-game items are recognized upon consumption. Revenues from the sales of limited life in-game items are recognized ratably based on the extent of time passed until expiration. Revenues from the sales of permanent life in-game items are recognized ratably based on the estimated lives of the in-game items, which is the period during which the player is expected to continue to play the game. Revenue from initial fees for accessing the games is recognized ratably throughout the period during which the players are expected to play the game.

We take into account paying player behavior patterns in estimating the lives of permanent life in-game items, including the average period that the typical player plays our games based on log-on data, which are affected by various factors such as acceptance and popularity of the game, game updates and other in-game items, promotional events launched, future operating strategies and market conditions. Based on the above considerations for all active games, we have determined the estimated life for all permanent life in-game items is six months. We review, at least annually, the average playing periods of game players for all active games to determine if the six-month estimated life for permanent in-game items remains reasonable. Based on our latest review, such estimated life remains reasonable and has not changed over time. We revise our estimates as we continue to collect operating data and refine our estimation process and results accordingly. All paying users' data collected since the launch of the games are used to perform the relevant assessments. Historical behavior patterns of these paying users during the period between their first log-on date and last log-on date are used to estimate the lives of the permanent life in-game items.

Under the item-based revenue model, proceeds received from sales of game points to players, which can be converted into in-game currencies to purchase in-game items, are initially recorded as advances from customers as game points are refundable. As players convert game points into in-game currencies, proceeds received from sales of those game points are transferred from advances from customers to deferred revenues. Deferred revenues are recognized as revenues when in-game items purchased with in-game currencies are consumed by players over the estimated lives of such items. In addition to game points that we sell and distribute, we distribute and sell a portion of our game points through third party vendors. As we do not have control over and generally do not know the ultimate selling price of game points sold by third party vendors, net proceeds from sales of game points by vendors are recorded as advances from customers. These net proceeds are converted to deferred revenues and recognized as revenues in the same way we convert and recognize revenues as discussed in this paragraph.

We evaluate our cooperation arrangements with WarGaming and ArenaNet to determine whether to recognize our revenues of the World of Tanks, World of Warplane and Guild Wars 2 on a gross or net basis. Our determination is based upon an assessment of whether we act as principal or agent when providing our services. We have concluded that we act as principal in the arrangement. Factors that support our conclusion mainly include:

- we, instead of WarGaming and ArenaNet, are the primary obligor in the arrangement because we are responsible for the fulfillment and acceptability of the game;
- we have the sole latitude in establishing price;
- we are involved in designing the changes to the content of the game; and
- we are involved in the determination of content specifications of the game.

Based on these factors, we believe that recognizing our revenues of the World of Tanks, World of Warplanes and Guild Wars 2 on a gross basis is appropriate.

Mobile Games Revenues

The mobile games revenues consist of mobile games revenues from carrier billing channels and non-carrier billing channels. We recognize mobile games revenues from carrier billing channels for mobile games services provided on the platforms of PRC telecommunications operators. Mobile phone users download the mobile games in the same manner as they download WVAS, and we recognize revenues from such carrier billing channel mobile games services in the same way as we recognize WVAS revenues. Mobile phone users could also download games on Android platforms and we recognize revenues from such services in the same way as we recognize revenues from non-carrier billing channels. We recognize mobile games revenues from non-carrier billing channels for mobile games services provided on platforms such as global Android and iOS platforms. Mobile phone users download the mobile games on Android and iOS platforms. We adopt the item-based revenue model. The basic game play functions are free of charge, and players are charged for purchases of in-game items.

We record revenue generated from self-developed mobile games on a gross basis as we are acting as the principal and the primary obligor to end-users for the games distributed through digital storefronts. The principal agent consideration is based on an assessment of various factors, including but not limited to whether we (i) are the primary obligor in the arrangement; (ii) have latitude in establishing the selling price; (iii) change the product or perform part of the service and (iv) have involvement in the determination of product and service specifications.

WVAS Revenues

Our revenues are primarily derived from providing wireless interactive entertainment, media and community value-added services to customers of the PRC telecommunications operators. The fees for these services are determined by us in consultation with the telecommunications operators, are charged on a single-transaction basis or on a monthly subscription basis, and vary according to the type of services delivered.

We deliver WVAS to users through the networks of the telecommunications operators, and we rely upon the telecommunications operators to provide us with billing and collection services. We record revenues based on monthly statements from the telecommunications operators confirming the value of our services that they billed to users in the month. China Mobile and its provincial subsidiaries typically send such statements within 30 days after the end of each month.

The billing and collection cycles of China Unicom, China Telecom, China Netcom and their respective subsidiaries are generally longer than those of China Mobile. As a general matter, we receive statements from China Unicom within 120 days after the end of each month, and within 70 days after the end of each month from China Telecom and China Netcom. We cannot assure you that the length of the billing cycle will not increase further in the future.

Due to our past experience with the timing of receipt of the monthly statements from the operators, we expect that we may need to rely on our own internal estimates for the portion of our reported revenues and cost of revenues for which we will not have received monthly statements. In such an instance, our internal estimates would be based on our own internal data of expected revenues and related fees from services provided. As a result of reliance on our internal estimates, we may overstate or understate our revenues and cost of revenues for the relevant reporting period. Our internal estimates of revenues and cost of revenues for any period are subsequently adjusted in our financial reports when we actually receive the monthly statements for such period.

In 2013 and 2014, estimated revenues generally accounted for less than 5% of our reported quarterly revenues and less than 5% of our reported annual revenues. Our estimates are based on:

- our internal data management system;
- our past experience; and
- our verbal communications with the telecommunications operators.

We internally tabulate the value of a WVAS that we have provided based in part on service delivery confirmations sent to us by the PRC telecommunications operators. There has historically been a discrepancy between the value that we estimate and the value that we are entitled to receive based on the monthly statements provided by the telecommunications operators. This discrepancy varies across different technology platforms and arises for various reasons, including the following:

- *Late notification of delinquent customers*. The telecommunications operators may from time to time classify certain customers as delinquent customers for non-payment of services. The telecommunications operators would request all service providers to cease delivering services to customers once they are classified as delinquent. However, time lags often exist between when a customer is classified as delinquent and when we receive such information from the telecommunications operators. As a result, we occasionally provide services to these delinquent customers for which the telecommunications operators will not make any payments to us.

- *Customer database out of synchronization*. Customers may cancel their subscriptions through the telecommunications operators. Although we synchronize the customer information databases of the telecommunications operators with our databases on an ongoing basis, the databases are not always completely in synchronization. As a result, until our databases are synchronized with those of the telecommunications operators, we could provide services to customers who have cancelled their subscriptions, for which we are not entitled to receive payment.

- *Duplicate billing*. China Mobile typically generates system identification numbers to identify customers who use our WAP services, rather than using the actual mobile phone numbers. As a result, the platform operators may on occasion inadvertently generate multiple identification numbers for a mobile phone number. In such a case, the multiple bills generated need to be eliminated from the monthly statement the telecommunications operators provide to us.

- *Delivery failure*. When telecommunications operators send us delivery confirmations within 72 hours of our delivery of value-added services, the confirmations will indicate three possible outcomes: success, failure or unknown. Our internal system recognizes successful confirmations as services provided. As a result, discrepancies may exist between our records and the monthly statement provided by the telecommunications operators for confirmations marked as “unknown” where our services were successfully delivered or where the confirmation was incorrect.

The telecommunications operators remit to us amounts net of an allowance they have made for the doubtful debts in respect of the amounts due to us from our customers. They also net their fees for the services they provide to us, including billing and collection services, and net transmission charges from their remittances to us. Certain telecommunications operators do not provide an itemized analysis of their remittances, and as a result we are unable to determine what allowance, if any, for doubtful or bad debts should be recorded for our services delivered through such telecommunications operators. Accordingly, recognition of revenues is based upon the gross amounts reported on the telecommunications operators’ monthly statements to us, which are net of doubtful debts.

Due to the factors set forth above, we would multiply our internal tabulation of expected revenues from telecommunications operators from whom we have not received monthly statements by a realization factor applicable to the relevant telecommunications operator and service and determined according to the average discrepancy over the previous 12 months between our internal tabulations of expected revenues and the actual revenues based on the monthly statements. In addition, we also seek to verify the estimated revenues through discussions with the billing personnel of the telecommunications operators, although we cannot assure that we would be able to reduce the discrepancy between our revenue estimates and the revenues calculated by telecommunications operators and their subsidiaries.

In 2014, the average time from our receipt of statements from the telecommunication operators until they paid us the amounts due under such statements was approximately 60 days. We cannot assure you that our period to collect accounts receivables will not increase in the future.

We evaluate our cooperation arrangements with the telecommunications operators to determine whether to recognize our revenues on a gross basis or net of the service fees and net transmission charges paid to the telecommunications operators. Our determination is based upon an assessment of whether we act as a principal or agent when providing our services. We have concluded that we act as principal in the arrangement. Factors that support our conclusion mainly include:

- we are the primary obligor in the arrangement;
- we are able to establish prices within price caps prescribed by the telecommunications operators to reflect or react to changes in the market;
- we determine the service specifications of the services we will be rendering;
- we are able to control the selection of our content suppliers; and
- the telecommunications operators usually will not pay us if users cannot be billed or if users do not pay the telecommunications operators for services delivered and, as a result, we bear the delivery and billing risks for the revenues generated with respect to our services.

Based on these factors, we believe that recognizing revenues on a gross basis is appropriate. However, as noted above, our reported revenues are net of bad debt charges that have been deducted by the telecommunications operators.

Share-based Compensation Expense

Our share-based employee compensation plans are described in more detail under "Item 6 — Directors, Senior Management and Employees — Share Options." Share-based compensation to employees is measured based on the fair value of the equity instrument on its grant date. We recognize these compensation costs net of a forfeiture rate on a straight-line basis over the requisite service period of the award, which is generally the vesting period of the award. The forfeiture rate is estimated based on historical forfeiture data and will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change, which will impact the amount of share-based compensation expense to be recognized in future periods.

We adopted valuation models to determine the fair value of equity awards granted, which is generally expensed over the vesting period. Significant judgment on parameters, such as the estimated volatility of the underlying ordinary shares, is required to be made by our management in applying the models.

Capitalization and Impairment of Intangibles Related to Game Licenses

We purchased game licenses from both China and overseas game developers in 2012, 2013 and 2014. The consideration for these game licenses include cash, warrants exercisable into our ordinary shares and royalty payments. We capitalize the consideration for these game licenses and recorded the assets as definite life intangible assets at the fair value of the total consideration on the relevant transaction dates. We have estimated that the useful life of the intangible assets related to these game licenses is three years based on the useful life of other games that we have launched historically. We amortize the intangible assets over the useful life of three years starting from the commercial launch date of the game.

For purposes of recognition and measurement of an impairment loss, each intangible asset is considered the lowest level asset group that generates identifiable independent cash flows. As a result of the unsatisfactory performance of certain Internet games and uncertainty in the localization development of some other Internet games, the carrying amount of the relevant Internet game licenses we possessed in 2013 and 2014 exceeded the sum of undiscounted cash flows expected to generate from the use and eventual disposition of such licenses. Accordingly, we recognized an impairment loss of US$1.56 million and US$1.32 million, respectively, in 2013 and 2014, which were reported in impairment loss of intangible assets.

Impairment Loss on Cost Method Investment

We review our long-term investments for other-than-temporary impairment in accordance with relevant accounting literature, based on the specific identification method. We consider available quantitative and qualitative evidence in evaluating potential factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, and our intent and ability to hold the investment. In view of the declines of fair value below the carrying cost of certain long-term investments, we performed an evaluation to determine whether any of the declines were other-than-temporary. We did not recognize any impairment losses 2012. We recognized US$2 million in impairment losses on long-term investments in each of 2013 and 2014, primarily attributable to the long-term investments having been in a continuous loss-making position and failing to generate profit as contemplated at the time of our investments.

Consolidation of Variable Interest Entities

The applicable PRC laws, rules and regulations currently restrict foreign ownership of business entities providing value-added telecommunications services in the PRC. To comply with these laws, rules and regulations, we conduct substantially all of our business through our variable interest entities and their subsidiaries. We have, through two of our wholly-owned subsidiaries in the PRC, entered into contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang, Xinreli, BJXR and Dacheng, such that these entities are considered as our variable interest entities and we are considered as their primary beneficiary. As advised by our PRC counsel, Commerce & Finance Law Offices, the terms of each agreement under the contractual arrangements are currently exercisable and legally enforceable under the applicable PRC laws, rules and regulations. More specifically, we believe that, subject to compliance with applicable PRC laws, rules and regulations, we have the sole discretion under the contractual arrangements to designate and/or replace the shareholders, directors and senior management of these entities. As a result, we believe this gives us the power to direct the activities that most significantly impact the economic performance of these entities and their subsidiaries. We believe that we also have the right to receive substantially all of the economic benefits from these entities and their subsidiaries. Accordingly, as the primary beneficiary of these entities and in accordance with U.S. GAAP, we consolidate financial results and assets and liabilities of these variable interest entities into our consolidated financial statements.

We note that the PRC laws, rules and regulations governing the validity of the contractual arrangements with our variable interest entities are uncertain and the relevant government authorities may have broad discretion in interpreting these laws, rules and regulations. See “Item 3 — Key Information — Risk factors — Risks Relating to Our Corporate Structure—Our business and operations could be significantly disrupted, and we could be subject to sanctions, if the contractual arrangements between us and our consolidated variable interest entities that we depend on for operating our Internet games, mobile games and WVAS are found to be non-compliant with applicable PRC law” and “Item 3 — Key Information — Risk factors — Risks Relating to Our Corporate Structure — Our contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng may not be as effective in providing operational control as direct ownership of these businesses and may be difficult to enforce” and “Item 3 — Key Information — Risk factors — Risks Relating to Our Corporate Structure — The shareholders of our consolidated variable interest entities may have potential conflicts of interest with us, which may substantially disrupt our business.”

Goodwill

The excess of the purchase price over the fair value of net assets acquired is recorded on our consolidated balance sheet as goodwill. Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, such as a significant change in the prices of our ADSs. We perform our annual goodwill impairment test on December 31 of each fiscal year for all reporting units. Goodwill is tested following a two-step process. The first step compares the fair value of each reporting unit to its carrying amount, including goodwill. If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of goodwill to the carrying value of a reporting unit’s goodwill. The implied fair value of goodwill is calculated in the same manner that goodwill is calculated in a business combination, whereby the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit, with the excess purchase price over the amounts assigned to assets and liability representing the implied fair value of goodwill. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill.

As of December 31, 2012, 2013 and 2014, we had three reporting units: Internet games, mobile games and WVAS.

We estimate the fair value of our reporting units using the income approach valuation, which includes the discounted cash flow method, taking into consideration the market approach and certain market multiples as a validation of the values derived using the discounted cash flow methodology. The discounted cash flows for each reporting unit are based on discrete five-year financial forecasts developed by our management for planning purposes. Cash flows beyond the forecasted period and discrete forecasts are estimated using a terminal value calculation, which incorporates historical and forecasted financial trends for each reporting unit and considers long-term earnings growth rates for publicly traded peer companies. Publicly available information with respect to the market capitalization of our company is also considered in assessing the reasonableness of the aggregate fair value of our reporting units, estimated using the discounted cash flow methodology. No goodwill impairment was recorded in 2012, 2013 or 2014.

The following table sets forth the details of the goodwill impairment test as of December 31, 2014.

	Internet Games	Mobile Games	WVAS
	(in thousands of U.S. dollars, except percentages)		
Estimated fair value	278,354.3	46,903.1	31,541.1
Carrying value net	254,850.0	40,399.4	26,681.0
Percentage by which the fair value exceed or (below) the carrying value	9.2%	16.1%	18.2%
The carrying value of goodwill	67,044.6	20,827.3	2,147.2

In the annual goodwill impairment test conducted in December 2014, the fair value of each reporting unit substantially exceeded its carrying value. As a result, no goodwill impairment was recorded in 2014.

The principal assumptions made by management in determining goodwill impairment as of December 31, 2014 include the following:

- cash flow discount rates of 27%, 26% and 26% and terminal value growth rates of 3%, 3% and 1% were used for the Internet games, mobile games and WVAS units, respectively as of December 31, 2014;
- there will be no major changes in existing political, legal, fiscal and economic conditions in the PRC;
- except for the new enterprise income tax law that took effect on January 1, 2008, there will be no major changes in the current tax law of the PRC, and all applicable laws and regulations will be complied with;
- exchange rates and interest rates will not differ materially from those presently prevailing;
- each reporting unit will retain and have competent management, key personnel, and technical staff to support its ongoing operations;
- the availability of financing will not be a constraint on the forecasted growth of operations; and

- industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

As of December 31, 2014, the estimated fair values of the Internet games, mobile games and WVAS units were 9.2%, 16.1% and 18.2% in excess of their respective carrying values. We also performed a sensitivity analysis on the financial results of all of the reporting units. If the discount rate were to increase by 5% of the existing rate or the projected revenue growth rate for 2015 were to decrease by 5% of the existing rate, the fair value of each reporting unit is expected to continue to be higher than the carrying value of the respective reporting unit.

Please see “Risk Factors” for a discussion of risks and uncertainties that may adversely affect our growth and could have negative effect on the estimated fair value.

Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a certain period, we must include an expense within the tax provision in the statement of operations.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. The valuation allowance is based on our estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance, which could materially impact our financial condition and results of operations.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes. We have concluded that there were no significant uncertain tax positions requiring recognition in financial statements for the years ended December 31, 2012, 2013 and 2014. We did not incur any interest and penalties related to potential underpaid income tax expenses and also do not anticipate any significant increases or decreases in unrecognized tax benefits in the next 12 months. However, taxes relating to 2012 to 2014 remain subject to examination by the PRC tax authorities.

Business Combinations

We account for acquired businesses using the purchase method of accounting. The assets acquired, the liabilities assumed, and any non-controlling interest of the acquiree at the acquisition date, if any, are measured at their fair values as of that date. We adopted valuation models to determine the fair value of acquired assets and liabilities assumed. Significant judgment on parameters, such as fair value determined based on assumptions market participants would use in valuing comparable assets and liabilities, among others, is required to be made by our management in applying the models. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any non-controlling interest of the acquiree, if any, at the acquisition date over the fair value of the identifiable net assets acquired. Common forms of the consideration made in acquisitions include cash and common equity instruments. Consideration transferred in a business acquisition is measured at the fair value as of the date of acquisition. For shares issued in a business combination, we have estimated their fair value as of the date of acquisition.

Where the consideration in an acquisition includes contingent consideration, the payment of which depends on the achievement of certain specified conditions after the acquisition, the contingent consideration is recognized and measured at its fair value at the acquisition date. If recorded as a liability, it is subsequently carried at fair value with changes in fair value reflected in earnings.

Recently Adopted Accounting Standards

In March 2013, the FASB issued an authoritative pronouncement related to parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. When a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. However, this treatment does not apply to an equity method investment that is not a foreign entity. In those instances, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment. In addition, the amendments in this pronouncement clarify that the sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity (i.e., irrespective of any retained investment); and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events. The amendments in this pronouncement are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. Prior periods should not be adjusted. Early adoption is permitted. If an entity elects to early adopt the amendments, it should apply them as of the beginning of the entity's fiscal year of adoption. The adoption of this guidance did not have a significant effect on our consolidated financial statements.

In July 2013, the FASB issued an Accounting Standard Update ("ASU") which provides guidance on financial statement presentation of an unrecognized tax benefits when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current U.S. GAAP.

The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward, except as set forth in "– Recent Accounting Pronouncements Not Yet Adopted". The adoption of this guidance did not have a significant effect on our consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In April 2014, the FASB issued a new pronouncement which amends the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide information about the ongoing trends in a reporting organization's results from continuing operations. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. We do not expect the adoption of this guidance will have a significant effect on our consolidated financial statements.

In May 2014, the FASB issued a new pronouncement which affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement in this ASU.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted.

An entity should apply the amendments in this ASU using one of the following two methods:

1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:

    - For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.

    - For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

    - For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.

2. Retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application.

If an entity elects this transition method it should also provide the additional disclosures in reporting periods that include the date of initial application of the amount by which each financial statement line item is affected in the current reporting period by the application of this ASU as compared to the guidance that was in effect before the change.

We are currently evaluating the impact on our consolidated financial statements if this guidance is adopted.

In June 2014, the FASB issued a new pronouncement which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation – Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved.

The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted.

Entities may apply the amendments in this ASU either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this ASU as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. In addition, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. We do not expect the adoption of this guidance will have a significant effect on our consolidated financial statements.

In August, 2014, the FASB issued a new pronouncement which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Furthermore, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern." The new standard is effective for fiscal years ending after December 15, 2016. We do not expect the adoption of this guidance will have a significant effect on our consolidated financial statements.

In January 2015, the FASB issued a new pronouncement which eliminates from U.S. GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item.

If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item.

The FASB heard from stakeholders that the concept of extraordinary items causes uncertainty because it is unclear when an item should be considered both unusual and infrequent. Additionally, some stakeholders said that although users find information about unusual or infrequent events and transactions useful, they do not find the extraordinary item classification and presentation necessary to identify those events and transactions. Other stakeholders noted that it is extremely rare in current practice for a transaction or event to meet the requirements to be presented as an extraordinary item.

The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. We do not expect the adoption of this guidance will have a significant effect on our consolidated financial statements.

Results of Operations

Results of Operations for the Years Ended December 31, 2012, 2013 and 2014

The following table sets forth certain data from our consolidated results of operations for the periods indicated. This information should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this annual report.

	For the year ended December 31,					
	2012		2013		2014	
	Amount	Percentage of revenues	Amount	Percentage of revenues	Amount	Percentage of revenues
	(in thousands of U.S. dollars, except percentages)					
Revenues						
Internet games	$ 82,902.8	45.9%	$ 93,792.3	54.0%	$ 118,099.8	51.9%
Mobile games	20,971.0	11.6	16,908.3	9.7	45,036.4	19.8
WVAS	76,712.3	42.5	62,953.2	36.3	64,459.7	28.3
Total net revenues	180,586.1	100.0%	173,653.8	100.0%	227,595.9	100.0%
Cost of revenues						
Internet games	(39,539.8)	(21.9)%	(45,534.4)	(26.2)%	(61.443.1)	(27.0)%
Mobile games	(10,935.0)	(6.0)	(7,780.3)	(4.5)	(22,977.3)	(10.1)
WVAS	(52,655.5)	(29.2)	(43,085.2)	(24.8)	(44,858.6)	(19.7)
Total cost of revenues	(103,130.3)	(57.1)%	(96,399.9)	(55.5)%	(129,279.0)	(56.8)%
Gross profit						
Internet games	43,363.0	24.0%	48,257.9	27.8%	56,656.7	24.9%
Mobile games	10,036.0	5.6	9,128.0	5.3	22,059.1	9.7
WVAS	24,056.8	13.3	19,868.0	11.4	19,601.1	8.6
Total gross profit	77,455.8	42.9%	77,253.9	44.5%	98,316.9	43.2%
Operating expenses:						
Product development	(18,382.4)	(10.2)%	(26,401.7)	(15.2)%	(25,107.4)	(11.0)%
Selling and marketing	(24,586.0)	(13.6)	(26,674.0)	(15.3)	(42,522.7)	(18.7)
General and administrative	(11,629.3)	(6.4)	(8,976.2)	(5.2)	(12,564.6)	(5.5)
Impairment loss on goodwill	—	—	—	—	—	—
Impairment loss on intangible assets	—	—	(1,562.4)	(0.9)	(1,323.3)	(0.6)
Total operating expenses	(54,597.7)	(30.2)%	(63,614.3)	(36.6)%	(81,518.0)	(35.8)%
Government subsidies	301.4	0.1%	2,176.4	1.2%	1,138.9	0.5%
Income (loss) from operations	23,159.5	12.8	15,816.0	9.1	17,937.8	7.9
Interest income	5,231.3	2.9	6,764.0	3.9	8,864.7	3.9
Interest income from loans to third party	453.6	0.3	—	—	—	—
Interest expense	(262.7)	(0.1)	(693.3)	(0.4)	(895.0)	(0.4)
Impairment loss on cost method investment	—	—	(2,000.0)	(1.1)	(2,000.0)	(0.9)
Exchange gain (loss)	387.6	0.2%	1,487.3	0.9%	(217.6)	(0.1)
Investment income	261.5	0.1	—	—	—	—
Net income (loss) before income taxes	29,230.8	16.2%	21,374.0	12.3%	23,635.9	10.4%
Income taxes expense	(3,490.8)	(1.9)	(712.4)	(0.4)	(1,048.0)	(0.5)
Net income (loss)	$ 25,740.0	14.3%	$ 20,661.6	11.9%	$ 22,587.9	9.9%

Year ended December 31, 2014 compared to year ended December 31, 2013

Revenues. Our total revenues increased by 31.1% to US$227.6 million in 2014 from US$173.7 million in 2013. This increase was primarily due to revenues generated by newly launched Internet games, such as the Guild Wars 2 game and the World of Warplanes game, and newly launched mobile games, such as Rushing Three Kingdoms, My Princess is Cutest, and General Three Kingdoms, and the launch of more mobile games, including self-developed smartphone games, on telecommunication carriers' platforms.

Our Internet games revenues increased 25.9% to US$118.1 million in 2014 from US$93.8 million in 2013. This increase was mainly due to our releases of Guild Wars 2 and World of Warplanes to Internet game players in the PRC in 2014. In addition, the increase was also driven by the continued stable performance of World of Tanks in the PRC, as we continued to release new updates in 2014 for this massive multiplayer online game. We have established a strong long-term operating strategy to become a leader in the Chinese Internet games market through the War Saga Brand, Guild Wars 2 and other differentiated Internet games under development.

Our Internet games revenues are primarily derived from Internet games operation revenues and licensing revenues. We earn Internet games operation revenues through the provision of Internet games services to players under an item-based revenue model, whereby players are able to play the Internet games free of charge for an unlimited amount of time, or a small amount of initial access fee in the case of Guild Wars 2 game, but are charged for purchasing in-game items, such as in-game performance-enhancing items, mechanized vehicles, clothing, accessories and pets. For a detailed description of our revenue recognition policy on Internet games revenues, see "- Critical Accounting Policies – Revenue Recognition – Internet Games Revenues". Our Internet games licensing revenues decreased by 45.9% from US$2.5 million in 2013 to US$1.3 million in 2014. Revenues generated within the PRC increased to US$116.8 million in 2014 from US$91.3 million in 2013, representing approximately 98.9% and 97.4% of our total Internet games revenues in 2014 and 2013, respectively. The portion of our Internet games revenues derived outside the PRC includes both license fees and revenue share generated from the operation of our self-developed games by third party publishing partners. Revenues generated outside the PRC decreased by 45.9% to US$1.3 million in 2014 from US$2.5 million in 2013, representing approximately 1.1% and 2.6% of our Internet games revenues in 2014 and 2013, respectively.

Our mobile games revenues increased by 166.4% to US$45.0 million in 2014 from US$16.9 million in 2013. Our mobile games revenues consist of mobile games revenues from carrier billing channel and non-carrier billing channel. Mobile games revenues for carrier billing channel increased from US$10.1 million in 2013 to US$23.8 million in 2014 and mobile games revenues from non-carrier billing channel increased from US$6.7 million to US$21.2 million in 2014. The increase in mobile games revenues from carrier billing channel in 2014 was primarily due to the launch of more mobile games, including self-developed smartphone games, on telecommunication carriers' platforms. The increase in mobile games revenues from non-carrier billing channel in 2014 was primarily due to new self-developed and licensed smartphone games we launched on the Android and iOS platforms during 2014, including Rushing Three Kingdoms, My Princess is Cutest and Kuiba: the Rising of Warlord.

Our WVAS revenues increased by 2.4% to US$64.5 million in 2014 from US$63.0 million in 2013. The increase was mainly due to the stable performance of WVAS business.

Cost of Revenues. Our total cost of revenues increased by 34.1% to US$129.3 million in 2014 from US$96.4 million in 2013, representing 56.8% and 55.5% of our total revenues in 2014 and 2013, respectively. This increase was largely due to an increase in the volume of our mobile games business and associated fees paid to telecommunications operators in the PRC, revenue sharing with channel partners and license fees. In addition, the increase was also driven by the increase in our Internet games cost of revenues, which is mainly attributable to the increased license fees and revenue sharing with Internet game licensors.

Our Internet games cost of revenues increased by 34.9% to US$61.4 million in 2014 from US$45.5 million in 2013, representing 52.0% and 48.5% of our Internet games revenues in 2014 and 2013, respectively. The increase in our Internet games cost of revenues was primarily due to the increase in shared revenues paid to third party Internet games licensors, largely as a result of increases in the volume of our Internet games business. In particular, the increase in shared revenues paid to third party Internet games licensors was primarily due to increases in shared revenues relating to the World of Tanks game, the World of Warplanes game and the Guild Wars 2 game.

Our mobile games cost of revenues increased by 195.3% to US$23.0 million in 2014 from US$7.8 million in 2013. Total carrier billing channel mobile games cost of revenues increased by 70.5% from US$6.1 million in 2013 to US$10.3 million in 2014. This increase in cost of revenues is largely as a result of the increase in fees paid to telecommunications operators in the PRC. Total non-carrier billing channel mobile games cost of revenues increased from US$1.7 million in 2013 to US$12.7 million in 2014. This increase of cost of revenues is largely as a result of the increase in revenue sharing with channel partners and the increase in license fees.

Our WVAS cost of revenues increased by 4.1% to US$44.9 million in 2014 from US$43.1 million in 2013, representing 69.6% and 68.4% of our WVAS revenues in 2014 and 2013, respectively.

Gross Profit and Gross Margin. Our total gross profit increased by 27.3% to US$98.3 million in 2014 from US$77.3 million in 2013, mainly due to the increase in the volume of our Internet games and mobile games businesses, which was partially offset by the decreases in the volume of our WVAS business. Our gross margin decreased to 43.2% in 2014 from 44.5% in 2013, mainly due to the increase in shared revenues relating to licensed Internet games and increase in revenue sharing with channel partners and license fees for the non-carrier billing channel mobile games.

Our Internet games gross profit increased by 17.4% to US$56.7 million in 2014 from US$48.3 million in 2013, largely due to increases in the volume of our Internet games business, driven by increases in sales from in-game item purchases made by players of the World of Tanks game and the World of Warplanes game, and the initial access fee for the Guild Wars 2 game. Our Internet games gross margin decreased to 48.0% in 2014 from 51.5% in 2013, principally as a result of increases in shared revenues relating to the World of Tanks game, the World of Warplanes game and the Guild Wars 2 game, and decreases in the revenues of our self-developed Internet games.

Our mobile games gross profit increased by 141.7% to US$22.1 million in 2014 from US$9.1 million in 2013, largely due to increases in the volume of our mobile games business as a result of newly launched mobile games on Android and iOS platforms and the launch of more mobile games, including self-developed smartphone games, on telecommunication carriers platforms. Our mobile games gross margin decreased to 49.0% in 2014 from 54.0% in 2013, primarily due to the decrease in gross margin for non-carrier billing channel mobile games from 74.1% in 2013 to 40.2% in 2014 as a result of increases in revenue sharing to channel partners and in license fees, which is partially offset by the increase in gross margin for carrier billing channel mobile games from 40.5% in 2013 to 56.8% in 2014.

Our WVAS gross profit decreased by 1.3% to US$19.6 million in 2014 from US$19.9 million in 2013, primarily due to the decrease in our WVAS revenues relative to the decrease in our WVAS cost of revenues. Our WVAS gross profit margin decreased to 30.4% in 2014 from 31.6% in 2013.

Operating Expenses. Our operating expenses increased by 28.1% to US$81.5 million in 2014 from US$63.6 million in 2013, representing 35.8% and 36.6% our total revenues in 2014 and 2013, respectively.

Our product development expenses decreased by 4.9% to US$25.1 million in 2014 from US$26.4 million in 2013, representing 11.0% and 15.2% of our total revenues in 2014 and 2013, respectively. The decrease in our product and development expenses was primarily due to decreased software development expense and decreases in the number of our product development employees, which decreased to 620 as of December 31, 2014 from 747 as of December 31, 2013.

Our sales and marketing expenses increased by 59.4% to US$42.5 million in 2014 from US$26.7 million in 2013, representing 18.7% and 15.3% of our total revenues in 2014 and 2013, respectively. The increase in our sales and marketing expenses was mainly due to increased sales and marketing activity associated with our newly launched Internet games such as Guild Wars 2 game and World of Warplanes game, and mobile games operated on smartphones.

Our general and administrative expenses increased by 40% to US$12.6 million in 2014 from US$9.0 million in 2013, representing 5.5% and 5.2% of our total revenues in 2014 and 2013, respectively. The increase in our general and administrative expenses was primarily due to the increase in average salaries for our employees/staff. In addition, our increased investment activities in 2014 also resulted in an increase in legal and consulting fees.

Income Tax. Our income tax increased to US$1.0 million in 2014 from US$0.7 million in 2013, primarily reflecting the increase in our taxable income.

Net income. As a result of the foregoing, we had net income of US$22.6 million in 2014 compared to a net income of US$20.7 million in 2013.

Year ended December 31, 2013 compared to year ended December 31, 2012

Revenues. Our total revenues decreased by 3.8% to US$173.7 million in 2013 from US$180.6 million in 2012. This decrease was primarily due to a decrease in revenues generated from our mobile games and WVAS businesses.

Our Internet games revenues increased 13.1% to US$93.8 million in 2013 from US$82.9 million in 2012. This increase was driven largely by significant growth in revenues generated from the operation of our massive multiplayer online game, the World of Tanks game, in the PRC, which saw an increase in sales of in-game items purchased by the World of Tanks game players. Our Internet games revenues are primarily derived from Internet games operation revenues and licensing revenues. We earn Internet games operation revenues through the provision of Internet games services to players under an item-based revenue model, whereby players are able to play the Internet games free of charge for an unlimited amount of time, but are charged for purchasing in-game items, such as in-game performance-enhancing items, mechanized vehicles, clothing, accessories and pets. For a detailed description of our revenue recognition policy on Internet games revenues, see "- Critical Accounting Policies – Revenue Recognition – Internet Games Revenues". Our Internet games licensing revenues decreased by 52.5% from US$5.2 million in 2012 to US$2.5 million in 2013. Revenues generated within the PRC increased to US$91.3 million in 2013 from US$77.7 million in 2012, representing approximately 97.4% and 93.7% of our total Internet games revenues in 2013 and 2012, respectively. This increase was primarily attributable to increases in transaction volumes from sales of in-game items of the World of Tanks game. The portion of our Internet games revenues derived outside the PRC includes both license fees and revenue share generated from the operation of our self-developed games by third party publishing partners. Revenues generated outside the PRC decreased by 52.5% to US$2.5 million in 2013 from US$5.2 million in 2012, representing approximately 2.6% and 6.3% of our Internet games revenues in 2013 and 2012, respectively.

Our mobile games revenues decreased by 19.4% to US$16.9 million in 2013 from US$21.0 million in 2012. This decrease was mainly due to the adoption by China Mobile of measures similar to those that have affected our WVAS business, as described above, and China Mobile's decision to de-emphasize its subscription-based mobile games download services. In addition, the decrease in our mobile games revenues was also attributable to an overall shift in the tastes and preferences of consumers in China from traditional feature phone mobile games, which are mainly Java-based, to mobile games that are developed for smartphone platforms, such as Android and iOS mobile games. Also, as we restructured our smartphone game development team in the first half of 2013, new smartphone games were only launched during the second half of 2013, which contributed to the decrease in revenues from smartphone games in 2013. For a description of risks related to significant changes in service provider policies of the telecommunications operators, see "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — Significant changes in the policies or guidelines of China Mobile or other PRC telecommunications operators with respect to services provided by us could result in lower revenues or additional costs for us and materially and adversely affect our financial condition and results of operations." For a description of risks related to uncertainties in the PRC mobile games market, see "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — Our mobile games business has a short operating history, and the mobile games market in the PRC is subject to many uncertainties."

Our WVAS revenues decreased by 17.9% to US$63.0 million in 2013 from US$76.7 million in 2012. The decrease was mainly due to policies implemented by the PRC telecommunications operators since late 2010, including those policies which resulted in the suspension of billing on WAP and G+ mobile games by China Mobile and other PRC telecommunications operators on behalf of third party service providers of such services. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Business — Significant changes in the policies or guidelines of China Mobile or other PRC telecommunications operators with respect to services provided by us may result in lower revenues or additional costs for us and materially and adversely affect our financial condition and results of operations."

Cost of Revenues. Our total cost of revenues decreased by 6.5% to US$96.4 million in 2013 from US$103.1 million in 2012, representing 55.5% and 57.1% of our total revenues in 2013 and 2012, respectively. This decrease was largely due to a decrease in the volume of our mobile games business and WVAS business and associated service fees we paid to our content providers, media partners and telecommunications operators, which was partially offset by an increase in the Internet games cost of revenues.

Our Internet games cost of revenues increased by 15.2% to US$45.5 million in 2013 from US$39.5 million in 2012, representing 48.5% and 47.7% of our Internet games revenues in 2013 and 2012, respectively. The increase in our Internet games revenues was primarily due to the increase in shared revenues paid to third party Internet games licensors, largely as a result of increases in the volume of our Internet games business. In particular, the increase in shared revenues paid to third party Internet games licensors was primarily due to increases in shared revenues relating to the World of Tanks game.

Our mobile games cost of revenues decreased by 28.8% to US$7.8 million in 2013 from US$10.9 million in 2012, representing 46.0% and 52.1% of our mobile games revenues in 2013 and 2012, respectively. The decrease in our mobile games cost of revenues was primarily due to decreases in service fees and net transmission charges paid to the telecommunications operators, as a result of decreases in our overall mobile games business. To a lesser extent, the decrease in our mobile games cost of revenues was also due to increasing contribution of our lower cost self-developed smartphone games, which we launch on Android and iOS platforms. Smartphone games, unlike feature phone games, incur service fees on Android and iOS distribution platforms which are generally less than those charges paid to the telecommunications operators as a percentage of revenues.

Our WVAS cost of revenues decreased by 18.2% to US$43.1 million in 2013 from US$52.7 million in 2012, representing 68.4% and 68.6% of our WVAS revenues in 2013 and 2012, respectively.

Gross Profit and Gross Margin. Our total gross profit decreased by 0.3% to US$77.3 million in 2013 from US$77.5 million in 2012, mainly due to the decrease in the volume of our mobile games and WVAS businesses, which was partially offset by the increases in the volume of our Internet games business. Our gross margin increased to 44.5% in 2013 from 42.9% in 2012.

Our Internet games gross profit increased by 11.3% to US$48.3 million in 2013 from US$43.4 million in 2012, largely due to increases in the volume of our Internet games business, driven by increases in sales from in-game item purchases made by the World of Tanks game players and our successful operation of the World of Tanks game. Our Internet games gross margin decreased to 51.5% in 2013 from 52.3% in 2012, principally as a result of increases in shared revenues relating to the World of Tanks game, and decreases in the revenues of our self-developed Internet games.

Our mobile games gross profit decreased by 9.0% to US$9.1 million in 2013 from US$10.0 million in 2012, largely due to decreases in the volume of our mobile games business, as a result of the adoption by China Mobile of measures similar to those that have affected our WVAS business, as described above, and China Mobile's decision to de-emphasize its subscription-based mobile games download services. Our mobile games gross margin increased to 54.0% in 2013 from 47.9% in 2012, primarily due to the growth of our self-developed smartphone games.

Our WVAS gross profit decreased by 17.4% to US$20.0 million in 2013 from US$24.1 million in 2012, primarily due to the decrease in our WVAS revenues relative to the decrease in our WVAS cost of revenues. Our WVAS gross profit margin increased to 31.6% in 2013 from 31.4% in 2012.

Operating Expenses. Our operating expenses increased by 16.5% to US$63.6 million in 2013 from US$54.6 million in 2012, representing 36.6% and 30.2% of our total revenues in 2013 and 2012, respectively.

Our product development expenses increased by 43.6% to US$26.4 million in 2013 from US$18.4 million in 2012, representing 15.2% and 10.2% of our total revenues in 2013 and 2012, respectively. The increase in our product and development expenses was primarily due to increased software development expense and increases in the number of our product development employees, which increased to 747 as of December 31, 2013 from 698 as of December 31, 2012.

Our sales and marketing expenses increased by 8.5% to US$26.7 million in 2013 from US$24.6 million in 2012, representing 15.3% and 13.6% of our total revenues in 2013 and 2012, respectively. The increase in our sales and marketing expenses was mainly due to increased sales and marketing activity associated with our Internet games and mobile games operated on smartphones.

Our general and administrative expenses decreased by 22.8% to US$9.0 million in 2013 from US$11.7 million in 2012, representing 5.2% and 6.4% of our total revenues in 2013 and 2012, respectively. The decrease in our general and administrative expenses was primarily due to our share options granted to general and administrative employees being mostly vested in 2012, leading to a decrease in our share based compensation expenses in 2013.

Income Tax. Our income tax decreased to US$0.7 million in 2013 from US$3.5 million in 2012, primarily reflecting the decrease in our taxable income.

Net income. As a result of the foregoing, we had net income of US$20.7 million in 2013 compared to a net income of US$25.7 million in 2012.

Liquidity and Capital Resources

Cash Flows and Working Capital

The following table sets forth our cash flows with respect to operating, investing and financing activities for the periods indicated.

	For the year ended December 31,		
	2012	2013	2014
	(in thousands of U.S. dollars)		
Net cash provided by operating activities	US$ 46,655.9	US$ 35,729.5	US$ 31,069.3
Net cash used in investing activities	41,206.8	43,944.6	32,117.6
Net cash used in (provided by) financing activities	14,313.0	(8,956.8)	16,914.8
Effect of exchange rate changes	47.1	1,991.3	(371.4)
Net (decrease) increase in cash and cash equivalents	(8,816.8)	2,733.0	(18,334.5)
Cash and cash equivalents, beginning of year	129,511.5	120,694.7	123,427.7
Cash and cash equivalents, end of year	US$ 120,694.7	US$ 123,427.7	US$ 105,093.2

Our primary source of liquidity is cash flow from operating activities. As of December 31, 2013 and December 31, 2014, our cash and cash equivalents were US$123.4 million and US$105.1 million, respectively.

We do not bill or collect payment from users of carrier billing channel mobile games and WVAS directly, but instead depend on the billing systems and records of China Mobile and other PRC telecommunications operators to record the volume of such services provided, charge our customers, collect payments and remit payments to us less transmission fees and service fees. If China Mobile or any other PRC telecommunications operator ceases to continue cooperating with us, we would have to explore further cooperation with other telecommunications service providers and/or explore alternative billing systems to collect payments from customers.

Net cash provided by operating activities decreased to US$31.1 million in 2014 from US$35.7 million in 2013. This decrease was primarily due to a decrease in cash provided by our WVAS business. Net cash provided by operating activities decreased to US$35.7 million in 2013 from US$46.7 million in 2012. This decrease was primarily due to a decrease in cash provided by our mobile games and WVAS business.

Net cash used in investing activities decreased to US$32.1 million in 2014 from US$43.9 million in 2013. This decrease was primarily due to a decrease of US$68.5 million in the purchase of held-to-maturity securities, which was partially offset by an increase of US$27.4 million in restricted cash and by our acquisition of a minority interest in Lianzhong for a total consideration of approximately US$16.3 million. Net cash used in investing activities increased to US$43.9 million in 2013 from US$41.2 million in 2012. This increase was primarily due to an increase of US$33.0 million in the purchase of held-to-maturities securities and an increase of US$4.1 million in term deposits, which was offset by a deposit of RMB225 million, or US$35.5 million, that we made with the Bank of Communications to guarantee a standby letter of credit in connection with our licensing of Guild Wars 2 from ArenaNet in 2012.

Net cash used in financing activities was US$16.9 million in 2014, compared to net cash provided by financing activities of US$9.0 million in 2013. The increase of net cash used in financing activities was primarily due to an increase of US$41.0 million in dividends paid to shareholders, an increase of US$15.2 million in deferred payments for intangible assets and a decrease of US$21.9 million in proceeds from the exercise of warrants to purchase our ordinary shares by third parties. These amounts were partially offset by an increase of US$33.4 million in the proceeds from bank borrowings. Net cash provided by financing activities was US$9.0 million in 2013, compared to net cash of US$14.3 million used in financing activities in 2012. The increase of net cash provided by financing activities was primarily due to proceeds of US$27.8 million from the exercise of warrants by NGP, FitRun and Wargaming, respectively. In September 2013, each of NGP and FitRun exercised a warrant to purchase 40 million of our ordinary shares at a purchase price of US$0.125 per share. In May 2013, Wargaming exercised a warrant to purchase 120 million of our ordinary shares at a purchase price of US$0.1485 per share.

We believe that our current cash and cash equivalents and cash flow from operations will be sufficient to meet our anticipated cash needs, including for working capital purposes, capital expenditures and various contractual obligations, for at least the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If these sources are insufficient to satisfy our cash requirements, we may seek to sell additional debt securities or equity or to obtain a credit facility. The sale of additional convertible debt securities or equity securities could result in additional dilution to holders of our ordinary shares and ADSs. The incurrence of indebtedness would result in incurring debt service obligations, which could result in operating and financial covenants that would restrict our operations. We currently do not have any lines of credit or loans with any commercial banks. As a result, we are unlikely to rely on any bank loans to meet our liquidity needs. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

We are a holding company with no operations of our own. Our operations are conducted through Beijing AirInbox, Beijing WINT, BJXR, Beijing Chengxitong, Mailifang, Xinreli and Dacheng and their subsidiaries in the PRC. See "Item 4 — Information on the Company — Our Corporate Structure" for a summary of these contractual arrangements. In 2014, our consolidated variable interest entities accounted for an aggregate of 95.7% of our total revenue. As of December 31, 2014, our consolidated variable interest entities accounted for an aggregate of 48.8% of our total assets and 54.9% of our total liabilities. The assets not associated with our consolidated variable interest entities primarily consist of cash and cash equivalents, goodwill, intangible assets and loans to third parties.

As a holding company, our ability to pay dividends and other cash distributions to our shareholders depends in part upon dividends and other distributions paid to us by our wholly-owned subsidiaries in the PRC. The amount of dividends paid by our wholly-owned subsidiaries to us primarily depends on the service fees paid to such subsidiaries by Beijing AirInbox, Beijing WINT, BJXR, Beijing Chengxitong, Mailifang, Xinreli and Dacheng, and, to a lesser degree, the retained earnings of such subsidiaries. As of December 31, 2014, the total amount of service fees payable to our wholly-owned subsidiaries from our consolidated variable interest entities under the service agreements was US$12.7 million. Conducting our operations through contractual arrangements with our consolidated variable interest entities entails a risk that we may lose the power to direct the activities that most significantly affect the economic performance of our consolidated variable interest entities, which may result in our being unable to consolidate their financial results with our financial results and may impair our access to their cash flow from operations and thereby reduce our liquidity. See "Item 3 — Key Information — Risk Factors—Risks Relating to Our Corporate Structure — Our contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng may not be as effective in providing operational control as direct ownership of these businesses and may be difficult to enforce" and "Item 3 — Key Information — Risk Factors — Risks Relating to Our Corporate Structure — Our business and operations could be significantly disrupted, and we could be subject to sanctions, if the contractual arrangements between us and our consolidated variable interest entities that we depend on for operating our Internet games, mobile games and WVAS businesses are found to be non-compliant with applicable PRC law."

If our subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends to us. In addition, PRC legal restrictions permit payment of dividends to us by our subsidiaries only out of the net income from our subsidiaries, if any, determined in accordance with PRC accounting standards and regulations. Under PRC law, our subsidiaries are required to set aside no less than 10% of their respective after-tax net income each year as reserve funds unless such reserve funds, after making up losses of preceding years, have reached 50% of their respective registered capital, and these reserve funds are not distributable as cash dividends. See "Item 3 — Key Information — Risk Factors — Risks Relating to Our Corporate Structure — The dividends and other distributions on equity we may receive from our subsidiaries are subject to restrictions under PRC law or agreements that our subsidiaries may enter into with third parties." In addition, our subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with accounting standards and regulations applicable to such subsidiaries.

Indebtedness

In October 2014, we received a loan of US$42.4 million from Hang Seng Bank to finance our general offshore working capital, including dividend payment, offshore procurement and mergers and acquisitions. We used US$41.0 million of the net proceeds from this loan to finance a special one-time cash dividend distribution declared on October 17, 2014 and paid to ADS holders on November 10, 2014.

We intend to meet the majority of our future funding needs through cash flow generated from operating activities and our current cash and cash equivalents. Our treasury objective is to maintain the safety and liquidity of our cash. Substantially all of our cash and cash equivalents are denominated in Renminbi.

Except as described above, as of December 31, 2014, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or purchase commitments, guarantees or other material contingent liabilities.

Contractual Obligations and Commercial Commitments

The following table sets forth our contractual obligations as of December 31, 2014:

	Payments due by period				
	Total	Less than 1 year	1-3 years	Within 3-5 years	More than 5 years
	(in thousands of U.S. dollars)				
License Fee Obligations[1]	US$ 22,253.7	US$ 12,253.7	US$ 10,000	US$ -	US$ -
Operating Lease Obligations	6,311.2	4,010.6	2,254.5	46.1	-
Purchase Obligations	943.1	833.2	106.1	3.8	-
Total	US$ 29,508.0	US$ 17,097.5	US$ 12,360.6	US$ 49.9	US$ -

[1] The amount includes the outstanding payment obligations of US$20 million in minimum guaranteed royalty fee to ArenaNet for an exclusive PRC license relating to the Guild Wars 2 game. The US$10 million of the royalty fee is expected to be paid in less than one year, and the remaining US$10 million of the royalty fee is expected to be paid within one to three years. There is no cancellation provision under the license agreement.

Capital Expenditures

Our total capital expenditures in 2012, 2013 and 2014 were US$14.6 million, US$13.1 million and US$25.0 million, respectively. The increase in capital expenditure in 2014 from 2013 was primarily due to deferred payments for license fee and minimum guarantee for Guild Wars 2. The decrease in capital expenditure in 2013 from 2012 was primarily due to a decrease in the purchase of intangible assets in 2013. We did not have any material commitment for capital expenditures as of December 31, 2014. We currently do not have any material capital expenditures in progress.

Our capital expenditures are spent primarily on license fees, servers, computers, office equipment, leasehold improvement and vehicles. In general, there is a positive correlation between our revenues and the amount of traffic that passes through our servers and transmission equipment. From time to time we need to purchase additional servers and transmission equipment as a result of increased business traffic. Our purchase of personal computers is primarily driven by headcount increases.

As the telecommunications operators do not provide us with detailed revenue breakdown on a service-by-service basis, we depend on our internal database system to monitor revenues derived from each of our services that are delivered through the telecommunications operators. We make our business decisions based on our internal data, taking into account other factors, including strategic considerations.

Off-balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as shareholders' equity, or that are not reflected in our 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. Moreover, we do not have any variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Taxation

Cayman Islands

The Cayman Islands currently do not levy any taxes on individuals or corporations based upon profits, income, gains or appreciation, and there is no taxation in the nature of an inheritance tax or estate duty. In addition, pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Council that (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to us or our operations and (ii) no tax to be levied on profits, income gains or appreciations or which is in the nature of an estate duty or inheritance tax shall be payable by us on or in respect of our shares, debentures or other obligations or by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision). This undertaking is for a period of 20 years from May 21, 2002.

PRC

Our PRC subsidiaries and operating companies are subject to the New EIT Law, which ordinarily imposes a tax rate of 25% on all enterprises (other than individual proprietorships and partnerships). However, under the New EIT Law and its implementation rules, "high-and-new technology enterprises strongly supported by the State," or HNTE, are entitled to a preferential tax rate of 15%, and "software enterprises" are entitled to an income tax exemption for two years beginning with their first profitable year and a 50% tax reduction to a rate of 12.5% for the subsequent three years. HNTE status allows qualifying PRC-based enterprises to use a 15% tax rate for three years, renewable for an additional three-year period if the business operations of these enterprises continue to qualify for HNTE status. In 2008, KongZhong Beijing, Beijing AirInBox, BJXR and Tianjin Mammoth were granted HNTE status by the PRC tax authority under the New EIT Law. KongZhong China, Beijing Chengxitong and Beijing WINT were subsequently granted HNTE status in 2009. In addition, KongZhong China, Beijing WINT, Beijing Chengxitong and BJXR were also granted 50% tax relief in 2009. In 2014, each of KongZhong Beijing, Beijing AirInbox, BJXR and Tianjin Mammoth renewed its HNTE status for an additional six-year period. In 2012, each of KongZhong China, Beijing Chengxitong and Beijing WINT renewed its HNTE status for an additional three-year period. In addition, the PRC tax authority also granted Xinreli and Dacheng, in 2010 and 2011, respectively, an income tax exemption for two years and a 50% tax relief for three years thereafter. According to the Administrative Measures for the Determination of High and New Technology Enterprises promulgated by Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on April 14, 2008, PRC-based enterprises that have already enjoyed HNTE status for six years must reapply for HNTE status at the end of the second three-year period. As of December 31, 2014, Beijing AirInbox, KongZhong China, Dacheng, Xinreli, Brilliant Game and Tianjin Mammoth were qualified as "software enterprise" by the local industry and information technology department. For risks relating to the discontinuation of any of the preferential tax treatments or the renewal of HNTE status, see "Item 3 — Key Information — Risk Factors — Risks Relating to the PRC — The discontinuation of any of the preferential tax treatments available to us in the PRC or the rejection of our application for preferential tax treatments could adversely affect our business, operating results and financial condition."

Under the New EIT Law, enterprises are classified as either resident or non-resident. A resident enterprise refers to one that is incorporated under the PRC law or under the law of a jurisdiction outside the PRC with its "de facto management organization" located within the PRC. Non-resident enterprise refers to one that is incorporated under the law of a jurisdiction outside the PRC with its "de facto management organization" located also outside the PRC, but which has either set up institutions or establishments in the PRC or has income originating from the PRC without setting up any institution or establishment in the PRC. Under the New EIT Implementation Regulation, "de facto management organization" is defined as the organization of an enterprise through which substantial and comprehensive management and control over the business, operations, personnel, accounting and properties of the enterprise are exercised. Under the New EIT Law and the New EIT Implementation Regulation, a resident enterprise's global net income will be subject to a 25% EIT rate. Uncertainties exist with respect to how the New EIT Law applies to our overall operations and, more specifically, with respect to the determination of tax residency for certain of our legal entities incorporated outside the PRC. We do not believe that our legal entities incorporated outside the PRC should be treated as residents under the New EIT Law. The SAT Notice 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located in the PRC. However, the SAT Notice 82 applies only to offshore enterprises controlled by PRC enterprises, not those invested in by PRC individuals, like our company. Currently there are no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining the "de facto management body" for a company of our type. If the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we would be subject to a 25% enterprise income tax on our global income, which may significantly increase our tax burden and could materially and adversely affect our financial condition and results of operations.

In addition, the New EIT Law and the New EIT Implementation Regulation provide that, in some circumstances, an income tax rate of 10% would be applied to dividends payable to foreign investors. However, dividend income received by a resident enterprise from another resident enterprise is exempted from the EIT. Under the New EIT Law and the New EIT Implementation Regulation, a non-resident enterprise's net income originating from "sources within the PRC" will be subject to a 10% EIT rate. Under the New EIT Implementation Regulation, whether a dividend payment constitutes income from "sources within the PRC" is determined by the location of the enterprise which pays the dividend. The income tax rate on dividends from the PRC payable to a non-PRC-resident enterprise is 10%. As a result, KongZhong Beijing and KongZhong China may be required to withhold all or part of such income tax when paying us dividends. The aggregate undistributed earnings of our subsidiaries and our PRC operating companies and their subsidiaries that are available for distribution to us as of December 31, 2014 are considered to be indefinitely reinvested and, accordingly, no provision has been made for the dividend withholding taxes that would be payable upon the distribution of those amounts to us under the New EIT Law and New EIT Implementation Regulation. The PRC tax authorities have also clarified that distributions made out of retained earnings derived from income before January 1, 2008 will not be subject to such withholding tax. See "Item 3 — Key Information — Risk Factors — Risks Relating to the PRC — We may be subject to PRC income tax on our global income, or dividends we receive from our PRC subsidiaries may be subject to PRC withholding tax, depending on whether we are recognized as a resident enterprise in the PRC."

Moreover, our revenues are subject to sales taxes. Since August 2003, each of Beijing AirInbox, Beijing Boya Wuji, Beijing WINT, Beijing Chengxitong, BJXR, Simlife Beijing, Beijing Shiyuan Leya, Mailifang, Xinreli, Zhulang and Dacheng is subject to a 3% business tax for WVAS, an aggregate of 8% in sales tax and cultural business construction fee for mobile advertising services and a 5% business tax for other services. Each of KongZhong Beijing, KongZhong China and Tianjin Mammoth is subject to a 5% sales tax. In future periods, we expect that a substantial portion of our revenues will be generated through Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng. In addition, pursuant to the arrangements that KongZhong Beijing has entered into with each of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang and Xinreli and that KongZhong China has entered into with each of BJXR and Dacheng, each of Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Mailifang, Xinreli, BJXR and Dacheng pays us service fees. The amount of such payments will be subject to the 5% business tax payable by KongZhong Beijing and KongZhong China. See "Item 7 — Major Shareholders and Related Party Transactions — Related Party Transactions."

On January 1, 2012, the State Council of the PRC officially launched a pilot value-added tax reform program, or the pilot program, applicable to businesses in selected industries. Businesses subject to the pilot program would pay value-added taxes instead of business taxes. Commencing on August 1, 2013, the pilot program was expanded to cover all regions in the PRC. Commencing on June 1, 2014, the telecommunications industry as a whole was included in the pilot program. Certain of our subsidiaries and variable interest entities have been subject to the pilot program since late 2012. For example, from September 2012 to December 2013, Beijing AirInbox was subject to a 3% or 5% business tax for Internet games, mobile games and WVAS. Since January 2014, Beijing AirInbox has been subject to a 6% value-added tax and 3% cultural business construction fee for Internet games, mobile games and WVAS. Since December 31, 2013, each of Dacheng, Brilliant Game, KongZhong Beijing, KongZhong China, Beijing WINT and Beijing Shiyuan Leya has been subject to a 6% value-added tax; and each of Beijing Chengxitong, BJXR, Beijing Boya Wuji, Beijing Yin'ao, Beijing Shangshu, Tianjin Mammoth and Simlife Beijing has been subject to a 3% value-added tax. Since June 2014, each of Beijing Chengxitong, BJXR, Tianjin Mammoth and Zhulang has been subject to a 6% value-added tax.

PRC business tax is levied on PRC taxable revenues as defined by the related PRC tax rules and regulations. We have calculated our PRC taxable revenues after deducting certain costs of revenues, including service fees, transmission charges payable to the telecommunications operators and business cooperation fees. We believe that our calculation of our PRC taxable revenues is consistent with PRC tax rules and regulations. However, we cannot assure you that PRC tax authorities in the future will not require changes in our calculation of taxable revenues for historical periods, which could have a material adverse effect on our financial condition and results of operations.

On December 10, 2009, the SAT issued Notice on Strengthening the Management of Enterprise Income Tax Collection of Proceeds from Equity Transfers by Non-resident Enterprises, or Circular 698, with retroactive effect from January 1, 2008, which was further explained by a notice issued by the SAT implemented as of March 28, 2011, pursuant to which 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), or an Indirect Transfer, the non-resident enterprise, as the seller, may be subject to PRC enterprise income tax, if the tax authority considers that the foreign investor has adopted an abusive arrangement without reasonable commercial purposes and for the purpose of avoiding or reducing PRC tax, they will disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterize the Indirect Transfer. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%.

On February 3, 2015, the SAT promulgated SAT Announcement 7, which became effective immediately to supersede the existing tax rules in relation to the Indirect Transfer, while the other provisions of Circular 698 remain in force. Pursuant to SAT Announcement 7, if a non-resident enterprise transfers the equity interests of or similar rights or interests in overseas companies which directly or indirectly own PRC taxable assets through an arrangement without a reasonable commercial purpose, but rather to avoid PRC enterprise income tax, the transaction will be re-characterized and treated as a direct transfer of PRC taxable assets subject to PRC enterprise income tax. SAT Announcement 7 specifies certain factors that should be considered in determining whether an indirect transfer has a reasonable commercial purpose. However, as SAT Announcement 7 is newly issued, there is uncertainty as to the application of SAT Announcement 7 and the interpretation of the term “reasonable commercial purpose.” Under SAT Announcement 7, the entity which has the obligation to pay the consideration for the transfer to the transferring party has the obligation to withhold any PRC enterprise income tax that is due. If the transferring party does not pay enterprise income tax that is due for a transfer and the entity which has the obligation to pay the consideration does not withhold the tax due, the PRC tax authorities may impose a penalty on the entity that so fails to withhold. The entity which has the obligation to pay the consideration may be relieved or exempted from the withholding obligation and any resulting penalty under certain circumstances if it reports such transfer to the PRC tax authorities.

On March 18, 2015, the SAT promulgated SAT Announcement 16, which became effective immediately. SAT Announcement 16 further strengthens the administration of expense payment from PRC resident enterprise to its offshore affiliates. Pursuant to SAT Announcement 16, the expenses paid by the PRC resident enterprises to their offshore affiliates would not be deducted before tax under certain circumstances, including but not limited to the expenses paid to offshore affiliates that fail to perform their functions, bear risks and that have no substantial operating activities, and expenses paid for the services provided by offshore affiliates which cannot cause direct or indirect economic interests to such PRC resident enterprises.

Item 6. Directors, Senior Management and Employees

General

The functions and powers of our Board include, among others:

- convening shareholders' meetings and reporting its work to shareholders at such meetings;
- implementing shareholders' resolutions;
- determining our business plans and investment proposals;
- formulating our profit distribution plans and loss recovery plans;
- formulating our debt and finance policies and proposals for the increase or decrease in our issued capital and the issuance of debentures;
- formulating our major acquisition and disposal plans, and plans for merger, division or dissolution;
- formulating proposals for any amendments to our Memorandum and Articles of Association; and
- exercising any other powers conferred by the shareholders' meetings or under our Memorandum and Articles of Association.

Directors and Senior Officers

The following table sets forth certain information concerning our Directors and senior officers. The business address of each of our Directors and executive officers is 35th Floor, Tengda Plaza, No. 168 Xizhimenwai Street, Beijing, 100044, the PRC.

Name	Age	Position
Leilei Wang	42	Chairman of the Board of Directors, Chief Executive Officer
Jay Chang	43	Director and Chief Financial Officer
Tai Fan	43	Director and Chief Investment Officer
Xiaoxin Chen	42	Independent Director
Hope Ni	42	Independent Director
Xiaolong Li	49	Independent Director
Zhi Wang	72	Independent Director

Leilei Wang, 42, has served as the Chairman of the Board of Directors of our company and our Chief Executive Officer since October 2008. His current term expires in 2016. Mr. Wang was the chief executive officer of TOM Online from September 2003 to September 2008. Between 1999, when Mr. Wang joined TOM Group Limited, or TOM Group, TOM Online's parent company, and 2003, Mr. Wang held various management positions within TOM Group. Mr. Wang graduated in 1996 from the Electronic Engineering Department of Tsinghua University with a bachelor's degree in Electronic Technology and Information.

Jay Chang, 43, has served as the Chief Financial Officer of our company since February 2009 and has been a Director of our company since July 2010. His current term expires in 2017. Before joining our company, Mr. Chang was the president and chief financial officer of 56.com, a leading online video provider in the PRC. Before that, he was the chief financial officer of TOM Online for over two years. Prior to TOM Online, for nearly six years, Mr. Chang was the director of equity research at Credit Suisse, responsible for covering the Internet and telecommunications sectors in the PRC. Mr. Chang graduated in 1994 from the University of Washington with a bachelor's degree in Electrical Engineering.

Tai Fan, 43, has served as the Chief Investment Officer of our company since March 2009 and has been a Director of our company since December 2014. His current term expires in 2015. Since August 2002, Mr. Fan has served as the vice president of the department of finance at Beijing Super Channel, a subsidiary of TOM Online, and as an executive vice president of TOM Online. Prior to joining TOM Online, Mr. Fan served as the financial controller of Xin De Telecom and was an auditor at KPMG. Mr. Fan graduated in 2003 from the State University of New Jersey, Rutgers with an EMBA and in 1994 from Beijing College of Economics with a bachelor's degree in Accounting.

Xiaoxin Chen, 42, has been an Independent Director of our company since September 2008. His current term expires in 2016. Mr. Chen was a managing partner of Zeniphs China Capital, a private equity fund, from late 2007 until December 2013. Before joining the fund, Mr. Chen was the chief financial officer of Oak Pacific Interactive, later renamed Renren Inc., a leading social networking service provider in China. Before joining Renren Inc., Mr. Chen was an investment banker at Citigroup Hong Kong. Mr. Chen graduated at the top of his class and received his bachelor's degree in Operations Research and Industrial Engineering (summa cum laude) from Cornell University. He received his MBA degree from Stanford Graduate School of Business and was a recipient of the 2000 Arjay Miller Scholar Award upon graduation.

Hope Ni, 42, has been an Independent Director of our company since January 2007. Her current term expires in 2015. Ms. Ni has been the chief investment officer of Cogobuy Group, or Cogobuy, a Hong Kong-listed company, since May 2014 and was appointed as its executive director in March 2015. Ms. Ni has also been the chairman of the board of directors of Inspire Capital, an investment and consulting company, since May 2008. Until early 2009, Ms. Ni served first as the chief financial officer and director and then vice chairman of the board of directors for Cogo Group, Inc. (renamed as Viewtran Group, Inc. in 2013), or Viewtran, a NASDAQ-listed company and a technology service provider in the PRC, which she joined in August 2004. Prior to joining Viewtran, Ms. Ni spent six years as a practicing attorney at Skadden, Arps, Slate, Meagher & Flom LLP in New York and Hong Kong, specializing in corporate finance, during which she was actively involved in the initial public offerings and New York Stock Exchange/NASDAQ listings of a number of major global PRC-based companies. Prior to that, Ms. Ni worked at Merrill Lynch's investment banking division in New York. Ms. Ni is also an independent director at Digital China Holdings Ltd., a Hong Kong-listed company; JA Solar Holdings Co., Ltd., a NASDAQ-listed company; and ATA Inc., a NASDAQ-listed company. Ms. Ni received her J.D. degree from the University of Pennsylvania Law School and her bachelor's degree in Applied Economics and Business Management from Cornell University.

Xiaolong Li, 49, has been an Independent Director of our company since December 2013. His current term expires in 2017. Mr. Li currently serves as a director of several companies, some of them in the United States. Mr. Li serves as an independent director of E-Commerce China Dangdang Inc., a company listed on the New York Stock Exchange. Mr. Li has more than 20 years of experience in the industry of information technology and telecommunications. He founded 263 Network Communication Company Limited, a company currently listed on the Shenzhen Stock Exchange, in 1999 and has been its chairman since then. Prior to that, he founded Beijing Jingxun Public Information Technology Company Limited in 1997 and served as its executive director until 1999. In 1992, he founded Beijing Haicheng Telecommunication Technology Company Limited and served as its chairman until 1997. Mr. Li attended the undergraduate program in software engineering in Beijing University of Technology.

Zhi Wang, 72, has been an Independent Director of our company since December 2014. His current term expires in 2017. Mr. Wang has been chairman of the board of directors of Powertech Technology (Suzhou) Co., Ltd. since September 2009. He has also served as chairman of the board of directors of Payton Technology (Shenzhen) Co., Ltd. since July 2004, and chairman of the board of directors of Kingston Technology (Shanghai) Co., Ltd. since August 2004. Mr. Wang also served as chairman and President of China Great Wall computer group Company, or Great Wall Group, from May 1995 to May 2004, and served as general manager of Great Wall Group from December 1986 to May 1995. In June 1985, Mr. Wang, as deputy director of the Computer Authority of the former Ministry of Electronics Industry, led a microcomputer development team and successfully developed China's first micro-computer - Great Wall 0520CH. Mr. Wang graduated in 1966 from the Military Missile Engineering Department of Harbin Military Engineering College with a bachelor degree in wireless remote controls.

There is no family relationship between any of our Directors or senior officers.

As a NASDAQ-listed company, we are required by the NASDAQ Listing Rules to have a majority of the Board of Directors comprised of independent directors. Our Independent Directors currently are Hope Ni, Xiaoxin Chen, Xiaolong Li and Zhi Wang. Our Independent Directors held executive sessions at which only Independent Directors were present once each quarter of 2014.

Our Memorandum and Articles of Association provide for three classes of Directors, each with three-year terms. Retiring Directors are eligible for re-election. Each of our executive Directors has entered into a service contract with us, while other Directors have not entered into such agreements.

In 2014, each of our Independent Directors who served on three committees received US$30,000 for each year of service. In addition, we granted restricted share units covering 125,000 of our ordinary shares per year to each of our Independent Directors when he or she was appointed. Such restricted share units are vested quarterly in 12 equal tranches as long as such Director is continuing his or her service.

Each of our senior officers has entered into an employment agreement and a non-compete agreement with us. Pursuant to the employment agreements, each of our senior officers is entitled to receive a basic salary and may also receive an annual bonus if a certain level of performance has been achieved. All senior officers are bound by the confidentiality and non-competition provisions in their respective employment agreements and non-compete agreements with us. Our senior officers receive no benefits upon termination of service.

Board Practices

To enhance our corporate governance, the Board of Directors established three board committees: an audit committee, a nominations committee and a compensation committee, which are comprised solely of Independent Directors. Our Independent Directors held one meeting each quarter at which only Independent Directors were present.

Audit Committee

We have established an audit committee in accordance with the NASDAQ Listing Rules, which reviews our internal accounting procedures and considers and reports to the Board of Directors with respect to other auditing and accounting matters, including the selection of an independent registered public accounting firm, the scope of annual audits, fees to be paid to the independent registered public accounting firm and the performance of the independent registered public accounting firm. The committee has a formal written charter that sets forth its duties and powers. The current members of our audit committee are Xiaoxin Chen, Hope Ni and Xiaolong Li, each of whom is an Independent Director. The Board of Directors has determined that each of Mr. Chen and Ms. Ni is an audit committee financial expert within the meaning of the U.S. securities laws. Our audit committee met at least once in each quarter of 2014.

Nominations Committee

We have established a nominations committee, which identifies individuals qualified to become Directors and recommends Director nominees to be approved by the Board of Directors. The committee has a formal written charter that sets forth its duties and powers. The current members of our nominations committee are Xiaoxin Chen and Xiaolong Li, each of whom is an Independent Director.

Compensation Committee

We have established a compensation committee to determine the salaries and benefits of our Directors and senior officers. The committee has a formal written charter that sets forth its duties and powers. The current members of our compensation committee are Xiaoxin Chen and Xiaolong Li, each of whom is an Independent Director.

Compensation of Directors, Senior Officers and Employees

Our senior officers receive compensation in the form of salaries, annual bonuses and stock options. We have entered into service agreements with each of our senior officers. None of these service agreements provides benefits to our senior officers upon termination. The aggregate remuneration paid and benefits in kind granted to our senior officers in 2013 and 2014 were approximately US$1.8 million and US$0.85 million, respectively. In addition, the aggregate remuneration paid to our Independent Directors was US$125,000 and US$145,000, respectively, in 2013 and 2014.

In 2014, the total amount set aside or accrued by us or our subsidiaries to provide housing, medical and pension benefits, unemployment insurance and staff welfare for employees, including our non-Independent Directors and senior officers, was US$4.8 million.

Stock Options and Restricted Share Units

Our 2002 Plan, 2006 Plan and 2013 Plan are intended to provide incentives to our Directors, officers and employees as well as consultants and advisors of our company and its present or future parent company or subsidiaries, or any related corporations.

KongZhong Corporation 2002 Equity Incentive Plan

The 2002 Plan was approved by our shareholders at a meeting held on June 6, 2002. Pursuant to the 2002 Plan, we originally reserved a total of 70,000,000 ordinary shares for issuance under two categories of options: incentive stock options, which may be granted to officers and employees of our company and any present or future parent or subsidiary of our company, or the related corporations, and non-qualified options, which may be granted to any employee, officer, Director, consultant or advisor of our company and the related corporations. We increased the number of ordinary shares reserved for issuance under the 2002 Plan to 105,000,000 on February 15, 2004, and to 137,000,000 on September 6, 2005. Both increases have been approved by our shareholders. On December 30, 2005, the Board of Directors, following the recommendation of the compensation committee, approved a resolution authorizing our Chief Executive Officer to grant up to 8,000,000 stock options to non-officer employees without the prior written approval of the compensation committee or the Board.

As of December 31, 2014, under the 2002 Plan, we had granted options to purchase an aggregate of 296,770,280 of our ordinary shares, of which options to purchase 165,188,220 ordinary shares have lapsed and 26,481,460 were exercisable at exercise prices ranging from US$0.0703 to US$0.1918 per ordinary share. The exercise prices represent the fair market values of the underlying ordinary shares on the dates the options were granted.

During 2014, under the 2002 Plan, no option was granted, options to purchase 8,825,000 of our ordinary shares lapsed, and options to purchase 4,052,480 of our ordinary shares were exercised. In June 2012, our 2002 Plan expired without being renewed.

KongZhong Corporation 2006 Equity Incentive Plan

The 2006 Plan was approved by our shareholders at our annual general meeting on October 12, 2006. Pursuant to the 2006 Plan, we originally reserved a total of 40,000,000 ordinary shares for issuance in respect of stock options, restricted share units and other forms of equity compensation. We increased the number of ordinary shares reserved for issuance under the 2006 Plan to 180,000,000 on December 18, 2008. This increase has been approved by our shareholders.

As of December 31, 2014, under the 2006 Plan, we had granted an aggregate of 224,440,000 restricted share units, of which 47,122,500 have lapsed. We did not grant any restricted share units or options under the 2006 Plan during 2014. The Board of Directors administers the 2006 Plan and has wide discretion in awarding stock options, restricted share units and other forms of equity compensation. Subject to the provisions of the 2006 Plan, the Board of Directors determines who will be granted equity compensation, the type and timing of equity compensation to be granted, the vesting schedule and other terms and conditions of the equity compensation, including the exercise price of the stock options.

KongZhong Corporation 2013 Equity Incentive Plan

The 2013 Plan was approved by our shareholders at our annual general meeting on December 18, 2013. Pursuant to the 2013 Plan, we reserved a total of 80,000,000 ordinary shares for issuance in respect of share options and restricted share units.

As of December 31, 2014, under the 2013 Plan, we had granted options to purchase an aggregate of 2,000,000 of our ordinary shares, which were exercisable at exercise prices ranging from US$0.1413 to US$0.2170 per ordinary share. The exercise prices represent the fair market values of the underlying ordinary shares on the dates the options were granted. As of December 31, 2014, under the 2013 Plan, we had granted an aggregate of 3,680,000 restricted share units.

The Compensation Committee administers the 2013 Plan and has wide discretion in awarding share options and restricted share units. Subject to the provisions of the 2013 Plan, the Compensation Committee determines who will be granted equity compensation, the type and timing of equity compensation to be granted, the vesting schedule and other terms and conditions of the equity compensation, including the exercise price of the stock options, as well as rules and regulations relating to the 2013 Plan, including rules governing its operations.

Generally, if an outstanding equity compensation award granted under the 2002 Plan, the 2006 Plan and the 2013 Plan has not vested by the date of termination of the grantee's employment with us, no further tranches of the grantee's equity compensation award will become exercisable following the date of such cessation of employment, and the grantee's already vested but unexercised equity compensation awards will terminate after a period of 90 days from such cessation of employment.

The Board of Directors may terminate or amend the 2006 Plan and the 2013 Plan at any time. However, the Board of Directors must seek our shareholders' approval with respect to certain major modifications to the 2006 Plan and the 2013 Plan, and, if such amendment or termination would adversely affect the rights of a grantee under any equity compensation granted, the approval of such grantee would be required. Without further action by our Board, the 2006 Plan will terminate on October 11, 2016 and the 2013 Plan will terminate on December 17, 2023.

The 2002 Plan, the 2006 Plan and the 2013 Plan provide for the acceleration of awards upon the occurrence of certain consolidations, mergers, acquisitions or sale of all or substantially all assets or shares of our company. In any such case, our Board, in relation to the 2002 Plan and the 2006 Plan, and the Compensation Committee, in relation to the 2013 Plan, shall take, among others, one or more of the following actions: accelerate the date of exercise/vesting of such options/restricted share units or any tranche of such options/restricted share units, provide a fixed period of time that the grantees must exercise such options or terminate all options/restricted share units in exchange for cash payment.

The following table sets forth information on stock options and restricted share units that have been granted and are outstanding as of December 31, 2014, pursuant to the 2002 Plan, the 2006 Plan and the 2013 Plan:

	Ordinary shares underlying options				Restricted Share Units		
	2014 option grants	Pre-2014 option grants	Expiration date	Exercise price per share (US dollars)[1]	2014 grants	Pre-2014 grants	Expiration date
Directors and Senior Officers							
Leilei Wang	—	—	—	—	—	—[2]	—
Xiaoxin Chen	—	—	—	—	—	—[3]	—
Hope Ni	—	—	—	—	—	—[4]	—
Xiaolong Li	—	—	—	—	400,000[5]		May 20, 2025
Jay Chang	—	2,000,000	Oct. 2, 2021	0.0950	—	500,000[6]	Oct. 2, 2021
Tai Fan	—	—	—	—	—	1,000,000[7]	Jul. 9, 2019 to Oct. 2, 2021
Other employees (comprising 100 individuals)	5,520,000	35,371,460	Jun. 30, 2012 to Dec. 1, 2023	0.0025 to 0.3180	3,200,000	1,900,000	Dec. 18, 2018 to Oct. 2, 2021
Total	5,520,000	37,371,460			3,600,000	3,400,000	

(1) The exercise price per share of options granted represents the fair market value of the underlying ordinary shares on the date the options were granted.

(2) Leilei Wang was granted 48,000,000 restricted share units on December 19, 2008, of which 25% vested on December 19, 2009, and the remaining 75% vested in 12 equal tranches beginning on March 19, 2010 and at the end of each subsequent three-month period. As of December 31, 2014, all 48,000,000 restricted share units were vested.

(3) Xiaoxin Chen was granted 480,000 restricted share units on September 16, 2008, which vested in 12 equal tranches beginning on December 16, 2008 and at the end of each subsequent three-month period. He was granted an additional 480,000 restricted share units on October 3, 2011, which would vest in 12 equal tranches beginning on January 3, 2012 and at the end of each subsequent three-month period. As of December 31, 2014, all 960,000 restricted share units were vested.

(4) Hope Ni was granted 480,000 restricted share units on February 14, 2007, which vested in 12 equal tranches beginning on May 14, 2007 and at the end of each subsequent three-month period. She was granted an additional 480,000 restricted share units on October 3, 2011, which would vest in 12 equal tranches beginning on January 3, 2012 and at the end of each subsequent three-month period. As of December 31, 2014, all 960,000 restricted share units were vested.

(5) Xiaolong Li was granted 480,000 restricted share units on May 21, 2014, which vested in 12 equal tranches beginning on August 21, 2014 and at the end of each subsequent three-month period. As of December 31, 2014, a total of 80,000 restricted share units were vested.

(6) Jay Chang was granted 32,000,000 restricted share units on February 3, 2009, of which 25% vested on February 3, 2010, and the remaining 75% will vest in 12 equal tranches beginning on May 3, 2010 and at the end of each subsequent three-month period. He was granted an additional 2,000,000 restricted share units and options for 2,000,000 ordinary shares on October 3, 2011, of which 25% vested on October 3, 2012, and the remaining 75% will vest in 12 equal tranches beginning on January 3, 2013 and at the end of each subsequent three-month period. As of December 31, 2014, 33,500,000 restricted share units were vested.

(7) Tai Fan was granted 12,000,000 restricted share units on July 10, 2009, of which 25% vested on July 10, 2010, and the remaining 75% vested in 12 equal tranches beginning on October 10, 2010 and at the end of each subsequent three-month period. He was granted an additional 12,000,000 restricted share units on June 22, 2010, of which 25% vested on June 22, 2011, and the remaining 75% vested in 12 equal tranches beginning on October 10, 2010 and at the end of each subsequent three-month period. He was granted 4,000,000 restricted share units on October 3, 2011, of which 25% vested on October 3, 2012, and the remaining 75% would vest in 12 equal tranches beginning on January 3, 2013 and at the end of each subsequent three-month period. As of December 31, 2014, 27,000,000 restricted share units were vested.

Stock-based Compensation Expense

We recorded stock-based compensation expenses of US$4.5 million, US$1.6 million and US$1.5 million in 2012, 2013 and 2014, respectively.

Share Ownership

Under Exchange Act Rule 13d-3, a person is deemed to be a “beneficial owner” of a security if that person has or shares “voting power,” which includes the power to vote or to direct the voting of such security, or “investment power,” which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be the beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of securities as to which such person has no economic interest.

As of March 10, 2015, the following Directors and officers held beneficial ownership of ordinary shares in our company:

Name	Number of shares beneficially owned	Of which, shares underlying equity compensation awards that will vest within 60 days	% of our issued share capital as of March 31, 2015[1]
Leilei Wang	364,920,582	-	19.39
Jay Chang	33,500,000	125,000	1.78
Xiaoxin Chen	960,000	40,000	-*
Xiaolong Li	120,000	40,000	-*
Hope Ni	960,000	40,000	-*
Tai Fan	27,250,000	250,000	1.43
Zhi Wang	-	40,000	-*

(1) Adjusted to reflect the issuance of ordinary shares upon full exercise of all outstanding options and restricted share units granted under the 2002 Plan, the 2006 Plan and the 2013 Plan.

* Less than one percent.

Employees

See "Item 4 — Information on the Company — Employees."

Item 7. Major Shareholders and Related Party Transactions

Major Shareholders

Under Exchange Act Rule 13d-3, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be the beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed a beneficial owner of securities as to which such person has no economic interest.

The table below sets forth certain information with respect to the beneficial owners of 5% or more of our ordinary shares as of March 31, 2015.

	Shares beneficially owned[1]	
Name	Number	Percent
Leilei Wang[2]	364,920,582	19.4%
Nick Yang	131,400,000	7.0%
WarGaming.net LLP[3]	165,580,000	8.8%
SF Capital Limited[4]	159,008,520	8.4%
Shin Fang[4]	159,008,520	8.4%
IDG-Accel China Growth Fund II L.P.[5]	100,409,160	5.3%
IDG-Accel China Growth Fund II Associates L.P.[5]	100,409,160	5.3%
IDG-Accel China Investors II L.P.[5]	100,409,160	5.3%
IDG-Accel China Growth Fund GP II Associates Ltd.[5]	100,409,160	5.3%
Chi Sing Ho[5]	100,409,160	5.3%
Quan Zhou[5]	100,409,160	5.3%

(1) Information disclosed in the table above is based on the information available on the website of the SEC at www.sec.gov as of April 7, 2015 and information we received from the relevant persons in their responses to our inquiries as of March 31, 2015.

(2) As of March 31, 2015, Leilei Wang holds a portion of his ordinary shares in our company through Right Advance Management Ltd. and Chiming Bells International Limited, both of which are British Virgin Islands companies he controls.

(3) As of March 31, 2015, WarGaming held 160,000,000 of our ordinary shares resulting from the exercise of warrants to purchase our ordinary shares in May 2013 and October 2014, as well as 139,500 of our ADSs (representing an equivalent of 5,580,000 of our ordinary shares) resulting from open market purchases in March 2015. In addition, we have issued warrants to purchase up to a total of 40,000,000 of our ordinary shares (equivalent to 1 million of our ADSs) to WarGaming in connection with our licensing arrangement with WarGaming. As of March 31, 2015, none of the warrants relating to these 40,000,000 is immediately exercisable by WarGaming. The managing members of Wargaming are Ockster Financial Corporation and Kloyster Systems Corp. Each of the managing members is a corporation organized under the laws of the British Virgin Islands. Each of the managing members disclaims beneficial ownership of the warrants and the underlying ordinary shares except to the extent of its pecuniary interest.

(4) As of March 31, 2015, Shin Fang owns 100% of SF Capital Limited., a British Virgin Islands company.

(5) As of March 31, 2015, IDG-Accel China Growth Fund II L.P., or IDG Fund LP, is a limited partnership organized under the laws of the Cayman Islands. IDG-Accel China Investors II L.P., or IDG Investors LP, is a limited partnership organized under the laws of the Cayman Islands. The general partner of IDG Fund LP is IDG-Accel China Growth Fund II Associates L.P., or IDG Associates LP, a limited partnership organized under the laws of the Cayman Islands. The general partner of IDG Associates LP is IDG-Accel China Growth Fund GP II Associates Ltd., or IDG GP, a limited liability company incorporated under the laws of the Cayman Islands. The general partner of IDG Investors LP is IDG GP. The directors of IDG GP are Chi Sing Ho and Quan Zhou.

None of the major shareholders has voting rights that differ from the voting rights of other shareholders.

As of December 31, 2014, there were 1,882,073,063 ordinary shares issued and outstanding. Citibank, N.A., or Citibank, the depositary under our ADS deposit agreement, has advised us that as of March 31, 2015, 37,677,772 ADSs, representing 1,507,110,880 ordinary shares, were held of record by Cede & Co. and three other registered shareholders. We have no further information as to ordinary shares held or beneficially owned by U.S. persons.

To our knowledge, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal persons, severally or jointly. We are not aware of any arrangement that may at a later date result in a change of control of our company.

Related Party Transactions

Contractual Arrangements relating to our Operating Companies

In order to comply with PRC regulations, we operate our business in the PRC through Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli and Dacheng, companies that are wholly owned by PRC citizens. We have entered into a series of contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, BJXR, Mailifang, Xinreli, Dacheng and their respective shareholders, including agreements on provision of loans, provision of services and certain corporate governance and shareholder rights matters.

Set forth below is a summary of the material provisions of these agreements.

Loan Agreements. On March 31, 2004, we entered into a loan agreement with Yunfan Zhou, our former Chief Executive Officer, Songlin Yang, the uncle of Nick Yang, the former Vice Chairman of our Board of Directors, and Zhen Huang, the wife of Nick Yang, pursuant to which we amended and restated the terms and conditions of our long-term loans in the total principal amount of RMB2.2 million that we provided to Yunfan Zhou, Songlin Yang and Zhen Huang, in the proportion of their shareholding percentages in Beijing AirInbox. The loans are interest-free and the proceeds have been invested into Beijing AirInbox as a capital contribution by the borrowers. Pursuant to the loan agreement, each of the borrowers agreed to transfer his or her interest in Beijing AirInbox to KongZhong Beijing when permitted under PRC law as repayment of the loan. Each of the borrowers also agreed that the loan will become due and payable if, among other things, (i) either Yunfan Zhou or Nick Yang resigns or is removed from office by KongZhong Beijing or its affiliates, (ii) the respective borrower commits a criminal offense, (iii) any third party raises against the respective borrower a claim of more than RMB0.5 million, (iv) foreign investment in a telecommunications value-added services business is permitted and the relevant government authorities start approving such foreign investment, or (v) the borrower dies or becomes incapacitated. In addition, the loan shall be repaid only in the form of a transfer of each borrower's entire equity interest in Beijing AirInbox to us or, if transfer of ownership to us is prohibited under applicable law, to our designees. Upon the transfer of each borrower's equity interest in Beijing AirInbox, any proceeds from the transfer shall be used to offset his or her loan repayment obligation to us or our designees. The term of the loan agreement is 10 years, automatically renewable at our option. Pursuant to our option, the term of the loan agreement was extended on March 31, 2014 for another 10 years. Pursuant to an amendment to the loan agreement among Yunfan Zhou, Songlin Yang, Zhen Huang and Guijun Wang, one of our former employees, dated October 16, 2006, Guijun Wang replaced Yunfan Zhou as a party to the loan agreement and assumed all the rights and obligations of Yunfan Zhou under the loan agreement.

On March 31, 2004, we entered into a loan agreement with Yang Cha, one of our former employees, and Songlin Yang, pursuant to which we have agreed to grant loans to Yang Cha in the aggregate principal amount of RMB4.4 million and to Songlin Yang in the amount of RMB3.4 million. These loans are interest-free and the proceeds are to be exclusively invested into Beijing AirInbox as contribution to the capital increase in Beijing AirInbox by Yang Cha and Songlin Yang. The terms and conditions of this loan agreement are substantially the same as the loan agreement that we entered into with Yunfan Zhou, Songlin Yang and Zhen Huang on March 31, 2004. Pursuant to an amendment to the loan agreement among Songlin Yang, Linguang Wu and Yang Cha, dated October 16, 2006, Songlin Yang and Linguang Wu, one of our employees, replaced Yang Cha as a party to the loan agreement and assumed all the rights and obligations of Yang Cha under the loan agreement.

Option Agreements. KongZhong Beijing, Guijun Wang, Songlin Yang, Zhen Huang and Linguang Wu, who are the current shareholders of Beijing AirInbox, entered into an amended and restated option agreement with KongZhong Beijing on October 16, 2006, pursuant to which each of Guijun Wang, Songlin Yang, Zhen Huang and Linguang Wu granted KongZhong Beijing an option to purchase their respective equity interests in Beijing AirInbox at the price of RMB100,000 per one percent of its registered capital. The term of this agreement is the earlier of: (i) 10 years from the date of the agreement; and (ii) the date on which all of the equity interest of Beijing AirInbox has been purchased by KongZhong Beijing. This agreement supersedes the amended and restated exclusive option agreement entered into among KongZhong Beijing, Yunfan Zhou, Songlin Yang, Yang Cha and Zhen Huang on May 10, 2004.

Yunfan Zhou and Zhen Huang, who were the shareholders of Beijing Boya Wuji, entered into an exclusive option agreement with KongZhong Beijing on March 31, 2004, pursuant to which each of these shareholders granted KongZhong Beijing an exclusive option to purchase their respective equity interests in Beijing Boya Wuji. Following the acquisition by Beijing AirInbox of 100% of the equity interest in Beijing Boya Wuji, KongZhong Beijing, Yunfan Zhou and Zhen Huang entered into a termination agreement pursuant to which the exclusive option agreement was terminated effective October 27, 2006.

Yang Yang and Hai Qi, former shareholder of Beijing WINT, entered into an option agreement with KongZhong Beijing on June 29, 2006, pursuant to which each of Yang Yang and Hai Qi granted KongZhong Beijing an option to purchase their respective equity interests in Beijing WINT for the lower of: (i) the lowest price permitted by PRC laws; or (ii) the value of the audited net assets of Beijing WINT. The term of this agreement was until all the equity interests held by these shareholders have been purchased by KongZhong Beijing as permitted by PRC laws. This agreement superseded the exclusive option agreement entered into among KongZhong Beijing, Yang Yang, Linguang Wu and Guijun Wang on February 28, 2005. Subsequently, Yang Yang, Jingye Sun and Li Ai, who are the current shareholders of Beijing WINT, entered into an option agreement with KongZhong Beijing on September 5, 2008, pursuant to which each of Yang Yang, Jingye Sun and Li Ai granted KongZhong Beijing an option to purchase their respective equity interests in Beijing WINT for the lower of: (i) the lowest price permitted by PRC laws; or (ii) the value of the audited net assets of Beijing WINT. The term of this agreement is until all the equity interests held by these shareholders have been purchased by KongZhong Beijing as permitted by PRC laws. This agreement supersedes the exclusive option agreement entered into among KongZhong Beijing, Yang Yang, Linguang Wu and Guijun Wang on June 29, 2006.

Yang Li and Xuelei Wu, who are the shareholders of Beijing Chengxitong, entered into an exclusive option agreement with KongZhong Beijing on November 21, 2005, pursuant to which each of these shareholders granted KongZhong Beijing an exclusive option to purchase their respective equity interests in Beijing Chengxitong for the lower of: (i) the lowest price permitted by PRC laws; or (ii) the amount of the audited net assets of Beijing Chengxitong. The term of this agreement is until the date that all of the equity interests in Beijing Chengxitong have been purchased by KongZhong Beijing.

Yang Li and Guijun Wang, who are the shareholders of BJXR, entered into an exclusive option agreement with Anjian Xingye on January 28, 2006, pursuant to which each of these shareholders granted Anjian Xingye an exclusive option to purchase their respective equity interests in BJXR at the lowest price permitted by PRC laws. The term of this agreement is until the date all of the equity interests in BJXR have been purchased by Anjian Xingye. This agreement was terminated on February 8, 2009, on which day Yang Li and Guijun Wang entered into a new option agreement with KongZhong China based on similar terms as in the agreement with Anjian Xingye.

Xu Guo and Yang Yang, who are the shareholders of Mailifang, entered into an exclusive option agreement with Mailifang and KongZhong Beijing on April 1, 2009, pursuant to which each of these shareholders granted KongZhong Beijing an exclusive option to purchase their respective equity interests in Mailifang for the lower of: (i) the lowest price permitted by PRC laws; or (ii) the amount of the audited net assets of Mailifang. The term of this agreement is until the date all of the equity interests in Mailifang have been purchased by KongZhong Beijing.

Tao Jia and Junhong Chen, who are the shareholders of Xinreli, entered into an option agreement with Xinreli and Simlife Beijing, on June 29, 2009, pursuant to which each of the shareholders granted Simlife Beijing or its designated third party an option to purchase all their respective interests in Xinreli for the lowest price permitted by PRC laws. The initial term of this agreement is 10 years from June 29, 2009 and could be extended upon the request of Simlife Beijing. Due to the expiration of its operating term on November 15, 2014, Simlife Beijing is currently in the process of being deregistered from the registration records maintained by the Beijing AIC in the PRC, during which Simlife Beijing is not allowed to conduct any business except for those necessary for the deregistration. As a result, Simlife Beijing terminated the option agreement with Tao Jia, Junhong Chen and Xinreli on December 1, 2014. On the same date, KongZhong Beijing entered into an option agreement with Tao Jia, Junhong Chen and Xinreli with a term of 10 years commencing on December 1, 2014 on substantially the same terms as the option agreement with Simlife Beijing.

Zhen Yang and Leilei Wang, the shareholders of Dacheng, entered into an option agreement with Dacheng and KongZhong China on May 13, 2010, pursuant to which each of these shareholders granted KongZhong China an option to purchase all their respective interests in Dacheng for the lower of: (i) the lowest price permitted by PRC laws; and (ii) the audited net asset value of Dacheng once or several times by KongZhong China or its designated third party. The term of this agreement is until the date all of the equity interests in Dacheng have been purchased by KongZhong China.

Technical and Consulting Services Agreements. Beijing AirInbox entered into a technical and consulting services agreement with KongZhong Beijing on March 31, 2004, pursuant to which KongZhong Beijing will provide ongoing technical and consulting services to Beijing AirInbox. The services to be provided under the agreement include, among others, network and website design and maintenance, research and development and consulting on sales, marketing, customer services, human resources, market research and public relations. The service fees will be calculated quarterly, based on a certain percentage of the revenues of Beijing AirInbox for such quarter. KongZhong Beijing may partially waive any quarterly payment as long as: (i) the cash and cash equivalents owned by Beijing AirInbox is below RMB100 million; and (ii) the payment of service fees by Beijing AirInbox is no less than RMB5 million for such quarter. The term of this agreement is for 10 years from the date of execution, automatically renewable at KongZhong Beijing's option, and the agreement may be terminated only at the option of KongZhong Beijing.

Beijing AirInbox entered into a technical and consulting services agreement with KongZhong China on January 4, 2006, pursuant to which KongZhong China will provide technical consulting and services to Beijing AirInbox. The services to be provided under the agreement include, among others, maintenance of the machine room and website, network services and maintenance of such services, integrated security services for the website, design and implementation of the website network, installation of the server and 24-hour daily maintenance, development and testing of new products, marketing of new products, creation, design, update and maintenance of the web pages, maintenance of the clients' service platform, training of employees, market analysis and public relations. The service fees will be calculated periodically, based on a certain percentage of the revenues received by Beijing AirInbox during the period, provided that the total amount of the services fees for each year shall not exceed 30% of Beijing AirInbox's revenues for such year. The term of this agreement is for 10 years from the date of execution. This agreement may be terminated only at the option of KongZhong China and is automatically renewable unless KongZhong China gives its written consent to terminate the agreement three months prior to expiration of the agreement.

Beijing Boya Wuji entered into an exclusive technical and consulting services agreement with KongZhong Beijing on March 31, 2004, pursuant to which KongZhong Beijing will provide certain technical and consulting services to Beijing Boya Wuji on an exclusive basis. The services to be provided under the agreement include, among others, network and website design and maintenance, research and development and consulting services on sales, marketing, customer services, human resources, market research and public relations. The service fees will be calculated quarterly, based on a certain percentage of the revenues of Beijing Boya Wuji for such quarter, provided that Beijing Boya Wuji is profitable. The term of the agreement is for 10 years from the date of execution, automatically renewable at KongZhong Beijing's option, and the agreement may be terminated only at the option of KongZhong Beijing.

Beijing WINT entered into an exclusive technical and consulting services agreement with KongZhong Beijing on February 28, 2005, pursuant to which KongZhong Beijing will provide certain technical and consulting services to Beijing WINT on an exclusive basis. The services to be provided under the agreement include, among others, network and website design and maintenance, research and development and consulting services on sales, marketing, customer services, human resources, market research and public relations. The service fees will be calculated monthly, based on a certain percentage of the revenues of Beijing WINT for such month. The term of the agreement is until KongZhong Beijing is dissolved according to PRC law, and the agreement may be terminated only at the option of KongZhong Beijing.

Beijing Chengxitong entered into an exclusive technical and consulting services agreement with KongZhong Beijing on November 21, 2005, pursuant to which KongZhong Beijing will provide certain technical and consulting services to Beijing Chengxitong on an exclusive basis. The services to be provided under the agreement include, among others, network and website design and maintenance, research and development and consulting services on sales, marketing, customer services, human resources, market research and public relations. The service fees will be calculated monthly, based on a certain percentage of the revenues of Beijing Chengxitong for such month. The term of the agreement is until KongZhong Beijing is dissolved according to PRC law, and the agreement may be terminated only at the option of KongZhong Beijing.

BJXR entered into an exclusive technical and consulting services agreement with Anjian Xingye on January 26, 2006, pursuant to which Anjian Xingye will provide certain technical and consulting services to BJXR on an exclusive basis. The services to be provided under the agreement include, among others, network and website design and maintenance, research and development and consulting services on sales, marketing, customer services, human resources, market research and public relations. The service fees will be calculated quarterly, based on a certain percentage of the revenues of BJXR. The term of the agreement is until Anjian Xingye is dissolved according to PRC law or elects to terminate the agreement. This agreement was terminated on February 8, 2009, on which day BJXR entered into a new exclusive technical and consulting services agreement with KongZhong China, pursuant to which KongZhong China will provide technical consulting services to BJXR on similar terms as in the agreement with Anjian Xingye. The service fees will be calculated monthly, based on a certain percentage of the revenues of BJXR for such month. The term of this agreement is for 10 years from the date of execution. This agreement may be terminated only at the option of KongZhong China and is automatically renewable for another ten-year term unless KongZhong China gives its written consent to terminate the agreement three months prior to the expiration of the agreement.

Mailifang entered into an exclusive technical and consulting services agreement with KongZhong Beijing on April 1, 2009, pursuant to which KongZhong Beijing will provide certain technical and consulting services to Mailifang on an exclusive basis. The services to be provided under the agreement include, among others, network and website design and maintenance, research and development and consulting services on sales, marketing, customer services, human resources, market research and public relations. The service fees will be calculated monthly, based on a certain percentage of the revenues of Mailifang for such month. The term of this agreement is for 10 years from the date of execution. This agreement may be terminated only at the option of KongZhong Beijing and is automatically renewable for another 10 year term unless KongZhong Beijing gives its written consent to terminate the agreement three months prior to the expiration of the agreement.

Xinreli entered into an exclusive technical and consulting services agreement with Simlife Beijing on June 29, 2009, which was subsequently amended on April 12, 2012, pursuant to which Simlife Beijing will provide certain technical and consulting services to Xinreli on an exclusive basis. The service fees will be agreed and set forth by the parties based on the actual provision of services. The term of this agreement is until Simlife Beijing is dissolved in accordance with PRC law. The agreement may be terminated only at the option of Simlife Beijing. As Simlife Beijing is in the process of being deregistered from the registration records maintained by the Beijing AIC in the PRC, it terminated its exclusive technical and consulting services agreement with Xinreli on December 1, 2014. On the same date, KongZhong Beijing entered into an exclusive consulting and services agreement with Xinreli, pursuant to which KongZhong Beijing will provide certain consulting services to Xinreli on an exclusive basis with the other terms of the contract remain substantially the same as the technical and consulting services agreement with Simlife Beijing.

Dacheng entered into an exclusive technical and consulting services agreement with KongZhong China on May 13, 2010, pursuant to which KongZhong China will provide certain technical and consulting services to Dacheng on an exclusive basis. The service fees will be calculated monthly, based on a certain percentage of the revenues of Dacheng for such month. The term of this agreement is for 10 years from the date of execution. This agreement may be terminated only at the option of KongZhong China and is automatically renewable for another 10 year term unless KongZhong China gives its written consent to terminate the agreement three months prior to the expiration of the agreement.

Equity Pledge Agreements. Yunfan Zhou, Songlin Yang, Yang Cha and Zhen Huang, who were the shareholders of Beijing AirInbox, entered into an amended and restated equity pledge agreement with KongZhong Beijing on May 10, 2004. Pursuant to a capital contribution transfer agreement under which Yang Cha and Yunfan Zhou transferred their capital contributions to Linguang Wu and Guijun Wang, Guijun Wang, Songlin Yang, Zhen Huang and Linguang Wu, the current shareholders of Beijing AirInbox, entered into an amended and restated equity pledge agreement with KongZhong Beijing on October 16, 2006. Under this agreement, each of these shareholders pledged all of his or her interest in Beijing AirInbox to KongZhong Beijing to guarantee the performance by Beijing AirInbox of its obligations under the exclusive technical and consulting services agreement, dated March 31, 2004, between Beijing AirInbox and KongZhong Beijing. The term of the agreement is from the date on which the pledges are recorded on the shareholder's register of Beijing AirInbox until all the obligations of Beijing AirInbox guaranteed under this agreement have been fully performed.

Yunfan Zhou and Zhen Huang, who were the shareholders of Beijing Boya Wuji, entered into an equity pledge agreement with KongZhong Beijing on March 31, 2004. Pursuant to this agreement, each of these shareholders pledged all of his or her interest in Beijing Boya Wuji to KongZhong Beijing to guarantee the performance by Beijing Boya Wuji of its obligations under the exclusive technical and consulting services agreement, dated March 31, 2004, between Beijing Boya Wuji and KongZhong Beijing. Following the acquisition by Beijing AirInbox of 100% of the equity interest of Beijing Boya Wuji, KongZhong Beijing, Yunfan Zhou and Zhen Huang entered into a termination agreement on October 27, 2006, pursuant to which the equity pledge agreement was terminated with effect from the same date.

Yang Yang, Linguang Wu and Guijun Wang, who were the shareholders of Beijing WINT, entered into an equity pledge agreement with KongZhong Beijing and Beijing WINT on February 28, 2005. Pursuant to a capital contribution transfer agreement under which each of Linguang Wu and Guijun Wang transferred their equity interest in Beijing WINT to Hai Qi, Yang Yang and Hai Qi, the then-shareholders of Beijing WINT, entered into an equity pledge agreement with KongZhong Beijing and Beijing WINT on June 29, 2006. Pursuant to a capital contribution transfer agreement under which Hai Qi transferred his equity interest in Beijing WINT to Jingye Sun and Li Ai, Yang Yang, Jingye Sun and Li Ai, the current shareholders of Beijing WINT, entered into an equity pledge agreement with KongZhong Beijing and Beijing WINT on September 5, 2008. Under this agreement, each of these shareholders pledged all of his or her interest in Beijing WINT to KongZhong Beijing to guarantee the performance by Beijing WINT of its obligations under the exclusive technical and consulting services agreement dated February 28, 2005 between KongZhong Beijing and Beijing WINT and the business operation agreement and share option agreement dated September 5, 2008 among Beijing WINT, its shareholders and KongZhong Beijing. The term of this agreement is from the date on which the pledges are recorded on the shareholders' register of Beijing WINT until all obligations of Beijing WINT guaranteed under this agreement have been fully performed and KongZhong Beijing confirms the same in writing. This agreement supersedes the equity pledge agreement entered into among Yang Yang, Hai Qi, Beijing WINT and KongZhong Beijing on June 29, 2006.

Yang Li and Xuelei Wu, the shareholders of Beijing Chengxitong, entered into an equity pledge agreement with KongZhong Beijing and Beijing Chengxitong on November 21, 2005. Pursuant to this agreement, each of these shareholders of Beijing Chengxitong pledged all of his or her interest in Beijing Chengxitong to KongZhong Beijing to guarantee the performance by Beijing Chengxitong of its obligations under the exclusive and technical consulting services agreement, the business operation agreement and the option agreement dated November 21, 2005 among Beijing Chengxitong and its shareholders and KongZhong Beijing. The term of this agreement is until all the obligations of Beijing Chengxitong guaranteed under this agreement have been fully performed and Beijing Chengxitong confirms the same in writing.

Yang Li and Guijun Wang, the shareholders of BJXR, entered into an equity pledge agreement with Anjian Xingye on January 28, 2005. Pursuant to this agreement, each of these shareholders of BJXR pledged all of his or her interest in BJXR to Anjian Xingye to guarantee the performance by BJXR of its obligations under the exclusive and technical consulting services agreement and the business operation agreement dated January 26, 2006 and the option agreement dated January 28, 2006 among BJXR and its shareholders and Anjian Xingye. The term of this agreement is until all the obligations of BJXR guaranteed under this agreement have been fully performed and Anjian Xingye confirms the same in writing. This agreement was terminated on February 8, 2009, on which day Yang Li and Guijun Wang entered into a new share pledge agreement with KongZhong China and BJXR based on similar terms as in the agreement with Anjian Xingye.

Xu Guo and Yang Yang, the shareholders of Mailifang, entered into an equity pledge agreement with Mailifang and KongZhong Beijing on April 1, 2009. Pursuant to this agreement, each of these shareholders of Mailifang pledged all of his or her interest in Mailifang to KongZhong Beijing to guarantee the performance by Mailifang of its obligations under the exclusive technical and consulting services agreement, the business operation agreement and the option agreement, dated April 1, 2009, among Mailifang, its shareholders and KongZhong Beijing. The term of this agreement is until all the obligations of Mailifang guaranteed under this agreement have been fully performed and Mailifang confirms the same in writing.

Tao Jia and Junhong Chen, the shareholders of Xinreli, entered into a share pledge agreement with Simlife Beijing on June 29, 2009. Pursuant to this agreement, each of the shareholders pledged all their equity interest in Xinreli to guarantee the normal collection of technical service fees by Simlife Beijing under the exclusive technical and consulting services agreement and to ensure the performance of the obligations under the business operation agreement and option agreement, both dated June 29, 2009. As Simlife Beijing is in the process of being deregistered from the registration records maintained by the Beijing AIC in the PRC, it terminated the share pledge agreement with Tao Jia and Junhong Chen on December 1, 2014. On the same date, each of Tao Jia and Junhong Chen entered into a share pledge agreement with KongZhong Beijing, both on substantially the same terms as the share pledge agreement with Simlife Beijing.

Zhen Yang and Leilei Wang, the shareholders of Dacheng, entered into a share pledge agreement with Dacheng and KongZhong China on May 13, 2010. Pursuant to this agreement, each of these shareholders pledged all their equity interest in Dacheng to guarantee the normal collection of technical service fees by KongZhong China under the exclusive technical and consulting services agreement and to ensure the performance of the obligations under the business operation agreement and option agreement, both dated May 13, 2010.

Business Operation Agreements. Beijing AirInbox, its then shareholders, Yunfan Zhou, Songlin Yang, Yang Cha and Zhen Huang, and KongZhong Beijing entered into an amended and restated business operation agreement on May 10, 2004. On October 16, 2006, following the execution of a capital contribution transfer agreement, the new shareholders of Beijing AirInbox, Guijun Wang, Songlin Yang, Zhen Huang and Linguang Wu, entered into an amended and restated business operation agreement with Beijing AirInbox and KongZhong Beijing. This agreement supersedes the amended and restated business operation agreement of May 10, 2004. Pursuant to the October 16, 2006 agreement, Beijing AirInbox and its shareholders agreed that, without the prior written consent of KongZhong Beijing or its designees, Beijing AirInbox will not engage in any transactions which may materially affect its assets, obligations, rights or operations, including: (i) conducting any business which is beyond the ordinary scope of business; (ii) borrowing money or incurring any debt from any third party; (iii) changing or dismissing any directors or senior officers; (iv) selling or acquiring any assets or rights valued at more than RMB0.2 million, including, but not limited to, intellectual property rights; (v) providing guarantees for any third party with its assets or intellectual property rights or any other guarantee or incurring any obligations over its assets; (vi) amending the articles of association or changing the business scope of Beijing AirInbox; (vii) changing the normal operational process or amending any material bylaws of Beijing AirInbox; and (viii) assigning to any third party its rights or obligations under this agreement. In addition, Beijing AirInbox and its shareholders will appoint the designees of KongZhong Beijing as the directors and chief director of Beijing AirInbox, and the senior officers of KongZhong Beijing as the general manager, chief financial officer and other senior officers of Beijing AirInbox. Each of the shareholders has also agreed to execute a power of attorney to grant the designees of KongZhong Beijing authority to exercise all of his or her shareholder rights in Beijing AirInbox. The term of this agreement is for 10 years from the date of execution. This agreement may be terminated only at the option of KongZhong Beijing and is automatically renewable unless KongZhong Beijing gives written notice three months prior to the expiration of the agreement.

Beijing WINT, its then shareholders, Yang Yang, Hai Qi, and KongZhong Beijing, entered into a business operation agreement on June 29, 2006. On September 5, 2008, following the execution of a capital contribution transfer agreement, the new shareholders of Beijing WINT, Yang Yang, Jingye Sun and Li Ai, entered into a business operation agreement with Beijing WINT and KongZhong Beijing. This agreement supersedes the business operation agreement of June 29, 2006. Pursuant to the September 5, 2008 agreement, Beijing WINT and its shareholders agreed that, without the prior written consent of KongZhong Beijing or its designees, Beijing WINT will not engage in any transactions which may materially affect its assets, obligations, rights or operations, including: (i) conducting any business which is beyond the ordinary scope of business; (ii) borrowing money or incurring any debt from any third party; (iii) changing or dismissing any directors or senior officers; (iv) selling or acquiring any assets or rights valued at more than RMB0.2 million, including, but not limited to, intellectual property rights; (v) providing guarantees for any third party with its assets or intellectual property rights or any other guarantees or incurring any obligations over its assets; (vi) amending the articles of association or changing the business scope of Beijing WINT; (vii) changing the normal operational process or amending any material bylaws of Beijing WINT; and (viii) assigning to any third party its rights or obligations under this agreement. In addition, Beijing WINT and its shareholders will appoint the designees of KongZhong Beijing as the directors and president of Beijing WINT, and the nominees of KongZhong Beijing as the general manager, chief financial officer and other senior officers of Beijing WINT. Each of the shareholders has also agreed to execute a power of attorney to grant the designees of KongZhong Beijing authority to exercise all of the respective shareholder's rights in Beijing WINT. This agreement may be terminated only at the option of KongZhong Beijing by issuing written notice 30 days prior to the date of termination.

Beijing Chengxitong, its shareholders, Yang Li, Xuelei Wu and KongZhong Beijing, entered into a business operation agreement on November 21, 2005. Pursuant to this agreement, Beijing Chengxitong and its shareholders agreed that, without the prior written consent of KongZhong Beijing or its designees, Beijing Chengxitong will not engage in any transactions that may have a material adverse effect on its assets, liabilities, equity or operations, including: (i) conducting any business that is beyond normal business operations; (ii) lending to or assuming any obligations of a third party; (iii) replacing or dismissing any directors or senior officers; (iv) selling or purchasing any assets or rights valued at more than RMB0.2 million; (v) incurring any security interest over its assets and intellectual property on behalf of any third party; (vi) amending the articles of association or changing the business scope of Beijing Chengxitong; (vii) changing normal operations or amending any material internal guidelines of Beijing Chengxitong; and (viii) assigning any rights and obligations under this agreement to any third party. In addition, Beijing Chengxitong and its shareholders will appoint the designees of KongZhong Beijing as directors, general manager and other senior officers of Beijing Chengxitong. Each of the shareholders has also agreed to execute a power of attorney to grant the designees of KongZhong Beijing full power and authority to exercise all of the respective shareholders' rights in Beijing Chengxitong. The term of the agreement is until KongZhong Beijing is dissolved according to PRC law. This agreement may be terminated only at the option of KongZhong Beijing by issuing written notice 30 days prior to the date of termination.

BJXR, its shareholders, Yang Li and Guijun Wang, and Anjian Xingye entered into a business operation agreement on January 26, 2006. Pursuant to this agreement, BJXR and its shareholders agreed that, without the prior written consent of Anjian Xingye or its designees, BJXR will not engage in any transactions that may have a material adverse effect on its assets, liabilities, equity or operations, including: (i) conducting any business that is beyond normal business operations; (ii) lending to or assuming any obligations of a third party; (iii) replacing or dismissing any directors or senior officers; (iv) selling or purchasing any assets or rights valued at more than RMB0.2 million; (v) incurring any security interest over its assets and intellectual property on behalf of any third party; (vi) amending the articles of association or changing the business scope of BJXR; (vii) changing the normal operations or amending any material internal guidelines of BJXR; and (viii) assigning any rights and obligations under this agreement to any third party. In addition, BJXR and its shareholders will appoint the designees of Anjian Xingye as directors, general manager and other senior officers of BJXR. Each of the shareholders has also agreed to execute a power of attorney to grant the designees of Anjian Xingye full power and authority to exercise all of the respective shareholders' rights in BJXR. The term of the agreement is until Anjian Xingye is dissolved according to PRC law or until Anjian Xingye shall terminate the agreement by issuing written notice 30 days prior to the date of termination. This agreement was terminated on February 8, 2009, on which day BJXR, Yang Li and Guijun Wang entered into a new business operation agreement with KongZhong China, pursuant to which KongZhong China will provide technical consulting services to BJXR on similar terms as in the agreement with Anjian Xingye. The term of the agreement is until KongZhong China is dissolved according to PRC law. This agreement may be terminated only at the option of KongZhong China by issuing written notice 30 days prior to the date of termination.

Mailifang, its shareholders, Xu Guo, Yang Yang and KongZhong Beijing, entered into a business operation agreement on April 1, 2009. Pursuant to this agreement, Mailifang and its shareholders agreed that, without the prior written consent of KongZhong Beijing or its designees, Mailifang will not engage in any transactions that may have a material adverse effect on its assets, liabilities, equity or operations, including: (i) conducting any business that is beyond normal business operations; (ii) lending to or assuming any obligations of a third party; (iii) replacing or dismissing any directors or senior officers; (iv) selling or purchasing any assets or rights valued at more than RMB0.2 million; (v) incurring any security interest over its assets and intellectual property on behalf of any third party; (vi) amending the articles of association or changing the business scope of Mailifang; (vii) changing the normal operations or amending any material internal guidelines of Mailifang; and (viii) assigning any rights and obligations under this agreement to any third party. In addition, Mailifang and its shareholders will appoint the designees of KongZhong Beijing as directors, general manager and other senior officers of Mailifang. Each of the shareholders has also agreed to execute a power of attorney to grant the designees of KongZhong Beijing full power and authority to exercise all of the respective shareholders' rights in Mailifang. The term of the agreement is until KongZhong Beijing is dissolved according to PRC law. This agreement may be terminated only at the option of KongZhong Beijing by issuing written notice 30 days prior to the date of termination.

Tao Jia and Junhong Chen, the shareholders of Xinreli, entered into a business operation agreement with Xinreli and Simlife Beijing on June 29, 2009. Pursuant to this agreement, the shareholders confirmed and agreed that, without the prior written consent of Simlife Beijing or its designees, Xinreli will not conduct any transaction that may materially affect its assets, business, personnel, obligations, rights or the company's operation, including, but not limited to: (i) conducting any business which is beyond normal business operations and not in accordance with the past customary practice of the company; (ii) borrowing money or incurring any debt from any third party; (iii) changing or dismissing any directors or dismissing and replacing any senior management officers; (iv) selling to or acquiring from any third party any assets or rights exceeding RMB10,000, including, but not limited to, any intellectual property rights; (v) providing guarantee for any third party with its assets or intellectual property rights or providing any other guarantee or placing its assets under any other obligations; (vi) amending the articles of association of the company or changing its scope of business; (vii) changing the normal business process or modifying any material by laws; (viii) assigning rights and obligations under this agreement to any third party; (ix) making material amendments to its business model, marketing strategy, operation principles or customer relationship; and (x) distributing dividends in any manner. In addition, Xinreli and its shareholders will elect designees of Simlife Beijing as the directors of Xinreli, and will appoint designees of Simlife Beijing as the general manager, chief financial officer and other senior officers of Xinreli. Each of the shareholders has also agreed to execute a power of attorney to grant the designees of Simlife Beijing full power and authority to exercise all of the respective shareholders' rights in Xinreli. The term of this agreement is for 10 years from the date of execution. This agreement may be terminated only at the option of Simlife Beijing and is automatically renewable unless Simlife Beijing gives written notice 30 days prior to the date of termination. As SimLife Beijing is in the process of being deregistered from the registration records maintained by the Beijing AIC in the PRC, it terminated its business operations agreement with Xinreli, Tao Jia and Junhong Chen on December 1, 2014. On the same date, Tao Jia, Junhong Chen and Xinreli entered into a business operations agreement with KongZhong Beijing on substantially the same terms as the business operations agreement with Simlife Beijing.

Zhen Yang and Leilei Wang, the shareholders of Dacheng, entered into a business operation agreement with Dacheng and KongZhong China on May 13, 2010. Pursuant to this agreement, Dacheng together with the shareholders agreed that, without the prior written consent of KongZhong China or its designees, Dacheng will not conduct any transaction which may materially affect its assets, obligations, rights or the company's operation, including but not limited to: (i) conducting any business which is beyond normal business operations; (ii) borrowing money or incurring any debt from any third party; (iii) changing or dismissing any directors or dismissing and replacing any senior management officers; (iv) selling to or acquiring from any third party any assets or rights exceeding RMB10,000,000, including but not limited to any intellectual property rights; (v) providing guarantees for any third party with its assets or intellectual property rights or providing any other guarantee or placing its assets under any other obligations; (vi) amending the Articles of Association of the company or changing its scope of business; (vii) changing the normal business process or modifying any material bylaws; and (viii) assigning rights and obligations under this agreement to any third party. In addition, Dacheng and its shareholders will only appoint designees of KongZhong China as the directors, president, general manager, chief financial officer and other senior officers of Dacheng. Each of the shareholders has also agreed to execute a power of attorney to grant the designees of KongZhong China full power and authority to exercise all of the respective shareholders' rights in Dacheng. The term of the agreement is until KongZhong China is dissolved according to PRC law. This agreement may be terminated only at the option of KongZhong China by issuing written notice 30 days prior to the date of termination.

Powers of Attorney. Each of Yunfan Zhou, Songlin Yang, Yang Cha and Zhen Huang, the then-shareholders of Beijing AirInbox, executed an irrevocable power of attorney on May 10, 2004, granting Yunfan Zhou or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Beijing AirInbox. Pursuant to the capital contribution transfer agreement, dated October 16, 2006, under which Yang Cha and Yunfan Zhou transferred their equity interests in Beijing AirInbox to Linguang Wu and Guijun Wang, each of Linguang Wu and Guijun Wang executed an irrevocable power of attorney on October 16, 2006, granting Yunfan Zhou or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Beijing AirInbox. Yunfan Zhou executed an undertaking letter on October 13, 2008 with Linguang Wu, Songlin Yang, Guijun Wang and Zhen Huang, the shareholders of Beijing AirInbox, to confirm that such shareholders revoked the power of attorney they previously granted to Yunfan Zhou. Each of Linguang Wu, Songlin Yang, Guijun Wang and Zhen Huang executed an irrevocable power of attorney on October 13, 2008, granting Leilei Wang or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Beijing AirInbox.

Each of Yang Yang, Linguang Wu and Guijun Wang, the then-shareholders of Beijing WINT, executed an irrevocable power of attorney on March 1, 2005, granting Yunfan Zhou or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Beijing WINT. Pursuant to the capital contribution transfer agreement, dated June 29, 2006, under which each of Linguang Wu and Guijun Wang transferred their equity interests in Beijing WINT to Qi Hai, Qi Hai executed an irrevocable power of attorney on June 29, 2006, granting Yunfan Zhou or any other designee of KongZhong Beijing full power and authority to exercise all of his rights as a shareholder in Beijing WINT. Pursuant to the capital contribution transfer agreement, dated September 5, 2008, under which Hai Qi transferred his equity interest in Beijing WINT to Jingye Sun and Li Ai, each of Jingye Sun and Li Ai executed an irrevocable power of attorney on September 5, 2008, granting Yunfan Zhou or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Beijing WINT. Yunfan Zhou executed an undertaking letter on October 13, 2008 with Yang Yang, Jingye Sun and Li Ai, the shareholders of Beijing WINT, to confirm that such shareholders revoked the power of attorney they previously granted to Yunfan Zhou. Each of Yang Yang, Jingye Sun and Li Ai executed an irrevocable power of attorney on October 13, 2008, granting Leilei Wang or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Beijing WINT.

Each of Yang Li and Xuelei Wu, the shareholders of Beijing Chengxitong, executed an irrevocable power of attorney on November 21, 2005, granting Yunfan Zhou or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Beijing Chengxitong. Yunfan Zhou executed an undertaking letter on October 13, 2008 with Yang Li and Xuelei Wu to confirm that they revoked the power of attorney they previously granted to Yunfan Zhou. Each of Yang Li and Xuelei Wu executed an irrevocable power of attorney on October 13, 2008, granting Leilei Wang or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Beijing Chengxitong.

Each of Yang Li and Guijun Wang, the shareholders of BJXR, executed an irrevocable power of attorney on January 26, 2006, granting Yunfan Zhou or any other designee of Anjian Xingye full power and authority to exercise all of his or her rights as a shareholder in BJXR. Yunfan Zhou executed an undertaking letter on October 13, 2008 with Yang Li and Guijun Wang to confirm that they revoked the power of attorney they previously granted to Yunfan Zhou. Each of Yang Li and Guijun Wang executed an irrevocable power of attorney on October 13, 2008, granting Leilei Wang or any other designee of Anjian Xingye full power and authority to exercise all of his or her rights as a shareholder in BJXR. Each such power of attorney was terminated on February 8, 2009, on which day, each of Yang Li and Guijun Wang executed a new irrevocable power of attorney granting Leilei Wang or any other designee of KongZhong China full power and authority to exercise all of his or her rights as a shareholder in BJXR.

Each of Xu Guo and Yang Yang, the shareholders of Mailifang, executed an irrevocable power of attorney on April 1, 2009, granting Leilei Wang or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Mailifang.

Each of Tao Jia and Junhong Chen, the shareholders of Xinreli, executed an irrevocable power of attorney on June 29, 2009, granting Leilei Wang or any other designee of Simlife Beijing full power and authority to exercise all of his or her rights as a shareholder in Xinreli. Due to the termination of the business operation agreement among Tao Jia, Junhong Chen, Xinreli and Simlife Beijing on December 1, 2014, the irrevocable power of attorney was terminated on the same date. On December 1, 2014, each of Tao Jia and Junhong Chen, the shareholders of Xinreli, executed an irrevocable power of attorney, granting Leilei Wang or any other designee of KongZhong Beijing full power and authority to exercise all of his or her rights as a shareholder in Xinreli.

Zhen Yang, a shareholder of Dacheng, executed an irrevocable power of attorney on May 13, 2010, granting Leilei Wang or any other designee of KongZhong China full power and authority to exercise all of his or her rights as a shareholder in Dacheng. In addition, Leilei Wang executed a power of attorney on May 13, 2010 granting KongZhong China full power and authority to exercise all of his rights as a shareholder in Dacheng.

Services Provided by Prosten

Leilei Wang, our Chief Executive Officer and the Chairman of our Board of Directors, holds 19.84% of the ordinary shares of Prosten Technology Holdings Limited (“Prosten”) through Right Advance Management Limited (“Right Advance”), a British Virgin Islands company he controls. Prosten and its subsidiary companies engage in the business of providing solutions to companies that provide mobile and search services. In 2012, 2013 and 2014, Prosten provided us with mobile value-added services valued at US$1.5 million,US$1.0 million and US$0.1 million, respectively.

Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

See "Item 18 — Financial Statements."

Item 9. The Offer and Listing

Market and Share Price Information

Our ADSs, each representing 40 of our ordinary shares, have been listed on NASDAQ since July 9, 2004. Our ADSs trade under the symbol "KZ." NASDAQ is the principal trading market for our ADSs, which are not listed on any other exchanges in or outside the United States.

The high and low closing prices of our ADSs on NASDAQ since 2010 are as follows:

	Price per ADS (US$)	
	High	**Low**
Annual:		
2010	13.34	5.29
2011	10.78	3.55
2012	8.15	4.08
2013	14.69	5.56
2014	11.92	5.30
Quarterly:		
First Quarter, 2013	6.82	5.56
Second Quarter, 2013	7.07	5.97
Third Quarter, 2013	14.69	6.40
Fourth Quarter, 2013	12.72	7.22
First Quarter, 2014	11.60	7.56
Second Quarter, 2014	11.92	8.42
Third Quarter, 2014	9.10	6.35
Fourth Quarter, 2014	7.13	5.30
First Quarter, 2015	5.81	4.93
Monthly:		
October 2014	6.80	5.65
November 2014	7.13	5.98
December 2014	6.35	5.30
January 2015	5.81	5.35
February 2015	5.50	4.95
March 2015	5.69	4.93
April 2015(through April 14)	6.35	5.52

(1) Our ADSs commenced trading on the NASDAQ Global Market on July 9, 2004.

Item 10. Additional Information

Share Capital

Not applicable.

Memorandum and Articles of Association

On September 6, 2005, our shareholders at an annual general meeting voted to amend our articles of association to (i) set a three-year term for Directors, whose terms previously had not been limited by the articles of association, (ii) create a Board with three classes of Directors, (iii) authorize the Board to appoint Directors in addition to the existing Directors, up to a total of 11 Directors, and (iv) allow shareholders to remove any Director during his term only for negligence or other reasonable cause. Our shareholders also voted to amend our articles of association to authorize the Board to cause us to repurchase our own shares from time to time. These amendments may have the effect of delaying, deferring or preventing a change of control of our company.

The section entitled "Description of Share Capital" contained in our registration statement on Form F-1 (File No. 333-116172) is hereby incorporated by reference into this annual report on Form 20-F.

Material Contracts

Other than the contracts described in "Item 4 — Information on the Company" and "Item 7 — Major Shareholders and Related Party Transactions," we and our operating companies have not entered into any material contracts that are not in the ordinary course of business within the two years preceding the date of this annual report.

Exchange Controls

The Cayman Islands currently have no exchange control restrictions.

Taxation

The following discussion of the material Cayman Islands and United States Federal income tax consequences of an investment in the ADSs is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in the ADSs, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

To the extent the following discussion relates to Cayman Islands law with respect to income tax consequences of an investment in our ADSs, it represents the opinion of Maples and Calder.

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to us or to any holder of ADSs. Accordingly, any payment of dividends or any other distribution made on the ordinary shares will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any shareholder and gains derived from the sale of ordinary shares will not be subject to Cayman Islands capital gains tax. The Cayman Islands are not party to any double taxation treaties that are applicable to any payments made by or to our company.

We have received an undertaking from the Governor-in-Council of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, for a period of 20 years from the date of such undertaking (which was May 21, 2002), no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations will apply to us or our operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of an estate duty or inheritance tax will be payable (i) on or in respect of our shares, debentures or other obligations or (ii) by way of the withholding in whole or in part of a payment of dividends or other distribution of income or capital by us.

United States Taxation

This section describes the material United States Federal income tax consequences to a U.S. holder (as defined below) of the acquisition, ownership and disposition of our ordinary shares or ADSs. It applies to you only if you hold your ordinary shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a bank;
- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a tax-exempt organization;
- an insurance company;
- a person liable for alternative minimum tax;
- a person who actually or constructively owns 10% or more of our voting stock;
- a person who holds ordinary shares or ADSs that are a hedge or that are hedged against currency risks or as part of a straddle or a conversion transaction;
- a person that purchases or sells ordinary shares or ADSs as part of a wash sale for tax purposes; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. There is currently no comprehensive tax treaty between the United States and the Cayman Islands. In addition, this section is based in part upon the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

You are a U.S. holder if you are a beneficial owner of our ordinary shares or ADSs and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States Federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If a partnership holds the ordinary shares or ADSs, the United States Federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ordinary shares or ADSs should consult its tax advisor with regard to the United States Federal income tax treatment of its investment in the ordinary shares or ADSs.

You should consult your own tax advisor regarding the United States Federal, state and local tax consequences of owning and disposing of the ordinary shares or ADSs in your particular circumstances.

This discussion addresses only United States Federal income taxation.

In general, and taking into account the earlier assumptions, for United States Federal income tax purposes, if you hold ADSs, you will be treated as the owner of the shares represented by those ADSs. Exchange of shares for ADSs, and ADSs for shares, generally will not be subject to United States Federal income tax.

We believe that we were likely a PFIC in 2014, 2012, and certain previous taxable years, but that we were likely not a PFIC in 2013. Accordingly, unless you acquired your ordinary shares or ADSs on or after January 1, 2013 and disposed of them on or before December 31, 2013, the PFIC rules discussed below under "— PFIC Rules" will likely apply to you. In addition, it is possible that we will be a PFIC for the 2015 taxable year. As discussed in more detail under "Risks Relating to Our Business," whether we are a PFIC in 2015 depends on a number of factors that we cannot predict, including (but not limited to) our market capitalization in 2015 and the amount of passive assets that we hold in 2015. You should read the discussion under "— PFIC Rules" below and consult your own tax advisor regarding the application of these rules to your ordinary shares or ADSs.

Although your ordinary shares or ADSs are likely to be currently treated as stock in a PFIC, for purposes of simplicity and because your ordinary shares or ADSs may not be treated as stock in a PFIC in future taxable years, the first two sections below address the tax treatment of ordinary shares and ADSs that are not treated as stock in a PFIC. The subsequent discussion below addresses thecurrently more relevant topic regarding the tax treatment of your ordinary shares or ADSs if they are treated as stock in a PFIC (which we believe is likely to currently be the case).

Taxation of Dividends

Under the United States Federal income tax laws, and subject to the PFIC rules discussed below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States Federal income tax purposes) is subject to United States Federal income taxation. If you are a non-corporate U.S. holder, dividends paid to you that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the ordinary shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the ordinary shares or ADSs generally will not be qualified dividend income for any distribution in any year that we are a PFIC or in the year following a year in which we were a PFIC. Those dividends will be taxable to you at ordinary income tax rates. We expect that dividends we pay with respect to the ADSs in other years generally will be qualified dividend income. It is uncertain as to whether dividends we pay with respect to ordinary shares will be qualified dividend income.

The dividend is taxable to you when you, in the case of ordinary shares, or the depositary bank, in the case of ADSs, receives the dividend, actually or constructively. The depositary will be in constructive receipt of the dividend when the dividend is made unqualifiedly subject to the demand of the depositary. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. Distributions in excess of current and accumulated earnings and profits, as determined for United States Federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ordinary shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with United States Federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends. If the dividend is declared and paid in a foreign currency, the amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the payments made in the foreign currency, determined at the spot foreign currency/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Therefore, since the value of the foreign currency may decrease before you actually convert the currency into U.S. dollars, you may actually be taxed on a larger amount in U.S. dollars than the U.S. dollar amount that you will ultimately receive. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rates applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends will be generally income from sources outside the United States, and, depending on your circumstances, will be either "passive" income or "general" income for purposes of computing the foreign tax credit allowable to you.

Taxation of Capital Gains

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your ordinary shares or ADSs, you will recognize capital gain or loss for United States Federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your ordinary shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the holder has a holding period of greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Your ability to deduct capital losses is subject to limitations.

PFIC Rules

We believe that the ordinary shares and ADSs were likely treated as stock of a PFIC for United States Federal income tax purposes in 2014, 2012, and certain previous taxable years. We believe that we were likely not a PFIC for United States Federal income tax purposes in 2013, but these conclusions are factual determinations and are therefore not free from doubt. In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held your ordinary shares or ADSs:

- at least 75% of our gross income for the taxable year is passive income; or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (not including certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns, directly or indirectly, at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC and you are a U.S. holder that did not make a mark-to-market election, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your ordinary shares or ADSs (including the pledging of your ordinary shares or ADSs as security for a loan); and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the ordinary shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the ordinary shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the ordinary shares or ADSs;
- the amount allocated to the taxable year in which you realized the gain or excess distribution, or to a prior year in which we were not a PFIC with respect to you, will be taxed as ordinary income based on the top rates applicable in the year of distribution;
- the amount allocated to each prior year in which we were a PFIC with respect to you will generally be taxed at the highest tax rate in effect for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each prior year in which we were a PFIC.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

As we do not intend to provide certain required information, you will not be able to make a so-called "QEF election" to have us treated as a qualified electing fund.

The special PFIC tax rules described above will not apply to you if you make an effective mark-to-market election — that is, you elect to mark to market annually the gains and losses in our ordinary shares or ADSs, and our ordinary shares or ADSs are treated as "marketable stock." We believe that our ADSs are and will continue to be "marketable stock" as long as they continue to be traded on NASDAQ, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. It is uncertain as to whether the ordinary shares will constitute marketable stock. Under the mark-to-market rules, you will include as ordinary income each year the excess, if any, of the fair market value of your ordinary shares or ADSs at the end of the taxable year over your adjusted basis in your ordinary shares or ADSs. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. You may also take ordinary losses in respect of the excess, if any, of the adjusted basis of your ordinary shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the ordinary shares or ADSs will be adjusted to reflect any such income or loss amounts. Your gain, if any, recognized upon the sale of your ordinary shares or ADSs will be taxed as ordinary income. The mark-to-market election will generally apply to any taxable year in which we are treated as a PFIC and you hold our ordinary shares or ADSs.

In addition, notwithstanding any election you make with regard to the ordinary shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC either in the taxable year of the distribution or the preceding taxable year. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States Federal income tax purposes) in your gross income and it will be subject to tax at rates applicable to ordinary income.

Your ordinary shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your ordinary shares or ADSs, even if we are no longer classified as a PFIC in subsequent years. We believe that we were likely a PFIC in 2014, 2012, and certain previous taxable years, but were likely not a PFIC in 2013. Accordingly, if you hold your ordinary shares or ADSs during a period in which we were treated as a PFIC, your ordinary shares or ADSs will generally continue to be treated as stock in a PFIC even for years in which we are not a PFIC unless, as discussed below, you previously made a mark-to-market election with respect to your ordinary shares or ADSs or you make a "deemed sale election" with respect to your ordinary shares or ADSs.

If you make a mark-to-market election with respect to your ordinary shares or ADSs, you will be treated as having a new holding period in your ordinary shares or ADSs beginning on the first day of the first taxable year beginning after the last taxable year for which the mark-to-market election applies. As discussed above, a mark-to-market election with respect to the ordinary shares or ADSs will not apply to any taxable year in which we are not a PFIC. Accordingly, if you made a mark-to-market election with respect to your ordinary shares or ADSs and we cease to be a PFIC, you will have a new holding period in your ADSs beginning the first taxable year in which we are not a PFIC, and the PFIC rules described above will no longer apply to your ordinary shares or ADSs, unless we again become a PFIC in a later taxable year in which you hold your ordinary shares or ADSs. Any mark-to-market election you previously made will generally apply to a taxable year in which we are classified again as a PFIC.

Therefore, if we were a PFIC in 2012 and you made a mark-to-market election in such year, or in any other prior year in which we were a PFIC, then (unless you have revoked your election with the consent of the IRS or the election has been terminated because our ordinary shares or ADSs ceased to qualify as "marketable stock") your election will continue to apply to 2014 (if we were a PFIC in such year) and to any subsequent years in which we are a PFIC. This will be so notwithstanding the fact that we believe that we were likely not a PFIC in the intervening year of 2013. For the purpose of calculating any losses permitted under the market-to-market rules described above, for 2014, or for any subsequent years in which we are a PFIC, you may take into account income in any prior years in which we were a PFIC and in which you made an effective mark-to-market election, notwithstanding the fact that we may have ceased to be a PFIC in intervening years.

In addition, even if you did not make a mark-to-market election, if we cease to be treated as a PFIC in subsequent years, you may cause your ordinary shares or ADSs to no longer be treated as stock in a PFIC by making a "deemed sale election" with respect to your ordinary shares or ADSs. If you make such an election, you will be treated as having sold your ordinary shares or ADSs on the last date of the last taxable year in which we qualified as a PFIC (the "termination date") for their fair market value, with the special rules described above applying to such sale. For purposes of the PFIC rules only, you will then be treated as having a new holding period starting on the day following the termination date. The deemed sale election must be made on an original or amended return for the taxable year that includes the termination date.

If you made a deemed sale election in a prior year in which we were not a PFIC, your ordinary shares or ADSs will still be taxed under the PFIC rules described above in any subsequent year in which we are treated as a PFIC. Therefore, even if you made a deemed sale election in 2013, during which we believe that we were likely not a PFIC, your ordinary shares or ADSs will still be taxed as stock in a PFIC for 2014 if, as we believe is likely the case, we were a PFIC in such year.

Please consult your tax advisor as to the availability and tax consequences of a mark-to-market election or a deemed sale election.

If you own ordinary shares or ADSs during any year that your ordinary shares or ADSs are treated as stock in a PFIC, you are generally required to file Internal Revenue Service Form 8621 for each such year, unless your ownership of ordinary shares or ADSs satisfies a *de minimis* test or other exception set forth in recently issued temporary U.S. Treasury regulations.

Dividends and Paying Agents

Not applicable.

Statement by Experts

Not applicable.

Documents on Display

You can read and copy documents referred to in this annual report that have been filed with the SEC at the SEC's public reference room located at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges.

Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risks

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to the interest income generated by our cash and cash equivalents placed with our banks and, to a lesser extent, also relate to held-to-maturity securities and loans to a third party. We have not used any derivative financial instruments in our investment portfolio. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. As of December 31, 2014, we had cash and cash equivalents of US$105.1 million. A 0.5% increase in the interest rate will result in an estimated increase of approximately US$0.5 million in interest income, and a 0.5% reduction in the interest rate will result in an estimated decrease of approximately US$0.5 million in interest income generated each year from our cash and cash equivalents.

However, our future interest income may fall short of expectations due to changes in interest rates.

Foreign Currency Risk

While our reporting currency is the U.S. dollar, the majority of our revenues, costs and liabilities are denominated in Renminbi. As of December 31, 2014, about 48.8% of our assets were denominated in Renminbi. As a result, we are exposed to foreign exchange risk as our revenues and results of operations may be impacted by fluctuations in the exchange rate between U.S. dollars and Renminbi.

The value of the Renminbi fluctuates and is subject to changes in PRC political and economic conditions. On July 21, 2005, the PBOC introduced a managed floating exchange rate regime based on market demand and supply with reference to a basket of currencies. Daily fluctuations of the Renminbi against the basket of currencies were limited to 0.3% per day until May 21, 2007, when the floating band was widened to 0.5% per day, according to an announcement by the PBOC. On April 14, 2012, the PBOC again increased the permitted Renminbi fluctuation range to 1.0% per day from the previously adopted fluctuation range of 0.5% per day. The Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the long term. We cannot guarantee that the Renminbi will not be permitted to enter into a full float, which also may result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar. As we receive substantially all of our revenues in Renminbi and a majority of our cash and cash equivalents are denominated in Renminbi, any fluctuation in the exchange rate against the U.S. dollar will affect our balance sheet and earnings per share in U.S. dollar terms as well as the value of, and dividends, if any, payable on, our ordinary shares in U.S. dollar terms and the value of any U.S. dollar-denominated investments we may make in the future. As of December 31, 2014, we had cash and cash equivalents in the amount of US$105.1 million. A 1.0% appreciation of the Renminbi against the U.S. dollar will result in an estimated increase of approximately US$1.0 million in our total amount of cash and cash equivalents, and a 1.0% appreciation of the U.S. dollar against the Renminbi will result in a decrease of approximately US$1.0 million in our total amount of cash and cash equivalents.

In recent years, the government of the PRC has been under international pressure to revalue the Renminbi in order to encourage Chinese imports of foreign products. Because we receive substantially all of our revenues in Renminbi, any fluctuation in the exchange rate between U.S. dollars and Renminbi will affect our balance sheet and earnings per share in U.S. dollar terms as well as the value of, and dividends, if any, payable on, our ordinary shares in U.S. dollar terms. See “Item 3 — Key Information — Risk Factors — Risks Relating to the PRC — Fluctuation of the Renminbi could adversely affect the value of and dividends payable on our ADSs.”

We currently do not have any cash or cash equivalents in currencies other than U.S. dollars or Renminbi. As of the date of this annual report on Form 20-F, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk and may in the future experience economic loss as a result of any foreign currency exchange rate fluctuations.

Inflation

From our inception to 2006, the PRC did not experience significant inflation. According to the China Statistical Bureau, the PRC’s overall national inflation rate, as represented by the general consumer price index, was approximately 2.7%, 4.0% and 2.0%, in 2012, 2013 and 2014, respectively. Inflation generally affects us by increasing the cost of our personnel, technology, content and rent. As we intend to meet our future funding needs through cash flow generated from operating activities and the proceeds from our initial public offering, we do not believe inflation will have a material effect on our financing costs.

Item 12. Description of Securities Other than Equity Securities

We have appointed Citibank as the depositary bank for our ADSs. Citibank 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 deducting from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

As an ADS holder, you will be required to pay the following service fees to the depositary bank:

Service	Fees
Issuance of ADSs	Up to US$0.05 per ADS issued
Cancellation of ADSs	Up to US$0.05 per ADS canceled
Distribution of cash dividends or other cash distributions	Up to US$0.02 per ADS held
Distribution of ADSs pursuant to stock dividends, free stock distributions or exercise of rights	Up to US$0.05 per ADS issued
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to US$0.05 per ordinary share (or share equivalent) distributed
Annual Depositary Services Fee	Annually up to US$0.02 per ADS held at the end of each calendar year, except to the extent of any cash dividend fee(s) charged during such calendar year
Transfer of ADRs	US$1.50 per certificate presented for transfer

As an ADS holder, you will also be responsible to pay certain fees and expenses incurred by the depositary bank and certain taxes and governmental charges, such as:

- fees for the transfer and registration of ordinary shares charged by the registrar and transfer agent for the ordinary shares, i.e., upon deposit and withdrawal of ordinary shares;
- expenses incurred for converting foreign currency into U.S. dollars;
- fees and expenses incurred by the depositary in compliance with exchange controls or other regulatory requirements;
- expenses for cable, telex and fax transmissions and for delivery of securities;
- taxes and duties upon the transfer of securities, i.e., when ordinary shares are deposited or withdrawn from deposit; and
- fees and expenses incurred in connection with the delivery or servicing of ordinary shares on deposit.

For the period from May 1, 2014 to April 30, 2015, we are entitled to receive from Citibank reimbursement payments totaling US$399,360 for the expenses we incurred that are related to our ADS program, including, but not limited to, our continuing annual stock exchange listing fees and our expenses in connection with investor relationship programs. There are limits on the amount of expenses for which Citibank will reimburse us, but the amount of reimbursement available to us is not related to the amount of fees Citibank 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

Material Modifications to the Rights of Security Holders

Not applicable.

Use of Proceeds

Not applicable.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this annual report. They have concluded that, as of the end of the fiscal year covered by this annual report, our disclosure controls and procedures were designed, and were effective, to give reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and were also effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of 17 CFR 240.a13a-15 or 240.15d that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for our company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and 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 a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Due to its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation, and 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 inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act and related rules as promulgated by the SEC, our management assessed the effectiveness of the internal control over financial reporting as of December 31, 2014 using criteria established in 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 the internal control over financial reporting was effective as of December 31, 2014 based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our independent registered public accounting firm, Deloitte Touche Tohmatsu Certified Public Accountants LLP, has issued an attestation report on our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of KongZhong Corporation

We have audited the internal control over financial reporting of KongZhong Corporation, its subsidiaries and variable interest entities (collectively, the "Company") as of December 31, 2014, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel 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 that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company, and our report dated April 16, 2015, expressed an unqualified opinion on those financial statements.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Beijing, the People's Republic of China

April 16, 2015

Item 16A. Audit Committee Financial Expert

Our Board determined that Hope Ni and Xiaoxin Chen, who are our Independent Directors, according to the requirements of the U.S. securities laws and the NASDAQ Listing Rules, are audit committee financial experts within the meaning of the U.S. securities laws. See "Item 6 — Directors and Senior Management and Employees."

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to all our employees, including our chief executive officer, chief financial officer, president and financial controller. We have filed the code of ethics as an exhibit to this annual report and have posted the text of such code on our Internet website at http://corp.kongzhong.com/aboutus/ethics/.

Item 16C. Principal Accountant Fees and Services

Deloitte Touche Tohmatsu Certified Public Accountants LLP has served as our independent registered public accounting firm for each of the fiscal years ended December 31, 2012, 2013 and 2014, for which audited financial statements appear in this annual report on Form 20-F. The independent registered public accounting firm is elected annually by our shareholders at our annual general meeting. The audit committee will propose to our shareholders at the 2015 annual general meeting that Deloitte Touche Tohmatsu Certified Public Accountants LLP be elected as our auditor for fiscal year 2015.

Audit Fees

The aggregate fees billed in each of 2013 and 2014 for professional services rendered by the independent registered public accounting firm for the audit of our annual financial statements or services that are normally provided by the accountant in connection with statutory or regulatory filings or engagements were US$1.1 million and US$1.2 million, respectively.

Audit-Related Fees

There was no fee billed in either of 2013 and 2014 for assurance and related services rendered by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the caption "Audit Fees."

Tax Fees

There was no fee billed in either of 2013 and 2014 for professional services relating to tax compliance, tax advice and tax planning rendered by the independent registered public accounting firm.

All Other Fees

There was no fee billed in any of 2012, 2013 and 2014 for products and services provided by the independent registered public accounting firm, other than the services reported above under the captions "Audit Fees," "Audit-Related Fees" and "Tax Fees."

Audit Committee's Pre-approval Policies and Procedures

The Audit Committee of our Board is directly responsible for the appointment, compensation and oversight of the work of independent registered public accounting firms. Pursuant to the Audit Committee Charter adopted by the Board on June 11, 2004, the committee has the authority and responsibility to appoint, retain and terminate an independent registered public accounting firm (subject, if applicable, to ratification by our ordinary shareholders), and has sole authority to approve all audit engagement fees and terms. The Audit Committee has the power to pre-approve, or to adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by independent registered public accounting firms, and to consider whether the outside auditors' provision of non-audit services to us is compatible with maintaining the independence of the outside auditors. The Audit Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by independent registered public accounting firms, provided that such approvals are presented to the Audit Committee at its next scheduled meeting.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of ADSs Purchased	Average Price Paid Per ADS	Total Number of ADSs Purchased as Part of Publicly Announced Plan [1]	Maximum Number of ADSs that May Yet be Purchased Under the Plan
July 2012	519,056	US$ 7.9891	2,353,537	0
August 2012	0	0	0	0
September 2012	0	0	0	0
October 2012	0	0	0	0
November 2012	57,586	US$ 5.9217	57,586	4,942,414
December 2012	305,221	US$ 5.6110	362,807	4,637,193
January 2013	534,537	US$ 6.0735	897,344	4,102,656
February 2013	508,882	US$ 6.3480	1,406,226	3,593,774
Match 2013	440,105	US$ 6.3424	1,846,331	3,153,669
April 2013	109,034	US$ 6.2361	1,955,365	3,044,635
June 2013	0	US$ 0	0	0
July 2013	0	US$ 0	0	0
November 2013	0	US$ 0	0	0
December 2013	0	US$ 0	0	0

(1) A share repurchase program for up to US$15 million and 5,000,000 ADSs was publicly announced on September 30, 2011, under which program we repurchased 2,353,537 ADSs during 2011 and 2012. The program was terminated in July 2012. A second share repurchase program for up to US$20 million and 5,000,000 ADSs was publicly announced on October 26, 2012, under which program we repurchased 1,955,365 ADSs during 2012 and 2013.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Rule 5635(c) of the NASDAQ Rules requires a NASDAQ-listed company to obtain its shareholders' approval prior to the issuance of securities in connection with the acquisition of the stock or assets of another company under certain circumstances. Rule 5615 of the NASDAQ Rules permits a foreign private issuer like our company to follow home country practice in certain corporate governance matters. On December 15, 2009, we entered into a share purchase agreement, pursuant to which we agreed to issue a number of our ordinary shares to Dacheng's shareholders. (See "Item 4 — Information on the Company — Investments and Acquisitions"). Our Cayman Islands counsel, Maples and Calder, provided a letter to NASDAQ, dated January 15, 2010, certifying that under Cayman Islands law, there are no prohibitions on the issuance of securities in connection with the acquisition of the stock or assets of another company without obtaining prior approval from our shareholders. Other than the home country practices described above, we have followed and intend to continue to follow the applicable corporate governance standards under the NASDAQ Rules.

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have elected to provide the financial statements and related information specified in Item 18.

Item 18. Financial Statements

See “Index to Consolidated Financial Statements for the Years Ended December 31, 2012, 2013 and 2014” for a list of all financial statements filed as part of this annual report.

Item 19. Exhibits

See Exhibit Index beginning on page Exhibit - 1.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: April 16, 2015

KONGZHONG CORPORATION

By: /s/ Leilei Wang
Name: Leilei Wang
Title: Chief Executive Officer

EXHIBITS INDEX

Number	Description of Exhibit
1.1(4)	Amended and Restated Articles of Association, as adopted on September 6, 2005.
1.2(1)	Amended and Restated Memorandum of Association, as adopted on June 11, 2004.
2.1(1)	Specimen of share certificate.
2.2(2)	Form of Deposit Agreement among the registrant, Citibank, N.A., as depositary, and Holders and Beneficial Holders of American Depositary Shares evidenced by American Depositary Receipts thereunder, including the form of American Depositary Receipt.
4.1(1)	Shareholders Agreement.
4.2(1)	English Translation of Loan Agreement among KongZhong Corporation, as the lender, and Yunfan Zhou, Songlin Yang and Zhen Huang, each as a borrower, dated March 31, 2004.
4.3(5)	Amendment to Loan Agreement among KongZhong Corporation, Songlin Yang, Zhen Huang, Guijun Wang and Yunfan Zhou, dated October 16, 2006.
4.4(1)	English Translation of Loan Agreement among KongZhong Corporation, as the lender, and Yang Cha and Songlin Yang, as the borrowers, dated March 31, 2004.
4.5(5)	Amendment to Loan Agreement among KongZhong Corporation, Songlin Yang, Linguang Wu and Yang Cha, dated October 16, 2006.
4.6(1)	Letter Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and KongZhong Corporation, dated May 10, 2004.
4.7(1)	English Translation of Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Beijing AirInbox Information Technologies Co., Ltd., Yunfan Zhou, Songlin Yang and Zhen Huang, dated March 31, 2004.
4.8(1)	English Translation of Exclusive Technical and Consulting Services Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated March 31, 2004.
4.9(5)	Exclusive Technical and Consulting Services Agreement between KongZhong China Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated July 1, 2006.
4.10(5)	Capital Contribution Transfer Agreement among Yang Cha, Yunfan Zhou, Linguang Wu, Guijun Wang, Songlin Yang and Zhen Huang, dated October 16, 2006.
4.11(5)	Amended and Restated Business Operation Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Beijing AirInbox Information Technologies Co., Ltd., Guijun Wang, Songlin Yang, Zhen Huang and Linguang Wu, dated October 16, 2006.
4.12(5)	Amended and Restated Equity Pledge Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Guijun Wang, Songlin Yang, Zhen Huang and Linguang Wu, dated October 16, 2006.

Number	Description of Exhibit
4.13(5)	Amended and Restated Option Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Guijun Wang, Songlin Yang, Zhen Huang and Linguang Wu, dated October 16, 2006.
4.14(7)	Undertaking by Yunfan Zhou with Linguang Wu, Songlin Yang, Guijun Wang and Zhen Huang, dated October 13, 2008.
4.15(7)	Power of Attorney by Guijun Wang, dated October 13, 2008.
4.16(7)	Power of Attorney by Linguang Wu, dated October 13, 2008.
4.17(7)	Power of Attorney by Songlin Yang, dated October 13, 2008.
4.18(7)	Power of Attorney by Zhen Huang, dated October 13, 2008.
4.19(1)	English Translation of Exclusive Technical and Consulting Services Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and Beijing Boya Wuji Technologies Co., Ltd., dated March 31, 2004.
4.20(5)	Capital Contribution Transfer Agreement among Zhen Huang, Yunfan Zhou and Beijing AirInbox Information Technologies Co., Ltd., dated October 27, 2006.
4.21(4)	Option Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Li Yang, Wu Xuelei and Wuhan Chengxitong Information Technology Co., Ltd., dated November 21, 2005.
4.22(4)	Business Operations Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Wuhan Chengxitong Information Technology Co., Ltd., Li Yang and Wu Xuelei, dated November 21, 2005.
4.23(4)	Exclusive Technical and Consulting Services Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and Wuhan Chengxitong Information Technology Co., Ltd., dated November 21, 2005.
4.24(4)	Share Pledge Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Wuhan Chengxitong Information Technology Co., Ltd., Li Yang and Wu Xuelei, dated November 21, 2005.
4.25(7)	Undertaking by Yunfan Zhou with Yang Li and Xuelei Wu, dated October 13, 2008.
4.26(7)	Power of Attorney by Xuelei Wu, dated October 13, 2008.
4.27(7)	Power of Attorney by Yang Li, dated October 13, 2008.
4.28(5)	Capital Contribution Transfer Agreement among Linguang Wu, Guijun Wang, Hai Qi and Yang Yang, dated June 29, 2006.
4.29(7)	Capital Contribution Transfer Agreement among Hai Qi, Jingye Sun, Li Ai and Yang Yang, dated September 5, 2008.
4.30(7)	Amendment to Share Pledge Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Beijing Wireless Interactive Network Technologies Co., Ltd., Yang Yang, Jingye Sun and Li Ai, dated September 5, 2008.

Number	Description of Exhibit
4.31(4)	Exclusive Technical and Consulting Services Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and Beijing Wireless Interactive Network Technologies Co., Ltd., dated February 28, 2005.
4.32(7)	Amendment to Business Operations Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Beijing Wireless Interactive Network Technologies Co., Ltd., Yang Yang, Jingye Sun and Li Ai, dated September 5, 2008.
4.33(7)	Amendment to Option Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Beijing Wireless Interactive Network Technologies Co., Ltd., Yang Yang, Jingye Sun and Li Ai, dated September 5, 2008.
4.34(7)	Undertaking by Yunfan Zhou with Yang Yang, Jingye Sun and Li Ai, dated October 13, 2008.
4.35(7)	Power of Attorney by Yang Yang, dated October 13, 2008.
4.36(7)	Power of Attorney by Jingye Sun, dated October 13, 2008.
4.37(7)	Power of Attorney by Li Ai, dated October 13, 2008.
4.38(7)	Capital Contribution Transfer Agreement among Shaoying Zhang, Yanli You, Xu Guo and Yang Yang, dated March 27, 2009.
4.39(7)	Option Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Xu Guo, Yang Yang and Shanghai Mailifang Communications Ltd., dated April 1, 2009.
4.40(7)	Exclusive Technical and Consulting Services Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and Shanghai Mailifang Communications Ltd., dated April 1, 2009.
4.41(7)	Share Pledge Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Shanghai Mailifang Communications Ltd., Xu Guo and Yang Yang, dated April 1, 2009.
4.42(7)	Business Operations Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Shanghai Mailifang Communications Ltd., Xu Guo and Yang Yang, dated April 1, 2009.
4.43(7)	Power of Attorney by Xu Guo, dated April 1, 2009.
4.44(7)	Power of Attorney by Yang Yang, dated April 1, 2009.
4.45(4)	Share Purchase Agreement among KongZhong Corporation, Wang Gui Jun, Li Yang, Sharp Edge Group Limited, Anjian Xingye Technology (Beijing) Co., Ltd., Beijing Xinrui Network Technology Co., Ltd., the Xinrui Shareholders, Ho Chi Sing, Sun Jing Ye and Ai Li, dated January 26, 2006.
4.46(7)	Undertaking by Yunfan Zhou with Yang Li and Guijun Wang, dated October 13, 2008.
4.47(8)	Option Agreement among Yang Li, Guijun Wang and KongZhong China Co., Ltd., dated February 8, 2010.

Number	Description of Exhibit
4.48[8]	Exclusive Technical and Consulting Services Agreement between Beijing Xinrui Technology Co., Ltd. and KongZhong China Co., Ltd., dated February 8, 2009.
4.49[8]	Share Pledge Agreement among Yang Li, Guijun Wang and KongZhong China Co., Ltd.,, dated February 8, 2009.
4.50[8]	Business Operation Agreement among Yang Li, Guijun Wang and KongZhong China Co., Ltd.,, dated February 8, 2009.
4.51[8]	Power of Attorney by Yang Li, dated February 8, 2009.
4.52[8]	Power of Attorney by Guijun Wang, dated February 8, 2009.
4.53[8]	Equity Transfer Agreement among Tao Jia, Longteng Gao, Jianguang Li and Xiamen Xinreli Technology Co., Ltd., dated June 29, 2009.
4.54[8]	English Translation of Option Agreement among Simlife (Beijing) Science Co., Ltd., Tao Jia, Junhong Chen and Xiamen Xinreli Technology Co., Ltd., dated June 29, 2009.
4.55[8]	English Translation of Exclusive Technical Consulting and Services Agreement between Simlife (Beijing) Science Co., Ltd. and Xiamen Xinreli Technology Co., Ltd., dated June 29, 2009.
4.56[10]	English Translation of Amendment to Exclusive Technical Consulting and Services Agreement between Simlife (Beijing) Science Co., Ltd. and Xiamen Xinreli Technology Co., Ltd., dated April 12, 2012.
4.57[8]	English Translation of Share Pledge Agreement among Simlife (Beijing) Science Co., Ltd., Tao Jia and Junhong Chen, dated June 29, 2009.
4.58[8]	English Translation of Business Operations Agreement among Simlife (Beijing) Science Co., Ltd., Tao Jia, Junhong Chen and Xiamen Xinreli Technology Co., Ltd., dated June 29, 2009.
4.59[8]	Power of Attorney by Tao Jia, dated June 29, 2010.
4.60[8]	Power of Attorney by Junhong Chen, dated June 29, 2010.
4.61[8]	Share Purchase Agreement among KongZhong Corporation, Shanghai Dacheng Network Technology Co., Ltd., Zhen Yang, Leilei Wang, Xiaolong Li, Tong Zhang and Tianshu Wu, dated December 15, 2009.
4.62[8]	First Amendment to the Share Purchase Agreement among KongZhong Corporation, Shanghai Dacheng Network Technology Co., Ltd., Zhen Yang, Leilei Wang, Xiaolong Li, Tong Zhang and Tianshu Wu, dated January 13, 2010.
4.63[8]	Second Amendment to the Share Purchase Agreement among KongZhong Corporation, Shanghai Dacheng Network Technology Co., Ltd., Zhen Yang, Leilei Wang, Xiaolong Li, Tong Zhang and Tianshu Wu, dated May 13, 2010.
4.64[8]	Share Transfer Agreement among Leilei Wang, Xiaolong Li, Tong Zhang, Tianshu Wu and Shanghai Dacheng Network Technology Co., Ltd., dated May 13, 2010.

Number	Description of Exhibit
4.65[8]	Option Agreement among KongZhong China Co., Ltd., Shanghai Dacheng Network Technology Co., Ltd., Zhen Yang and Leilei Wang,, dated May 13, 2010.
4.66[8]	Exclusive Technical Consulting and Services Agreement between KongZhong China Co., Ltd. and Shanghai Dacheng Network Technology Co., Ltd., dated May 13, 2010.
4.67[8]	Share Pledge Agreement among KongZhong China Co., Ltd., Shanghai Dacheng Network Technology Co., Ltd., Zhen Yang and Leilei Wang, dated May 13, 2010.
4.68[8]	Business Operations Agreement among KongZhong China Co., Ltd., Shanghai Dacheng Network Technology Co., Ltd., Zhen Yang and Leilei Wang, dated May 13, 2010.
4.69[8]	Power of Attorney by Zhen Yang, dated May 13, 2010.
4.70[8]	Confirm Letter by Leilei Wang, dated May 13, 2010.
4.71[7]	English Translation of Technical Service Agreement on Monternet™ WAP Services between China Mobile Telecommunications Group Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated January 1, 2008.
4.72[7]	English Translation of Technical Service Agreement on Short Message Services between China Mobile Telecommunications Group Corporation (Beijing) Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated May 1, 2008.
4.73[7]	English Translation of Technical Service Agreement on Monternet™ Multimedia Messaging Services between China Mobile Telecommunications Group Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated June 18, 2008.
4.74[7]	English Translation of Technical Service Agreement on Interactive Voice Responses Services between China Mobile Telecommunications Group Corporation (Beijing) Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated November 11, 2008.
4.75[6]	English Translation of Technical Service Agreement between China United Telecommunications Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated September 1, 2007.
4.76[6]	English Translation of Technical Service Agreement between China Telecommunications Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated June 5, 2007.
4.77[8]	English Translation of Technical Service Agreement on Game Business SP Cooperation between China Mobile Group Beijing Co. Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated April 1, 2008.
4.78[8]	English Translation of Technical Service Agreement on Monternet Multimedia Messaging Services between China Mobile Telecommunications Group Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated April 23, 2009.
4.79[8]	English Translation of Technical Service Agreement on Network-wide Value-added Services SP Cooperation between China United Telecommunications Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated July 1, 2009.

Number	Description of Exhibit
4.80(9)	English Translation of Technical Service Agreement on Monternet™ Multimedia Messaging Services between China Mobile Telecommunications Group Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated January 1, 2010.
4.81(9)	English Translation of Technical Service Agreement on Interactive Voice Responses Services between China Mobile Telecommunications Group Corporation (Beijing) Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated May 1, 2010.
4.82(9)	English Translation of Technical Service Agreement on Game Business SP Cooperation between China Mobile Group Jiangsu Co. Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated September 21, 2009.
4.83(9)	English Translation of Cooperation Agreement on Game Business SP between China Mobile Group Jiangsu Co. Ltd. and Beijing WINT Information Technologies Co., Ltd., dated October 27, 2009.
4.84(9)	English Translation of Technical Service Agreement on Network-wide Value-added Services SP Cooperation between China United Telecommunications Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated July 1, 2010.
4.85(10)	English Translation of Technical Service Agreement on Game Business SP Cooperation between China Mobile Group Jiangsu Co. Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated October 16, 2010.
4.86(10)	English Translation of Technical Service Agreement on Game Business SP Cooperation between China Mobile Group Jiangsu Co. Ltd. and Beijing WINT Information Technologies Co., Ltd., dated October 16, 2010.
4.87(10)	English Translation of Technical Service Agreement on Interactive Voice Responses Services between China Mobile Telecommunications Group Corporation (Beijing) Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated August 1, 2011.
4.88(10)	English Translation of Technical Service Agreement on Monternet™ Multimedia Messaging Services between China Mobile Telecommunications Group Corporation and Beijing AirInbox Information Technologies Co., Ltd., dated August 1, 2011.
4.89(7)	Note and Warrant Purchase Agreement among KongZhong Corporation, Leilei Wang and Nokia Growth Partners II, L.P., dated March 18, 2009.
4.90(7)	First Amendment to Note and Warrant Purchase Agreement among KongZhong Corporation, Leilei Wang and Nokia Growth Partners II, L.P., dated April 9, 2009.
4.91(10)	Share Purchase Agreement by and among KongZhong Corporation, Noumena Innovation (BVI) Ltd., Brilliant International Limited, Noumena Productions Limited, Xin Pang, Chuang Xu, Winged Tiger Limited, Rational Trading (BVI) Limited, Pei-Jen Chang, Michael Tse, Victor Su, Timothy Wang, Alan Young and Steven Hong, dated February 15, 2012.
4.92(10)	English Translation of Asset Transfer Agreement among KongZhong Corporation, Beijing Noumena Innovations Co., Ltd., Pang Xin and Xu Chuang, dated February 10, 2012.

Number	Description of Exhibit
4.93(11)	Form of Warrant to purchase ordinary shares of KongZhong Corporation, issued to Meteor Entertainment, Inc., dated August 2, 2012.
4.94(11)	Registration Rights Agreement by and between KongZhong Corporation and ArenaNet, Inc., dated August 28, 2012.
4.95(11)	Form of Warrant to purchase ordinary shares of KongZhong Corporation, issued to ArenaNet, Inc., dated August 28, 2012.
4.96(11)	Warrant Purchase Agreement among KongZhong Corporation, Fit Run Limited and Nokia Growth Partners II, L.P., dated August 28, 2012.
4.97(6)	Form of Employment Agreement.
4.98(6)	Form of Confidentiality and Non-Compete Agreement.
4.99(12)†	"Licensing Agreement on World of Tanks" between Wargaming.net LLP and Beijing AirInbox Information Technologies Co., Ltd., dated August 26, 2010.
4.100(12)†	First Amendment to Licensing Agreement on "World of Tanks" between Wargaming.net LLP and Beijing AirInbox Information Technologies Co., Ltd., dated May 11, 2012.
4.101(12)	Subscription Agreement for Series A Preferred Shares in Ourgame International Holdings Limited among Ourgame International Holdings Limited, CMC Ace Holdings Limited and KongZhong Corporation, dated January 31, 2014.
4.102(12)	Shareholders Agreement among CMC Ace Holdings Limited, KongZhong Corporation, Ourgame International Holdings Limited, Sonic Force Limited, Blink Milestones Limited, Elite Vessels Limited, Prosper Macrocosm Limited, Iconic Ocean Limited, Golden Liberator Limited, Celestial Radiant Limited, Beijing Globallink Computer Technology Co., Ltd., Beijing Lianzhong Garden Network Technology Co., Ltd. and certain other individuals, dated January 31, 2014.
4.103(12)	Equitable Mortgage Over Shares in Ourgame International Holdings Limited among Sonic Force Limited, Elite Vessels Limited, CMC Ace Holdings Limited and KongZhong Corporation, dated January 31, 2014.
4.104(12)	Letter among CMC Ace Holdings Limited, KongZhong Corporation, Ourgame International Holdings Limited, Sonic Force Limited, Blink Milestones Limited, Elite Vessels Limited, Prosper Macrocosm Limited, Iconic Ocean Limited, Golden Liberator Limited, Celestial Radiant Limited, Beijing Globallink Computer Technology Co., Ltd., Beijing Lianzhong Garden Network Technology Co., Ltd. and certain other individuals, dated March 12, 2014.
4.105(12)	Side Letter to the Shareholder Agreement among CMC Ace Holdings Limited, KongZhong Corporation, Ourgame International Holdings Limited, Sonic Force Limited, Blink Milestones Limited, Elite Vessels Limited, Prosper Macrocosm Limited, Iconic Ocean Limited, Golden Liberator Limited, Celestial Radiant Limited, Beijing Globallink Computer Technology Co., Ltd., Beijing Lianzhong Garden Network Technology Co., Ltd. and certain other individuals, dated March 14, 2014.
4.106(12)	English translation of the Cooperation Agreement on All-network Interactive Voice Response (IVR) Service between China Mobile Group Jiangsu Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated August 20, 2012.

Number	Description of Exhibit
4.107[12]	English translation of the Cooperation Agreement on All-network Interactive Voice Response (IVR) Service between China Mobile Group Jiangsu Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated August 15, 2013.
4.108[12]	English translation of the Cooperation Agreement on All-network Interactive Voice Response (IVR) Service between China Mobile Group Jiangsu Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated December 15, 2013.
4.109[12]	English translation of the Cooperation Agreement on Whole Network Value-Added Service SP between China Unicom and Beijing AirInbox Information Technologies Co., Ltd., dated November 1, 2012.
4.110[12]	English translation of the Agreement on Mobile Value-Added Service (Short Message) between Value-Added Service Operation Center of China Telecom Corporation Limited and Beijing AirInbox Information Technologies Co., Ltd., dated January 1, 2012.
4.111[12]	English translation of the Cooperation Agreement on Mobile Phone Reading Content between China Mobile Group Zhejiang Co., Ltd. and Nanjing Popular Net Books Culture Co., Ltd., dated March 19, 2012.
4.112	English translation of the Cooperation Agreement on Game Business between China Mobile Group Jiangsu Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated January 1, 2014.
4.113	English translation of the Unicom Wireless Data Service SP Cooperation Agreement between China Unicom Broadband Online Co., Ltd. and Beijing AirInbox Information Technologies Co., Ltd., dated April 1, 2014.
4.114	Banking Facilities Agreement between Hang Seng Bank Limited and KongZhong Corporation, dated October 16, 2014.
4.115	Agreement among KongZhong Corporation, as Purchaser, Foga Development Co., Ltd. , as Vendor and Jieguang Zhuang, as Guarantor, dated December 30, 2014 relating to the Sale and Purchase of Approximately 7% of the Issued Share Capital in Forgame Holdings Limited.
4.116	English Translation of Option Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Tao Jia, Junhong Chen and Xiamen Xinreli Technology Co., Ltd., dated December 1, 2014.
4.117	English Translation of Exclusive Consulting and Services Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and Xiamen Xinreli Technology Co., Ltd., dated December 1, 2014.
4.118	English Translation of Share Pledge Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and Tao Jia, dated December 1, 2014.
4.119	English Translation of Share Pledge Agreement between KongZhong Information Technologies (Beijing) Co., Ltd. and Junhong Chen, dated December 1, 2014.
4.120	English Translation of Business Operations Agreement among KongZhong Information Technologies (Beijing) Co., Ltd., Tao Jia, Junhong Chen and Xiamen Xinreli Technology Co., Ltd., dated December 1, 2014.

Number	Description of Exhibit
4.121	Power of Attorney by Tao Jia, dated December 1, 2014.
4.122	Power of Attorney by Junhong Chen, dated December 1, 2014.
8.1	List of Significant Subsidiaries and Consolidated Entities.
11.1(3)	Code of Business Conduct and Ethics.
12.1	CEO Certification pursuant to Rule 13a-14(a).
12.2	CFO Certification pursuant to Rule 13a-14(a).
13.1	CEO Certification pursuant to Rule 13a-14(b).
13.2	CFO Certification pursuant to Rule 13a-14(b).
23.1	Consent of Commerce & Finance Law Offices.
23.2	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(1) Previously filed as an exhibit to the Registration Statement on Form F-1 (File No. 333-116172) of KongZhong Corporation filed with the SEC on June 4, 2004 and incorporated herein by reference thereto.

(2) Previously filed as an exhibit to the Registration Statement on Form F-6 (File No. 333-116228) of KongZhong Corporation filed with the SEC on June 7, 2004 and incorporated herein by reference thereto.

(3) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation as filed with the SEC on June 28, 2005 and incorporated herein by reference thereto.

(4) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on June 16, 2006 and incorporated herein by reference thereto.

(5) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on June 20, 2007 and incorporated herein by reference thereto.

(6) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on June 19, 2008 and incorporated herein by reference thereto.

(7) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on April 29, 2009 and incorporated herein by reference thereto.

(8) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on June 4, 2010 and incorporated herein by reference thereto.

(9) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on June 27, 2011 and incorporated herein by reference thereto.

(10) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on April 16, 2012 and incorporated herein by reference thereto.

(11) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on April 16, 2013 and incorporated herein by reference thereto.

(12) Previously filed as an exhibit to the annual report on Form 20-F (File No. 000-50826) of KongZhong Corporation filed with the SEC on April 16, 2014 and incorporated herein by reference thereto.

† Portions of these exhibits have been omitted pursuant to a request for confidential treatment, and the omitted information has been filed separately with the SEC.

KONGZHONG CORPORATION

Report of Independent Registered Public Accounting
Firm and Consolidated Financial Statements
For the years ended December 31, 2012, 2013 and 2014

KONGZHONG CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012, 2013 AND 2014

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KONGZHONG CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
KONGZHONG CORPORATION

We have audited the accompanying consolidated balance sheets of KongZhong Corporation, its subsidiaries and variable interest entities (collectively, the "Company") as of December 31, 2013 and 2014 and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of KongZhong Corporation, its subsidiaries and variable interest entities as of December 31, 2013 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 16, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
April 16, 2015

KONGZHONG CORPORATION

CONSOLIDATED BALANCE SHEETS
(In US dollars)

	As of December 31,	
	2013	2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 123,427,729	$ 105,093,178
Term deposits	4,448,839	16,907,346
Available-for-sale securities	-	20,013,487
Held-to-maturity securities	51,866,479	24,358,555
Accounts receivables, net of allowance of $342,442 and $316,966 as of December 31, 2013 and 2014	17,230,844	30,244,289
Prepaid expenses and other current assets	7,762,570	19,069,904
Restricted cash	-	53,375,960
Total current assets	204,736,461	269,062,719
Rental deposits	797,372	1,444,524
Property and equipment, net	5,842,522	5,659,191
Long-term investments	1,999,999	-
Goodwill	90,266,629	90,019,108
Acquired intangible assets, net	78,726,587	55,509,804
Restricted cash	36,870,739	10,885,357
Total assets	$ 419,240,309	$ 432,580,703
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable (including accounts payable of the consolidated variable interest entities ("VIEs") without recourse to the Company of $39,488,204 and $31,546,430 as of December 31, 2013 and 2014, respectively)	$ 39,514,379	$ 31,599,317
Accrued expenses and other current liabilities (including accrued expenses and other current liabilities of the consolidated VIEs without recourse to the Company of $15,437,141 and $13,469,803 as of December 31, 2013 and 2014, respectively)	19,224,723	16,580,351
Short-term bank loan (including short-term bank loan of the consolidated VIEs without recourse to the Company of $nil and $nil as of December 31, 2013 and 2014, respectively)	-	42,428,890
Deferred revenue (including deferred revenue of the consolidated VIEs without recourse to the Company of $2,262,223 and $4,622,404 as of December 31, 2013 and 2014, respectively)	2,262,223	4,652,010
Income tax payable (including income tax payable of the consolidated VIEs without recourse to the Company of $322,714 and $1,223,526 as of December 31, 2013 and 2014, respectively)	6,369,482	5,529,899
Total current liabilities	$ 67,370,807	$ 100,790,467
Commitments and contingencies (Note 30)		
Long-term liabilities (including long-term liabilities of the consolidated VIEs without recourse to the Company of $19,260,000 and $9,860,000 as of December 31, 2013 and 2014, respectively)	19,260,000	9,860,000
Total liabilities	$ 86,630,807	$ 110,650,467
Ordinary shares ($0.0000005 par value; 1,000,000,000,000 shares authorized, 1,834,883,063 and 1,882,073,063 shares issued and outstanding as of December 31, 2013 and 2014, respectively)	918	942
Additional paid-in capital	152,052,241	162,687,212
Warrants	10,419,000	5,548,000
Accumulated other comprehensive income	55,563,102	57,531,228
Statutory reserves	10,723,748	11,467,537
Retained earnings	103,850,493	84,695,317
Total shareholders' equity	332,609,502	321,930,236
Total liabilities and shareholders' equity	$ 419,240,309	$ 432,580,703

The accompanying notes are an integral part of these consolidated financial statements.

KONGZHONG CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In US dollars)

	For the years ended December 31,		
	2012	2013	2014
Revenues	180,586,151	173,653,795	227,595,969
Cost of revenues (including impairment on intangible assets of $nil, $250,553 and $nil for 2012, 2013 and 2014, respectively)	(103,130,272)	(96,399,886)	(129,279,063)
Gross profit	77,455,879	77,253,909	98,316,906
Operating expenses			
Product development (including share-based compensation expense of $468,232, $305,385 and $545,060 for 2012, 2013 and 2014, respectively)	(18,382,383)	(26,401,720)	(25,107,372)
Selling and marketing (including share-based compensation expense of $227,804, $111,198 and $nil for 2012, 2013 and 2014, respectively)	(24,586,039)	(26,674,024)	(42,522,684)
General and administrative (including share-based compensation expense of $3,768,461, $1,157,146 and $1,002,720 for 2012, 2013 and 2014, respectively)	(11,629,273)	(8,976,176)	(12,564,600)
Impairment loss on intangible assets	-	(1,562,386)	(1,323,260)
Total operating expenses	(54,597,695)	(63,614,306)	(81,517,916)
Government subsidies	301,359	2,176,449	1,138,909
Income from operations	23,159,543	15,816,052	17,937,899
Interest income	5,231,308	6,763,938	8,864,742
Interest income from loans to third party	453,602	-	-
Interest expense	(262,758)	(693,282)	(895,056)
Impairment loss on cost method investment	-	(2,000,000)	(1,999,999)
Exchange gain (loss)	387,642	1,487,343	(271,666)
Investment income	261,473	-	-
Net Income before income taxes	29,230,810	21,374,051	23,635,920
Income taxes expense	(3,490,842)	(712,402)	(1,047,999)
Net income	$ 25,739,968	$ 20,661,649	$ 22,587,921
Net income per share, basic	$ 0.02	$ 0.01	$ 0.01
Net income per share, diluted	$ 0.01	$ 0.01	$ 0.01
Weighted average shares used in calculating basic net income per share	1,661,864,846	1,714,924,612	1,828,191,540
Weighted average shares used in calculating diluted net income per share	1,721,622,756	1,751,621,340	1,875,520,094
Net income	$ 25,739,968	$ 20,661,649	$ 22,587,921
Foreign currency translation adjustments	431,986	8,944,839	(1,665,311)
Unrealized gain on available-for-sale securities	-	-	3,633,437
Other comprehensive income	$ 431,986	$ 8,944,839	$ 1,968,126
Comprehensive income	$ 26,171,954	$ 29,606,488	$ 24,556,047

The accompanying notes are an integral part of these consolidated financial statements.

KONGZHONG CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In US Dollars)

	Ordinary shares		Additional		Accumulated other comprehensive	Statutory	Retained	Total shareholders'
	Shares	Amount	paid-in capital	Warrants	income	reserves	earnings	equity
Balance as of January 1, 2012	1,661,939,143	$ 829	$ 131,140,682	$ 677,332	$ 46,186,277	$ 10,341,491	$ 57,831,133	$ 246,177,744
Issuance of ordinary shares for share-based compensation	27,500,000	14	277,295	-	-	-	-	277,309
Issuance of ordinary shares for acquisition of business	40,000,000	20	4,229,980	-	-	-	-	4,230,000
Share-based compensation recognized	-	-	4,464,497	-	-	-	-	4,464,497
Repurchase of ordinary shares	(74,141,480)	(42)	(14,590,313)	-	-	-	-	(14,590,355)
Conversion of convertible senior note	22,800,000	11	1,263,908	-	-	-	-	1,263,919
Issuance of warrants	-	-	-	14,889,000	-	-	-	14,889,000
Provision for statutory reserves	-	-	-	-	-	230,839	(230,839)	-
Other comprehensive income	-	-	-	-	431,986	-	-	431,986
Net income	-	-	-	-	-	-	25,739,968	25,739,968
Balance as of December 31, 2012	1,678,097,663	$ 832	$ 126,786,049	$ 15,566,332	$ 46,618,263	$ 10,572,330	$ 83,340,262	$ 282,884,068
Issuance of ordinary shares for share-based compensation	35,000,000	18	849,020	-	-	-	-	849,038
Share-based compensation recognized	-	-	1,573,729	-	-	-	-	1,573,729
Repurchase of ordinary shares	(78,214,600)	(32)	(10,123,789)	-	-	-	-	(10,123,821)
Warrants exercised	200,000,000	100	32,967,232	(5,147,332)	-	-	-	27,820,000
Provision for statutory reserves	-	-	-	-	-	151,418	(151,418)	-
Other comprehensive income	-	-	-	-	8,944,839	-	-	8,944,839
Net income	-	-	-	-	-	-	20,661,649	20,661,649
Balance as of December 31, 2013	1,834,883,063	$ 918	$ 152,052,241	$ 10,419,000	$ 55,563,102	$ 10,723,748	$ 103,850,493	$ 332,609,502
Issuance of ordinary shares for share-based compensation	7,190,000	4	436,621	-	-	-	-	436,625
Share-based compensation recognized	-	-	1,547,780	-	-	-	-	1,547,780
Repurchase of ordinary shares	-	-	(12,410)	-	-	-	-	(12,410)
Warrants exercised	40,000,000	20	8,662,980	(2,723,000)	-	-	-	5,940,000
Warrants forfeited	-	-	-	(2,148,000)	-	-	-	(2,148,000)
Provision for statutory reserves	-	-	-	-	-	743,789	(743,789)	-
Other comprehensive income	-	-	-	-	1,968,126	-	-	1,968,126
Dividends to shareholders	-	-	-	-	-	-	(40,999,308)	(40,999,308)
Net income	-	-	-	-	-	-	22,587,921	22,587,921
Balance as of December 31, 2014	1,882,073,063	$ 942	$ 162,687,212	$ 5,548,000	$ 57,531,228	$ 11,467,537	$ 84,695,317	$ 321,930,236

The accompanying notes are an integral part of these consolidated financial statements.

KONGZHONG CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In US dollars)

	For the years ended December 31,		
	2012	2013	2014
Operating activities:			
Net income	$ 25,739,968	$ 20,661,649	22,587,921
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,628,005	4,988,007	21,523,098
(Gain) loss on disposal of property and equipment	(6,694)	30,714	(6,807)
Provision of bad debt	5,626	342,442	316,966
Impairment loss on cost method investment	-	2,000,000	1,999,999
Impairment loss on intangible assets	-	1,812,939	1,323,260
Share-based compensation	4,464,497	1,573,729	1,547,780
Amortization of the debt discount	36,297	-	-
Imputed interest on long-term liabilities	-	600,000	600,000
Changes in operating assets and liabilities:			
Accounts receivable	(3,757,638)	6,723,022	(13,318,909)
Prepaid expenses and other current assets	(387,517)	(3,037,894)	(11,204,252)
Rental deposits	(233,859)	(29,697)	(647,735)
Trading securities	7,602,189	-	-
Accounts payable	(167,693)	(2,757,184)	4,478,116
Deferred revenue	(266,818)	(1,621,249)	2,370,611
Accrued expenses and other liabilities	2,551,298	4,513,352	320,302
Income tax payable	3,448,253	(70,320)	(821,047)
Net cash provided by operating activities	46,655,914	35,729,510	31,069,303
Investing activities:			
Acquisition of businesses (net of cash acquired $586,701, $ nil and $nil for 2012, 2013, and 2014, respectively)	(8,413,299)	-	-
Purchase of intangible assets	(13,666,768)	(1,565,294)	(98,094)
Long-term investments	(3,999,999)	-	(16,380,050)
Loan repayment from third party	22,190,124	-	-
Purchase of term deposits	-	(20,824,178)	(18,520,623)
Proceeds from disposal of term deposits	-	16,710,813	6,077,749
Purchase of held-to-maturity securities	(319,589,646)	(259,536,862)	(191,037,877)
Proceeds from disposal of held-to-maturity securities	319,293,275	226,240,067	218,358,093
Purchase of property and equipment	(1,516,362)	(4,969,144)	(3,121,667)
Proceeds from disposal of property and equipment	6,694	-	6,807
Release of restricted cash	-	-	15,000,000
Addition of restricted cash	(35,510,803)	-	(42,401,935)
Net cash used in investing activities	(41,206,784)	(43,944,598)	(32,117,597)
Financing activities:			
Deferred payment for acquisition of business	-	(3,000,000)	(2,880,600)
Repurchase of ordinary shares	(14,590,355)	(10,123,821)	(12,410)
Proceeds from exercise of employee stock options	277,309	849,038	436,625
Deferred payments for intangible assets	-	(6,588,420)	(21,827,993)
Proceeds from bank borrowing	-	9,000,000	42,428,890
Repayment of bank borrowing	-	(9,000,000)	-
Proceeds from exercise of warrants	-	27,820,000	5,940,000
Dividends paid to shareholders	-	-	(40,999,308)
Net cash (used in) provided by financing activities	(14,313,046)	8,956,797	(16,914,796)
Effect of foreign exchange rate changes	47,102	1,991,304	(371,461)
Net (decrease) increase in cash and cash equivalents	(8,816,814)	2,733,013	(18,334,551)
Cash and cash equivalents, beginning of year	129,511,530	120,694,716	123,427,729
Cash and cash equivalents, end of year	$ 120,694,716	$ 123,427,729	$ 105,093,178
Supplemental disclosures of cash flow information			
Income taxes paid	$ 647,839	$ 909,496	$ 1,887,582
Interest paid	$ 26,730	$ 93,282	$ 119,400
Non-cash investing and financing activities:			
Warrants issued in acquisition of game licenses	$ 14,889,000	$ -	$ -
Warrants forfeited	-	-	2,148,000

Consideration payable in connection with business acquisition	5,880,600	-	-
Ordinary shares issued for business acquisitions	4,230,000	-	-
Consideration payable in connection with purchase of intangible assets	$ 47,172,547	$ 4,784,675	$ 196,110

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

KongZhong Corporation ("KongZhong") was incorporated under the laws of the Cayman Islands on May 6, 2002. KongZhong and its consolidated entities (collectively, the "Company") provide internet games services, mobile games services and wireless interactive entertainment, media and community value-added services to customers of the telecommunications operators.

As of December 31, 2014, details of the Company's significant majority-owned subsidiaries and VIEs are as follows:

Name	Incorporation or acquisition date/place	Shareholder/ nominee owner	Legal ownership %	Principal activities
Subsidiaries:				
KongZhong Information Technologies (Beijing) Co., Ltd. ("KongZhong Beijing")	July 2002 People's Republic of China ("PRC")	KongZhong	100	Providing consulting and technology services
KongZhong China Co., Ltd. ("KongZhong China")	June 2005 the PRC	KongZhong	100	Providing consulting and technology services
Simlife (Beijing) Science Co., Ltd. ("Simlife Beijing")	June 2009 the PRC	Simlife International Inc.	100	Providing consulting and technology services
Success Blueprint Limited ("Success Blueprint")	October 2009 British Virgin Islands	KongZhong	100	Providing novel license to overseas
Dacheng Holdings Limited ("Dacheng Holdings")	January 2010 Cayman Islands	KongZhong	100	Providing internet games services
Dacheng Investment (Hong Kong) Limited ("Dacheng Hong Kong")	January 2010 Hong Kong	KongZhong	100	Providing internet games services
Noumena Innovation (BVI) Ltd. ("Noumena")	March 2012 British Virgin Islands	KongZhong	100	Providing smart mobile games services
Noumena Productions limited	March 2012 Hong Kong	Noumena	100	Providing smart mobile games services
KongZhong (Singapore) Pte. Ltd.	November 2014 Singapore	KongZhong China	100	Providing mobile games and internet games services
VIEs:				
Beijing AirInbox Information Technologies Co., Ltd. ("Beijing AirInbox")	April 2002 the PRC	Linguang Wu SonglinYang Guijun Wang Zhen Huang	45 42 10 3	Providing wireless value-added services to mobile phone users
Beijing Wireless Interactive Network Technologies Co., Ltd. ("Beijing WINT")	February 2005 the PRC	Yang Yang Jingye Sun Li Ai	40 30 30	Providing wireless value-added services to mobile phone users
Beijing Chengxitong Information Technology Co., Ltd. ("Beijing Chengxitong")	November 2005 the PRC	Yang Li Xuelei Wu	90 10	Providing wireless value-added services to mobile phone users

1. ORGANIZATION AND PRINCIPAL ACTIVITIES- continued

Name	Incorporation or acquisition date/place	Shareholder/ nominee owner	Legal ownership %	Principal activities
Beijing Xinrui Network Technology Co., Ltd. ("Beijing Xinrui")	January 2006 the PRC	Guijun Wang Yang Li	51 49	Providing wireless value-added services to mobile phone users
Shanghai Mailifang Communication Co., Ltd. ("Shanghai Mailifang")	March 2009 the PRC	Xu Guo Yang Yang	90 10	Mobile games developing services
Xiamen Xinreli Technology Co., Ltd. ("Xiamen Simlife")	June 2009 the PRC	Tao Jia Junhong Chen	80 20	Providing wireless value-added services to mobile phone users
Shanghai Dacheng Network Technology Co., Ltd. ("Shanghai Dacheng")	January 2010 the PRC	Leilei Wang Zhen Yang	59 41	Providing internet games services
Subsidiaries of VIE:				
Beijing Boya Wuji Technologies Co., Ltd.	March 2004 the PRC	Beijing AirInbox	100	Providing internet games services
Tianjin Mammoth Technologies Co., Ltd. ("Tianjin Mammoth")	May 2005 the PRC	Beijing AirInbox Beijing WINT	95 5	Mobile games developing services
Beijing Shiyuan Leya Culture Communication Co., Ltd.	July 2008 the PRC	Beijing Xinrui	100	Providing wireless value-added services to mobile phone users
Nanjing Net Book Culture Co., Ltd.	October 2009 the PRC	Beijing Chengxitong	100	Providing internet novel services
Beijing Yin'ao Fulai Culture Development Co., Ltd.,	May 2012 the PRC	Beijing Xinrui	100	Providing wireless value-added services to mobile phone users
Beijing Shangshu Boer Culture Communication Co., Ltd.,	July 2012 the PRC	Beijing Xinrui	100	Providing wireless value-added services to mobile phone users
Shanghai KongZhong Brilliant Game Co., Ltd. ("KongZhong Brilliant")	July 2012 the PRC	Shanghai Dacheng	100	Providing internet games services
KongZhongWang JP Co., Ltd.	June 2014 Japan	Beijing AirInbox	100	Providing mobile games services
Dacheng (Singapore) Pte. Ltd.	November 2014 Singapore	Shanghai Dacheng	100	Providing mobile games and internet games services

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements

PRC regulations prohibit direct foreign ownership of business entities providing value-added telecommunications services in the PRC where certain licenses are required for the provision of such services. To comply with these regulations, the Company conducts the majority of its activities through its VIEs and their subsidiaries.

The VIEs hold the requisite licenses and permits necessary to conduct the Company's value-added telecommunications business. KongZhong Beijing, KongZhong China, or Simlife Beijing (collectively, the "Foreign Owned Subsidiaries") have entered into the following contractual arrangements with Beijing AirInbox, Beijing WINT, Beijing Chengxitong, Shanghai Mailifang, Xiamen Simlife, Beijing Xinrui and Shanghai Dacheng (collectively the "VIE Companies"), that enable the Company to (1) have power to direct the activities that most significantly affects the economic performance of the VIEs, and (2) receive the economic benefits of the VIEs that could be significant to the VIEs. Accordingly, the Company is considered the primary beneficiary of the VIEs and has consolidated the VIEs' financial results of operations, assets and liabilities in the Company's consolidated financial statements.

Name of Foreign Owned Subsidiaries	Name of VIE Companies
KongZhong Beijing	Beijing AirInbox
KongZhong Beijing	Beijing WINT
KongZhong Beijing	Beijing Chengxitong
KongZhong Beijing	Shanghai Mailifang
KongZhong Beijing	Xiamen Simlife
KongZhong China	Beijing Xinrui
KongZhong China	Shanghai Dacheng

In making the conclusion that the Company is the primary beneficiary of the VIE Companies, the Company believes the Company's rights under the terms of the exclusive option agreements provide it with a substantive kick out right. More specifically, the Company believes the terms of the exclusive option agreements are valid, binding and enforceable under PRC laws and regulations currently in effect. A simple majority vote of the Company's board of directors is required to pass a resolution to exercise the Company's rights under the exclusive option agreements, for which consent of the shareholders of VIE Companies is not required. The Company's rights under the exclusive option agreements give the Company the power to control the shareholders of VIE Companies and thus the power to direct the activities that most significantly impact the VIE Companies' economic performance. In addition, the Company's rights under the powers of attorney also reinforce the Company's abilities to direct the activities that most significantly impact the VIE Companies' economic performance. The Company also believes that this ability to exercise control ensures that the VIE Companies will continue to execute and renew services agreements and pay service fees to the Company. The technical and consulting services agreements are automatically renewed and may only be terminated at the Company's sole discretion. The Company has the sole discretion to determine the amounts of the technical and consulting service fees. As a result, the Company believes that it has the rights to receive substantially all of the economic benefits from the VIE Companies.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

- Agreements that provide the Foreign Owned Subsidiaries effective control over the VIE Companies

Business operation agreement The Foreign Owned Subsidiaries have entered into business operation agreements with the VIE Companies and their respective shareholders, respectively. Pursuant to these agreements, the VIE companies and their respective shareholders agreed to appoint individuals designated by the Foreign Owned Subsidiaries to the management team of the VIE Companies and to refrain from taking certain actions that may materially affect these VIE Companies' operations.

The business operation agreements of Beijing AirInbox and Xiamen Simlife will expire in 2016 and 2024, respectively. The business operation agreement of Beijing AirInbox will be automatically extended for another ten years unless KongZhong Beijing writes to terminate the agreement three months before the expiration of the agreement. The business operation agreement of Xiamen Simlife will be automatically extended for another ten years unless KongZhong Beijing writes to terminate the agreement three months before the expiration of the agreement. The business operation agreements of the remaining VIEs do not contain any expiration date. The termination of the agreements requires thirty day written notice from the Foreign Owned Subsidiaries. The VIEs have no authority to terminate the business operation agreements.

Power of attorney Each of the shareholders of the VIE Companies has also executed an irrevocable power of attorney in favor of individuals designated by the Foreign Owned Subsidiaries. Pursuant to these powers of attorney, those designated individuals have full power and authority to exercise all of such shareholders' rights with respect to their equity interests in the VIE Companies. The power of attorney has no expiration date.

Exclusive option agreement Each of the VIE Companies and their respective shareholders has also entered into an exclusive share option agreement with the respective Foreign Owned Subsidiaries. Pursuant to these agreements, each of the shareholders of the VIE Companies has granted an exclusive option to the Foreign Owned Subsidiaries or their designees to purchase all or part of such shareholder's equity interest in the VIE Companies, at a purchase price equal to the respective capital of the VIE companies or a price required under PRC laws at the time of such purchase.

Equity pledge agreement Each of the shareholders of the VIE Companies has also entered into an equity pledge agreement with the respective Foreign Owned Subsidiaries, pursuant to which these shareholders pledged their respective interests in the VIE Companies to guarantee the performance of such VIE Companies' payment obligations under the respective exclusive technical and consulting services agreements.

- Agreements that transfer economic benefits to the Foreign Owned Subsidiaries

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

The VIE arrangements - continued

Exclusive technical and consulting services agreement The Foreign Owned Subsidiaries have entered into exclusive technical and consulting services agreements with the VIE Companies, respectively. Pursuant to these technical and consulting services agreements, the Foreign Owned Subsidiaries provide certain technical and consulting services to the VIE Companies in exchange for service fees. The Foreign Owned Subsidiaries have the sole discretion to determine the amounts of the technical and consulting services fee.

The exclusive technical and consulting services agreements of Beijing AirInbox, Shanghai Mailifang, Beijing Xinrui and Shanghai Dacheng will expire in 2024, 2019, 2019 and 2020, respectively. The exclusive technical and consulting services agreements of these VIEs will be automatically extended for another ten years unless the relevant Foreign Owned Subsidiaries write to terminate the agreements three months before the expiration of the agreements. The technical and consulting services agreements of the remaining VIEs do not contain any expiration provision.

The agreements may be terminated only at the option of the Foreign Owned Subsidiaries and the VIEs have no authority to terminate the exclusive technical and consulting services agreements.

Risks in relation to the VIE structure

The Company believes that the contractual arrangements with VIE Companies and their subsidiaries and their current shareholders are in compliance with PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- Revoke the business and operating licenses of the Foreign Owned Subsidiaries, VIE Companies and their subsidiaries;
- Discontinue or restrict the operations of any related-party transactions among the Foreign Owned Subsidiaries, VIE Companies and their subsidiaries;
- Impose fines or other requirements on the Foreign Owned Subsidiaries, VIE Companies and their subsidiaries;
- Require the Company or Foreign Owned Subsidiaries, VIE Companies and their subsidiaries to revise the relevant ownership structure or restructure operations; and/or
- Restrict or prohibit the Company's use of the proceeds of the additional public offering to finance the Company's business and operations in China.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risks in relation to the VIE structure - continued

The Company's ability to conduct its business may be negatively affected if the PRC government were to carry out of any of the aforementioned actions. As a result, the Company may not be able to consolidate VIE Companies and their subsidiaries in its consolidated financial statements as it may lose the ability to exert effective control over VIE Companies and their subsidiaries and their shareholder, and it may lose the ability to receive economic benefits from VIE Companies and their subsidiaries.

The interests of the shareholders of the VIE Companies may diverge from that of the Company and that may potentially increase the risk that they would seek to act contrary to the contractual terms, for example by influencing the VIE Companies not to pay the service fees when required to do so. The Company cannot assure that when conflicts of interest arise, shareholders of the VIE Companies will act in the best interests of the Company or that conflicts of interests will be resolved in the Company's favor. Currently, the Company does not have existing arrangements to address potential conflicts of interest the shareholders of VIE Companies may encounter in their capacity as beneficial owners and directors of VIE Companies, on the one hand, and as beneficial owners and directors of the Company, on the other hand. The Company believes the shareholders of VIE Companies will not act contrary to any of the contractual arrangements and the exclusive option agreements provide the Company with a mechanism to remove the current shareholders of VIE Companies should they act to the detriment of the Company. The Company relies on certain current shareholders of VIE Companies, as directors and executive officers of the Company, to fulfill their fiduciary duties and abide by laws of the PRC and Cayman Islands and act in the best interest of the Company. If the Company cannot resolve any conflicts of interest or disputes between the Company and the shareholders of VIE Companies, the Company would have to rely on legal proceedings, which could result in disruption of its business, and there is substantial uncertainty as to the outcome of any such legal proceedings.

The Company's ability to control the VIE Companies also depends on the powers of attorney the Foreign Owned Subsidiaries have to vote on all matters requiring shareholder approvals in the VIE Companies. As noted above, the Company believes the powers of attorney are legally enforceable but may not be as effective as direct equity ownership.

The following financial statement amounts and balances of KongZhong's VIEs were included in the accompanying consolidated financial statements:

	As of December 31,	
	2013	2014
Total current assets	$ 140,476,592	$ 134,777,487
Total assets	$ 259,746,443	$ 211,055,266
Total current liabilities	$ 57,510,282	$ 50,862,163
Total liabilities	$ 76,770,282	$ 60,722,163

1. ORGANIZATION AND PRINCIPAL ACTIVITIES - continued

Risks in relation to the VIE structure - continued

	For the years ended December 31,		
	2012	2013	2014
Revenues	$ 172,090,218	$ 168,999,541	$ 217,859,413
Net income	$ 28,331,383	$ 16,439,680	$ 22,996,737

	For the years ended December 31,		
	2012	2013	2014
Net cash provided by operating activities	$ 43,021,136	$ 28,830,017	$ 26,682,007
Net cash (used in) provided by investing activities	$ (53,172,297)	$ (38,188,141)	$ 28,503,343
Net cash (used in) financing activities	$ -	$ (6,588,420)	$ (21,201,273)

The VIEs contributed an aggregate of 95.3%, 97.3% and 95.7% of the consolidated revenues for the year ended December 31, 2012, 2013 and 2014, respectively. The Company's operations not conducted through contractual arrangements with the VIEs primarily consist of its non-carrier billing channels business. As of December 31, 2013 and 2014, the VIEs accounted for an aggregate of 62.0% and 48.8%, respectively, of the consolidated total assets, and 88.6% and 54.9%, respectively, of the consolidated total liabilities. The assets not associated with the VIEs primarily consist of cash and cash equivalents, goodwill and intangible assets.

There are no consolidated VIEs' assets that are collateral for the VIEs' obligations and can only be used to settle the VIEs' obligations. There are no creditors (or beneficial interest holders) of the VIEs that have recourse to the general credit of the Company or any of its consolidated subsidiaries. There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests, that require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs ever needs financial support, the Company or each of its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholders of the VIEs or entrustment loans to the VIEs.

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of their net assets, equivalent to the balance of their statutory reserve and their share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 31 for disclosure of restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiaries, and its VIEs. All inter-company transactions and balances have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Term deposits

The balance represents the Company's investments in time deposits with financial institutions with remaining maturities of greater than three months when purchased.

Restricted cash

Restricted cash is related to deposits with financial institutions as guarantees to issue standby letters of credit and is restricted as to withdrawal or usage.

Fair value

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Authoritative literature provides 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 as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value - continued

Level 1

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3

Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company measures certain assets, including the cost method investments, at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. The fair values of these investments are determined based on valuation techniques using the best information available, and may include management judgments, future performance projections, etc. An impairment charge is recorded when the cost of the investment exceeds its fair value and this condition is determined to be other-than-temporary.

Fair value of acquired assets is discussed in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Short-term investments

The Company's short-term investments comprise debt and equity securities, which are classified as either held-to-maturity securities, trading securities or available-for-sale securities. Investments in securities that the Company has the positive intent and ability to hold the securities to maturity are classified as held-to-maturity securities and recorded at amortized cost. Trading securities are carried at their fair values and the unrealized gains or losses from the changes in fair values are included in net earnings. Investments in securities that have readily determinable fair value not classified as held-to-maturity or as trading securities are classified as available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income (loss). Realized gains or losses are included in earnings during the period in which the gain or loss is realized.

The Company reviews its short-term investments, including held-to-maturity securities and available-for-sale securities, for other-than-temporary impairment based on the specific identification method. The Company considers available quantitative and qualitative evidence in evaluating potential impairment of its short-term investments. If the cost of an investment exceeds the investment's fair value, the Company considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than the cost, and the Company's intent and ability to hold the investment, in determining if impairment is needed.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses in the financial statements and accompanying notes. Significant accounting estimates reflected in the Company's financial statements include impairment of goodwill and other intangible assets, impairment of cost method investment, purchase price allocation in business combinations, revenue recognition, valuation of warrants, valuation allowance for deferred tax assets, and share-based compensation expense. Actual results could differ from those estimates.

Property and equipment, net

Property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Computer and transmission equipment	3 years
Furniture and office equipment	3 years
Motor vehicles	3 years
Leasehold improvements	Over the shorter of the lease term or useful lives
Communication equipment	1 year
Office building	20 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Acquired intangible assets (other than indefinite lived intangible assets), net

Acquired intangible assets, other than indefinite lived intangible assets, are carried at cost less accumulated amortization and impairment. The amortization of such acquired intangible assets is recognized over the expected useful lives of the assets.

Impairment of long-lived assets

Long-lived assets and certain identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. When these events occur, the Company measures impairment by comparing the carrying value of the long-lived assets to the estimated undiscounted future 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 Company would recognize an impairment loss based on the fair value of the assets.

Business combinations

Business combinations are recorded using the acquisition method of accounting. The assets acquired, the liabilities assumed, and any noncontrolling interest of the acquiree at the acquisition date, if any, are measured at their fair values as of that date. Goodwill is recognized and measured as the excess of the total consideration transferred plus the fair value of any noncontrolling interest of the acquiree, if any, at the acquisition date over the fair values of the identifiable net assets acquired. Common forms of the consideration made in acquisitions include cash and common equity instruments. Consideration transferred in a business acquisition is measured at the fair value as at the date of acquisition. For shares issued in a business combination, the Company has estimated the fair value as of the date of acquisition.

Where the consideration in an acquisition the payment of which depends on the achievement of certain specified conditions post-acquisition is recognized and measured at its fair value at the acquisition date and if recorded as a liability it is subsequently carried at fair value with changes in fair value reflected in earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill and indefinite-lived intangible assets

The excess of the purchase price over the fair value of net assets acquired is recorded on the consolidated balance sheets as goodwill. Goodwill is not amortized but is evaluated by the Company at least annually (at December 31) for impairment following a two-step process.

The first step compares the fair value of each reporting unit (operating segment or one level below an operating segment) to its carrying amount, including goodwill. As of December 31, 2013 and 2014, there were three reporting units, internet games, mobile games and wireless value-added services ("WVAS"). If the fair value of each reporting unit exceeds its carrying amount, goodwill is not considered to be impaired and the second step will not be required. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. The implied fair value of goodwill is determined in a manner similar to accounting for a business combination with the allocation of the assessed fair value determined in the first step to the assets and liabilities of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to the assets and liabilities is the implied fair value of goodwill. This allocation process is only performed for purposes of evaluating goodwill impairment and does not result in an entry to adjust the value of any assets or liabilities. An impairment loss is recognized for any excess in the carrying value of goodwill over the implied fair value of goodwill. No impairment loss was recorded during the years ended December 31, 2012, 2013 and 2014 (see Note 12).

The Company has determined that the Company's trademarks do not have determinable useful lives. Consequently, the carrying amount of trademarks are not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. Such impairment test consists of a comparison of the fair value of the trademarks with their carrying amount and an impairment loss is recognized if and when the carrying amounts of the trademarks exceed their fair values. The estimates of fair values of intangible assets not subject to amortization are determined using various discounted cash flow valuation methodologies. Significant assumptions are inherent in this process, including estimates of discount rates. Discount rate assumptions are based on an assessment of the risk inherent in the respective intangible assets. No impairment loss was recorded during the years ended December 31, 2012, 2013 and 2014.

Long-term investments

For investments in investees over which the Company does not have significant influence, the Company carries the investments at cost. The Company reviews the long-term investments for impairment whenever events or circumstances indicate that an other-than-temporary decline has occurred. An impairment loss is recognized in earnings equal to the amount of the investment's carrying amount in excess of its fair value at the assessment date. The fair value of the investment would then become the new cost basis of the investment. Impairment losses of $nil, $2 million and $2 million were recorded for the years ended December 31, 2012, 2013 and 2014, respectively (see Note 11).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition and cost of revenues

The Company's revenues are derived from internet games services, mobile games services and WVAS. The Company's revenues are net of sales tax.

(i) Internet games

The internet games revenues are primarily derived from internet games operation revenues and licensing revenues.

Online game operation revenues

The Company adopts the item-based revenue model. The basic game play functions are free of charge or require an initial fee to access the game, and players are charged for purchases of in-game items. Revenue from the initial fee to access the game is recognized ratably based on the period during which the player is expected to continue to play the game. Revenues from the sales of in-game items are recognized when the items are consumed by the players or over the estimated lives of the items.

Cash received but not converted into in-game money is initially recorded as advances from customers, which are transferred as deferred revenue upon conversion into in-game money.

Revenues from licensing arrangement

The Company enters into licensing arrangements with various licensees who provide the internet games services in PRC and overseas. A licensing arrangement usually includes license of the games and support and maintenance services after the commercial launch of the games, which include bug fixes, technical support via telephone and site visit, and unspecified upgrades on a when-and-if-available basis for certain period. The licensees pay non-refundable upfront fee for the license and support and maintenance services.

For the licensing arrangements, the vendor specific objective evidence ("VSOE") of fair value of the support and maintenance services, which is the last element to be delivered, has been established based on renewal prices. Therefore, under the residual method, the amount of consideration allocated to the license of games equals the total arrangement consideration less the fair value of the support and maintenance services, which is fully recognized as revenue from license of games upon the commercial launch of the games by the licensee. The arrangement consideration allocated to the support and maintenance services is recognized as revenue from support and maintenance services ratably over the service period, which is usually one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition and cost of revenues - continued

(i) Internet games - continued

Revenues from licensing arrangement - continued

For the licensing arrangements entered prior to the establishment of the VSOE of fair value of the support and maintenance services, the entire licensing arrangement is accounted for as one accounting unit resulting in the upfront fee being recognized on a straight line basis over the support and maintenance services period beginning from the commercial launch of the games by the licensee.

According to certain licensing arrangements, the Company is also entitled to ongoing usage-based royalties determined based on the amount charged to the players' accounts or services payable by players in a given country or region. The usage-based royalties are recognized when they are earned, provided that the collection is probable.

(ii) Mobile games

The mobile games revenues are derived from both carrier billing channels and non-carrier billing channels.

Revenues from carrier billing channels

The Company recognizes revenues collected and collectable from carrier billing channels through providing mobile games services on the platforms of Mobile Operator. Mobile phone users download the mobile games in the same manner as the WVAS and the Company recognizes revenues from such services in the same way as the WVAS revenues are recognized. Mobile phone users could also download games on Android platforms and the Company recognizes revenues from such services in the same way as revenues from non-carrier billing channels.

Revenues from non-carrier billing channels

The Company recognizes revenues collected and collectable from non-carrier billing channels through providing mobile games services on platforms such as global Android and iOS platforms. Mobile phone users download the mobile games on Android and iOS platforms. The Company adopts the item-based revenue model. The basic game play functions are free of charge, and players are charged for purchases of in-game items. Revenues from the sales of in-game items are recognized when the items are consumed by the players.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition and cost of revenues - continued

(iii) WVAS

WVAS revenues are derived from providing personalized interactive entertainment, media and community services primarily to mobile phone customers of China Mobile Communication Corporation ("China Mobile"), China United Telecommunications Corporation ("China Unicom"), and China Telecommunications Corporation ("China Telecom") (collectively, the "Mobile Operator").

The Company contracts with the Mobile Operator for the transmission of WVAS as well as for billing and collection services. The Mobile Operator provides the Company with monthly statements that represent the principal evidence that service has been delivered and triggers revenue recognition for a substantial portion of the Company's revenues. In certain instances, when a statement is not received within a reasonable period of time, the Company makes an estimate of the revenues and cost of revenues for the period covered by the statement based on internally generated information, historical experience, verbal communication with Mobile Operator, and/or other assumptions that are believed to be reasonable under the circumstances.

The Mobile Operator remits to the Company only amounts net of the following items: (1) allowance that Mobile Operator has made for the doubtful debts in respect of the amounts due to the Company from its customers, (2) the Mobile Operator's fees for the services provided to the Company, including billing and collection services, and (3) the Mobile Operator's transmission charges. China Unicom and China Telecom do not provide an itemized analysis of their remittances and the Company is therefore unable to determine what allowance, if any, for doubtful or bad debts should be recorded with respect to services delivered through them. China Mobile occasionally specifies the allowance it makes for doubtful debts. As a result, the Company's revenue recognition is based upon the amounts reported on the Mobile Operator's monthly statements, which are net of doubtful debts and represent the amounts the Company reasonably believes will be collected.

The Company records the following fees paid to the Mobile Operator as cost of revenues:

- Service fees paid to the Mobile Operator which are charged to the Company as a percentage, ranging from 15% to 70%, of gross revenues less bad debts.
- Fixed transmission fees that are charged on a basis of each transmission (regardless whether the customers can be billed or pay the Mobile Operator).

In addition, cost of revenues includes amounts paid to content providers and certain payments to handset manufacturers with whom the Company has cooperation agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Sales taxes

The Company reports revenues net of sales taxes. Sales taxes recorded were $5,793,557 and $5,786,615, respectively in 2012 and 2013, and a reversal of an over provision of $333,622 in 2014 as the entities of the Company were no longer required to pay sales taxes under the relevant tax reform program.

Value-added taxes

On January 1, 2012, the PRC Ministry of Finance and the State Administration of Taxation officially launched a pilot value-added taxes ("VAT") reform program ("Pilot Program"), applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of sales tax. Starting from August 1, 2013, the Pilot Program was expanded to cover all regions in the PRC. Starting from June 1, 2014, the telecommunications service industry as a whole was included in the Pilot Program. The applicable VAT rates are 6% and 3% for the entities that are general taxpayer and small-scale taxpayer, respectively.

Allowance for credit losses

The allowance for credit losses related to accounts receivable is maintained at a level considered by management to be adequate to absorb an estimate of probable future losses existing at the balance sheet date. In estimating probable losses, the Company reviews accounts that are past due or in bankruptcy and accounts that may have higher credit risk using information available about the customer. The Company arrives at an estimated loss for specific doubtful accounts. This process is based on estimates, and ultimate losses may differ from those estimates. Receivable balance is written off when the Company determines that the balance is uncollectible. Subsequent recoveries, if any, are credited to the allowance when received. The Company considers an accounts receivable balance past due when payment has not been received within the stated terms. The charges related to allowance for credit losses for the years ended December 31, 2012, 2013 and 2014 were $5,626, $342,442 and $316,966, respectively.

Movement of allowance for credit losses is as follows:

	Balance at beginning of the year	Charged to expense	Written-off	Balance at end of the year
2012	$ 222,007	$ 5,626	$ (222,007)	$ 5,626
2013	$ 5,626	$ 342,442	$ (5,626)	$ 342,442
2014	$ 342,442	$ 316,966	$ (342,442)	$ 316,966

The allowance for credit losses arising from end users in WVAS and mobile games services has been net off with account receivables in the monthly statements provided by the Mobile Operator. The Company has not experienced any significant credit losses related to the net receivables in monthly statements provided by Mobile Operator.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease period.

Government subsidies

The Company receives subsidies from the local government authorities as incentives for local area development and technology development. The Company records the government subsidies that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs, as income in certain periods. The Company recognized total government subsidies of $301,359, $2,176,449 and $1,138,909 and recognized such amounts as income for the years ended December 31, 2012, 2013 and 2014, respectively.

Foreign currency translation

The functional and reporting currency of KongZhong is US dollar. The functional currency of the Company's subsidiaries and VIEs in the PRC is Renminbi ("RMB").

Assets and liabilities are translated from each entity's functional currency to the reporting currency at the exchange rate on the balance sheet date. Equity amounts are translated at historical exchange rates, and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income.

Monetary assets and liabilities denominated in currencies other than the applicable functional currencies are translated into the functional currencies at the prevailing rates of exchange at the balance sheet date. Nonmonetary assets and liabilities are remeasured into the applicable functional currencies at historical exchange rates. Transactions in currencies other than the applicable functional currencies during the year are converted into the functional currencies at the applicable rates of exchange prevailing at the transaction dates. Transaction gains and losses are recognized in the consolidated statements of comprehensive income.

Product development expenses

Product development expenses which consist primarily of the compensation and related costs for employees associated with the development and programming of mobile data content and internet games content are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes

Current income taxes are provided for in accordance with the laws of the relevant tax authorities.

Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the financial statements. Net operating loss carry forwards and credits are applied using enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more-likely-than-not that a portion of or all of the deferred tax assets will not be realized. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics.

The impact of an uncertain income tax position on the income tax return is recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Interest and penalties on income taxes will be classified as a component of the provisions for income taxes.

Comprehensive income

Comprehensive income includes net income, unrealized gain on available-for-sale securities and foreign currency translation adjustments. Comprehensive income is reported in the statements of comprehensive income.

Advertising costs

The Company expenses advertising costs as incurred. Total advertising expenses were $5,802,006, $8,412,925 and $5,726,530 for the years ended December 31, 2012, 2013 and 2014, respectively, and have been included as part of selling and marketing expenses.

Share-based compensation

Share-based compensation with employees is measured based on the grant date fair value of the equity instrument. The Company recognizes the compensation costs net of a forfeiture rate on a straight-line basis over the requisite service period of the award, with the amount of compensation expenses recognized in any period not less than the portion of the grant date fair value of the options vested during that period, which is generally the vesting period of the award. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net income per share

Basic net income per share is computed by dividing net income by the weighted average number of ordinary shares outstanding during the year. Diluted net income per ordinary share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised or converted into ordinary shares. The dilutive effect of the stock options, nonvested shares and warrants is computed using treasury stock method.

Warrants

Warrants which give the holder the right to exercise the warrant for a share instrument which is not redeemable by the Company are classified as a financial instrument in the consolidated balance sheets. Warrants are measured at fair value at the date of issuance and are not remeasured at subsequent reporting dates.

Recently issued accounting standards adopted

In March 2013, the Financial Accounting Standards Board ("FASB") has issued an authoritative pronouncement related to parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. When a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. However, this treatment does not apply to an equity method investment that is not a foreign entity. In those instances, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment. In addition, the amendments in this pronouncement clarify that the sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity (i.e., irrespective of any retained investment); and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment should be released into net income upon the occurrence of those events. The amendments in this pronouncement are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The amendments should be applied prospectively to derecognition events occurring after the effective date. Prior periods should not be adjusted. Early adoption is permitted. If an entity elects to early adopt the amendments, it should apply them as of the beginning of the entity's fiscal year of adoption. The adoption of this guidance did not have a significant effect on the Company's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Recently issued accounting standards adopted - continued

In July 2013, the FASB issued an Accounting Standard Update ("ASU") which provides guidance on financial statement presentation of an unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The FASB's objective in issuing this ASU is to eliminate diversity in practice resulting from a lack of guidance on this topic in current US GAAP.

The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. The adoption of this guidance did not have a significant effect on the Company's consolidated financial statements.

Recent accounting pronouncements not yet adopted

In April 2014, the FASB issued a new pronouncement which amends the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in US GAAP.

Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Examples include a disposal of a major geographic area, a major line of business, or a major equity method investment.

In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations.

The new guidance also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. This disclosure will provide information about the ongoing trends in a reporting organization's results from continuing operations. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. The Company does not expect the adoption of this guidance will have a significant effect on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

In May 2014, the FASB issued a new pronouncement which affects any entity using US GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of non-financial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, Property, Plant, and Equipment, and intangible assets within the scope of Topic 350, Intangibles—Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement in this ASU.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted.

An entity should apply the amendments in this ASU using one of the following two methods:

1. Retrospectively to each prior reporting period presented and the entity may elect any of the following practical expedients:

For completed contracts, an entity need not restate contracts that begin and end within the same annual reporting period.

For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to remaining performance obligations and an explanation of when the entity expects to recognize that amount as revenue.

2. Retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application.

If an entity elects this transition method it should also provide the additional disclosures in reporting periods that include the date of initial application of the amount by which each financial statement line item is affected in the current reporting period by the application of this ASU as compared to the guidance that was in effect before the change.

The Company is currently evaluating the impact on its consolidated financial statements of adopting this guidance

In June 2014, the FASB issued a new pronouncement which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation - Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved.

The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted.

Entities may apply the amendments in this ASU either: (a) prospectively to all awards granted or modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this ASU as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. In addition, if retrospective transition is adopted, an entity may use hindsight in measuring and recognizing the compensation cost. The Company does not expect the adoption of this guidance will have a significant effect on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recent accounting pronouncements not yet adopted - continued

In August, 2014, the FASB issued a new pronouncement which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Furthermore, an entity must provide certain disclosures if there is "substantial doubt about the entity's ability to continue as a going concern." The new standard is effective for fiscal years ending after December 15, 2016. The Company does not expect the adoption of this guidance will have a significant effect on its consolidated financial statements.

In January 2015, the FASB issued a new pronouncement which eliminates from US GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement - Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item.

If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. The entity also is required to disclose applicable income taxes and either present or disclose earnings-per-share data applicable to the extraordinary item.

The FASB heard from stakeholders that the concept of extraordinary items causes uncertainty because it is unclear when an item should be considered both unusual and infrequent. Additionally, some stakeholders said that although users find information about unusual or infrequent events and transactions useful, they do not find the extraordinary item classification and presentation necessary to identify those events and transactions. Other stakeholders noted that it is extremely rare in current practice for a transaction or event to meet the requirements to be presented as an extraordinary item.

The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption of this guidance will have a significant effect on its consolidated financial statements.

3. ACQUISITION OF NOUMENA

On March 20, 2012, the Company obtained the control over Noumena and certain assets from a related party of Noumena, a developer of cross-platform smart phone mobile game engines. The total consideration was $19.11 million, consisting of cash consideration of $14.88 million and share consideration of $4.23 million. $9 million out of $14.88 million cash consideration was paid and $4.23 million share consideration was settled by issuance of 40 million ordinary shares of KongZhong, equivalent to 1 million American Depositary Shares ("ADSs", each representing 40 ordinary shares) in 2012. $3 million and $2.88 million of the cash consideration were paid in 2013 and 2014, respectively. This acquisition was recorded using the acquisition method of accounting and, accordingly, the acquired assets and liabilities were recorded at fair value at the date of acquisition. The acquisition-related cost of $77,783 was recorded as general and administrative expenses as incurred in 2012. The revenues and net income of Noumena in the amounts of $2,946,157 and $2,074,536 respectively were included in the Company's consolidated statement of comprehensive income for the year ended December 31, 2012.

Total consideration estimated at acquisition date:

Cash consideration	$ 14,880,600
Fair value of ordinary shares issued (determined based on the market closing price of the Company's ADSs at the acquisition date after lock up discount)	4,230,000
Total	$ 19,110,600

The purchase price was allocated based on the estimated total consideration at the acquisition date as follows:

Tangible assets acquired (including cash of $586,701)	$ 669,600
Acquired intangible assets	
Product technologies	3,487,524
Goodwill	14,953,476
Total	$ 19,110,600

The goodwill arising from the acquisition of Noumena was allocated to and included in the mobile games segment as of December 31, 2013 and 2014. The useful life of product technologies is 3 years.

3. ACQUISITION OF NOUMENA - continued

Fair value of acquired assets

The Company measured the fair value of the purchased intangible assets using the "cost," "income approach-excess earnings" and "with & without" valuation method. These purchased intangible assets are considered Level 3 assets and liabilities because the Company used unobservable inputs, reflecting the Company's assessment of the assumptions market participants would use in valuing these assets and liabilities.

Pro forma

The following summarized unaudited pro forma results of operations for the year ended December 31, 2012 assuming that the acquisition during the period ended December 31, 2012 occurred as of January 1, 2012. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the significant acquisitions occurred as of January 1, 2012, nor is it indicative of future operating results.

	For the years ended December 31, 2012 (unaudited)
Revenues	$ 186,949,412
Net income	$ 26,161,809
Income per share - basic	$ 0.02
Income per share - diluted	$ 0.02

4. AVAILABLE-FOR-SALE SECURITIES

In February 2014, the Company made an investment in Ourgame International Holdings Limited (“Ourgame”) for a consideration of RMB100 million (equivalent to $16.3 million) and recorded it as a long-term investment. Ourgame has become listed in Hong Kong since June 2014 and accordingly, the investment has a readily determinable fair value. Based on its expected period of holding, the Company has accounted for the investment as available-for-sale securities under current assets thereafter.

5. HELD-TO-MATURITY SECURITIES

The balance represents the Company's investments in debt securities with original maturities within one year that the Company has positive intent and ability to hold to maturity.

6. TRADING SECURITIES

The Company from time to time invests in publicly traded equity and debt securities in China's stock market, and accounts for such investments as trading securities. The Company recognized gain related to trading securities of $261,473, $nil and $nil in the statements of comprehensive income for the years ended December 31, 2012, 2013 and 2014, respectively.

7. LOANS TO THIRD PARTY

The Company entered into three loan agreements with Chengdu JinhuaTianchuang Investment Co., Ltd. ("Chengdu Jinhua"), a third party, and China Mingsheng Banking Co., Ltd. whereby the Company loaned RMB99 million, RMB25.8 million and RMB15 million (a total of RMB139.8 million or $22.2 million) to Chengdu Jinhua for one year commencing January 24, January 24 and February 18, 2011, respectively, at an interest rate of 6.39% per annum. For the year ended December 31, 2012, the Company recorded interest income of $453,602. The terms of the loans were subsequently extended to March 31, 2012 at an interest rate of 7.93% per annum for the extended period. These loans were fully settled at the end of March 2012.

8. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2013	2014
Prepayment to service providers	$ 2,553,524	$ 9,561,090
Employee advances	1,000,762	332,923
Other deposits	1,110,945	1,134,027
Interest receivables	2,880,612	5,063,320
VAT recoverable	-	2,174,745
Other current assets	216,727	803,799
	$ 7,762,570	$ 19,069,904

9. RESTRICTED CASH

In connection with the requirements of a game license agreement entered into during 2012, a deposit was placed with bank as a pledged asset for the issuance of a standby letter of credit in favor of the licensor. The deposit is restricted as to withdrawal or usage for five years since the issuance of the standby letter of credit in 2012. In 2014, after the Company's payment of $15 million for the game license fee, the deposit was reduced to $21.9 million as of December 31, 2014, $10.9 million of which was expected to be released within a year, and accordingly recorded as a current asset.

In October 2014, the Company entered into an agreement with a bank for a term loan of $42.4 million (equivalent to approximately RMB260 million). The repayment of the loan was secured by a deposit of RMB260 million (equivalent to approximately $42.4 million) placed with a bank. The deposit was expected to be released within a year from the deposit date and accordingly recorded as a current asset as of December 31, 2014.

10. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following:

	As of December 31,	
	2013	2014
Computer and transmission equipment	$ 15,312,698	$ 17,305,410
Furniture and office equipment	1,162,452	1,288,057
Motor vehicles	807,082	860,109
Leasehold improvements	2,917,621	2,885,943
Communication equipment	543,308	541,704
Office building	705,297	703,384
	21,448,458	23,584,607
Less: accumulated depreciation	(15,605,936)	(17,925,416)
	$ 5,842,522	$ 5,659,191

Depreciation expenses for the years ended December 31, 2012, 2013 and 2014 are $2,175,564, $2,202,865 and $2,319,480 respectively.

11. LONG-TERM INVESTMENTS

(a) In February 2012, the Company acquired certain preferred shares in U4iA Games Incorporated ("U4iA"), a developer and publisher of a free-to-play, console-quality, browser-based first person shooter game for $2 million in cash. The holder of such preferred shares is entitled to the number of votes equal to the number of share of common stock into which the preferred shares could be converted. The acquired preferred shares would entitle the Company approximately 2.4% of the total voting rights as of the acquisition date if all related shares were converted. As the Company had no significant influence over U4iA, this investment was accounted for using the cost method.

Since the completion of this investment, U4iA has been in a continuous loss-making position and failed to create the type of profit-generating business that was contemplated at the time of the Company's investment. As a result, the Company recorded a full impairment loss of $2 million in the year ended December 31, 2013 since it does not expect any positive cash flows from the investment in U4iA in the future and has no intention to hold this investment for recovery.

(b) In October 2012, the Company acquired certain preferred shares in Meteor Entertainment Inc.,("Meteor"), a developer and publisher of a free-to-play first person shooter game for $2 million in cash. The holder of such preferred shares is entitled to the number of share of common stock into which the preferred shares could be converted. The acquired preferred shares would entitle the Company approximately 2.5% and 1.2% of the total voting rights as of the acquisition date and as of the end of 2013 after further issuance of shares to other holders, respectively, if all related shares were converted. As the Company had no significant influence over Meteor, this investment was accounted for using the cost method.

Since the completion of this investment, Meteor has been in a continuous loss-making position and failed to create the type of profit-generating business that was contemplated at the time of the Company's investment. As a result, the Company recorded a full impairment loss of $2 million in the year ended December 31, 2014 since it does not expect any positive cash flows from the investment in Meteor in the future and has no intention to hold this investment for recovery.

12. GOODWILL

The change in the carrying amounts of goodwill by reporting unit which is the same as reportable segment is as follows:

	2013				2014			
	Internet games	Mobile games	WVAS	Total	Internet games	Mobile games	WVAS	Total
Gross amount:								
Beginning balance	$ 68,408,299	$20,274,048	$ 43,929,382	$132,611,729	$70,506,823	$20,882,730	$ 44,035,400	$135,424,953
Exchange differences	2,098,524	608,682	106,018	2,813,224	(191,276)	(55,479)	(12,317)	(259,072)
Ending balance	70,506,823	20,882,730	44,035,400	135,424,953	70,315,547	20,827,251	44,023,083	135,165,881
Accumulated impairment loss:								
Beginning balance	(3,182,185)	-	(41,878,521)	(45,060,706)	(3,279,803)	-	(41,878,521)	(45,158,324)
Exchange differences	(97,618)	-	-	(97,618)	8,898	-	2,653	11,551
Ending balance	(3,279,803)	-	(41,878,521)	(45,158,324)	(3,270,905)	-	(41,875,868)	(45,146,773)
Goodwill, net	$ 67,227,020	$20,882,730	$ 2,156,879	$ 90,266,629	$67,044,642	$20,827,251	$ 2,147,215	$ 90,019,108

12. GOODWILL - continued

As of December 31, 2012, the Company performed an annual impairment test on goodwill. The Company estimated the fair values of the reporting units using the income approach valuation methodology. The income approach valuations included cash flow discount rates of 26%, 24% and 25%, and terminal value growth rates of 3%, 1% and 1% for internet games, mobile games and WVAS reporting units, respectively. Based on the results of the goodwill impairment test, the fair value of each reporting unit was more than the respective carrying value. Accordingly, there was no goodwill impairment needed to be recognized for the fiscal year 2012.

As of December 31, 2013, the Company performed an annual impairment test on goodwill. The Company estimated the fair values of the reporting units using the income approach valuation methodology. The income approach valuations included cash flow discount rates of 27%, 25% and 26%, and terminal value growth rates of 3%, 3% and 1% for internet games, mobile games and WVAS reporting units, respectively. Based on the results of the goodwill impairment test, the fair value of each reporting unit was more than the respective carrying value. Accordingly, there was no goodwill impairment needed to be recognized for the fiscal year 2013.

As of December 31, 2014, the Company performed an annual impairment test on goodwill. The Company estimated the fair values of the reporting units using the income approach valuation methodology. The income approach valuations included cash flow discount rates of 27%, 26% and 26%, and terminal value growth rates of 3%, 3% and 1% for internet games, mobile games and WVAS reporting units, respectively. Based on the results of the goodwill impairment test, the fair value of each reporting unit was more than the respective carrying value. Accordingly, there was no goodwill impairment needed to be recognized for the fiscal year 2014.

No goodwill impairment loss was recognized during the years ended December 31, 2012, 2013 and 2014.

13. ACQUIRED INTANGIBLE ASSETS, NET

Acquired intangible assets, net consist of the following:

	As of December 31, 2013					As of December 31, 2014					
	Gross carrying amount	Accumulated amortization	Exchange difference	Accumulated impairment	Net carrying amount	Gross carrying amount	Accumulated amortization	Exchange difference	Accumulated impairment	Net carrying amount	Amortization period
Intangible assets not subject to amortization											
Trademarks with indefinite life	$ 282,182	$ -	$ 9,179	$ -	$ 291,361	$ 282,182	$ -	$ 8,388	$ -	$ 290,570	N/A
Intangible assets subject to amortization											
Agreements with Mobile Operator	3,113,746	(3,113,746)	-	-	-	3,113,746	(3,113,746)	-	-	-	3 years
Operating platforms	243,974	(240,527)	650	-	4,097	243,974	(243,974)	-	-	-	5 years
Service licenses	57,071	(57,071)	-	-	-	57,071	(57,071)	-	-	-	3 years
Contracts with content providers	120,999	(120,999)	-	-	-	120,999	(120,999)	-	-	-	1 year
Non-compete agreement	388,516	(388,516)	-	-	-	388,516	(388,516)	-	-	-	2 years
Self-developed contents	379,089	(379,089)	-	-	-	379,089	(379,089)	-	-	-	2 years
Product technologies	4,966,102	(4,966,102)	-	-	-	4,966,102	(4,966,102)	-	-	-	3 years
Contracts with service providers	5,713	(5,713)	-	-	-	5,713	(5,713)	-	-	-	1 year
Subscriber list	16,710	(16,710)	-	-	-	16,710	(16,710)	-	-	-	1 year
Trademarks	36,874	(36,874)	-	-	-	36,874	(36,874)	-	-	-	1 year
Core technologies	8,281,231	(6,022,186)	84,060	-	2,343,105	8,281,231	(6,947,441)	243,038	-	1,576,828	5 years
Software	115,150	(40,730)	3,156	-	77,576	115,150	(65,464)	3,875	-	53,561	5 years
Game licenses	80,094,217	(4,206,258)	1,161,598	(1,812,939)	75,236,618	80,381,424	(22,127,367)	1,239,249	(6,540,004)	52,953,302	3 years
Employment contract	380,898	(380,898)	-	-	-	380,898	(380,898)	-	-	-	3 years
Copyright	813,074	(45,518)	6,274	-	773,830	813,074	(181,584)	4,053	-	635,543	6 years
Total	$99,295,546	$(20,020,937)	$1,264,917	(1,812,939)	78,726,587	$99,582,753	$(39,031,548)	$1,498,603	(6,540,004)	55,509,804	

13. ACQUIRED INTANGIBLE ASSETS, NET - continued

The weighted average amortization period of the intangible assets subject to amortization was three years as of December 31, 2013 and 2014, respectively.

For purposes of recognition and measurement of an impairment loss, each intangible asset is considered the lowest level asset group that generates identifiable independent cash flow. In 2013, owing to the unsatisfactory performance for one game and expected cessation for another game, the carrying amount of these game licenses exceeded the sum of undiscounted future cash flows expected to generate from the use and eventual disposition of such licenses, which were insignificant. Accordingly, the Company recognized an impairment loss of $250,553 and $1,562,386 respectively in the consolidated statement of comprehensive income in 2013, which were reported in cost of revenues and impairment loss of intangible assets, respectively. The licenses impaired in 2013 were originally included in the internet game segment. In 2014, owing to the uncertainty of the success of a game development, the carrying amount of the relevant game licenses exceeded the sum of undiscounted future cash flows expected to generate from the use and eventual disposition of such licenses, which were insignificant. Accordingly, the Company recognized an impairment loss of $1,323,260 in the consolidated statement of comprehensive income in 2014, which was reported in impairment loss of intangible assets. The licenses impaired in 2014 were originally included in the internet game segment.

During 2012, 2013 and 2014, the Company obtained certain new game licenses from third party game developers. The intangible assets recognized comprise the relevant initial license fee payments, minimum royalty fee payments and value of warrants issued in connection with obtaining these licenses.

The Company recorded intangible assets relating to the game licenses by reference to the fair values of cash installment payments and warrants because the fair values of the game licenses were not readily determinable at the transaction dates. The Company estimated the useful lives of the game licenses to be three years and amortizes such intangible assets from commercial launches of the games over the useful lives. As of December 31, 2014, only certain games had been launched and relevant intangible assets started amortization.

The Company recorded amortization expenses of $5,452,441, $2,785,142, and $19,203,618 for the years ended December 31, 2012, 2013, and 2014, respectively. The amortization expenses for the years ending December 31, 2015, 2016, 2017, 2018, 2019 and thereafter are expected to be $22,973,341, $24,069,410, $6,661,446, $1,378,849, and $136,188.

14. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	As of December 31,	
	2013	2014
Game license fees payable	$ 26,280,480	$ 13,246,572
Fees payable to content and channel providers	6,589,293	5,075,274
Royalty fees payable	5,448,409	11,622,820
Fees payable to mobile operators	635,500	968,382
Others	560,697	686,269
	$ 39,514,379	$ 31,599,317

15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	As of December 31,	
	2013	2014
Accrued welfare benefits	$ 167,290	$ 196,455
Accrued payroll and bonus	4,126,279	5,719,423
Advance from customers	1,149,073	793,565
Accrued professional service fees	2,351,363	3,663,273
Accrued marketing expense	6,393,334	5,545,844
Other tax payables	2,148,117	-
Acquisition payable	2,880,600	-
Others	8,667	661,791
	$ 19,224,723	$ 16,580,351

The balance of acquisition payable as of December 31, 2013 represented the outstanding consideration in relation to the acquisition of Noumena (see Note 3). Such consideration was settled in 2014.

16. SHORT-TERM BANK LOAN

In February 2013, the Company entered into a financing agreement with a bank and obtained US dollars loans totaling $9,000,000 for the purpose of share repurchase. The loans were repayable on various dates up to February 2014 and secured by a pledge of RMB deposits equivalent to approximately of $9,900,000. In May 2013, the Company fully settled such US dollars loans. In November 2013, the pledge of RMB deposits was released.

In October 2014, the Company entered into a financing agreement with a bank and obtained US dollars loans totaling $42,428,890 for the purpose of special cash dividend distribution. The repayment was expected to be in October 2015 and secured by a pledge of RMB deposits of RMB260,000,000 (see Note 9).

17. INCOME TAXES

KongZhong and Dacheng Holdings are companies incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, they are not subject to tax on either income or capital gain.

Success Blueprint is a company incorporated in the British Virgin Islands. Under the current laws of the British Virgin Islands, it is not subject to tax on either income or capital gain.

Under the current Hong Kong Inland Revenue Ordinance, Dacheng Hong Kong is subject to 16.5% income tax on its taxable income generated from operations in Hong Kong.

The Company's subsidiaries, VIEs and VIEs' subsidiaries established in the PRC are subject to income tax rate of 25%, except for the following, according to the PRC Enterprise Income Tax Law (the "EIT Law"), which adopted a unified income tax rate of 25% for both domestic and foreign enterprises.

In 2014, KongZhong Beijing, Beijing AirInbox, Beijing Xinrui, Tianjin Mammoth renewed their "high and new technology enterprise" ("HNTE") status for additional six years through a new application process since their operations continue to qualify for HNTE status after the 2011 renewal under simplified application process. KongZhong China, Beijing Chengxitong and Beijing WINT also renewed their HNTE status in 2012 for additional three years through simplified application process after they first obtained such status in 2009. The HNTE status allows qualifying China-based enterprises to use a 15% tax rate for three years. After the first six years, enterprises will go through a new application process in order to renew their HNTE status. The Company believes it is highly likely that its qualifying entities will continue to obtain the renewal of the HNTE status in the future and has assumed so in calculating deferred tax assets and liabilities.

17. INCOME TAXES - continued

Xiamen Simlife, Shanghai Dacheng and KongZhong Brilliant qualified for software enterprise for tax purposes. They were entitled to an exemption from income tax for two years commencing from the first year that presents accumulated earnings under the PRC tax law and entitled to a 50% relief from income tax for the following three years. The preferential tax treatment of Xiamen Simlife started in 2010, Shanghai Dacheng started in 2011 and KongZhong Brilliant started in 2014.

	As of December 31,	
	2013	2014
Current deferred tax assets		
Accrued expenses	$ 298,992	$ 616,812
Less: valuation allowance	(298,992)	(616,812)
Current deferred tax assets, net	$ -	$ -
Non-current deferred tax assets		
Net operating loss carry forwards	116,765	2,100,763
Less: valuation allowance	(116,765)	(2,100,763)
Non-current deferred tax assets, net	$ -	$ -

The Company operates through multiple subsidiaries and VIEs and the valuation allowance is considered on each individual entity basis. A full valuation allowance has been established because the Company believes that it is more likely than not that its deferred tax assets will not be realized as it does not expect to generate sufficient taxable income in the future. The tax losses carried forward as of December 31, 2014 amounted to $15,907,836 and will expire by 2019.

The income taxes expense consists of:

	For the years ended December 31,		
	2012	2013	2014
Current	$ 3,558,263	$ 722,971	$ 1,047,999
Deferred	(67,421)	(10,569)	-
Total	$ 3,490,842	$ 712,402	$ 1,047,999

17. INCOME TAXES - continued

A reconciliation between the statutory PRC enterprise income tax rate and the Company's effective tax rate is as follows:

	For the years ended December 31,		
	2012	2013	2014
	%	%	%
Applicable rate for reconciliation purpose (note)	25	25	25
Effect of tax holiday granted to PRC entities	(7.6)	(6.5)	(7.4)
Effect on tax rates in different tax jurisdiction	12.5	(2.3)	(7.1)
Tax effect of expenses that are not deductible in determining taxable profit (note)	3.1	1.1	1.0
Tax effect of allowable special deduction in determining taxable profit (note)	(20.5)	(14.9)	(16.8)
Change in valuation allowance	(0.6)	0.9	9.7
Effective tax rate for the year	11.9	3.3	4.4

Note: The domestic tax rate in the jurisdiction where the operation of the Company is substantially based is used. Expenses that are not deductible included accrued salary and accrued bonus which exceeded the upper limit of deduction under the EIT Law. Special deduction is an extra 50% deduction allowable under the EIT Law in respect of qualifying product development expense incurred.

If the tax holidays granted to the relevant subsidiaries and VIEs were not available, the impact on income tax provision and earnings per share amounts would be as follows:

	For the years ended December 31,		
	2012	2013	2014
Increase in income tax expense	$ 2,207,096	$ 1,399,105	$ 1,758,665
Impact on net income per ordinary share-basic	$ 0.00	$ 0.00	$ 0.00
Impact on net income per ordinary share-diluted	$ 0.00	$ 0.00	$ 0.00

The Company did not identify any significant unrecognized tax benefits or incur any interest or penalties related to potential underpaid income tax expenses for each of the three years ended December 31, 2014. The Company does not expect to have a significant increase or decrease on unrecognized tax benefits within 12 months from December 31, 2014.

17. INCOME TAXES - continued

Under EIT Law, a "resident enterprise" which may include an enterprise established outside of the PRC with management located in the PRC, will be subject to the PRC income tax. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed a resident enterprise, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

Under applicable accounting principles, a deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting over tax basis, including those differences attributable to a more than 50% interest in a domestic subsidiary. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIE affiliates because the Company believes such excess earnings can be distributed in a manner that would not be subject to tax.

Aggregate undistributed earnings of the Company's subsidiaries, VIEs and its VIEs' subsidiaries located in the PRC that are available for distribution to the Company of approximately $219,178,436 at December 31, 2014 are considered to be indefinitely reinvested and accordingly, no provision has been made for the Chinese dividend withholding taxes that would be payable upon the distribution of those amounts to the Company. The Chinese tax authorities have also clarified that distribution made out of pre January 1, 2008 retained earnings will not be subject to the withholding tax.

18. LONG-TERM LIABILITIES

In connection with the acquisition of the intangible assets relating to a game license obtained in 2012, the Company was required to make certain cash payments by installment. The total cash installment payments amounted to $55,000,000 with a present value of $53,460,269 on the acquisition date. The Company has recorded the outstanding current and noncurrent payment liabilities of $10,000,000 and $9,860,000 under accounts payable and long-term liabilities, respectively as of December 31, 2014.

19. CONVERTIBLE SENIOR NOTE

On March 18, 2009, the Company issued a convertible senior note to Nokia Growth Partners ("NGP"), which is due in 2014. This note in an aggregate principal amount of $6,775,400 is convertible to ordinary shares of the Company at the conversion price of $0.08915 per share. The conversion price is adjustable subject to standard anti-dilution provision i.e. stock splits, subdivisions, reclassifications or combinations, etc. The initial interest rate was 8% per annum for the period commencing and including March 18, 2009 and ending and including December 31, 2009, compounded annually on the outstanding portion of the principal amount and any accrued and unpaid interest that is overdue. The applicable interest rate was changed from 8% to 7% in 2010 according to certain earning/debt ratio. For the fiscal year commencing January 1, 2011 and each fiscal year thereafter, the applicable interest rate will be adjustable in a range of 6% to 8% according to certain earning/debt ratio. The interest was payable on July 15, 2009 and semi-annually on January 15 and July 15 afterwards. The Company was also entitled to a purchased call option to redeem the convertible senior note plus any accrued but unpaid interest following the third anniversary of the closing date. Furthermore, a share purchase warrant was issued to NGP to purchase 80,000,000 ordinary shares of KongZhong with a purchase price of $0.125 per share, which is to be expired in five years after the issuance.

The conversion feature, interest rate reset feature and prepayment feature embedded in the convertible senior note are derivatives but not subject to bifurcation in accordance with the guidance of accounting for derivative instruments. The warrant issued with the convertible senior note was detachable and classified as equity. The total proceeds were allocated between the convertible senior note and the warrant based on their relative fair values. The amount of $677,332 allocated to the warrant was recorded as equity. A beneficial conversion feature of $3,667,931 was resulted as the effective conversion price was lower than the fair value of the ordinary shares on the closing date of March 18, 2009, which was recognized as additional paid in capital with a corresponding increase in debt discount. The debt discount totaling $4,345,263 was amortized into interest expense over the term of convertible senior note using the effective interest rate method. During 2012, the amortized discount of $36,297 were recorded as part of the interest expense respectively.

On February 25, 2011, the Company prepaid 70% of the aggregate principal amount of the convertible senior note for $9,310,000 in cash, plus any accrued but unpaid interest. The prepaid portion of the convertible senior note has rights to be converted into 1,330,000 ADSs, equivalent to 53,200,000 ordinary shares.

19. CONVERTIBLE SENIOR NOTE - continued

On March 1, 2012, NGP converted the remaining 30% of the aggregate principal amount of the convertible senior note into 570,000 ADSs, equivalent to 22,800,000 ordinary shares.

Interest expense on the convertible senior note has been recorded at the effective rate of 31.85% after prepayment comparing to previous effective interest rate of 37.01%. Interest expense recognized related to the convertible senior note was as follows:

	For the years ende December 31, 2012
Interest expense at coupon rate	$ 26,730
Amortization of debt discount	36,297
Total interest expense recognized	$ 63,027

20. SHARE REPURCHASE

On September 30, 2011, the Board of Directors authorized to purchase the ADSs on the open market (the "2011 Purchase Plan"). The number of ADSs to be purchased under the 2011 Purchase Plan shall not exceed 5,000,000 ADSs. The aggregate value of ADSs to be purchased under the 2011 Purchase Plan shall not exceed $15,000,000. During 2011, the Company repurchased 607,478 ADSs for a total consideration of $2,748,579. 500,000 ADSs repurchased by the Company were cancelled during 2011, and the remaining ADSs were cancelled in March 2012. During 2012, the Company repurchased 1,746,059 ADSs for a total consideration of $12,518,624. All such ADSs repurchased by the Company were cancelled during 2012.

On October 26, 2012, the Board of Directors authorized to purchase the ADSs on the open market (the "2012 Purchase Plan"). The aggregate value of ADSs to be purchased under the 2012 Purchase Plan shall not exceed $20,000,000, and the number of ADSs to be purchased shall not exceed 5,000,000 ADSs. During 2012, the Company repurchased 362,807 ADSs for a total consideration of $2,071,731. During 2013, the Company repurchased 1,592,558 ADSs for a total consideration of $10,123,821. All such ADSs repurchased by the Company in 2012 and 2013 under the 2012 Purchase Plan were cancelled during 2013. During 2014, there were no share repurchases.

21. EMPLOYEE EQUITY INCENTIVE PLAN

The Company's 2002 employee equity incentive plan ("2002 Plan") allows the Company to offer a variety of incentive awards to employees, consultants or external service advisors of the Company. Options to purchase 105,000,000 ordinary shares are authorized under the 2002 Plan. In 2005, the shareholders authorized additional 32,000,000 options under the 2002 Plan. The Company's 2006 Equity Incentive Plan ("2006 Plan") allows the Company to offer a variety of incentive awards to employees, consultants or advisors of the Company. 40,000,000 nonvested ordinary shares are authorized under the 2006 Plan. In 2008, the shareholders authorized additional 140,000,000 nonvested ordinary shares under the 2006 Plan. The Company's 2013 Equity Incentive Plan ("2013 Plan") allows the Company to offer a variety of incentive awards to officers, other employees, prospective employees, directors, consultants and advisors of the Company. The total number of ordinary shares that may be transferred pursuant to the incentive awards granted under the 2013 Plan shall not exceed 80,000,000 ordinary shares. The majority of the options and nonvested shares will vest over four years where 25% of the options and nonvested shares will vest at the end of the first year, 6.25% will vest quarterly in the second year through the fourth year. The stock options expire 10 years from the date of grant.

As of December 31, 2014, 5,417,940 options, 2,682,500 nonvested shares and incentive awards that may be transferred to 74,320,000 ordinary shares were available for future grants under the 2002 Plan, the 2006 Plan and the 2013 Plan, respectively.

The Company recognizes the compensation costs net of estimated forfeitures on a straight-line basis over the requisite service period of the award, which is generally the vesting period. The estimate of forfeitures will be adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative catch-up adjustment in the period of change and will also impact the amount of share-based compensation expense to be recognized in future periods.

21. EMPLOYEE EQUITY INCENTIVE PLAN- continued

Stock options

A summary of the stock option activities is as follows:

	Outstanding options		
	Number of options	Weighted average exercise price	Weighted average grant-date fair value
Options outstanding at January 1, 2012	50,685,617	$ 0.10	$ 0.07
Forfeited	(2,921,040)	$ 0.11	$ 0.08
Exercised	(4,710,120)	$ 0.06	$ 0.03
Options outstanding at December 31, 2012	43,054,457	$ 0.10	$ 0.08
Granted	13,320,000	$ 0.21	$ 0.06
Forfeited	(1,515,040)	$ 0.12	$ 0.08
Exercised	(8,602,960)	$ 0.10	$ 0.06
Options outstanding at December 31, 2013	46,256,457	$ 0.10	$ 0.12
Granted	9,520,000	$ 0.22	$ 0.06
Forfeited	(8,832,517)	$ 0.22	$ 0.06
Exercised	(4,052,480)	$ 0.11	$ 0.09
Options outstanding at December 31, 2014	42,891,460	$ 0.14	$ 0.12

There were no options granted during the year ended December 31, 2012.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for each applicable period.

Option grants	2012	2013	2014
Weighted average risk-free interest rate	N/A	0.60%	0.81%
Weighted average expected option life	N/A	2.75 years	2.75 years
Weighted average volatility rate	N/A	54.36%	52.94%
Weighted average dividend yield	-	-	-

(1) Risk-free interest rate

Risk-free interest rate was estimated based on the yield to maturity of treasury bonds of the United States with a maturity period close to the expected life of the options.

(2) Expected life

The expected life was estimated based on historical and other economic data trended into the future.

21. EMPLOYEE EQUITY INCENTIVE PLAN - continued

Stock options - continued

(3) Volatility

The volatility of the underlying ordinary shares during the life of the options was estimated based on the historical stock price volatility of KongZhong over a period comparable to the expected life of the options.

(4) Dividend yield

The dividend yield was estimated by the Company based on its expected dividend policy over the expected life of the options.

(5) Exercise price

The exercise price of the options was determined by the Board of Directors.

(6) Fair value of underlying ordinary shares

The closing market price of the ADSs of KongZhong as of the grant date was used to determine the fair value of the ordinary shares on that date.

The weighted average per share fair value of options granted in each year was as follows:

	For the years ended December 31,		
	2012	2013	2014
Stock options	N/A	$ 0.26	$ 0.22

The total intrinsic value of options exercised during the years ended December 31, 2012, 2013 and 2014 was $212,849, $31,708 and $111,476 respectively.

The following table summarizes information with respect to stock options outstanding at December 31, 2014:

	Options outstanding				Options exercisable			
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value	Number exercisable	Weighted average exercise price	Weighted average remaining contractual life	Aggregate intrinsic value
Average exercise price								
$0.07	7,420,857			482,356	7,420,857			482,356
$0.09	1,600,000			76,800	1,600,000			76,800
$0.10	10,245,560			412,384	7,295,560			293,646
$0.12	2,000,000			31,500	1,500,000			23,625
$0.13	3,832,520			36,775	3,832,520			36,775
$0.14	400,000			-	-			-
$0.15	2,352,523			-	2,352,523			-
$0.19	9,920,000			-	2,480,000			-
$0.22	5,120,000			-	-			-
Total	42,891,460	$ 0.14	6.72 years	1,039,815	26,481,460	$ 0.11	5.54 years	913,202

21. EMPLOYEE EQUITY INCENTIVE PLAN - continued

Stock options - continued

The number of the options expected to vest was 16,410,000 with a weighted-average exercise price of $0.18 and the weighted-average remaining contractual term of 8.84 years. The aggregate intrinsic value of the option expected to vest was $126,613 as of December 31, 2014.

Nonvested shares

A summary of the nonvested share activities is as follows:

	Number of nonvested shares outstanding	Weight average grant-date fair value
Nonvested shares outstanding at January 1, 2012	56,475,000	$ 0.12
Vested	(33,920,000)	$ 0.12
Nonvested shares outstanding at December 31, 2012	22,555,000	$ 0.13
Vested	(12,885,000)	$ 0.15
Nonvested shares outstanding at December 31, 2013	9,670,000	$ 0.11
Granted	3,680,000	$ 0.22
Forfeited	(825,000)	$ 0.11
Vested	(5,525,000)	$ 0.12
Nonvested shares outstanding at December 31, 2014	7,000,000	$ 0.16

There were no nonvested shares granted or forfeited during the years ended December 31, 2012 and 2013.

The total intrinsic value of shares vested in the year of 2012, 2013 and 2014 was $4,647,040, $2,325,743 and $747,256, respectively.

The following table summarizes information with respect to nonvested shares outstanding at December 31, 2014:

	Nonvested share outstanding	
	Number outstanding	Aggregate intrinsic value
Grant date		
October 3, 2011	3,400,000	459,850
May 21, 2014	3,600,000	486,900
Total	7,000,000	946,750

21. EMPLOYEE EQUITY INCENTIVE PLAN - continued

Nonvested shares - continued

The Company recorded share-based compensation expenses of $4,464,497, $1,573,729 and $1,547,780 for the years ended December 31, 2012, 2013 and 2014, respectively. The amount of stock-based compensation currently estimated to be expensed from 2015 through 2018 related to unvested share-based payment awards at December 31, 2014 is $1,598,581. This amount will be recognized as presented in the following table.

Year	
2015	740,732
2016	401,700
2017	371,449
2018	84,700
Total	1,598,581

That cost is expected to be recognized over a weighted average period of 2.66 years. To the extent the actual forfeiture rate is different from the Company's original estimate, share-based compensation related to these awards may require to be adjusted.

22. WARRANTS

In March 2009, the Company issued to NGP, a warrant to purchase up to 80 million of ordinary shares with a purchase price $0.125 per share, which was to be expired in five years after the issuance. In August 2012, NGP transferred 50% of its original warrant in the form of a warrant to purchase up to 40 million of ordinary shares of the Company, exercisable prior to March 18, 2014, to Fit Run Limited. In exchange for the original warrant, the Company issued a new warrant to NGP to purchase up to 40 million of ordinary shares, exercisable prior to March 18, 2014. During 2013, warrants to purchase 80 million of ordinary shares were exercised by NGP and Fit Run Limited and cash proceeds of $10,000,000 was received by the Company. The exercise of the warrants and the corresponding issuance of the ordinary share were recorded in equity.

During 2012, in connection with the acquisition of intangible assets relating to game licenses, the Company issued a number of tranches of warrants as part of the consideration. The warrants are exercisable by the warrant holders starting from the commercial launch dates of respective games. The warrants were not determined as free standing financial instruments required to be measured at fair value at subsequent reporting dates since the underlying warrants were issued as part of settlement consideration for the purchases of game licenses and were not redeemable. The warrants held by the holders are required to be classified as equity and were recognized at the fair value of $14,889,000 and are not remeasured at subsequent reporting dates.

22. WARRANTS - continued

The following table sets forth information regarding the warrants issued during 2012:

	Issue date	No. of underlying shares	Price per share	Fair value per warrant	Exercisable period	Total fair value
Tranch 1	May 11, 2012	120,000,000	$ 0.1485	$ 0.0372	One year from May 11, 2012	$ 4,470,000
Tranch 2	May 11, 2012	40,000,000	0.1485	0.0681	Three years from commercial launch	2,723,000
Tranch 3	May 11, 2012	40,000,000	0.1485	0.0837	Three years from commercial launch	3,346,000
Tranch 4	August 2, 2012	40,000,000	0.1985	0.0537	One year from commercial launch	2,148,000
Tranch 5	August 28, 2012	40,000,000	$ 0.1750	$ 0.0550	One year from commercial launch	2,202,000
Total		280,000,000				$ 14,889,000

The fair value of the warrants issued during 2012 was determined by the Company using Binomial Option Pricing Model with the following assumptions:

	Tranch 1	Tranch 2	Tranch 3	Tranch 4	Tranch 5
Risk-fee rate of return	0.952%	1.674%	1.916%	1.185%	1.186%
Expected remaining contractual lives of the warrants	1 year	4 years	5 years	1.8 years	2.1 years
Volatility	63.2%	58.5%	66.6%	56.6%	54.5%
Expected dividend yield	-	-	-	-	-

Exercisable multiple was not considered by the Company in the valuation since it was assumed that the warrant holders have no incentive to exercise the warrants before maturity as the Company does not pay dividends, and theoretically, holders of call options are better off to hold the warrants until maturity. During 2013, warrants to purchase 120 million of ordinary shares were exercised by the holder and cash proceeds of $17,800,000 was received by the Company. During 2014, warrants to purchase 40 million of ordinary shares were exercised by the holder and cash proceeds of $5,940,000 was received by the Company. In addition, warrants to purchase 40 million of ordinary shares were forfeited in 2014. As of December 31, 2014, the warrants for the purchases of up to 80 million ordinary shares of the Company remained outstanding. The exercise of the warrants, the corresponding issuance of ordinary shares and forfeiture of warrants were recorded in equity.

22. WARRANTS - continued

A summary of the warrant activities is as follows:

	Number of underlying shares
Underlying shares outstanding at January 1, 2012	80,000,000
Issued	280,000,000
Underlying shares outstanding at December 31, 2012	360,000,000
Exercised	(200,000,000)
Underlying shares outstanding at December 31, 2013	160,000,000
Exercised	(40,000,000)
Forfeited	(40,000,000)
Underlying shares outstanding at December 31, 2014	80,000,000

23. SEGMENT AND GEOGRAPHIC INFORMATION

Segment reporting

The Company's chief operating decision maker has been identified as the Chief Executive Officer who reviews results of operations by business lines when making decisions about allocating resources and assessing performance of the Company. The Company has therefore determined that each business line represents an operating segment and there are three operating segments presented: internet games, mobile games and WVAS.

The Company does not allocate any assets to its operating segments as management does not believe that allocating these assets is useful in evaluating these segments' performance. Accordingly, the Company has not made disclosure of total assets by reportable segment.

23. SEGMENT AND GEOGRAPHIC INFORMATION - continued

Segment reporting - continued

	For the years ended December 31,		
	2012	2013	2014
Revenues			
Internet games	$ 82,902,851	$ 93,792,294	$ 118,099,837
Mobile games	20,970,977	16,908,282	45,036,427
WVAS	76,712,323	62,953,219	64,459,705
	180,586,151	173,653,795	227,595,969
Cost of revenues			
Internet games	(39,539,750)	(45,534,441)	(61,443,104)
Mobile games	(10,934,999)	(7,780,237)	(22,977,318)
WVAS	(52,655,523)	(43,085,208)	(44,858,641)
	(103,130,272)	(96,399,886)	(129,279,063)
Gross profit			
Internet games	43,363,101	48,257,853	56,656,733
Mobile games	10,035,978	9,128,045	22,059,109
WVAS	24,056,800	19,868,011	19,601,064
	77,455,879	77,253,909	98,316,906
Operating expenses			
Product development	(18,382,383)	(26,401,720)	(25,107,372)
Selling and marketing	(24,586,039)	(26,674,024)	(42,522,684)
General and administrative	(11,629,273)	(8,976,176)	(12,564,600)
Impairment loss on intangible assets	-	(1,562,386)	(1,323,260)
Total operating expenses	(54,597,695)	(63,614,306)	(81,517,916)
Government subsidies	$ 301,359	$ 2,176,449	$ 1,138,909
Income from operations	$ 23,159,543	$ 15,816,052	$ 17,937,899

Service lines of internet games

The internet games revenues are derived from online game operation revenues and licensing revenues including royalties. Revenues of internet games by service line for the years ended December 31, 2012, 2013 and 2014 are as follows:

	For the years ended December 31,		
	2012	2013	2014
Internet games			
Online game operation	$ 77,676,406	$ 91,308,244	$ 116,756,333
Licensing arrangement	5,226,445	2,484,050	1,343,504
	$ 82,902,851	$ 93,792,294	$ 118,099,837

23. SEGMENT AND GEOGRAPHIC INFORMATION- continued

Service lines of mobile games

The mobile games revenues comprise revenues from carrier billing channels and revenues from non-carrier billing channels. Revenues of mobile games by service line for the years ended December 31, 2012, 2013 and 2014 are as follows:

	For the years ended December 31,		
	2012	2013	2014
Mobile games			
- Carrier billing channels	$ 15,451,852	$ 10,135,756	$ 23,808,707
- Non-carrier billing channels	5,519,125	6,772,526	21,227,720
	$ 20,970,977	$ 16,908,282	$ 45,036,427

Service lines of WVAS

The WVAS include Wireless Application Protocol ("WAP") services, Multimedia Messaging Services ("MMS"), Short Messaging Services ("SMS"), Interactive Voice Response services ("IVR"), and Color Ring Back Tones ("CRBT"). Revenues of WVAS by service line for the years ended December 31, 2012, 2013 and 2014 are as follows:

	For the years ended December 31,		
	2012	2013	2014
WVAS			
- SMS	$ 38,647,552	$ 31,844,446	$ 31,922,975
- IVR	13,255,971	14,658,612	13,210,504
- MMS	3,346,206	1,096,133	968,026
- WAP	2,651,647	708,984	364,750
- CRBT and others	18,810,947	14,645,044	17,993,450
	$ 76,712,323	$ 62,953,219	$ 64,459,705

Geographical information

The Company's operations are mainly located in its country of domicile (i.e. the PRC) and to a lesser extent, overseas. The Company's revenues by geographic areas (based on location of the other signing party of the revenue contract) are detailed below:

	For the years ended December 31,		
	2012	2013	2014
PRC	$ 170,672,905	$ 167,752,785	$ 221,935,017
Asia-pacific	3,702,017	913,465	162,797
Europe and America	6,211,229	4,987,545	5,498,155
	$ 180,586,151	$ 173,653,795	$ 227,595,969

The Company's long-lived assets as of December 31, 2013 and 2014 were all located in the PRC.

24. CASH DIVIDEND

On October 17, 2014, the Board of Directors of the Company declared a special one-time cash dividend of $40,999,308, representing $0.022 per ordinary share, or 0.88 per ADS, to the record holders of the Company's shares as of October 27, 2014. Such dividend was recorded as a reduction against retained earnings.

25. FAIR VALUE MEASUREMENTS

Measured on recurring basis

The Company measured its financial assets and liabilities including time deposits, available-for-sale securities and game license payment liabilities at fair value on a recurring basis as of December 31, 2013 and 2014.

Cash equivalents included time deposits that can been withdrawn at any time and are stated at fair value. Available-for-sale securities are stated at fair value. The Company classified such financial assets as investments within Level 1 of the fair value hierarchy because they are valued based on the quoted market price in an active market.

The Company did not have Level 2 investments as of December 31, 2013 and 2014.

Game license payment liabilities arising from the acquisition of intangible assets relating to a game license obtained in 2012 are classified within Level 3 of the fair value hierarchy because the Company recorded the present value of the installment payment liabilities using discounted cash flow ("DCF") method. The significant unobservable input used in the DCF model was the discount rate of 3.25% which approximated to the Company's expected borrowing rate from banks in the United States. Significant increase (decrease) in the discount rate would result in a significantly lower (higher) fair value.

The following table shows the fair value of the Company's financial assets and liabilities measured at recurring basis as of December 31, 2013 and 2014:

	As of December 31, 2013				As of December 31, 2014			
	Fair Value Measurements at the Reporting Date Using				Fair Value Measurements at the Reporting Date Using			
	Quoted prices in active markets for identical instruments (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total balance	Quoted prices in active markets for identical instruments (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total balance
Time deposits	$ 72,520,957	$ -	$ -	$ 72,520,957	$ 40,777,831	$ -	$ -	$40,777,831
Available-for-sale securities	-	-	-	-	20,013,487	-	-	20,013,487
Game license payment liabilities	-	-	39,260,000	39,260,000	-	-	19,860,000	19,860,000
Total	$ 72,520,957	$ -	$ 39,260,000	$111,780,957	$ 60,791,318	$ -	$ 19,860,000	$80,651,318

25. FAIR VALUE MEASUREMENTS - continued

	Fair Value measurement Using Significant Unobservable is inputs (level 3) Game license payment liabilities
Opening balance	$ 39,260,000
Transfer into Level 3	-
Transfer out of Level 3	-
Total gains or losses for the period	
Included in earning (or changes in net assets)	600,000
Settlements	(20,000,000)
Closing balance	$ 19,860,000

Measured on nonrecurring basis

The Company measured the fair value of the purchased intangible using the "cost," "income approach-excess earnings" or "with & without" valuation methods. In addition, the Company measured the fair value of intangible assets using income approach method based on which to recognize the impairment loss in 2013 and 2014. These intangible assets are considered Level 3 assets because the Company used unobservable inputs, such as forecast financial performance of the acquired businesses or assets and discount rates to determine the fair value of these purchased assets.

Goodwill and cost method investments are measured at fair value on a nonrecurring basis when impairment is recognized.

The Company measured the fair value of cost method investment in U4iA and Meteor using income approach method based on which to recognize the impairment loss in 2013 and 2014, respectively. The cost method investment in Meteor is considered as Level 3 assets because the Company used unobservable inputs, such as forecast financial performance and future cash flow to determine the fair value of the cost method investment.

Warrants and intangible assets purchased with issued warrants as consideration are measured at fair value on a nonrecurring basis on the transaction date (see Note 22).

26. NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share:

	For the years ended December 31,		
	2012	2013	2014
Net income (numerator), basic and diluted	$ 25,739,968	$ 20,661,649	$ 22,587,921
Shares (denominator):			
Weighted average ordinary shares outstanding used in computing basic net income per share	1,661,864,846	1,714,924,612	1,828,191,540
Effect of dilutive securities:			
Plus incremental weighted average ordinary shares from assumed conversions of stock options, nonvested shares and warrants using the treasury stock method	59,757,910	36,696,728	47,328,554
Total weighted average shares used in computing diluted net income per share	1,721,622,756	1,751,621,340	1,875,520,094
Net income per share, basic	$ 0.02	$ 0.01	$ 0.01
Net income per share, diluted	$ 0.01	$ 0.01	$ 0.01

The dilutive effects of the options, nonvested shares and warrants are calculated using the treasury stock method. Under the treasury stock method, the proceeds from the assumed conversion of options, nonvested shares and warrants, which include the benefit of the compensation costs attributable to future services and not yet recognized, are used to repurchase outstanding ordinary shares using average market prices.

For the years ended December 31, 2012, 2013 and 2014, the Company had the following securities outstanding which could potentially dilute basic net income per share in the future, but were excluded from the computation of diluted net income per share in 2012, 2013 and 2014 as their effects would have been antidilutive:

	For the years ended December 31,		
	2012	2013	2014
Options, nonvested shares and warrants	285,312,520	11,320,000	97,392,523

27. CONCENTRATIONS

(a) Dependence on Mobile Operator

The revenue of the Company is primarily derived from cooperative arrangements with the Mobile Operator in the PRC. The major operators cooperated with the Company are China Mobile, China Unicom and China Telecom. If the strategic relationship with the Mobile Operator in the PRC is terminated or scaled-back, or if the Mobile Operator alters the revenue sharing arrangements, the Company's WVAS business would be adversely affected.

The following table shows the revenues and percentage of total revenues derived from those operators for the years ended December 31, 2012, 2013 and 2014:

	For the years ended December 31,		
	2012	2013	2014
Percentage of Total Revenues			
Revenues collected through operators			
China Mobile	36%	30%	27%
China Unicom	7%	5%	4%
China Telecom	6%	6%	5%
Mobile games revenues collected through operators			
China Mobile	8%	6%	10%
China Unicom	-	-	-
China Telecom	-	-	-
WVAS revenues collected through operators			
China Mobile	28%	24%	17%
China Unicom	7%	5%	4%
China Telecom	6%	6%	5%

Net accounts receivable from the operators as of December 31, 2013 and 2014 were as follows:

	Percentage of accounts receivable as of December 31,	
	2013	2014
China Mobile	63%	58%
China Unicom	9%	7%
China Telecom	9%	9%

Other than disclosed above, there was no customer with 10% or more of total accounts receivable.

27. CONCENTRATIONS - continued

(b) Internet games revenue

The Company derived the majority of internet games revenue from two games which accounted for approximately 40%, 51% and 50% of total revenues in 2012, 2013 and 2014, respectively.

(c) Credit risk

In WVAS and mobile games services, the Company depends on the billing system of the Mobile Operator to charge the mobile phone users and collect payments from them. The Company generally does not require collateral for its accounts receivable and has not experienced any significant credit losses for any periods presented.

28. PRC CONTRIBUTION PLAN AND PROFIT APPROPRIATION

The employees of the Company in the PRC participate in a government-mandated defined contribution plan pursuant to which pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require the Company accrue these benefits based on certain percentages of the employees' salaries. The total provision for such employee benefit was $3,480,839, $5,135,732 and $4,799,750 for the years ended December 31, 2012, 2013 and 2014, respectively.

Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises and local enterprises, the Company's subsidiaries in the PRC must make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries.

For foreign enterprises, these reserve funds include (i) a statutory surplus reserve fund and (ii) a general surplus reserve fund. Subject to certain cumulative limits, the general reserve fund requires annual appropriations of 10% of after-tax profit (as determined under PRC accounting standards and regulation at each year-end); the other fund appropriations are at the Company's discretion. These reserve funds can only be used for specific purposes of enterprise expansion and staff welfare and bonus and are not distributable as cash dividends.

As of December 31, 2013 and 2014, the total statutory reserve amounted to $10,723,748 and $11,467,537, respectively.

29. RELATED PARTY TRANSACTIONS

Leilei Wang indirectly owns more than 10% of Prosten Technology Holdings Limited ("Prosten"). Prosten and its subsidiaries engage in the business of providing solutions to companies that provide mobile and search services. In 2012, 2013 and 2014, Prosten and its subsidiaries provided the Company mobile value-added services valued at $1.5 million, $1.0 million and $0.1 million, respectively. The accounts payable to Prosten and its subsidiaries as of December 31, 2013 and 2014 were $73,216 and $198,051 respectively.

30. COMMITMENTS AND CONTINGENCIES

(a) Operating lease as lessee

The Company leases certain office premises under non-cancelable leases. Rental expenses under operating leases for the years ended December 31, 2012, 2013 and 2014 were $2,424,259, $3,449,577 and $3,905,147, respectively.

Future minimum lease payments under non-cancelable operating leases agreements are as follows:

Year ending		
2015	$	4,010,632
2016		2,167,849
2017		86,669
2018		46,096

(b) Purchase obligations

The Company entered into a series of agreements with content providers to develop WVAS, mobile games and internet games. The future minimum purchase obligations payments under non-cancelable purchase agreements are approximately as follows:

Year ending		
2015	$	833,187
2016		78,252
2017		27,849
2018		3,785
2019 and thereafter		-

(c) Sales tax

The subsidiaries and VIEs incorporated in the PRC are subject to the sales tax at rates of 3% to 5% on PRC taxable revenues, as defined by the related tax rules and regulations. When determining the PRC taxable revenues for sales tax purpose, the subsidiaries and VIEs adopted a "net" basis, i.e. deducting profit sharing with content providers from revenues. However, as the deductible items for sales tax purposes are not clearly defined, the Company would be subject to additional sales tax if the net basis used by the Company was determined inappropriate for the computation of sales tax. Additional business tax amounting to $4,910,109 could arise had the gross revenue been used for sales tax calculations as of December 31, 2014.

31. RESTRICTED NET ASSETS

Relevant PRC laws and regulations restrict the Company's PRC subsidiaries and VIEs from transferring a portion of their net assets, equivalent to the balance of their statutory reserves and their share capital, to KongZhong in the form of loans, advances or cash dividends. The balance of restricted net assets were $77,426,504 and $76,657,282, of which $49,357,157 and $47,850,580 was attributed to the paid in capital, additional paid in capital and statutory reserves of the VIEs and $28,069,347 and $28,806,702 were attributed to the paid in capital, additional paid in capital and statutory reserves of the Company's PRC subsidiaries, as of December 31, 2013 and 2014, respectively. The PRC subsidiaries' accumulated profits may be distributed as dividends to KongZhong without the consent of a third party. The VIEs' revenues and accumulated profits may be transferred to KongZhong through contractual arrangements without the consent of a third party. Under applicable PRC law, loans from PRC companies to their offshore affiliated entities require governmental approval, and advances by PRC companies to their offshore affiliated entities must be supported by bona fide business transactions.

32. SUBSEQUENT EVENT

In December 2014, the Company entered into an agreement to acquire 8.89 million issued ordinary shares of Forgame Holdings Limited ("Forgame") for a total consideration of HK$124,506,200 in cash (equivalent to approximately US$16.4 million). The acquisition was completed in January 2015 and the investment represented 7% equity interest in Forgame. As the Company has no significant influence over Forgame and Forgame is a listed company in Hong Kong, this investment will be recorded as available-for-sale securities.

Exhibit 4.112

Cooperation Agreement on Game Business
Between
China Mobile Group Jiangsu Co., Ltd.
and
Beijing AirInbox Information Technologies Co., Ltd.

Signed at: Nanjing, Jiangsu

Party A: China Mobile Group Jiangsu Co., Ltd.
Address: No. 59, Huju Road, Nanjing
Zip Code: 210029
Fax: 025-86668384
Deposit Bank: Agricultural Bank of China Nanjing Hongqiao Sub-branch
Bank Account No.: 10100401040000340
Identification Number for the National Tax Payer: [32000670404188X]

Party B: Beijing AirInbox Information Technologies Co., Ltd.
Address: 33F, Tengda Plaza, No. 168, Xiwai Street, Haidian District, Beijing
Zip Code: 100044
Fax: 010-88575900
Deposit Bank: Industrial and Commercial Bank of China Beijing Capital Gymnasium Sub-Branch
Bank Account No.: 0200053719200031688
Identification Number for the National Tax Payer: [110108737685577]

In order to fully leverage the advantages of the parties hereto in their respective areas of service and jointly provide high-quality businesses and services for customers, the parties hereto, through negotiations based on the principles of equality, mutual benefit, mutual supplementation of advantages and joint development, have reached the following agreements on cooperation matters regarding game businesses within the territory of Jiangsu Province:

I. Contents and Principles of Cooperation

Article 1: To the extent not violating the laws, regulations and relevant industry management policies, Party A will conduct a fair cooperation with Party B (who shall have relevant qualifications and permits) in joint promotion of game business. Both parties will comply with the relevant management rules and requirements imposed by the State and the supervisory authorities on the industry and value-added data business by sticking to the principles of honesty, mutual faith and win-win cooperation, and provide customers with good-quality businesses and services.

Article 2: Cooperation Contents and Business Description:

During the term of cooperation, Party B shall place the cooperation contents on the "China Mobile Game Business Platform" provided by Party A, and be responsible to provide supporting services with respect to the content provided by it. All information involved over the course of cooperation shall be subject to the contents posted on the "China Mobile Game Business Platform". The respective sections each party is responsible for maintenance shall be defined according to the connection point of the parties' equipment. Party A's end of connection point shall be maintained by Party A, and Party B's end of connection point shall be maintained by Party B. Both parties shall do their own duties to ensure the normal operation of the business.

Article 3: Duties for both parties are described as follows:

(1) Party A's responsibilities:

As a provider of China Mobile game business platform, Party A shall provide, for a consideration, business connection and platform supporting service, and shall be responsible for the building and maintenance of game business platform, online launch of game business, and the operation of self-owned channels of relevant game business. Party A shall also provide Party B, for a consideration, with such services as calculation and collection of information fees, marketing and customer services on behalf of Party B. During the term of cooperation, the enterprise code assigned by Party A to Party B as a game business platform participant shall be 701012. The resources of such enterprise code shall be owned by Party A; Party A may recover and re-assign such enterprise code after the termination hereof, and Party B shall not re-use such enterprise code that has already been recovered and re-assigned by Party A.

(2) Party B's responsibilities:

In cases of acquisition, Party B may transfer the Monternet information service cooperation relationship (including parent-subsidiary, head-branch relationship and change of company name, etc.) only upon satisfaction of the following conditions:

1. for business involving online games, the acquirer having obtained a business license for cross-regional value-added telecommunications issued by the Ministry of Industry and Information Technology;
2. the acquirer being able to present relevant certificates evidencing its over 50% control over the acquired enterprise;
3. the acquirer having relevant expertise or measures in place to guarantee the continuous stability of the original business quality and customer service level and unchanged customer experience after the acquisition.

II. Rights and Obligations of Party A

Article 4: Party A shall have the right to review the business license, organization code certificate, tax registration certificate, bank account opening permit and other licenses and permits, creditability certificate, sources of information, copyright certificate (power of attorney), bank account, and such other documents relating to the ordinary course of business provided by Party B as required by this Agreement. Party A may terminate this Agreement without assuming liabilities for breach of contract if it discovers any false contents or other illegal elements in the aforementioned documents. Party A may require Party B, when necessary, to further provide relevant information and documents evidencing Party B's ownership, right of use or intellectual properties involved hereunder.

Article 5: Party A may formulate management measures, terms of assessment and customer service standards and documents for relevant game business (all attached hereto), which shall be observed and implemented by Party B. Party A will assess Party B according to such regulations; if Party B fails to pass the assessment, Party A may cease the cooperation with Party B up to the termination hereof.

Article 6: Party A shall have the right to review any of Party B's business involved hereunder. Party A may refuse to post any part of the information provided by Party B that is not compliant with the State decrees, regulations, policies, the principle of public order and good social customs or otherwise deemed inappropriate by Party A. To the extent that Party B engages in any illegal activities endangering the national security, or pornographic or superstitious activities during the cooperation with Party A, Party A may immediately terminate its cooperation with Party B and report such activities to public security or other government authorities. Party A may further claim compensation against Party B for any economic loss or adverse impact on Party A's goodwill thus brought about. With respect to the business application submitted by Party B, Party A will give express response to Party B within 10 working days after Party B's filing of complete set of application documents.

Article 7: Party A cooperates with Party B in the conduct of the game business in the way of self-owned business. Party A shall be responsible to formulate business norms, plan business platform and business development, and provide guidance on the business, and also have the right to carry out final review on the business contents and any new businesses relating to the cooperation hereunder; Party A will direct and supervise Party B's daily work relating to the cooperation business hereunder, and is entitled to correct Party B's behaviors in non-compliance with business management requirements and claim the liabilities for breach of agreement.

Article 8: Party A shall be liable for determination of business charge standards, and Party B may propose advice on charge setting and suggestions, which Party A will be responsible to implement after its confirmation; any unrecoverable expenses due to shutdown of users' cell phones, arrearage or invalid users, etc. will not be recorded in the base for settlement of both parties' expenses.

Article 9: In case of Party B's breach, Party A shall have the right to directly claim Party B's liabilities for breach of agreement in accordance with *Administrative Measures by China Mobile Jiangsu for Self-owned Business* and such other business management regulations; with respect to Party B's breach due to other competitors' malicious acts, Party A shall, in case Party B provides solid, credible and effective evidences, discretionarily mitigate its handling of Party B's liabilities for breach of agreement, and at the same time, shall claim such malicious competitors' relevant responsibilities.

Article 10: For any abnormal overloaded traffic that may affect the operation safety of Party A's network, Party A reserves its right to restrict its transmission or adjust the traffic in time according to the system capacity. Party A may require Party B to dispose of the junk information or illegal attack from Party B within a prescribed period of time. In case Party B fails to respond in time as demanded by Party A, Party A may take relevant steps to prevent the safety events from further escalating. In urgent cases, Party A may take relevant steps without first notifying Party B for purposes of protecting the lawful rights and interests of the customers.

Article 11: Party A shall, based on business logic, provide business platform interfaces, service codes, business codes, charges, network and such other technical training or support required by conduct of business. In case the change of major office data, network adjustment or software modification and other operations by Party A may have impact on the business, Party A shall notify Party B in advance.

Article 12: Party A shall be responsible to accept and hear consultation, complaints on the business from customers, and handle the feedback work. Party A shall also be responsible to deal with customer consultation, declaration and complaints arising out of network communications issues; with respect to other customer consultation, charge inquiry, use process, complaints and other problems that customer service interfaces cannot directly explain, or the explanations for which are invalid, not caused by network communications issues, Party A will transfer such issues to tier-2 customer services of Party B for further processing by distributing orders on the customer service system, track the processing results, communicate with customers and deal with their feedback in time.

Article 13: In case of breaches by Party B that affect customers, Party A may first take necessary steps in respect of Party B's breaching business to prevent losses and impact from enlarging. For the customer complaints that are confirmed attributable to Party B and result in the need of fee refund (including single refund and double refund), Party A may first refund the fees as required by the customer and write off the relevant amount in the settlement of information fee.

Article 14: Party A will be responsible for the day-to-day maintenance of the game platform and will deal with any technical breakdown for reasons attributable to Party A so as to ensure the normal running of the application services.

Article 15: Party A will be responsible for management of such customer data as registration, login, identification and authentication, and may make feedback on relevant data to Party B in a given form. For online applications, Party A's game business platform shall be interconnected with Party B's content service system, and the data of the game business platform will serve as the basis for ultimate confirmation of customer's use of Party B's game business. Party A will statistically calculate the visit traffic to Party B's application game business, and provide Party B with the results of such statistics in a proper form.

Article 16: Depending on the development of the business, Party A may adjust the UI designs of Party A's WAP portal, client terminals and WEB as well as the order of its game business.

Article 17: The parties may jointly carry out the marketing and advertising work, provided that Party A may require Party B to mark the brand of "China Mobile Games", which shall be approved by Party A beforehand. Party B shall not use the enterprise logo or other brands of China Mobile or note 10086 as customer service number in the promotion and advertising, unless otherwise approved or authorized by Party A. In case Party B uses the brand of "China Mobile Games" outside the marketing and advertising scope approved by Party A, thus causing negative impact on Party A, Party A may operate such use as infringing acts and require Party B to stop using such brands and assume any and all responsibilities and consequences thus incurred. In case of serious violation, Party A may also claim legal responsibilities from Party B.

Article 18: In the mode of channel cooperation, Party A may advertise all interface game businesses approved by Party A through both self-owned and cooperated marketing channels.
Article 19: Party A will, based on the business development stage, development status and the actual market demands, take advantage of its resources to carry out integrated marketing, promotion and publicity for the business.
Article 20: Party A shall be responsible for business billing and charging, and settle and pay the information fees to Party B in accordance with this Agreement.
Article 21: For purposes of maintaining market order and avoiding malicious homogenized competition in the meantime with the promoted development of game business, Party A may limit the number of partners providing the same category of application services by way of dismissing the partner graded last and introducing the best performing partners, and may reserve the right to dynamically adjust the number of partners for various game services.
Article 22: Upon termination or termination beforehand of cooperation between Party A and Party B, Party A may reclaim the resources of any kinds including platform accounts assigned to Party B, and re-assign them to other partners.
Article 23: Without Party B's written consent, Party A may not disclose true and valid business license, organization code certificate, tax registration certificate, bank account opening permit and other licenses and permits, creditability certificate, sources of information, bank account, equity information and other materials relating to normal business operation required by this Agreement that Party B submits to any other third parties (unless competent authorities order and take materials from Party A in accordance with relevant provisions).

III. Rights and Obligations of Party B
Article 24: Party B covenants to have all the relevant qualifications, obtain approval and keep records with relevant competent departments, which are necessary for the conduct of this business, thus being qualified for this business. Party B shall provide Party A with true and valid business license, organization code certificate, tax registration certificate, bank account opening permit and other licenses and permits, creditability certificate, sources of information, bank account, equity information, machine-readable archives issued by industrial and commercial administration and other materials relating to normal business operation, and shall undertake that the fees charged for its information service are in compliance with the relevant regulations of the State pricing authority. If Party B also provides online game business, it shall also provide true and valid business license for value-added telecommunications business (ISP Certificate), business license for telecommunications and information services (ICP Certificate) and such other relevant licenses and permits. Party B undertakes to satisfy the requirements relating to cooperation qualifications prescribed in *Administrative Measures by China Mobile Jiangsu for Self-owned Business*, and notify and report to Party A upon change of company ownership structure; in case change of ownership structure causes Party B to disqualify the cooperation, and Party B fails to report to Party A, Party A is entitled to terminate such cooperation hereunder beforehand, and Party B shall assume all liabilities thus incurred. Party B shall solely assume all liabilities for any civil disputes or administrative responsibilities during the conduct of this business arising out of Party B's qualifications.

Article 25: All the various business management rules, measures for cooperation management, measures for credit points management, management rules for customer services, assessment management measures and information service standards (each subject to what is posted by Party A on its management systems), as formulated and revised by Party A for its game business from time to time during the term of cooperation between Party A and Party B, shall constitute supplementary appendices hereof, and Party B acknowledges and undertakes to provide game service as required therein.

Article 26: Party B shall guarantee the legitimacy of the game business it provides and shall have all government permits, production and/or use permits and/or authorizations necessary for providing such business. The sources of its contents are legal and non-infringing, and there is no embezzlement or unauthorized use and such other infringements on any third party's copyright or other intellectual property rights or other lawful rights and interests. In case any third party initiates complaints, lawsuits or claims against Party A due to Party B's game business, Party A may temporarily cease the business under the infringement dispute and transfer the dispute to Party B for resolution. In this case, Party B must immediately get in touch directly with the party initiating such complaints or claims and assume all legal and economic liabilities relating thereto. Party A may claim compensation against Party B for any economic loss or goodwill damage thus suffered by it.

Article 27: Throughout the term of cooperation, Party B shall not, without Party A's prior written consent, make use of any kinds of channels to interconnect, or equivalently interconnect Party A's mobile data application business with a third party at any business levels.

Article 28: Party B shall actively cooperate with Party A in interface testing, so as to ensure that the services will be provided in accordance with such business operation standards and interface technical norms as provided by Party A.

Article 29: Party B must clearly submit, with no ambiguity, all of the various documents relating to the business it provides, and assume all economic and legal responsibilities relating thereto.

Article 30: Party B shall ensure to log in Party A's designated management system every day to check various notices, announcements and other information posted by Party A for handling in time. If Party B fails to check the information posted on the system, Party B shall be fully responsible for any losses thus incurred.

Article 31: Party B shall have the right to define, under the guidance of Party A, the standards to judge whether to charge fees for the business it provides and those for fee charging, provided that the charge rate for any single game business shall not be higher than what is required in Party A's relevant management measures for game business.

Article 32: Party B shall actively carry out marketing and advertising work according to the permits and arrangements of Party A. The contents of such marketing and advertising shall be marked the brand of "China Mobile Games" and UI norms as required by Party A. Any losses (including but not limited to judicial, administrative penalties, civil indemnities, etc.) incurred to Party A arising from Party B's discretionary marketing and advertising activities without permission by Party A shall be borne by Party B.

Article 33: In case any third party initiates an administrative complaint, lawsuit or arbitration due to the fact that Party B has no right to dispose of any product or other relevant contents under cooperation, or that the authorization made by Party B has defects, Party A may, as the case may be, take all or selectively part of the following remedies:

1. cease the distribution of the distributable income hereunder with Party B within the scope of the compensation claimed by such third party;

2. require Party B to properly resolve such claims at its own expenses, in which case Party B shall, at its own expenses, file as requested by Party A to the dispute resolution authority to participate in the dispute resolution process as a third person;
3. partly or entirely terminate this Agreement. Provided, however, that if the taking of the abovementioned measures still cannot avoid losses for Party A, Party B shall have the duty, if required by Party A, to make timely and full compensation to Party A and hold Party A harmless against all losses thus suffered (including, without limitation, any advance payment by Party A to Party B and/or any economic loss incurred during the business interruption, reasonable attorney fees, costs of litigation or arbitration paid by Party A for dispute resolution).

Article 34: Party B shall be responsible to provide the resources and various support services required by conduct of business based on the division of work set forth in Article 3 hereof and in strict accordance with the business development plan formulated by Party A, and be in charge of system maintenance, technical guarantee and such other works thus incurred; arrange special maintenance contacts, business contacts, customer service contacts and tier-2 customer service handling staff, create and publish hotlines for technical consultation and complaints, and deal with relevant problems within a prescribed time limit to ensure the safe, liable and stable development of the business.

Article 35: Party B shall be obliged to assist Party A in business operation planning, marketing planning and business promotion works; Party B shall be liable to provide Party A with all support works required by marketing and promotion as requested by Party A.

Article 36: During the term of validity hereof, Party B shall be liable to, as requested by Party A, provide customer development status, user classification, user habit, business prospect forecast and such other periodical data analysis reports, as well as a variety of detailed statistical statements.

Article 37: Party B shall be responsible for the collecting, editing, preparing, copyright and preliminary review of information contents involved in the business according to the division of work set out in the business planning and Article 3 hereof, and shall strictly comply with *Measures for the Administration of Internet Information Services* and *Undertakings on Information Safety Accountability* (Appendix 1), and undertakes that the information contents that Party B provides do not violate any relevant State laws, regulations and policies, or prejudice social public benefits; otherwise, all consequences arising therefrom (including customer complaints, economic compensation and social influence) will be borne by Party B.

Article 38: Party B may not send customers other information not relating to the business (such as advertisements), information not approved by Party A and customers, or other information in violation of the agreements set out in *Undertakings on Information Safety Accountability* (Appendix 1); may not send customers (including registered and unregistered customers) business promotion information and all promotional advertisement information without customers' permissions. Otherwise, Party A has the right to terminate this Agreement at its discretion, and deduct the information fees of the latest three consecutive months as liquidated damages.

Article 39: Party B shall be responsible to conduct regular safety inspection on the business platform and business system for which it provides support, develop measures to respond to emergencies timely, create and publish hotlines for technical consultation and complaints, and handle faults as required by Party A in time: resolving system failures at non-customer levels within four hours, and those at customer levels within one hour.

Article 40: The applications that Party B provides may not be beyond the business scope described in Article 2 hereof; otherwise, Party A shall have the right to terminate this Agreement at its discretion, and Party B shall assume the liquidated damages equal to the information fees of the latest three consecutive months (excluding the month when such breach occurs) prior to breach. In case Party B adds or reduces part of the business relating to the cooperation hereunder, Party B shall file formal written proposals to Party A one month beforehand, and Party A will consider it as a refusal to make no response. If Party A approves Party B to add part of the business in writing, Party B shall test the new business, and provide Party A with the test reports. After Party A examines the new business and confirms that it is mature, such new business can be provided to customers.

Article 41: Party B shall be responsible to create a consumption mode featuring "open charges and transparent consumption" according to the unified requirements from Party A, provide business inquiry, cancellation, customer service instructions, and such other contents and services for free, charge inquiry channels that are convenient to customers, describe inquiry mechanisms for business charges in customer service documents and customer service processes; state expressly the business introduction, charges, usage, customer service telephone number and other information, publicize and describe the promoted business charges in details, during media promotion and business recommendation by newspaper, television, radio station, website and text messaging; Party B may not charge any information fees with respect to help information of business use, customer service information, customer's passwords obtaining, business prompt information and such other system help and menu operation information.

Article 42: Under any circumstances, Party B shall, with customer's consent, provide any services (including paid services and free services) for such customer during business operation and business promotion, and may not provide any services or collect any information service fees without such customer's knowledge or will, and shall ensure that such customer is fully aware of the business information (including business charges, business types, sending frequency and times, usage, main contents, cancellation methods, customer service measures and the like) before his acceptance of services.

Article 43: Party B may not adopt fuzzy promotion or fraudulent promotion types during charge inquiry or public notice. Party B must comply with requirements prescribed in the relevant laws and regulations on advertising issued by the State during publicity, and ensure the authenticity and comprehensiveness of the contents for business promotion and marketing; the legal disputes arising out of Party B's discretional publicity shall be irrelevant to Party A, and Party B shall assume all liabilities thus incurred.

Article 44: Party B may not publicize the business, conduct improper competition or malicious fraud by improper means or through Party A's self-owned channels, or cause adverse impact on businesses carried out by Party A and its other partners. In case Party B publicizes the business or conduct competition by malicious fraud or improper means, Party A may terminate this Agreement beforehand at its discretion and deduct the information fees of the latest three consecutive months as liquidated damages in accordance with the relevant requirements set out in *Administrative Measures by China Mobile Jiangsu for Self-owned Business*.

Article 45: Party B shall get paid for the information service by the customers. In case any customer refuses to pay the information fee or Party A refunds the fee to the customer due to Party B's service quality issue or due to the fact that the fee rate charged by Party B is higher than the standard rate provided by the pricing authority, Party A shall deduct such amount from the information fee to be settled and payable to Party B; in case the amount of information fee payable to Party B is insufficient to be deducted, Party B shall pay such shortfall to Party A.

Article 46: Party B shall be obliged to provide Party A with the products connected to Party A's game business platform for discounts, free experience and such other promotional activities, and Party B accepts the way how the expenses of such promotional activities will be shared between the parties proposed by Party A at that time.

Article 47: If Party B does not have the qualification to operate Internet business, Party B shall not, in any form whatsoever, provide customers with accesses to use business through Internet (including but not limited to business ordering or requesting) during the term of cooperation, nor shall Party B advertise the business under cooperation on the websites that fail to obtain the business license for telecommunications and information services. Party B shall take full responsibilities if it breaches any of the aforementioned provisions during the term of cooperation.

Article 48: Party B shall be responsible to formulate sound internal management procedures and policies, enhance the control of the authority to send its internal information and the management of the relevant staff, and ensure the legality of the business contents provided to Party A's customers. Party B shall: (i) train its employees on the rules and regulations governing the use of Internet formulated by the State and competent telecommunications authorities; (ii) establish and perfect the users' files, and enhance the management and education on the users; and (iii) improve the management measures on Internet safety and confidentiality; otherwise, Party A may terminate the cooperation with Party B.

Article 49: Party B shall be responsible for, and conduct regular checks on, the safety of its own systems. Party B shall not attack Monternet in any form whatsoever when conducting its business. Party A will notify Party B to deal with any attacks originating from Party B within a prescribed period of time, and in case Party B fails to respond in time as demanded by Party A, Party A may take relevant steps to prevent the safety issues from further escalating; in urgent cases, Party A may take relevant steps without first notifying Party B for purposes of protecting the lawful rights and interests of the customers.

Article 50: Upon termination of the cooperation between Party A and Party B, Party B shall be obliged to ensure and assist Party A in maintenance of passwords in relevant equipment, software development regulations, description of activities carried out in relevant cities and smooth handover of customer materials. In case Party B exits game services for whatever reason (including compulsory exit as a result of Party A's "survival of the fittest" process), Party B shall offer one-month grace period during which Party B shall continue to provide services for customers and publish announcement in respect of the cease of game services at the distinct locations of its website (WAP/WWW) or through other channels with considerable influence, and send free messages to inform the registered users. During the grace period, Party B shall continue to provide services for customers as requested by Party A; upon the termination of cooperation, Party B shall still be obliged to take relevant responsibilities arising from its own acts during the term of cooperation. In case serious complaints from customers are caused due to Party B's improper assistance, Party B shall assume the liquidated damages of the information fees of the latest three consecutive months during the term of cooperation.

Article 51: Party B shall have the right to, under Party A's direction, independently apply game business and participate in hierarchical and classification rating and such other work if Party B satisfies relevant requirements set out in measures for cooperation management.

Article 52: Party B shall be obliged to, within 30 days prior to expiration hereof, check notices for renewal issues posted by Party A in the management systems assigned by Party A, and actively contact and assist Party A in renewal of this Agreement; in case Party B still does not contact Party A to complete the renewal work after the expiration hereof, it shall be deemed that Party B does not intend to renew this Agreement, thus ending the cooperation.

IV. Protection of Intellectual Property Rights

Article 53: In case Party B uses the works whose legal intellectual property rights are owned by any third parties, Party B shall obtain the approval for the use of such third parties' works from such third parties or agents of such parties; Party B shall be obliged to negotiate with such third parties or agents of such third parties to obtain the authority for such third parties' works if the information contents that it provides violate the rights of such third parties.

Article 54: Party B shall take full liabilities and all consequences due to illegal or infringing information and service contents that it provides.

V. Rewards and Penalties

Article 55: In case of any breach by Party B, Party A may exercise any one or more of the following rights: (i) to require Party B to immediately correct its breach, take corrective action within a prescribed period of time, and make public apologies to media and customers; (ii) to suspend the approval of Party B's new business; (iii) to postpone or withhold the settlement with Party B; and (iv) to collect penalty fines from Party B. In case of extraordinarily serious breach by Party B (such as those resulting in customer complaints to the level of the Ministry of Industry and Information Technology or administration of communications, media exposure or lawsuits, etc.), Party A may immediately terminate this Agreement.

Article 56: During the term of cooperation, if any of the circumstances that prejudice Party A's customers including but not limited to the following occurs to Party B:

(1) spreading any contents endangering the national security, reactionary information, pornographic, superstitious and criminal contents, and such other illegal contents;

(2) charging fees by using virus, malicious software, plug-ins and such other forms;

(3) deducting the communication fees of Party A's users without any notification;

(4) screening the notifications for deduction of fees by text messages that any Party A's users should receive;

(5) resulting in customer complaints to the level of Ministry of Industry and Information Technology or administration of communications, media exposure or lawsuits, etc.;

(6) discretionarily cracking game packages without authorization, including but not limited to discretionary embedding contents or codes, implanting advertisements and such other behaviors prejudicing the benefits of China Mobile or its users;

(7) discretionarily placing packages for customized channels on non-corresponding channels to promote the business;

(8) abnormal business income, number of paid users and such other business operation data,

Party A shall have the right to postpone the settlement with Party B, and deduct the information fees involved in the business. Party A shall have the right to, based on the influence imposed by such breach, claim Party B's liabilities for breach of agreement, deduct all of the unsettled fees, charge liquidated damages, and terminate the cooperation. As the final responsible party, Party B shall be obliged to properly deal with relevant customer complaints.

Article 57: In case a great amount of customer complaints against Party B's business occur during the term of cooperation, and such amount is higher than the assessment index set out in relevant measures for assessment management, Party A shall have the right to refund fees to customers whom the business has an impact on, not to settle the business information fees to Party B and conduct such other measures.

Article 58: Party A shall consider giving priority to Party B in renewing this Agreement under the same conditions if Party B has effectively implemented the relevant contents hereunder and the annual average rate of customer complaints against Party B's services is low.
Article 59: Party B shall not send any information to any customers owing information fee of game business, or allow such customers to request information for any other customer. If Party B knowingly sends information to such customer owing information fee, or allowing such customer to continue using the game business, Party A may claim compensation from Party B for any economic loss arising from the outstanding information fee, and may terminate this Agreement.
Article 60: In case of breaches by Party B, Party A shall have the right to claim joint liabilities against Party B's affiliates (including but not limited to the entities having the same legal person, the same shareholder, the same registered address and such other association).

VI. Customer Service
Article 61: Party A and Party B shall be obliged to cooperate with each other closely, and deal with the joint issues occurred in customer complaints together; both parties shall be obliged to accept and hear customer complaints and create the first asking responsibility system; that is, the party which accepts and hears complaints is responsible to track the entire event, and the other party shall provide assistance until the problem is resolved.
Article 62: Party A shall be responsible to deal with customer consultation, declaration and complaints arising from communication networks; Party B shall be responsible to deal with customer complaints and issues caused by the business operation, services or contents that Party B provides, and handle and make a response to the customer complaints transferred by Party A. Party B shall undertake to make a response to customers within two hours upon its receipt of customer complaints, resolve such customer complaints and ensure customer's satisfaction within 48 hours. With respect to the customer consultation and complaints transferred by Party A, Party B shall make a response within 24 hours, resolve such customer complaints and ensure customer's satisfaction within 48 hours.
Article 63: Party B shall provide Party A with customer service hotlines that are available and unblocked 24 hours a day, seven days a week, assign personnel to support the tier-2 customer service, and maintain quick response and interaction with Party A's customer service systems. Customer service measures shall at least contain the following contents: (1) customer service hotlines: service hotlines shall be available for 24 hours a day, seven days a week (China Mobile cell phone number or 400/800 reverse charge call), which are required to be direct lines, and may not be turned off or forwarded with each other, and whose call completing rate shall not be lower than 80%; in case of change of customer service hotlines, an application shall be submitted two months in advance, and the original cell phone number shall be retained for at least two months during the same term. (2) customer service contact: at least one specially-assigned person shall be responsible, whose cell phone must be turned on for 24 hours a day, seven days a week, and may not be redirected, and whose cell phone number must be a China Mobile number (such cell phone number may not be changed during the term of cooperation). (3) customer service email address: the email address must be available and can receive and send emails normally, whose capacity shall be at least 100 MB.
Article 64: When Party B and its branches deal with customer complaints, Party B shall be obliged to actively assist in verification as requested and provide relevant historical records and basis.

Article 65: For customer complaints that are confirmed for reasons attributable to Party B and result in refund (including single refund and double refund), Party A may first refund the fees as required by the customer and write off the relevant amount in the settlement of information fee with Party B.
Article 66: Upon expiration of cooperation between Party A and Party B, Party B shall be obliged to fully assist Party A in cutover of such platform and deal with customer complaints incurred during such cutover.

VII. Commercial Mode for Cooperation
Article 67: Party A shall be obliged to collect communication fee, feature fee and information fee arising from use of the cooperative business hereunder for each payment term from customers.
Article 68: Both parties will settle the business information fee by month. Specific commercial modes are as follows: (1) Console cooperation mode: Party A will pay Party B 50% of the total amount of information fees as payable information fee, and the other 50% shall be the service fee receivable by Party A; for Android/OPhone/education related games, 70% will be paid to Party B as payable information fee, the other 30% as service fee receivable by Party A; other changes in such income sharing percentage due to business changes shall be subject to a supplemental agreement executed by both parties.
(2) Mode of channel cooperation: if Party B's business is selected to the mode of channel cooperation, Party A will pay Party B a percentage not lower than 30% but not higher than 70% of the total amount of information fees as payable information fee. The other part shall be at the disposal of Party A as the service fee receivable by it. The exact mode of income sharing shall be subject to the channel cooperation agreement executed by and between Party A and each channel cooperation partner.
(3) Online game cooperation mode: if Party B's business belongs to cell phone online game business for commercial purposes, online game business on PC, online game business for mobile pages (except for WAP online game business), then 70% will be paid to Party B as payable information fee, the other 30% as service fee receivable by Party A; if Party B's business is commercial WAP online game business, Party A shall pay Party B 50% of the total amount of receivable information fee, and the other 50% shall be Party A's service fee.
Article 69: Income from feature fee and information fee actually received by Party A will be the base for both parties' charge settlement, which shall be subject to data provided by Party A's BOSS system; abnormal fee discovered during business audit by Party A will not be calculated as part of the base for charge settlement; rules for business audit shall be adjusted by Party A based on the business's operation status in good time. The audit contents include, without limitation, the following:
(1) Fees for customer's cancellation of account (including pre-cancellation of account): all fees caused by the cancelled and pre-cancelled accounts during the payment term;
(2) Fees for customer's out-of-service cell phone number: all fees caused by the out-of-service cell phone numbers during the payment term;
(3) Fees for refund: the sum of all fees for refund that is confirmed during the payment term;
(4) Customer service costs: customer service costs for customer complaints or consultation that is confirmed during the payment term;
(5) Malicious arrearage;
(6) Fees caused by silent customers and such other invalid customer cell phone numbers, use of customer cell phone numbers beyond the business scope and such other abnormal use of customer cell phone numbers;

(7) Income due to breach of agreement or abnormal business behaviors: business income due to breach of agreement or abnormal business behaviors by Party B, such as self consumption;
(8) Fees caused by customers' refusal to pay feature fee, information fee, communications fee or arrearage due to the faults in the contents or of the quality of the services provided by Party B;
(9) Party A will not settle with Party B the part of fees offset or consumed by Party A's use of the fees in preferential accounts for customers and its use of consumption sum for its business;
(10) Other reasons.
Article 70: Fees caused by Party B's paid use of Party A's marketing resources, fees for marketing activities refunded to customers by Party A on behalf of Party B or other fees cut after examination that are payable to Party B by Party A shall be settled in the same cycle with the information fee payable to Party B by Party A, and may be offset in practice.
Article 71: Party A shall be responsible to issue settlement statements by month and provide such statements for Party B for check and confirmation in accordance with the agreement regarding commercial modes hereunder; Party B shall, within seven working days upon receipt of such settlement statements, issue a regular tax invoice that satisfies the economic matters set out in this Agreement to Party A. Party B's issuing of invoices represents that it fully acknowledges the settlement data provided by Party A.
Article 72: Subject to the unified requirements prescribed in the State policies concerning change from business tax to value-added tax (VAT), where Party B has been included within the scope for implementation of such change from business tax to VAT, when contract payment is made by Party B to Party A, Party B shall issue standard special VAT invoices that satisfy the State laws and regulations to Party A based on the amount of each installment and Party A's policy requirements on "change from business tax to VAT". Party B undertakes that the forms in which it issues invoices and invoice contents are legal, valid, complete and accurate, that if it does not issue invoices or issues disqualified invoices, Party A shall have the right to defer payment of the amounts payable until the day on which Party B issues qualified invoices and not to assume any breach liabilities, and Party B shall still perform all of its liabilities hereunder as agreed herein.
Party B shall issue invoices after receipt of Party A's requirements for issuing invoices, and shall, within [10] working days after issuing invoices, deliver such special VAT invoices to Party A. The date on which Party A signs for such invoices shall be deemed as the delivery date for such invoices. In case such VAT invoices as issued by Party B are disqualified, it shall, within [10] working days upon receipt of Party A's requirements, issue and deliver qualified special VAT invoices to Party A, and take all relevant expenses.
In case Party B fails to issue and deliver special VAT invoices as set out herein, it shall, as required by Party A, issue invoices again or take other remedies; Party A shall also have the right to require Party B to compensate for all of Party A's losses, and Party B shall perform such liabilities; where the circumstances are severe, including but not limited to the cases that Party B fails to issue and deliver invoices to Party B more than [3] times, Party B's breach of agreement causes Party A to suffer serious losses and failure to continue to perform this Agreement due to Party B's breach of agreement, and such other cases, Party A may terminate this Agreement and shall have the right to require Party B to double its compensation for Party A's losses, Party B shall compensate Party A for all of its losses thus suffered and may not, within two years upon Party A's termination of this Agreement, participate in business cooperation projects of Party A and Party A's affiliates concerning the same product and service.

In case Party B issues and provides invoices in violation of the State laws, regulations, rules and policies, it shall assume relevant legal liabilities, and the following liabilities for breach of agreement: 1. Party B shall, as required by Party A, issue invoices again and take other remedies; 2. Party B shall compensate Party A for all of its losses and Party A shall have the right to require Party B to double its compensation for Party A's losses; 3. where Party B has already paid performance security deposit, Party A will not return such security deposit; 4. Party A may terminate this Agreement, and Party B may not, within two years upon Party A's termination of this Agreement, participate in business cooperation projects of Party A and Party A's affiliates concerning the same product and service.

In case such special VAT invoices as provided by Party B fail to pass taxation authority's verification, and thus causing Party A fails to make deduction, Party B shall take Party A's losses arising therefrom and Party A shall have the right to terminate this Agreement and require Party B to double its compensation.

Completion of transfer of accounts by Party A, its headquarters and its branches represents that Party A has performed its payment liabilities, and all of such accounts' legal risks shall be borne by Party B.

Article 73: During the cooperation between Party A and Party B, in case of rapid reduction in the number of business users or business volume, Party A shall have the right to negotiate with Party B to adjust the commercial mode for cooperation.

VIII. Confidentiality

Article 74: For the purpose of this Agreement, "Proprietary Information" shall mean the information, received by one party from the other party (the "Disclosing Party") during the term of cooperation, developed/created/discovered by the Disclosing Party, or known by the Disclosing Party, or transferred to such Disclosing Party and commercially valuable for such Disclosing Party's business.

Article 75: Proprietary Information mentioned herein shall include, without limitation, relevant technical and business information, documents, procedures, schemes, technology, graphics, models, parameters, data, norms, know-how, business or business operating methods and such other proprietary information, the terms hereof and other information relating hereto, all information, data, files, opinions, advice, phased work results and final work results created during the performance of this Agreement, customer information and other information relating to the business of the Disclosing Party, or confidential information received by the Disclosing Party from other parties.

Article 76: Both parties understand that the Disclosing Party owns and will own Proprietary Information, which is significantly important to such Disclosing Party; the cooperation relationship between Party A and Party B constitutes confidentiality and trust relationship concerning such Proprietary Information between both parties.

Article 77: Without prior written consent from the Disclosing Party, the other party shall keep any Proprietary Information confidential, and may not use or disclose such Proprietary Information to any person or entity, except required by normal performance of the obligations hereunder.

Article 78: Party A and Party B shall be liable for the confidentiality of this cooperation and specific contents hereof, especially against Party A's competitors. Either of the parties may not, without prior written consent from the other party, disclose specific contents of the cooperation agreement by and between both parties and its relevant contents to any third party. The "third party" mentioned in this article shall mean any natural person, legal person or other organizations other than the parties hereto; provided, however, that any disclosure made by Party A to its affiliates shall not be bound by this restriction. Party A's affiliates shall mean China Mobile Communications Co., Ltd, China Mobile Communications Corporation, and the companies under their respective communications business, and the respective successors of each of the foregoing.

Article 79: The "Confidential Information" mentioned herein shall not include such information that:
1. is available to the public at the time of disclosure, or becomes available after the disclosure for reasons not attributable to the fault of the Receiving Party and/or its employees, lawyers, accountants, contractors, consultants or other staff;
2. as proved by written evidences, is already in the possession of the Receiving Party at the time of disclosure, from sources other than the Disclosing Party, directly or indirectly; or
3. as proved by written evidences, has already been disclosed to the Receiving Party by a third party who is not bound by a confidentiality obligation and has the right to make the disclosure.
Article 80: The Disclosing Party may, at any time upon a written notice, require the Receiving Party to return any material and/or the photocopies thereof containing the Confidential Information, accompanies by a written statement certifying that after the return of such materials, the Receiving Party will no longer retain or control, directly or indirectly, any Confidential Information or any materials containing any Confidential Information. The Receiving Party shall act as required within ten (10) days upon its receipt of such written notice. To the extent that the parties agree that the Receiving Party does not need to return any materials and/or the photocopies thereof containing the Confidential Information, the Receiving Party shall destroy or irreparably delete such materials as required by the Disclosing Party and provide the Disclosing Party with a written document confirming such destruction or deletion.

IX. Liabilities for Breach
Article 81: Failure of any party to perform any of the terms hereunder shall be deemed as an independent breach.
Article 82: Any party may terminate this Agreement if the other party breaches this Agreement, which renders the performance of this Agreement impossible.
Article 83: In case a party's breach has caused adverse social impact or economic loss on the other party, such other party may claim responsibility from such breaching party, require the breaching party to eliminate such adverse impact, make corresponding economic compensation and terminate this Agreement.
Article 84: In case of Party B's breach hereunder, Party A may claim breaching responsibilities from Party B in accordance with all management rules, measures and service standards for various game businesses (subject to the contents posted by Party A on the management system) as formulated and updated by Party A from time to time.
Article 85: In case any party's breach of this Agreement, or violation of other management rules, measures and service standards for various game businesses (subject to the contents posted by Party A on the management system) renders the performance of this Agreement impossible, the non-breaching party may terminate this Agreement and claim breaching responsibilities from the breaching party according to the requirements posted on Party A's management system and the relevant terms hereunder. In case a party's breach has caused adverse social impact or economic loss on the other party, such other party may claim civil responsibilities against the breaching party.

Article 86: Any party shall, within twenty days after receipt of written notice describing breach of agreement from the other party, correct such breach and make feedback to the other party in writing if such party confirms the existence of such breach; if such party considers that such breach does not exist, it shall propose written objection or description to the other party within twenty days; if such party fails to make a response in time, it shall be deemed that the receiving party does not believe such breach exists; in such case, both parties may negotiate such matter, and such matter shall be settled pursuant to the dispute clause hereunder if the negotiation fails; the breaching party shall assume all economic losses suffered by the non-breaching party due to breaching party's breach.

X. Force Majeure

Article 87: In case an accident or force majeure event renders this Agreement unable to be performed or fully performed, the party encountering such force majeure event will not be responsible for such economic loss thus suffered, but shall immediately inform the circumstances to the other party in writing and within fifteen days, shall provide the detailed information of the event and a valid document evidencing the reasons why this Agreement cannot be performed or fully performed or the performance of this Agreement needs to be postponed. The parties shall negotiate to decide whether to continue the performance of this Agreement or terminate this Agreement according to the extent of the effect on the performance hereof.

XI. Effectiveness, Amendment and Termination of Agreement

Article 88: This Agreement shall remain in force from January 1, 2014 to December 31, 2014. During the validity of agreement, if both parties need to add categories of cooperation business, they may sign supplemental agreements as appendices hereof.

Article 89: In case either of both parties hereof intends to modify or terminate this Agreement, it must serve a one-month prior written notice (oral notice is ineffective) to the other party. The other party shall, within one month upon receipt of such notice, make a response and negotiate; if it fails to negotiate, it shall be deemed that this Agreement is automatically terminated. Any disputes arising out of this Agreement shall be settled by both parties through consultation.

Article 90: Upon the termination of this Agreement, Party B shall assist Party A in customer handling; any user complaints or claims arising from the termination hereof shall be undertaken by the party responsible for them.

Article 91: Any matters not covered herein shall be subject to relevant provisions set out in corresponding clauses in *Administrative Measures by China Mobile Jiangsu for Self-owned Business* and such other management regulations; any cases not set out in the foregoing shall be supplemented in writing through amicable negotiation between both parties.

Article 92: This Agreement shall be governed by the PRC laws. In case of any disputes, the parties shall first resort to amicable negotiations to resolve it; in case the negotiations fail, either party may apply for adjudication to the people's court in the place where Party A is located.

Article 93: Any cooperation contents other than cooperation contents involved herein may be supplemented through the *Supplemental Agreement for Cooperation*; relevant contents shall take effect upon both parties' signature and stamp affixing after confirmation.

Article 94: This Agreement shall be made in quadruplicate (including Appendix 1: *Undertakings on Information Safety Accountability*, Appendix 2: *Party B's Business License and Qualification Certificates*, and Appendix 3: *Detailed Rules and Regulations for Assessment Management*), with Party A holding two (2) and Party B holding two (2) originals, all of which shall be equally binding; and Appendix 4: *Supplemental Agreement for Cooperation* shall also be equally authentic.

Article 95: The State will promulgate policies regarding change from business tax to VAT in the communications industry on January 1, 2014. In case Party A considers relevant policies may have impact on the cooperation mode of both parties on the game business at that time, it shall have the right to, at its discretion, terminate this Agreement through written notice, relevant expenses shall be settled according to facts, and both parties shall not take breach liabilities to each other. Upon termination of this Agreement by the methods described as above, if both parties intend to continue the cooperation, they shall sign other agreements separately.

Appendix 1: Undertakings on Information Safety Accountability
Appendix 2: Party B's Business License and Qualification Certificates
Appendix 3: Detailed Rules and Regulations for Assessment Management
Appendix 4: Supplemental Agreement for Cooperation

Party A: China Mobile Group Jiangsu Co., Ltd.	**Party B: Beijing AirInbox Information Technologies Co., Ltd.**
Authorized Representative:	**Authorized Representative:**
Date of Execution:	**Date of Execution:**

Appendix 1:

Undertakings on Information Safety Accountability

In our business cooperation with Party A, our company will strictly comply with the relevant laws and regulations of the State and guarantee the safety of the information provided by our company, and diligently do as follows:

1. establish and perfect the internal security policy of our products, confidentiality policy for information safety and management policy on customer information safety; establish and perfect our company's policies regarding the information safety accountability and the examination and approval of information posting, and strictly review the information posted by our company's products.

2. strictly comply with *Measures for the Administration of Internet Information Services*, manage and control the platform information maintained by our company and the information contents and customer behaviors posted through the communications channels provided by Party A, and make sure that the information contents are healthy and legitimate and that customer information is not leaked.

3. display customer codes when sending information through Party A's communications channels, and do not allow anonymous information to be directly sent to other cell phone customers.

4. with respect to the business operated in cooperation between and supported by our company and Party A, provide services strictly as requested by Party A; clearly define the customer group and target customers, and cell phone customers must accept the service out of their own volition; provide no information to unregistered customers; apply for relevant qualification certificate with relevant authority of the State and consciously comply with relevant regulations if our company provides professional information contents for cell phone customers through the communications channels provided by Party A.

5. undertake to ensure that, with respect to the cooperation business, our company will comply with China Mobile's provisions concerning prohibition from any collection charge services in any forms whatsoever, and undertake not to collect charges for any other businesses and services through Monternet by the following means:

(1) using Monternet business to collect fees for the business that should not be used or realized through Monternet, including but not limited to collection of fees for downloading movies and songs.

(2) non-Monternet business and services must be used after customization or use of Monternet, including customization or use of Monternet business to provide other Internet business "as a gift free of charge".

6. not discretionarily provide any services not agreed upon for any China Mobile customers, including information service, that are beyond the scope of use permits.

7. not make use of the channels provided by Party A to produce, duplicate, publish or disseminate any information containing the content which:

(1) is against the fundamental principles enshrined in the Constitution;

(2) compromises State security, divulges State secrets, subverts State power or damages national unity;

(3) harms the dignity or interests of the State;

(4) instigates hatred and discrimination among nationalities and sabotages solidarity among nationalities;

(5) sabotages State religious policy or propagates heretical teachings or feudal superstitions;

(6) spreads rumors, disrupts social order or social stability;

(7) propagates obscenity, pornographic, gambling, violence, murder and terror and instigates crimes;
(8) insults or slanders a third party or infringes upon the lawful rights and interests of a third party;
(9) contains other contents prohibited by laws and administrative regulations;
(10) publishes advertisements and other junk information irrelevant to the business;
(11) publicizes or guides users to order WAP cooperation business using WAP websites other than Monternet.
8. immediately stop transmitting, and report to relevant authority of the State, any information posted through the system that is discovered obviously containing any of the contents listed in paragraph 7 above.
9. report to relevant authorities, and post after approved, any information posted through the channels provided by Party A that is hard to judge whether containing any content listed in paragraph 7 above.
10. keep confidential and not divulge any personal information of customers to other without the consent of such customers, except otherwise required by relevant laws.
Our company guarantees to submit to the supervision and management in its cooperation with China Mobile Group Jiangsu Co., Ltd.; if our company fails to comply with paragraphs 1 to 10 hereinabove, our company is willing to assume all legal responsibilities and corresponding breaching liabilities arising therefrom.

By: (Company Signature and Stamp)
_____, 2013 (Date)

Appendix 2:

Party B's Business License and Qualification Certificates

Scans of Party B's business license and qualification certificates are as follows:

Appendix 3:

Detailed Rules and Regulations for Assessment Management

I. Management on Credit Points

Province-based calculation mechanism is adopted to evaluate credit points for the game business, and the average of credit points in all provinces is a partner's network-wide credit points for the cell phone game business line. Merit/demerit point system is adopted to evaluate the credit points for each province, and the accumulated credit points shall be the credit points for each province. After the credit points for each province are initialized, the partner's credit points for each province shall be calculated by the end of each month, and may be added or reduced based on such partner's business operation status in a certain province in the evaluation month. The average credit point is then summarized and calculated to constitute the network-wide credit points for such partner's cell phone game business line.

Methods for calculating credit points:

Credit points for each province = Accumulated credit points for the previous month + Bonus this month – Credit points deducted due to breach – Credit points deducted due to complaints – Credit points deducted based on performance status

Network-wide credit points = Credit points for province 1 + Credit points for province 2 + … + Credit point for province n/n (n represents the number of provinces)

Rule for setting initial credit points: initial credit points of a new partner in the first month after its access to network is 85 points; those of a new partner who has violation records concerning other business lines within the past half year is 65 points.

Bonus rule: if a partner has not conducted breach activities for two consecutive months, its complaint rate satisfies relevant standards, and the performance status is satisfactory, it will get 10 points as a bonus; its credit points will increase five points each month commencing from the third month. The upper limit for credit points is 100 points.

Deduction rule: if a partner breaches agreements with respect to business, its customer complaint rate is higher than the assessment index, its performance status dissatisfies the assessment index, and such other circumstances occur, corresponding points will be deducted from its credit points each time. The lower limit for credit points is -20 points.

Measure for deducting credit points due to breach of agreement: Credit points deducted due to breach of agreement = Base for credit points deducted due to breach of agreement x Breach influence degree; credit points deducted for a single business each time may not exceed the upper limit for credit points deducted due to such breach of agreement.

Measure for deducting credit points due to complaints: index for assessing complaints against a partner is divided into three levels based on customer complaint volume and customer complaint rate; if complaints against such partner in a certain month exceed the assessment index, credit points will be deducted accordingly.

Measure for assessing performance status: the performance status of a partner will be assess based on the coordination of such partner in operation management; if such partner's performance status fails to reach the assessment index, credit points will be deducted accordingly.

If the credit point for a partner is low, China Mobile will suspend the adding of business and charge of all business, get all business offline, terminate cooperation and take other measures against such partner.

II. Hierarchical and Classification Management

Hierarchical and classification management aims to assess a partner's credit and performance level. If such partner's credit is disqualified, it will be rated as "disqualified"; any partner whose credit qualifies may participate in the rating of outstanding partners for the game business line, and will be rated four levels: A, B, C and Normal based on comprehensive strength and growth. After partners are rated, the game base will implement punishment measures against "disqualified" partners, conduct normal cooperation management on "Normal" partners, distribute business and marketing resources pro rata on a diverse basis to powerful or potential outstanding partners rated A, B and C in accordance with the requirements set out in this measure, and carry out diverse cooperation management, so as to guide partners to develop towards benign operation and jointly regulate and make the game market flourish. The game base provides resource supports of different levels for partners at different levels.

Appendix 4:

Supplemental Agreement for Cooperation

This Appendix may be added according to specific supplementary cooperative contents, and shall take effect upon both parties' signature and stamp affixing for confirmation.

Party A: China Mobile Group Jiangsu Co., Ltd.	**Party B:**
Authorized Representative:	**Authorized Representative:**
Date of Execution:	**Date of Execution:**

Exhibit 4.113

Unicom Wireless Data Service SP Cooperation Agreement

of

China Unicom Broadband Online Co., Ltd.

Party A: China Unicom Broadband Online Co., Ltd.

Party B: Beijing AirInbox Information Technologies Co., Ltd.

Date: April 1, 2014

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Appendix 1 Definitions
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Recitals

1. This Agreement is made and entered into by the following two parties in Beijing on [April 1, 2014]:
   China Unicom Broadband Online Co., Ltd. (hereinafter referred to as "Party A") is a company organized and existing under the laws of the People's Republic of China, having its address at [No. 133A, North Street, Xidan, Xicheng District, Beijing] and with [He Huajie] as its legal representative;
   Beijing AirInbox Information Technologies Co., Ltd. (hereinafter referred to as "Party B") is a business entity organized and existing under the laws of the People's Republic of China, having its address at [F33, Tengda Plaza, No. 168, Xizhimenwai Ave, Haidian District, Beijing] and with [Wang Tingting] as its legal representative.
2. Applicable scope: For the sake of convenience, this Agreement consists of its main body ("Main Body") and appendixes ("Appendix(es)"), which constitute an integral part of this Agreement.
3. The Main Body, Appendixes and their supplement and amendment shall be provided by Party A, which will take effect in accordance with the conditions and procedures as agreed in this Agreement based on consultations and consents by Party A and Party B.
4. If Party A and Party B conduct any other value-added services in the future other than those under this Agreement (hereinafter referred to as "New Value-Added Services"), Party A and Party B shall conduct friendly consultations or otherwise sign an agreement with regard to the New Value-added Services, or include the same under this Agreement for the implementation in accordance with the requirements herein.
5. Party A's cooperation management measures, detailed rules for implementation, regulations, rules, standards and related documents as referred to in this Agreement shall be subject to the information issued or updated via Party A's Partner Relationship Management Platform ("PRM"). The foregoing documents include but without limitation to the *Measures of China Unicom for the Administration of Cooperation on Value-Added Products*, the *Detailed Rules for Implementation of China Unicom for the Administration of Cooperation on Whole Network Value-Added Products,* the *Measures of China Unicom for the Administration of Punishing Breaches Regarding Cooperation on Value-Added Services (For Trial Implementation),* the *Customer Service Standards of China Unicom,* the *Service Management Rules of China Unicom*, and the *Measures of China Unicom for the Administration and Supervision of the Service Quality of Information Service Business.*
6. With a view to satisfying the requirements for China Unicom to transform its development towards mobile internet and strengthening the administration of related value-added services of China Unicom, China Unicom Broadband Online Co., Ltd. (hereinafter referred to as Party A or "Broadband Company"), as a wholly-owned subsidiary of China Unicom and under the authorization of China Unicom, is responsible for such work in respect of the business under this Agreement as the refinement of the policies, recruitment, business examination, contract drafting and execution, launching of business, charging and settlement, dial testing, breaches handling, categorized management, assessment and exit, and customer services, etc., and Party B agrees to such arrangement.

Party B acknowledges that it has fully and completely read and understood the foregoing content and all the terms and conditions of this Agreement.

Chapter 1 Whereas

1.1 Party A is a wholly-owned subsidiary of China Unicom (hereinafter referred to as China Unicom) and it operates mobile video, mobile games, mobile newspaper, mobile email, WO opening service, WO portal, mobile/internet advertisement and SIM value-added service etc. Party A owns an adequate right to execute and perform this Agreement.

1.2 Party B is a service provider (SP) providing telecommunication value-added services according to law, has the qualifications for conducting the business under this Agreement, and has, by legal means, obtained the following qualification certification documents:

a. *Business License for Enterprises as Legal Persons* with the number of 110108003734369;

b. *Cross-Region Telecom Value-Added Service Operation License* with the number of B2-20090197; and

c. Any other qualification certification which may certify that Party B has the qualifications and ability to carry out value-added services and any other certification documents and/or testing pass certificates satisfying related qualification conditions and access conditions, which are recognized by Party A.

1.3 Party B wishes to provide value-added services through Party A's and China Unicom's communication network and various value-added service platforms and has the full rights to execute and perform this Agreement.

1.4 Party B's legal representative shall, in the capacity as Party B's representative, effectively executes such documents provided by Party A as the *Information Safety Guarantee Liability Statement*, the *Anti-Commercial Bribery Guarantee Liability Statement,* the *Liability Statement for the Safety of Value-Added Services Channel Promotion of China Unicom*, or any other documents with any other name but with similar content, and is willing to undertake the liabilities in respect of the safety of related information in accordance with related laws and regulations.

Now therefore, the two parties, on the basis of the principle of equality and mutual benefit, the integration of complementary advantages and the focus on effectiveness and targeting at the development and enrichment of sound value-added services and the realization of win-win, execute this Agreement. Any of the parties hereto shall abide by the principle of good faith for exercising rights and performing obligations.

Chapter 2 Basic Definitions

Unless separately defined in the provisions of this Agreement or otherwise interpreted by Party A and Party B in writing, the definitions of all the terms used in this Agreement shall be subject to those made in Appendix 1. Any other terms not specifically defined in this Agreement shall be interpreted in accordance with the laws and regulations, the rules of the related government departments and competent departments of the PRC. In the case of the absence of interpretation in the foregoing documents, such terms shall be interpreted with reference to industry practices.

Chapter 3 Business Mode

3.1 The telecom value-added services under this Agreement collectively refer to various telecom value-added services and application services provided to users through Party A's and China Unicom's communication network (mobile network, fixed network, and data network) and various value-added service platforms and based on the cooperation with Party B on the organization of content, service system introduction, marketing promotion, etc.

3.2 The foregoing telecom value-added services are categorized by product maturity and product platform, and the categories include Unicom wireless data service.

3.3 If the foregoing telecom value-added services are categorized by coverage, Party B shall provide the value-added services within the scope of whole network or local network on the basis of the scope specified in the *Telecom Value-Added Service Operation License* and Party A's regulations with regard to various value-added services.

3.4 Party A/China Unicom may charge related users communication fees for its provision of communication network and various value-added service platforms, and Party B may charge related users information service fees for its provision of telecom value-added services, which will be calculated and collected by Party A on behalf of Party B and under the authorization of Party B.

3.5 Party A/China Unicom will charge Party B some fees for its provision of such services to Party B as communication network resources, platform resources, user resources, access services and fee calculation and collection services. The fees will be collected by allocating related information service fees as mutually agreed by Party A and Party B, and the specific collection method, allocation ratio, fee calculation, settlement and fee collection charge and other content will be specified in Chapter 9 herein.

3.6 Unless otherwise agreed by the two parties, Party B will recognize Party A's change to telecom value-added services and business mode based on business development requirements and assist Party A in completing such change.

3.7 If the State issues related policies, systems or administrative orders, Party A and Party B shall implement such policies, systems or administrative orders.

Chapter 4 Rights and Obligations of the Two Parties

Party A's rights and obligations

4.1 Party A shall, based on compensation, provide Party B with network resources, value-added service platform resources, user resources, content information access services, and fee calculation and collection services. The fee calculation results shall be subject to the data of Party A.

4.2 Party A has the right to formulate or amend such documents as telecom value-added services rules, cooperation administration measures and detailed rules for the administration of cooperation, product quality standards and customer service standards and notify Party B of the same by appropriate means for Party B to abide by and implement. Party A will assess the services provided by Party B in accordance with the foregoing administration measures.

4.3 Party A has the right to examine Party B's qualification certificates such as operation license, credit certification, and business license for value-added service information services and value-added telecom services as well as the legal source of the information and content provided by Party B and Party B's bank account information, and Party B has the right to examine the qualification certificates required for the normal operation of any specific value-added service.

4.4 Party A has the right to assess various telecom value-added services applied for by Party B and apply the principle of "survival of the fittest" to the services based on the assessment results, Party B's business development, credit evaluation and breach. Party A will grant award to Party B for innovative services and supervise Party B's customer service quality.

4.5 Party A and China Unicom have the ownership of their user resources and the right to know the users' use of the services provided by Party B. Party A has the right to require Party B to provide Party A with the personal data of users accepting Party B's telecom value-added services, business data, use record, statistics and other related information.

4.6 Party A shall provide value-added services authentication center (VAC) and Party A's VAC shall be interconnected with Party B's content service systems, and the user data and business data in the VAC will be the basis for the confirmation of users' use of Party B's services.

4.7 Party A and China Unicom shall provide "cooperation partner relationship management" software, whereby the notice, announcement, service administration measures and related policies relating to cooperation will be issued to Party B, and the information in respect of the examination of the qualifications, business, contract, settlement, complaint handling relating to Party B will be generated and issued. Party A shall be responsible for the management and information update of the cooperation partner relationship management system (PRM) and guarantee the normal operation of the system.

4.8 All the information generated and issued by the PRM of Party A and China Unicom, unless otherwise specified, shall constitute the evidence of the communication between Party A and Party B. Moreover, the information will take effect as soon as it has reached the access point of Party B's service system. Party A and China Unicom may provide appropriate backup and consultation functions in the PRM, nevertheless Party A is not liable for the complete preservation and re-provision of such information.

4.9 Prior to cooperation, Party A and China Unicom has the right to require Party B to apply for a provisional login ID in Party A's PRM and a user name and password will be allocated to Party B for its official logging into such system after the approval by Party A of the ID.

4.10 Party A and China Unicom will allocate to Party B an enterprise code as Party B's identity in Party A's and China Unicom’s fee calculation and settlement system, value-added service platform system, customer service system. Party A shall guarantee the stability of the enterprise code obtained by Party B and acknowledge that in Party A's and China Unicom’s systems such code has the same meaning with that of the name of Party B as a legal entity.

4.11 Party A has the rights to examine and test the services applied for by Party B and confirm the same in the PRM if such services pass the examination and assessment. The time of official launch of such services shall be subject to the time when Party A officially launches such services and starts to calculate fees.

4.12 Party A has the right to require Party B to provide assistance in timely handling and settling any litigation, arbitration and other dispute arising from the value-added services provided by Party B.

4.13 Party A has the rights to automatically deduct from any amounts currently payable to Party B all the costs due to such disputes as any litigation and arbitration relating to Party A and/or China Unicom and any branch of China Unicom (including but not limited to Party A and/or China Unicom and any branches of China Unicom as the defendant, third party or respondent) arising from Party B's business, and such costs include but without limitation to the legal costs, notarial costs, authentication costs, lawyer's fees, travel expenses, administrative penalty and all the expenses or expenditures determined or arranged in any effective judgment, ruling, reconciliation agreement, settlement agreement or any other arrangement with legally binding force incurred to Party A and/or any branch of China Unicom. If the amount currently payable to Party B is insufficient for the deduction, Party A has the right to recover the balance and Party B shall pay Party A such balance within the time limit specified by Party A.

4.14 Party A and Party B may jointly carry out market promotion and publicity. If Party B's publicity and advertisement content involve Party A's and China Unicom's company name and other brand marks, Party B must apply to Party A in writing for prior consent and pass Party A's examination.

Party B's rights and obligations

4.15 Party B shall provide Party A with true, reliable value-added telecom service operation license, credit certification, business license, information source and bank account, and the qualification materials required for the normal operation of individual value-added services, and shall ensure that the fees for the information service it provided satisfy the related requirements of competent national price administration department.

4.16 Party B shall be responsible for the content development, platform construction maintenance (excluding the platforms provided by Party A), market promotion and customer services.

4.17 Party B shall abide by the service rules, cooperation administration measures, the detailed rules for the implementation of cooperation administration formulated or amended by Party A and the requirements of any other service quality standards, operation maintenance specifications, customer service standards and other related documents which have been formulated or amended.

4.18 Party B shall abide by the policies, regulations, and decrees in respect of telecom and internet issued by the State, and Party B shall guarantee that the information content it provided will not contravene the laws, policies, or regulations in respect of information industry issued by the State and the content of the *Information Safety Guarantee Liability Statement*, the *Anti-Commercial Bribery Guarantee Liability Statement,* the *Liability Statement for the Safety of Value-Added Services Channel Promotion of China Unicom*, which have been executed by Party B. Party B shall filter the information content provided by users (including the information content edited or uploaded by users through Party B's website), to deny any unwholesome, obscene and illegal information. If Party B violates the foregoing requirements, it shall be deemed to be a material breach.

4.19 Party B shall use the user name and password in the PRM to log in the system and use the same to realize such functions as applying for value-added services, company information maintenance, and information exchange for value-added services. Party B shall, based on actual situation, register and update its name, designated banks, account, contact person and customer service information and properly keep the contract information, settlement information and complaint and breaches punishment information generated by the PRM.

4.20 Party B shall be solely responsible for the proper preservation of the user name and password for logging in the PRM, and Party B shall not allow any third party to use such user name and password. If such user name and password is known by any other person due to any reason other than that on the part of Party A which results in the loss incurred to Party A, Party B or any third party such as any user, Party B shall solely take all the responsibilities; if Party A sustains any loss or expense due to the foregoing reason, Party A has the right to deduct corresponding amount from the amount currently payable to Party B. If such amount is insufficient to cover the loss or expense, Party A has the right to recover the balance from Party B, which shall pay the same to Party A within the time limit specified by Party A.

4.21 At the time of applying for any new services or updating existing services, Party B shall apply to Party A in writing or submit effective applications via Party A's PRM and provide all the certification documents for its qualifications to provide such services.

4.22 With regard to the value-added services provided by Party B, necessary technical testing shall be conducted prior to the official launch of such services. Within one month as of the date for the commencement of the testing period, any failure to pass the testing required by Party A due to any reason other than that on the part of Party A, the related application shall be cancelled. If Party B decides to continue to provide related services, it shall re-apply to Party A with regard to such services.

4.23 Party B shall provide Party A with the network access and authority for telecom value-added services inquiry and service unsubscribing and provide Party A with the data and reports in respect of user development, user categorization, users' consumption habits, business prospects projection upon the request of Party A. In addition, Party B shall timely provide Party A with the user data for the management of related services, to ensure the real-time update of Party A's user data bank.

4.24 During the period of cooperation, Party B shall set up an independent database for the users affiliated to Party A to separate the user database from those of any third party. Moreover, Party B neither may use various telecom value-added services of Party A, by any means or at any service level, to interconnect with any third party, nor use various service types to interconnect Party A's value-added services with any third party in any disguised form.

4.25 Party B shall be responsible for the information content and the safety and compliance of services it provides to users and shall ensure that the services it provides will be free of any potential for damaging Party A's communication network, the value-added service platform or any third party's interests. Party B shall undertake all the loss incurred to Party A or any third party due to its violation of the foregoing requirements. Moreover, Party B shall, by appropriate means, declare in public its responsibilities and eliminate adverse impact.

4.26 Party B shall not use any means, including but not limited to coercion, inveigling, deception and cajolery, to procure users to subscribe any services and charge related fees, or thereby cause users to undertake unnecessary extra burden.

4.27 At the time Party B provides users with value-added services, Party B shall not commit any act as listed in the "List of Breaching Acts and Breach Handling" or commit any act damaging the interests of Party A or any user.

4.28 All the taxes and fees with regard to the execution or performance of this Agreement levied by competent tax departments of China in accordance with the requirements of the laws and regulations of the PRC shall be borne and paid by Party B.

4.29 If Party B settles related information service fee with Party A in accordance with this Agreement, it must provide Party A a true value-added tax invoice pursuant to related laws and regulations of the state. If Party B fails to provide such value-added tax invoice or any value-added tax invoice it provided fails to satisfy this Agreement, Party A has the right to make a payment which equals to the total amount of tax-excluding price plus deductible input tax to Party A and Party B shall undertake all the losses thereby incurred.

4.30 Party B shall submit the invoice to Party A in accordance with this Agreement within 10 days after the issuance of the value-added tax invoice. If Party A fails to complete the verification of the invoice due to Party B's untimely delivery of the invoice within the specified period, Party B shall be responsible for changing such value-added tax invoice, and undertake all the losses thereby incurred to Party A.

Chapter 5 Management Mechanism

5.1 Party A will determine the access for the telecom value-added services provided by Party B by assessment. The basic conditions for access shall be as follows:

5.1.1 Party B shall have the qualifications for the provision of value-added services, including the business license for enterprises as legal persons and cross-region telecom value-added service operation license, and its qualifications shall satisfy the related requirements of the *Measures for the Administration of Telecom Service Operation License*, etc.

5.1.2 Party B has relatively strong strength in terms of company scale, content or technology resources, promotional channels and operation experience.

5.1.3 Party B shall have telecom level operation and maintenance ability and satisfy the *Requirements on the Operation and Maintenance of Value-Added Service Providers of China Unicom* in such aspects as the conditions of machine room, maintenance organization, safety management, daily maintenance and administration, access method, and key indicators, including but not limited to:

(1) Operation and maintenance management: the conditions of machine room, maintenance organization and post setup, safety management, default and system data change management, daily maintenance and management shall satisfy related requirements;

(2) Access method: private line, VPN access;

(3) KPI: the ratio of successful connection between Unicom wireless data service gateway and SP, wap service response time, ratio of successful access to wap service page, and equipment 7*24 hour operation reliability shall satisfy related requirements.

5.1.4 Party B has perfect, standardized customer service system, which shall specifically satisfy the requirements in respect of customer services as set forth in Chapter 9 of this Agreement.

5.2 Party A has the right to carry out assessment and exit management respectively for Party B's qualifications and the telecom value-added services provided by Party B.

5.2.1 Party A has the right to conduct assessment and management for Party B's qualifications and the qualification assessment shall be carried out on the basis of such indictors as business development, customer service quality, operation and maintenance quality, credit assessment rating. The specific requirements shall satisfy the *Measures of China Unicom for the Administration of Cooperation on Value-Added Products* and those of its detailed rules for implementation. If Party B fails to satisfy the agreed standards, Party A has the right to terminate its cooperation with Party B.

5.2.2 Party A has the right to assess Party B's cooperation qualifications. If Party B fails to pass the assessment, Party A has the right to require Party B to withdraw from the cooperation. In the case, Party A, in principle, will not accept Party B's application for the qualifications for cooperation within a year.

5.2.3 Party A has the right to assess any individual service provided by Party B on a quarterly basis or annual basis. The assessment shall be carried out on the basis of such indicators as business income, number of users, business maintenance quality. Party A has the right to decide to withdraw any service which fails to satisfy agreed standards from cooperation. As to any individual services withdrawn from cooperation, Party A, in principle, will not accept any new application for such service within a year. For any individual service newly included in the cooperation, the first three months (three full months for charging fees after the launch of the service) shall be support period, during which the service will not participate in the exit assessment. As to innovative services, the support period shall be six months.

5.3 Without the prior written consent of Party A, Party B shall not transfer to any third party the services it provides. Any transfer in violation of the requirements of this Agreement will be deemed to be Party B's breach, and Party B shall undertake corresponding liabilities for the breach.

5.4 If Party B proposes to transfer in general its rights and obligations under this Agreement to any third party which has business license and related value-added telecom service operation license or other qualifications, Party B shall, after settling all the amount payable to Party A and to the extent that there is not any unsettled breach punishment event, Party B may apply to Party A for the transfer formalities and Party A has the right to decide whether to agree to such transfer application.

5.5 Party B shall ensure that the third party as the transferee has the qualifications and ability which are equivalent to or above those of Party B for carrying out the value-added services under this Agreement and such third party shall satisfy the requirements in respect of service transfer as set forth in Party A's business standards and administrative measures. After the completion of related change, all the rights and obligations agreed under this Agreement will be undertaken by the new subject. Party B agrees that it will take joint and several liabilities with regard to the transferee's ability to perform this Agreement and any loss incurred to Party A or users due to the transferee's violation of this Agreement or related regulations and rules.

5.6 The transferee or transferor of the service transfer shall pay to Party A the costs incurred to Party A as a result of Party A's assistance in and cooperation on the service transfer or change (hereinafter collectively referred to as "transfer service fees"), including the costs relating to adjustment or testing of communication line, data change and customer services. Party A shall be notified in writing of the specific party, the transferor or the transferee, which will pay the costs and Party A will provide cooperation on dealing with the formalities after the receipt of the transfer service fees.

5.7 The service fee standards for whole network services shall be as follows:

(1) As to the transfer of Unicom wireless data service, Party A will charge Party B the service fee with the amount of 100,000 yuan per service type;

(2) For the transfer of other service type, Party A will charge Party B the service fee with the amount of 50,000 yuan per service type.

5.8 For encouraging, discovering and supporting Party B to make innovation in telecom value-added services, Party A shall attract valuable cooperation resources, create differential competitiveness and shall set up and implement an innovative business management mechanism. The innovative business shall be subject to the recognition by Party A, which includes but without limitation to the service or function, which:

1. has creative feature and the independent IP for patent or invention.
2. facilitates users to conduct mutual transmission and promote users to carry out self-propagation.
3. realizes cross-platform interaction, and promote user consumption and traffic.
4. integrates mobile network with broadband network and guides traffic.
5. has monopoly and scarcity in terms of content and resources.
6. conforms to the focus and hot points of current national policies.
7. has innovation in terms of technology, marketing method, transmission method (e.g. SNS).
8. Other monopolized resources or special resources.
9. helps to promote the brand image of China Unicom and has economic and social value.

5.9 Party A has the right to organize bidding evaluation for innovative business on a regular basis and select certain services from the services which have obtained the right of access as innovative services.

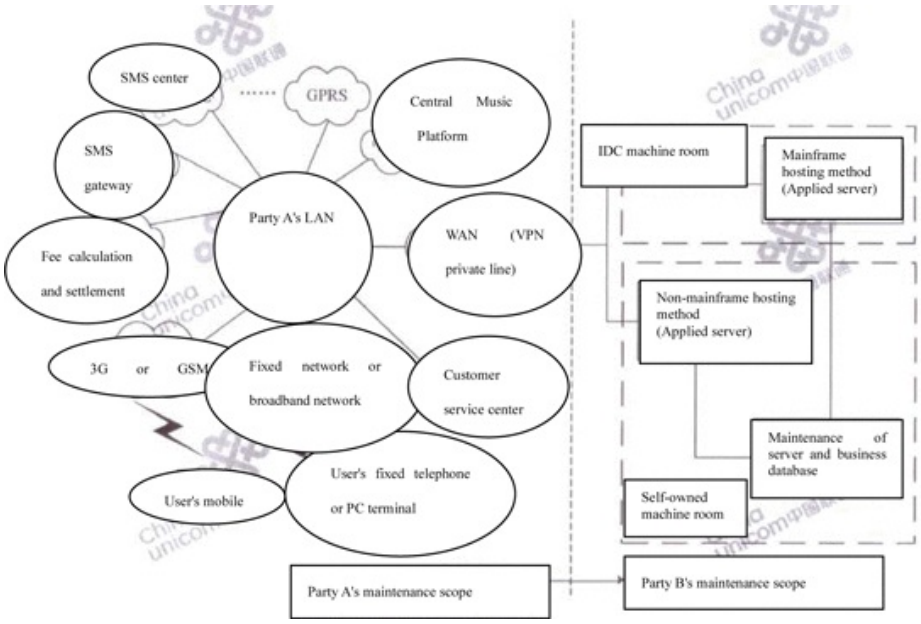
5.10 Party A shall give priority to Party B's innovative services, i.e., giving priority in handling such matters as business acceptance, examination, testing, launch of services, and designate special "cooperation partner service manager" to assist Party B in the preparation of innovative service data, service testing and other links. And Party A shall track the business acceptance at all time and provide coordination and feedback.

5.11 Party A will provide a half-year service promotion period for innovative services and set up a special zone under the column of newly launched products.

5.12 The support period granted by Party A to innovative services shall be six months, during which innovative services will not be subject to the assessment and exit mechanism. Nevertheless, the punishment of other breaches and exit mechanism will be applicable all the same.

Chapter 6 Work Interface and Maintenance

6.1 During the term of this Agreement, Party A and Party B shall take the point of junction as the boundary and respectively be responsible for the maintenance of their interfaces. The work and maintenance interface of the two parties will be shown as follows:



Schematic Diagram of the Two Parties' Maintenance Interface

6.2 Party A's maintenance responsibilities

6.2.1 Party A and China Unicom shall be responsible for the maintenance of the hardware and software system affiliated to Party A's communication network and its value-added service platform.

6.2.2 Party A shall assist Party B in connecting Party B's server to Party A's gateway or server.

6.2.3 Party A shall open its technology agreement standards and interface standards relating to the value-added services to Party B.

6.2.4 Party A shall be responsible for the normal communication of the assets of Party A and China Unicom as indicated in the foregoing diagram and shall be responsible for the network failure of Party A due to any other reason which is not ascribable to Party B.

6.2.5 As to the data of abnormal overload or information transmission which may affect Party A's network operation safety, Party A has the right to restrict such transmission.

6.2.6 Party A has the right to control and adjust the data traffic and port of the maintenance interface of Party A, nevertheless Party A shall notify Party B of the results.

6.2.7 Party A has the right, based on requirements and during the operation of the services, to carry out necessary testing and data statistics for the services provided by Party B from time to time and may, based on the testing results, require Party B to rectify in accordance with Party A's telecom value-added service administration regulations.

6.2.8 Party A shall be responsible for the statistics of the data in respect of the unbalanced traffic used by Party B via Party A's communication channel (the unbalanced traffic data in respect of Unicom wireless data service) and provide such data to Party B in time.

6.2.9 Party A shall, prior to any suspension of transmission due to any foreseeable reason such as the commissioning, updating, disconnection, maintenance of the platforms or any other equipment of Party A or any other similar reason, notify Party B in advance within reasonable time period of the reason, time and period of the suspension. Party A will not be liable for any breach or any other responsibilities for any loss incurred or potentially incur to Party B.

6.3 Party B's maintenance liabilities

6.3.1 Party B shall be solely responsible for the construction and maintenance of its own systems, including but not limited to the installation, commissioning, opening, launch and daily maintenance of all the hardware equipment under this Agreement.

6.3.2 Party B shall be responsible for the application for, lease of and interconnection with any communication lines required under this Agreement.

6.3.3 Party B shall bear the costs for the hosting of the system required by the telecom value-added services under this Agreement to Party A's and China Unicom's IDC machine room and the line lease costs.

6.3.4 Party B shall ensure that Party A is notified in writing five working days in advance of any system commissioning, opening and system maintenance which may affect the normal use of services by users, and specify such content as the extent, scope, time and other content which may affect the service. Such commissioning, opening and system maintenance may only be carried out to the extent Party A's approval is obtained. Party B shall ensure that the foregoing work will not affect the normal operation of Party A's and China Unicom's network and take all the liabilities for any default thus caused to Party A's network system.

6.3.5 Party B agrees to the adjustment made by Party A to data traffic for ensuring the normal operation and stability of various value-added services under emergencies.

6.3.6 Where Party B sends any data or information to Party A's communication platform, Party B shall ensure that the data traffic will not cause any damage to the safe load of network. With regard to any abnormal overload data or information transmission which may affect the safe operation of Party A's and China Unicom's network, Party A has the right to restrict the transmission.

6.3.7 During the maintenance of all the equipment placed in Party A's and China Unicom's IDC machine room based on hosting, Party B shall strictly abide by various machine room administration rules formulated by Party A.

6.3.8 Party B shall ensure that it will provide 7*24 hour uninterrupted system protection.

Chapter 7Complaints and Breach Punishments

7.1 Party A and Party B shall strictly abide by the provisions of this Agreement. If Party B fails to perform its obligations, warranties and commitment or violates the requirements of this Agreement, business standards or related administrative method, which results in damage to the interests of users or Party A or China Unicom or the inability to continue business, it shall constitute a breach of this Agreement.

7.2 If Party B's breach of this Agreement causes Party A or China Unicom to suffer adverse social impact or loss, Party A has the right to hold Party B liable, require Party B to eliminate such impact, compensate corresponding loss (including but not limited to economic loss, reputational loss), and terminate this Agreement.

7.3 With regard to Party B's violation of value-added service subscription regulations or process and creation of irregular value-added service subscription relationship with any user, Party A will implement the breach processing operation such as "irregular subscription complaint and breach handling" and "deduction of irregular subscription complaint and breach income".

7.4 Party A and China Unicom will adopt the principle of "the party who handles the complaint and breach shall take the burden of proof", to maintain "fairness, impartiality and openness" and avoid subjective judgment.

7.5 Party B's breach includes but without limitation to:

- The service information it provided is vulgar, obscene, unwholesome and violates the related requirements of the laws and regulations of the State;
- The service information it provided contravenes laws, e.g., such information is related to feudalism, superstition, gambling, drug, gangland, arms, or hallucinogen;
- The service information it provided involves reactionary content;
- Party B cajoles or coerces users into subscribing services or subscribes any services for users without authorization by technical means; or
- Party B tricks users into subscription or conducting any act resulting in deduction of fees by sending promotional information to group users.

7.6 Determination of breach

7.6.1 Determination of irregular subscription complaints

(I) The determination of Party B's irregular subscription complaint shall at the same time satisfy the following conditions:

(1) Any user lodges any complaint to object to the subscription relationship.

(2) Users' complaint involves any of the following specific complaints of the value-added services:

- Peremptory charging of any fees;
- Charging fees by induction;
- Absence of second confirmation for information services;
- Absence of notice as to charging standards for on-demand services;
- Absence of accumulative participation and steps and notice as to charging standards;

- Absence of charging reminder or the reminder is not clear as to voice information service; or
- Any behavior involving cheating users.

(3) Any act resulting in the charging fees from users.

(II) Consulting services, absence of objection to subscription relationship, repetitive work orders and work orders due to system failure or mis-operation by users will not be included in the scope of "irregular subscription complaint".

(III) Avoidance of repetitive handling

Multiple complaints with the same number and account period which are related to the same service shall avoid double counting.

7.6.2 Determination of other breaches

The breaches shall be rated based on the nature and influence of Party B's breaches and the extent of adverse impact on users, China Unicom, and the society.

7.7 Breach handling

7.7.1 Party A has the right to handle Party B's breaches in accordance with related business standards or administration measures, which includes but without limitation to service screening, service withdrawal, closing service channel, termination of the cooperation for the type of service, deduction of payment for breaches, suspension of settlement, termination of cooperation, etc. If different measures are specified in this Agreement and the foregoing standards and other requirements for the same breach, the requirements of such standards or measures with the latest amendment shall prevail and such requirements shall be subject to the final interpretation by Party A.

7.7.2 Breach punishment on the basis of the number of complaints due to irregular subscription in ten thousand yuan proceeds

(1) As to "irregular subscription" complaints, in accordance with the standard of "0.5 pieces of complaints per ten thousand" fees for the information service provided by the provincial branch company (Note: the number of irregular subscription complaints corresponding to per ten thousand information service fee shall be no more than 0.5 pieces), for any portion exceeding such standard, the proceeds from the breaching act shall be deducted based on the formula=[number of complaints of irregular subscription for business type(piece)-0.5 (piece)/ten thousand yuan]*receivables in the current month for the type of services in respect of complaints due to breach (ten thousand yuan)*6000 yuan/piece (note: receivables in the current month for the type of services in respect of complaints due to breach refer to the total amount of information service fees receivable by Party B prior to allocation in the month of the occurrence of complaints in respect of various business types for the provincial branch company. The unit of the amount shall be "ten thousand yuan"); if the number of complaints is lower than the standard, no deduction shall be made.

(2) With regard to the complaints from such sources as upgrading from 10015, micro-blog, the media, complaints from the Ministry of Industry and Information Technology (MIIT), users' complaint accepted and forwarded by industry and supervision department, the number of complaints from "irregular subscription" complaints shall be doubled for the number of "irregular subscription" complaints for the provincial branch company, i.e., the number of irregular subscription complaints (piece)= any complaints other than the "complaints from such sources as upgrading from 10015, micro-blog, the media, complaints from the Ministry of Industry and Information Technology (MIIT), users' complaint accepted and forwarded by industry and supervision department" (piece)+complaints from such sources as upgrading from 10015, micro-blog, the media, complaints from the Ministry of Industry and Information Technology (MIIT), users' complaint accepted and forwarded by industry and supervision department (piece)* 2; in accordance with the standard of "0.5 pieces of complaints per ten thousand" fees for the information service provided within the province, for any portion exceeding such standard, the proceeds from the breaching act shall be deducted based on the formula=[number of complaints of irregular subscription (piece)-0.5 (piece)/ten thousand yuan]*receivables in the current month for the type of services in respect of complaints due to breach (ten thousand yuan)*6000 yuan/piece (note: receivables in the current month for the type of services in respect of complaints due to breach refer to the total amount of information service fees receivable by Party B prior to allocation in the month of the occurrence of complaints in respect of various business types for the provincial branch company. The unit of the amount shall be "ten thousand yuan"); if the number of complaints is lower than the standard, no deduction shall be made.

(3) As to irregular subscription complaints, whether the threshold limit is exceeded or not (the standard of 0.5 piece of complaint for per thousand yuan), further inspection shall be made. If it is determined that the cooperation partner has breached this Agreement, corresponding breach punishment grade will be granted based on the seriousness of the breach.

7.8 Party A, based on the nature and influence of the breach and such factors as the extent of adverse impact on users, China Unicom and the society, may respectively grant warning, general breach, serious breach, material breach, settlement suspension, suspending business for internal rectification or termination of cooperation. For the details see Appendix 2 *List of Breaching Acts and Breach Handling*.

7.9 As to Party B's breaches, corresponding breach punishment shall be carried out. The detailed measures for punishment shall be as follows;

7.9.1 **Warning**

If Party B violates related regulations such as the business standards and cooperation administration measures of China Unicom and the impact of the breach upon users, China Unicom and the society is slight, a warning shall be granted.

7.9.2 **General breach**

1. Service screening: the services in respect of breach shall be screened for a month and the date of the screening shall commence as of the date at which the final examination of the breach punishment in PRM system has been passed.
2. Payment deduction for breach: 30% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted as liquidated damages.
3. Settlement suspension: preparatory settlement with Party B will be suspended for three months and such preparatory settlement may be resumed on the basis of the actual situation of rectification and breach deductions.

   Party B will be notified of the foregoing breach punishment results via the PRM system.

A month as of the date of the effectiveness of the breach punishment by China Unicom (such date is the date at which PRM system passes the final examination of breach handling) shall be Party B's rectification period, during which, the acceptance of any new application submitted by Party B for Party B's service type in respect of breach punishment will be suspended (as to the whole network of Unicom wireless data service, the closing of the business channel for the province where the breach occurred shall be no longer than a month). If Party B passes the rectification, the screening will be cancelled and the acceptance of new service application will be resumed; if Party B does not pass the rectification, the service in respect of breach will be continuously screened until the rectification satisfies related requirements.

7.9.3 **Serious breach**

1. Withdrawal of services: handling the services in respect of breach by withdrawing the same.
2. Payment deduction for breach: 50% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted as liquidated damages.
3. Suspension of settlement: the preparatory settlement for Party B shall be suspended for three months, at the same time, the settlement of the charging period in which the breach period falls in shall be suspended, and the settlement may be resumed based on the actual situation of the rectification and the completion of payment deduction for the breach.

   Party B will be notified of the foregoing breach punishment results via PRM system.

   Two months as of the date of the effectiveness of the breach punishment by China Unicom (such date is the date at which PRM system passes the final examination of breach handling) shall be Party B's rectification period, during which, the acceptance of any new application submitted by Party B for Party B's service type in respect of breach punishment will be suspended (as to the whole network of Unicom wireless data service, the closing of the business channel for the province where the breach occurred shall be no longer than two months). If Party B passes the rectification, the acceptance of new service application will be resumed and related business channel will be opened; if Party B does not pass the rectification, the service in respect of breach will be continuously rectified until the rectification satisfies related requirements.

7.9.4 **Material breach**

1. Termination of the cooperation on the service types in respect of breach: the cooperation on the service types in respect of breach shall be terminated.
2. Payment deduction: 80% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted as liquidated damages.

3. Suspension of settlement: the preparatory settlement for Party B shall be suspended for three months, at the same time, the settlement of the charging period in which the breach period falls in shall be suspended, and the settlement may be resumed based on the actual situation of the rectification and the completion of payment deduction for the breach.
   Party B will be notified of the foregoing breach punishment results via PRM system.
   Within one year as of the date of the effectiveness of the breach punishment by China Unicom (such date is the date at which PRM system passes the final examination of breach handling), the acceptance of any new application for Party B's such service type will be suspended (as to the whole network of Unicom wireless data service, the closing of the business channel for the province where the breach occurred shall be no longer than two months).

7.9.5 **Suspension of settlement**

As to Party B's violation of the business standards and cooperation administration measures and other requirements of China Unicom, China Unicom may suspend related settlement based on the seriousness of the case.

1. Suspension of settlement: the settlement of the charging period in which the breach period falls in shall be suspended, and the settlement may be resumed based on the actual situation of the rectification and the completion of payment deduction for the breach.

7.9.6 **Suspending business for rectification**

In the case of suspending business for rectification as circularized by the government, competent industry regulatory department and social service quality supervision agency due to any reason on the part of Party B, or the case of the material breach regarding whole network, China Unicom may suspend business for rectification.

1. Service screening: all the services will be screened and all the business ports closed, until the completion of the rectification.
2. Suspension of settlement: during the term of suspending business for rectification, the settlement for Party B will be suspended and may be resumed on the basis of the rectification.

During the period of suspending business for rectification, the status of each service shall be as follows:

Service type	Operation instruction for suspending business for rectification
Unicom wireless data service	Gateway will be closed. Nevertheless, the subscription relations shall be maintained without charging fees.

7.9.7 **Termination of cooperation**

If the breach of cooperation partner is especially serious, including but not limited to the negative reporting on Party A and/or China Unicom by the media affiliated to the Central Government, which results in especially adverse impact due to Party B's liabilities as ascertained or Party B is judged to take criminal liabilities on the base of the national public security organ, prosecutorial or judicial organ due to Party B's illegal operation, Party A may terminate cooperation.

1. Terminating the cooperation on all service types.
2. Payment deduction for breaches: 80% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted as liquidated damages.

3. Suspension of settlement: the preparatory settlement for such cooperation partner shall be suspended for three months, at the same time, the settlement of the charging period in which the breach period falls in shall be suspended, and the settlement may be resumed based on the actual situation of the completion of payment deduction for the breach.

7.9.8 If Party A's handling of any breach involves the screening or withdrawal of various services of Party B, the specific operation method shall be implemented with reference to the requirements of Party A's related administration measures and detailed rules for implementation.

7.10 In case of sudden occurrence of large-scale complaints (subject to the standards of Party A's provincial branch company), Party A may immediately close service channel, and after Party A completes its investigation and taking evident against Party B, it may take corresponding measures based on the investigation results.

7.11 Party A and China Unicom and/or its branch companies will adopt "three-level management for breach handling" for Party B's breaches, i.e., any of the group company, provincial branch company and branch at prefecture level has the right to handle Party B's breaches. On the basis of the original authority at the level of group headquarter, provincial branch company for punishing the breach of Party B in respect of whole network value-added services, any branch at prefecture level is added. In other words, any of the group headquarters, product innovation department of provincial branch company, customer service department and branches at prefecture level has the right to handle Party B's breach of the whole network value added services.

7.11.1 The whole network breach punishment conducted by Party A includes:

1) Party B's serious breaches forwarded by the government, industry regulatory department and social service quality agency and Party A's customer service department;
2) If any serious breach is found during the dial and testing of Party A's products, the irregular service dial and testing occurs no less than three times in a year on an accumulative basis, rectification report is not submitted or such report fails to pass related examination which results in service screening and the screening lasts for no less than three months;
3) If Party B's breach for the same service type is handled by Party A's branch company within the same charging period (one month), Party A has the right to impose additional punishment on Party B's breach in respect of whole network services on the basis of the points scored by Party B due to breach, Party A's additional punishment measures shall be as follows:
    a) The date of effectiveness of breach punishment imposed by Party A's branch company: the breach punishment imposed by various branch companies on Party B will take effect at the time of the pass of "final examination" via the PRM system in the province.
    b) Statistical period: the charging period (month) shall be the statistical period based on the records in the PRM system.

4) After the initiation of breach punishment by branch companies, if the SP's breach is especially serious and branch companies apply to the group headquarters for the imposition of additional breach punishment regarding whole network and the application is approved after examination, whole network breach punishment may be imposed on the breaching SP.

7.11.2 As to the breach punishment imposed by Party A and China Unicom on Party B, Party A shall, based on the results of investigation and evidence collection, judge and punish Party B as to its breach service in the manners which includes but without limitation to warning, service screening, service withdrawal, closing service channel, payment deduction for breach, suspension of settlement, suspending business for rectification, termination of cooperation on the service type in respect of breach, termination of cooperation, etc.

A List of Party A and China Unicom's Punishment of Party B's Breaches

Breach grade	Operation and implementation unit	Operation content by implementation unit
General	Party A and China Unicom	The services in respect of breach will be screened for a month. The rectification period is 1 month, during which Party B's new application for the services in respect of breach will be suspended (as to whole network Unicom wireless data services, the period for closing the channel of the province where the breach occurs shall be no more than 1 month). If rectification satisfies related requirements, screening will be cancelled, the acceptance of new business application will be resumed, and business channel opened. If the rectification does not satisfy related requirements, the services in respect of breach will be screened continuously, until the rectification satisfies related requirements. The preparatory settlement for Party B shall be suspended for three months and the settlement may be resumed based on the actual situation of rectification and the completion of payment deduction. And 30% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted as liquidated damages.
Serious	Party A and China Unicom	The service in respect of breach shall be service withdrawn. The rectification period is two months, during which Party B's new application for the services in respect of breach will be suspended (as to whole network Unicom wireless data services, the period for closing the channel of the province where the breach occurs shall be no more than two month). If rectification satisfies related requirements, the acceptance of new business application will be resumed, and business channel opened. If the rectification does not satisfy related requirements, the rectification will be continued, until the rectification satisfies related requirements. The preparatory settlement for Party B shall be suspended for three months; and at the same time, the settlement for Party Bin the fee calculating period in which the breach period falls in shall be suspended and the settlement may be resumed based on the actual situation of rectification and the completion of payment deduction. And 50% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted as liquidated damages.

Material	Party A and China Unicom	The cooperation on the service type in respect of breach shall be terminated d. The acceptance of new applications for the service type in respect of breach will be suspended for 1 year and preparatory settlement for Party B shall be suspended for three months. At the same time, the settlement for Party B in the fee calculating period in which the breach period falls in shall be suspended, and such settlement may be resumed based on the actual situation of rectification and the completion of payment deduction. And 80% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted as liquidated damages.
Warning	Party A and China Unicom	
Suspension of settlement	Party A and China Unicom	The settlement for Party B in the fee calculating period in which the breach period falls in shall be suspended, and such settlement may be resumed based on the actual situation of rectification and the completion of payment deduction.
Suspending business for rectification	Party A and China Unicom	All types of business shall be screened and the business ports will be closed until the end of suspending business for rectification. The settlement for Party B will be suspended during the period of suspending business for rectification, and may be resumed based on the actual situation of rectification.
Termination of cooperation	Party A and China Unicom	The preparatory settlement for Party B shall be suspended for three months; the settlement for Party B in the fee calculating period in which the breach period falls in shall be suspended and such settlement may be resumed based on the completion of payment deduction. 80% of the total amount of actually received or receivable information service fees for all business service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted as liquidated damages. All types of business cooperation shall be terminated.

7.11.3 As to the breach punishment imposed by Party A and China Unicom's branch company on Party B, China Unicom's branch company will, based on the results of investigation and evidence collection, judge and punish Party B's services in respect of breach in the manners which includes but without limitation to warning, service screening, withdrawal of services, closing the service channel for the related province, and payment deduction for breaches.

A List of the Punishment Imposed by China Unicom's Branch Company on Party B's Breaches

Breach grade	Operation and implementation unit	Operation content by implementation unit
General	China Unicom's provincial branch company	Submitted to China Unicom's headquarters for filing. And 30% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted. As to whole network Unicom wireless data services, the period for closing the channel of the province shall be no more than 1 month.
Serious	China Unicom's provincial branch company	Submitted to China Unicom's headquarters for filing. And 50% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted. As to whole network Unicom wireless data services, the period for closing the channel of the province shall be no more than 2 months.
Material	China Unicom's provincial branch company	Submitted to China Unicom's headquarters for filing. And 80% of the total amount of actually received or receivable information service fees for such service types prior to allocation in the fee calculating period in which the breach period falls in (to be determined based on the settlement rules for various types of services) shall be deducted. As to whole network Unicom wireless data services, the period for closing the channel of the province shall be no more than 3 months.
Warning	Provincial branch company	Submitted to China Unicom's headquarters for filing.

Note: The breach punishment imposed on Party B by Party A's branch company at prefecture level shall be submitted to the provincial branch company by Party A's branch company at prefecture level, which shall uniformly implement the same in the PRM system.

7.12 Party B's complaint about the breach punishment in respect of value-added services will be directly accepted by the unit implementing the breach punishment. If the complaint is directly submitted to higher authority, such complaint shall be accepted by the department next higher than unit implementing the breach punishment. China Unicom has the right to supervise the standardization of the breach punishment conducted by any branch company and operation center and has the final judgment over the complaint lodged by cooperation partners directly to higher authority. If Party B succeeds in complaint, the original breach punishment shall be rescinded and original deductions shall be recounted. As to Party B's complaints lodged directly to higher authority, if such complaints are dismissed for no less than three times within a year, the channel for Party B to lodge complaints directly to higher authority shall be closed.

7.13 If Party A impose any breach punishment on Party B, it shall notify Party B by due means. And unsettled information service fees shall be handled in accordance with related requirements of this Agreement.

7.14 If Party B fundamentally or materially breaches the service quality standards or user service standards set up by Party A in one or more service operations or there are any major defects in the services or content provided to users under this Agreement, or Party B uses technological means to actively or passively participate in the activities damaging or, infringing on the interests of Party A/China Unicom or users, or Party B's improper operation brings any adverse social impact on Party A/China Unicom or users, Party A may terminate all or a part of t Party B's other services which are absence of violation/breach or even terminate this Agreement, in addition to the application of the requirements specified in this Chapter to terminate the related service.

7.15 If Party B, individually or jointly, uses technical means to intentionally damage the interests of Party A/China Unicom or users or network safety, or Party A's business platforms/systems occur data or irregular situation due to the possible existence of the foregoing acts of Party B, Party A may suspend Party B's business in advance and notify Party B of the same. And Party B shall, within 7 working days, provide adequate evidence to explain or interpret the data or irregular situation, otherwise Party B shall be deemed to have committed any act intentionally damaging the interests of Party A or users, and Party B will be punished in accordance with the corresponding provisions of this Agreement.

Chapter 8Customer Services

8.1 Party A will provide Party B a user service code as access code for call service for customer service complaint and consultation. Moreover, the customer service center of Party A will be responsible for the final confirmation and distribution of customer service issues. Party B's customer service personnel or customer service system must assist Party A in analyzing and handling customer-related service complaints and consultation. Party A has the right to forward to Party B any user's consultation and complaint arising from various non-network communication issues due to the services provided by Party B. And Party A will be responsible for any user's consultation and complaint due to network communication issues.

8.2 If Party A receives any user complaints regarding the transmission of information in violation of related regulations, Party B must offer Party A the preliminary reply within two hours and ascertain the reasons within one working day. In addition, Party B shall immediately terminate the transmission of such information.

8.3 The customer service administration of Party A's value-added services shall be implemented in accordance with the related policies and regulations issued by the MIIT and the existing *Customer Service Standards of China Unicom, the Service Management Rules of China Unicom* of Party A, which includes but without limitation to the Telecom Service Standards, the Notice on the Regularization of Price and Charging Behaviors of Mobile Information Service Industry, the Notice on the Implementation of the Administration and Regularization of the Special Activities Regarding the Price and Charging behaviors of Mobile Information Service Industry, and the *Measures of the China United Telecommunications Corporation Limited for the Administration and Supervision of the Service Quality of Information Service Business* for the time being in force, and uniform customer service telephone shall be used to provide users with such customer services, including consultation, complaint handling before, during or after the use of the services. Party B shall provide perfect and standardized customer service system in accordance with the related policies and regulations issued by the foregoing departments and Party A's existing customer service standards.

8.4 Prior to the provision of services to users, Party A and Party B shall, by appropriate means, notify users in detail of the name of the enterprise providing services, specific service name, service content, pricing standard, customer service telephone, unsubscribing method, and other information which shall be known by users.

8.5 Both Party A and Party B shall provide customers with multiple, convenient service subscription relationship inquiry method and service unsubscribing methods. Party A and Party A's branch company shall, by technical and management means, independently realize its control and management of Party B's service subscription relationship and independently provide service inquiry and unsubscribing means.

8.6 Party A and Party B shall strictly implement the first inquiry accountability system for user's complaint and the time limit for complaint handling shall be implemented in accordance with the *List of Time Limit for Handling Various Complaints* among Party A's customer service administration regulations. No matter which party shall finally be responsible for the complaints, any party receiving user's complaint is liable for coordinating and proper handling user's complaints. If the issue is indeed related to the other party, such other party shall provide assistance in settling the issue.

8.7 As to the consultations or complaints which may only be settled by Party B, Party A will, by means of circulation of work orders, notify Party B to settle the complaints within specified time limit. After that, Party A shall reply to related user.

8.8 Party B shall not, on the grounds that it thinks any consultation or complaint it received is ascribable to Party A, instruct related user to directly contact Party A. If Party B thinks that the consultation or complaint it received is indeed ascribable to Party A's issue, Party B shall assist Party A in analyzing and handling the issue and contact Party A within an hour. And Party B will forward the issue to Party A, subject to Party A's confirmation.

8.9 If any of the two parties is unable to judge which party shall be responsible for the consultation or complaint it received, such party shall, within an hour, contact the other party to ascertain liabilities, so as to settle related issues as soon as possible for customers. The two parties shall not prevaricate.

8.10 If user's complaints are due to the failure to meet the service quality promised in advance, the party which made the service quality promise shall rely to such user and settle the related complaints. The other party shall provide necessary cooperation.

8.11 As to the complaints due to service content, pricing standards and the failure to meet promised service content and pricing standards, if Party B is unable to provide reasonable explanations to the satisfaction of Party A and users, Party B shall immediately reduce or exempt related service fees or refund the fees, and other matters will be handled after ascertaining the related facts. During the handling of complaints, Party A shall anticipate the payment of the fees to users, and such payment may be deducted from monthly settlement. In the case, Party B shall provide cooperation. Party A has the right to recover the insufficient portion from Party B, which shall replenish the balance within the time limit specified by Party A.

8.12 If Party B withdraws from this Agreement due to poor operation or is unable to provide value-added services due to other reasons of its own, Party B shall directly provide users with proper explanations and take proper measures to handle the matters. Unless the exit mechanism under this Agreement is applied, Party B shall notify Party A in writing of the information regarding the termination of related value-added services in advance. Party A shall timely stop to act on behalf of Party B for the collection of information service fees and assist Party B in providing explanations.

8.13 Party A and Party B shall strictly abide by the related requirements of the MIIT and competent department and properly handle user's complaints and claims.

8.14 Party A will assess the customer service quality of Party B, which will be an important part for the assessment of Party B.

8.15 Party B shall accept Party A's regular, irregular service quality inspection and carry out rectifications based on the inspection. The content of the service quality inspection includes but without limitation to the arrangement of customer service documents in respect of cooperation services, customer service hotline services, use of service products. The method of inspection includes spot inspection, outer call, and return visit to customers.

8.16 After the opening of Party B's telecom value-added services, Party B shall, in accordance with the requirements of competent departments, timely apply to the MIIT or the communication administration departments in various places for filing and dealing with other formalities (if applicable).

8.17 In case of any customer's complaints due to the unreasonable design of Party B's telecom value-added service procedures, errors in calculating fees, inconformity between actual service content and promised content, fees shall be refunded to customers.

8.18 Party B shall guarantee to provide 7*24 hour uninterrupted 400 or 800 toll-free customer service telephone.

Chapter 9Charging, Settlement and fee collection

9.1 Fee calculation

9.1.1 The price of communication fee, traffic fee, broadband access fee and M/T will be determined by Party A. The standard of information service fee shall, in principle, be determined by Party B and subject to the approval of Party A. Any change to information service fee (including but without limitation to change to charging method) may only be implemented after Party A's confirmation. Party A shall, based on compensation, provide Party B with fee calculation and collection services, and formulate the value-added service fee calculation and settlement principle and procedures in accordance with the features of Party A's network platform and the business process of fee calculation and settlement system.

9.1.2 Where determining the price for information service, Party B may choose various fee calculation methods such as frequency, monthly package, or provide various charging methods for users to make choice. Party B shall notify users of the method and standard for the collection of information service fee, the time of paying fees and customer service telephone by announcement on its website, the express specification in related subscription agreement, display through mobile phone user's interface, or sending SMS.

9.1.3 Party A has the right to determine the customers of various value-added products (number segment or sub-brand) to be the effective scope of chargeable customers, and to audit the information service fees due to the irregular use of customer numbers in connection with ineffective customer numbers (including numbers with suspended services, inactive customers, etc), unopened services, etc.

9.2 Settlement

9.2.1 Various communication fees, traffic fees, and broadband access fees, M/T proceeds due to users' use of Party A's communication network shall be owned by Party A, which will not be included in the scope for settlement with Party B.

9.2.2 The income settlement shall follow the price-tax separation principle and the tax-exclusive income shall serve as the basis for settlement and income sharing. The settlement data released by Party A through PRM (partner relationship management) shall be the tax-exclusive sum settled with Party B. The actual settlement sum between Party A and Party B shall be equal to the total of the tax-exclusive settlement sum with Party B plus the deductible input VAT.

9.2.3 All information service fees collected by Party A for Unicom wireless data service shall be settled uniformly according to "Receivable Settlement Rules" in the principle of settlement by deduction of bad debt ratio (8%) from the receivable, that is, with respect to the business income generated from Unicom wireless data service in the T month, Party A shall, before the 15th day of the T+1 month, release the settlement data after the deduction of a bad debt ratio of 8% from the receivable according to the settlement ratio set forth herein. The receivable settlement data is calculated based on the receivable settlement base according to the rules for sharing of information service fee between Party A and Party B and the actual settlement sum of Party B is obtained by deducting the default deduction, unbalanced communication fee and other expenses confirmed by the Parties from the receivable settlement data.

9.2.4 The allocation ratio of information service fees shall be specified in Appendix 3 by service type.

9.2.5 The total income from Unicom wireless data service shall first be paid by China Unicom to Party A, who shall, after receiving such payment, pay the settlement amount to Party B after deducting the difference in tax.

9.2.6 Billing cycle: the statistical cycle of the total information service fee of Party B by the billing system of Party A; the billing cycle is usually divided by natural month, beginning at the 0 o'clock on the first day of a natural month and ending at 24 o'clock on the last day of such month.

9.2.6.1 Settlement process of Unicom wireless data service: the settlement process runs according to the "Receivable Settlement Rules" by deducting the bad debt ratio (8%) from the receivable data:

The process for the release of settlement data is: for the income from the settlement of information fee in the T month, the receivable settlement data shall be released in the T+1 month. With respect to the information fee generated in T month, China Unicom shall pay the settlement amount to the account of Party A before the end of the T+2 month, and then Party A shall pay the settlement amount to the account of Party B and thereby complete the entire settlement.

(1) Party A releases the settlement data according to the Receivable Settlement Rules. With respect to the information fee incurred to users in the T month, Party A shall release the settlement data before the 15th day of the T+1 month;

(2) Party B shall provide settlement confirmation sheet and invoice. Party B shall provide the confirmation sheet and invoice to Party A before the 25th day of the T+1 month;

(3) Party A shall pay the settlement money. Party A shall, after performing related payment formalities according to related financial regulations, pay the settlement money before the 28th day of the T+2 month to the account designated by Party B;

(4) Party B must file an account checking application on the PRM system within 10 natural days from the date of settlement data release by Party A. If Party B fails to file such application within 10 natural days, whether the settlement data have been confirmed on the PRM or not, it shall be deemed that Party B has approved such settlement data and Party A no longer accepts any account checking application filed by such partner for such settlement month.

(5) If Party B believes that the difference between the settlement data released by Party A each month and the data recorded thereby in such month exceeds 8%, it may file an account checking application. The delay on the part of Party A in paying various expenses to Party B due to account checking shall not be deemed that Party A breaches its obligation of making payment on time.

(6) If, due to reasons attributable to Party B or due to account checking, Party B fails to feed back the settlement confirmation sheet (affixed with the official seal of Party B pursuant to the requirements of Party A) and invoice (affixed with the special seal for invoice use) before the 25th day of the second month after the business occurs, Party A shall delay in the business settlement payment for the month to Party B, which means that Party A shall confirm the settlement documents through the partner relationship management system before the end of the natural quarter immediately after receiving the settlement confirmation sheet and invoice from Party B and shall make the payment in the month following the confirmation. The delay in payment on the part of Party A due to the application of this article does not constitute the delayed payment provided herein and Party A does not assume any liability resulting therefrom.

(7) If Party B fails to provide the settlement confirmation sheet and invoice within 30 days (commencing on the 25th day of the second month after the occurrence of business), Party A shall have the right to collect corresponding management fee equal to 1% of the sum involved; if Party B fails to provide the settlement confirmation sheet and invoice within 365 days (commencing on the 25th day of the second month after the occurrence of business), it shall be deemed that Party B waives the right to collect the sum involved and Party A is henceforth discharged from the obligation to pay such sum to Party B.

(8) The information service fee for the other months shall be settled by following the above-said process.

9.2.7 Party A shall, pursuant to the allocation ratio of all value-added services, calculate and total up the income from all services payable to Party B and, after deduction (addition) of the expenses from (to) the expenses/fees payable (obtained) by Party B, work out the income that Party A shall pay to Party B (referred to as the “Settled Information Service Fee”). The above-said deductible expenses include but not limited to: deduction due to default, refund or indemnity, server co-location fee, and other fees that shall be deducted pursuant hereto. The method for deduction of the above-said expense: if the settlement sum to Party B in the current period is not sufficient for the deduction, the deduction shall be made from the subsequent settlement sums to Party B, and this process continues until the expenses are fully deducted. If the deduction has not been fully made up to the termination date of this Agreement, Party A shall have the right to recover the insufficiency and Party B shall pay the balance within the period specified by Party A. The business income and payable expenses may be separately settled and separate settlement processes may apply, if so agreed upon by Party A and Party B.

9.2.8 If the account-checking results show that the Settlement Information Service Fee is a negative, Party B shall pay to Party A the corresponding amounts within ten working days subsequent to its receipt of Party A's notice, and Party B shall timely obtain an official invoice after making such payment. If Party B delays in making the payment, it shall pay a sum of liquidated damages to Party A with the amount of one thousandth of the amount due to Party A on a daily basis. At the same time, Party A has the right to directly deduct Party B's payables and liquidated damages from the settlement amount for the next period. If Party B's payment is delayed for sixty days, Party A has the right to terminate this Agreement at its sole discretion and hold Party B liable for related legal liabilities.

9.2.9 Party B understands that Party A may fail to carry out settlement on schedule due to the delay in data release on RRM of China Unicom or lack in settlement money, agrees that Party A does not assume liability therefore, and accepts that the actual settlement process may be postponed depending on the receipt of the settlement money.

9.2.10 Party B shall timely update such information required for making payment as bank account information recorded in the PRM. If Party A's payment is recovered by related bank due to Party B's failure to update the information required for making payment or cause any other difficulties for Party A to make a payment in time, Party A will delay the payment of such amount. The time for handling the delayed payment shall be the June or December nearest to Party A's knowledge of Party B's accurate bank account. Party A will not be liable for the liabilities for breach or other responsibilities due to failure to make a payment in time.

9.2.11 If Party B changes its company name, it shall notify Party A in time via the PRM or other appropriate means. As to all the amounts payable y Party A to Party B after the change of Party B's company name, whether such amounts are accrued after the change of Party B's company name, Party A shall pay such amounts to the bank account after the change to Party B's name. If Party A is unable to make a payment due to Party B's failure to handle name change formalities, such situation shall be handled in accordance Article 9.2.10.

9.2.12 If Party B terminates this Agreement due to the application of the provisions herein, Party A and Party B shall settle the information service fees accrued prior to the termination. For the settlement, the settlement method, period and procedures specified in Article 9.2 herein and the provisions in respect of deduction of information service fee and liquidated damages due to breaches shall be abided by and implemented.

9.3 Fee collection

9.3.1 Information service fee shall be uniformly calculated and collected by China Unicom on behalf of Party B. Party B will not charge any information service fee from users. Communication fees shall be calculated by China Unicom and collected from users or Party B.

9.3.2 Prior to the collection of information service fees on behalf of Party B, Party A has the right to examine the fee collection items and summarized content one by one, and Party B shall provide active cooperation. The major content for the examination shall be: whether the content provided by Party B violate the requirements of Article 57 and/or Article 58 of the *Telecommunication Rules of the People's Republic of China* and those of other related laws, regulations and policies.

9.3.3 Prior to the collection of information service fees from users by China Unicom, Party B shall provide related data to certify such users are using the related services based on their knowledge and voluntariness. The fees shall be collected since the actual use of the services by users (excluding monthly package); Party A and Party B shall keep the records in respect of user's subscription and use of service for no less than five months.

9.3.4 At the time China Unicom issues to users any bills for collecting fees, prompting words and the amount "collected on behalf of Party B" shall be specified for the portion of fees collected by Party A on behalf of Party B. Party A/China Unicom shall provide users with reasonable and effective methods and ways for users to inquire Party B's name, the service item, and specific amount in respect of the amount collected on behalf of Party B. If users require the provision of a detailed charging list for the fees collected on behalf of Party B, Party A and Party B shall provide users with such list for free.

9.3.5 If users have any objection to and refuse to pay the information service fee collected on behalf of Party B, Party A shall only collect the portion of fees without dispute and notify Party B in time of the related information.

9.3.6 If users have any objection to the fees collected on behalf of Party B, and Party A and Party B is unable to provide evidence within 15 days to prove that that the fee collection is without any error, China Unicom shall refund users such fees at first and then make compensation in accordance with the compensation rules it has publicized. Such portion of information service fees and compensations (excluding the compensation due to Party A's liabilities) will be deducted from the allocation for Party B in the next settlement period. After that, Party B shall be responsible for proper handling of the objection with users.

9.3.7 During handling the objections, neither Party A, nor Party B shall stop or terminate any services other than the services in respect of the objection.

Chapter 10Intellectual Property

10.1 Party B ensures that it has intellectual property or has obtained the license from related rights owners for all software and hardware and cooperation service information content in respect of the value-added telecom services it provides, and it has not infringed upon any other person's IP such as copyright, trade mark, patent, trade secret and/or other rights. Party B shall, on its own initiative, provide Party A with related certificates of the rights. Among which, special information source services such as news, songs, weather forecast, securities information, and medical care must have the authority or license for the operation of such services, and at the same time, the source of the authority shall be specified. As to services based on the cooperation with the media, related cooperation agreement must be signed.

10.2 During the performance of this Agreement, if any third party claim against Party A/China Unicom with regard to the intellectual property or other rights as specified in Article 10.1, which results in dispute, controversy or other legal action, etc., upon the notice given by Party A, Party B shall, within two days, subsequent to the receipt of the notice, immediately take necessary measures to clarify facts. At the same time, Party B shall, as required by Party A, properly handle all matters in respect of such dispute, controversy or legal action independently or by assisting Party A/China Unicom in doing so, and indemnify Party A/China Unicom all the losses thereby incurred.

10.3 Party A and Party B may consult with each other to agree that Party A's company brand, customer brand, business name, trademark, mark or Logo may be labeled in the value-added services provided by Party B, nevertheless Party B shall not use the same without authorization, unless Party A's written confirmation is obtained. Party B shall not misguide users to think that any content or services independently provided by Party B are provided by Party A or jointly provided by Party A and Party B.

10.4 During the performance of this Agreement, Party A and Party B shall not infringe upon trademarks or other intellectual property of any party or any third party. If any of the two parties infringes on the intellectual property of any other person due to its sole act, such party shall take all the responsibilities regarding infringement, indemnify the other party against all the loss thereby incurred, and eliminate any adverse social impact upon the other party.

10.5 Under any circumstances, one party may only use the materials of the other party during the term of this Agreement (including the exhibition, download, copy and distribution of such materials). Moreover, such materials shall not be used for any other content, products or services other than for such matters in respect of promotion, marketing and distribution regarding the cooperation. And the use of such materials shall not cause any misguidance or deception.

Chapter 11 Modification and Termination of Agreement

11.1 During the term of this Agreement, if Party A and China Unicom formulates or amends from time to time any business rules, administration measures, quality standards and/or customer service standards regarding telecom value-added services, such standards and rules shall constitute a part of the agreement between Party A and Party B under this Agreement. If such standards, measures or rules may conflict with the provisions of this Agreement, except the provisions in respect of breach punishment, such rules, measures or standards shall prevail, unless the two parties otherwise agree to apply this Agreement.

11.2 During the term of this Agreement, in case of the implementation of any national policies or adjustment of the same, which affect the agreement and description in respect of the cooperation content between the two parties, e.g., fee calculation, settlement, etc., the two parties may sign a new agreement or a supplementary agreement for explanation and arrangement.

11.3 If any party hereto decides to modify or amend this Agreement, it must notify the other party in writing fifteen days in advance. The two parties shall, based on consultation and agreement, modify or amend this Agreement in writing.

11.4 Except express stipulated in this Agreement, during the performance of this Agreement, any party hereto shall not suspend or terminate this Agreement or rescind this Agreement at its sole discretion, without the written consent of the other party.

11.5 If any party hereto is unable to carry out its operation or the telecom value-added services under this Agreement due to the other party's failure to perform the obligations or responsibilities under this Agreement or serious violation of the provisions herein, the non-breaching party has the rights to claim compensation for various losses due to the breaches of the breaching party and rescind this Agreement.

11.6 If Party B is under any of the following circumstances, Party A has the right to rescind this Agreement at its sole discretion:

(1) Transfer such resources as the numbers, junction lines or digital web sites obtained from Party A and China Unicom without the approval of Party A;

(2) The area for business operation is beyond the operation area and scope as set forth in its qualification certificates and licenses;

(3) Providing the business content and varieties requiring qualification licenses under the circumstances of failure to obtain the qualification license issued by competent national department;

(4) Providing false copyright or qualifications; or

(5) Any other act of conducting operation and providing content without authorization, without conforming to the requirements of competent departments or the agreement between the two parties.

11.7 During the term of this Agreement, if Party B undergoes any division, consolidation, dissolution, liquidation or bankruptcy, which results in any event restricting the nature, qualifications or civil capacity of the company, Party B shall timely notify Party A in writing, and Party A has the right to terminate the performance of this Agreement. If Party B undergoes any division or consolidation, this Agreement shall be terminated correspondingly. Any company succeeding the telecom value-added services under this Agreement (or other entities) shall re-apply to Party A for the opening of services, and amend Party B's enterprise identity code and other information in Party A's service system and PRM.

11.8 In case of any change to Party B's company name, Party B shall timely go to related industrial and commercial administration department and the competent department in charge of information industry to go through the formalities in respect of company name change, to collect effective entity qualification certificates and service qualification certificates.

11.9 If Party B fails to take a copy of this Agreement with Party A's seals affixed hereto from Party A due to its own reason within one month as of the receipt of Party A's notice, i.e., the time interval between Party A's execution of this Agreement and that of Party B is no less than one month, this Agreement will not be deemed to be executed and effective, Party B's access qualifications shall be automatically canceled and its service application nullified; or if Party B, due to its own reason within one month after taking a copy of this Agreement from and executed by Party A, fails to send the copy of this Agreement executed by both Party A and Party B to Party A, this Agreement will not be deemed to be executed and effective, Party B's access qualifications shall be automatically canceled and its service application nullified.

Chapter 12 Confidentiality

12.1 The confidential information mentioned herein refers to the trade secrets (including financial secrets), know-how, trick of the trade and/or any other confidential information and data obtained, known by one party ("Receiving Party") from the other Party ("Disclosing Party") or the confidential information jointly created by the two parties during the performance of this Agreement, which is inseparable, no matter such information and data is carried by any media in any form, disclosed by the Disclosing Party in oral, written or graphic means to indicate the confidentiality of such information.

12.2 During the term of this Agreement and within five years after the termination of the same, any party shall not disclose, divulge or offer to any third party the confidential information.

12.3 Party A and Party B shall take proper measures to properly protect the confidential information provided by the other party and such measures shall be no less prudent than those taken by any party hereto to protect its own confidential information. Party A and Party B may only use the confidential information for the purpose or use under this Agreement.

12.4 The two parties ensure that such information shall only be known by their respective persons in charge of or employees related to the services. Prior to the knowledge of such confidential information by the foregoing personnel of the two parties, the two parties shall make such personnel know the confidentiality and obligations for the confidential information, and use any effective evidence to prove such personnel have undertaken the confidentiality obligations under this Agreement.

12.5 If required, the Receiving Party shall follow the instructions of the Disclosing Party to return all the documents or other data containing confidential information to the Disclosing Party or destruct the same.

12.6 The foregoing provisions in this Chapter shall not be applicable to the following circumstances:

A. The confidential information has been legally owned by the Receiving Party at the time of or prior to the execution of this Agreement;
B. The confidential information has been made public or publicly available at the time of providing the same to Receiving Party;
C. The confidential information known by the Receiving Party from any third party without the confidentiality and non-disclosure obligations.
D. The confidential information is made public or publicly available, to the extent the obligations agreed in this Agreement are not contravened;
E. The confidential information is independently developed by the Receiving Party or any of its related or affiliated companies and no benefits have been procured from the information obtained from the Disclosing Party or its related or affiliated companies; or
F. The confidential information is disclosed by the Receiving Party as required by any competent court or other legal or administrative management department (by oral query, inquiry, required data or file, subpoena, civil or criminal investigation or other proceedings). In the case, the Receiving Party shall immediately issue a notice to the Disclosing Party and make necessary explanations.

12.7 Both Party A and Party B shall keep confidential the detailed content of this Agreement.

12.8 The communications or documents exchanged between the two parties with regard to communication, announcement, and notice for the performance of this Agreement shall be properly kept by the two parties, which shall not be used for any purpose damaging the services conducted by the two parties. Either party hereto shall not slander the other party or make any remarks in the public which are adverse to the two parties for the purpose of attacking the other party.

Chapter 13 Force Majeure

13.1 Force majeure refers to unpredictable, unavoidable and insurmountable objective circumstances, including such natural disaster as earthquake, landslide, subsidence, flood, typhoon, irregular astronomical phenomenon, and fire, explosion, accident, war, terrorist event, pandemic disease, damaging activities, hacker attack, network breakdown, governmental orders or any other similar or different contingent events.

13.2 In case of force majeure, which causes any party hereto is unable to perform its obligations, the two parties agree to exempt all or part of the liabilities based on the influence of the force majeure on the performance of this Agreement.

13.3 Party Affected by the foregoing force majeure shall immediately notify the other party in writing of the event and offer the details of the force majeure, the reason of the inability to perform this Agreement in whole or in part or delayed performance, and the related effective certificates issued by related governmental department. Based on the impact of the event upon the performance of this Agreement, the two parties may consult with each other to continue to perform or terminate this Agreement.

Chapter 14 Governing Law and Dispute Resolution

14.1 The laws of the People's Republic of China will be applicable to the execution, effectiveness, implementation and interpretation of this Agreement (for the purpose of this Agreement, the laws of Hong Kong, Macao and Taiwan will be excluded).

14.2 Any dispute arising from or in connection with this Agreement shall be settled by the two parties based on consultations. If such consultations fail, any party hereto may file an action before the people's court where Party A is domiciled.

Chapter 15 Miscellaneous

15.1 Assignability. All or part of the rights and obligations under this Agreement shall not be assigned, unless under the circumstances as specified in Chapter 5 of this Agreement.

15.2 The execution of this Agreement will only create agreement relationship between the two parties, and any provisions herein shall not be interpreted as:

(a) Partnership or any other joint responsibilities have been created between the two parties hereto;

(b) Any party is the agent of the other party (unless otherwise agreed in writing in advance); or
(c) Any party is authorized to incur any costs or liabilities in any form to the other party (unless agreed in advance by the other party in writing).

15.3 Any party's failure or delay in exercising any rights under this Agreement will not operate as the waiver of such rights, and any party's exercise or partial exercise of such rights will not preclude it from further exercise of such rights.

15.4 The invalidity of any provisions herein will not affect the validity of any other provisions, unless otherwise provided for by laws and administrative regulation.

15.5 Unless this Agreement is terminated in advance in accordance with related requirements, the term of this Agreement shall be from [April 1, 2014] to [March 31, 2015].

15.6 Within [30] days prior to the expiry of this Agreement, Party A and Party B may consult with each other with regard to the renewal of this Agreement. Party A and Party B may renew this Agreement by entering into a separate written agreement.

15.7 This Agreement and its appendixes shall be executed in quadruplicate. Party A and Party B will hold two copies respectively, and each copy shall be equally valid and binding.

Signature page (reminder of page intentionally left blank)

Party A: China Unicom Broadband Online Co., Ltd.

Legal representative/authorized representative:

Date:

Party B: Beijing AirInbox Information Technologies Co., Ltd.

Legal representative/authorized representative:

Date:

Appendix 1 Definitions

Unless otherwise provided in this Agreement or required by the context, the following terms shall have the following meanings:

1. **SP**

   SP is the abbreviation of Service Provider. The term "SP" herein refers to the professional service agency providing communication and information service. SP may be network carrier, or the provision of whole network services by integrating the services of other network service providers.

   The "SP" mentioned herein means various professional organizations which are willing to use the communication network and value-added service platforms (mobile network, fixed network and internet) provided by Party A and China Unicom to provide various value-added services for Party A's (mobile network, fixed network and internet) users.

2. **User**

   Any natural person, legal person or other organization who is using the telecom terminal recognized by Party A to connect to Party A's communication network and value-added service platforms and who is willing to accept the value-added services provided by Party A and Party B.

3. **Value-added services**

   Generally referring to various telecom value-added services and application business provided for users based on Party A's communication network (mobile network, fixed network and data network) and various value-added service platforms, and the cooperation with Party B on such aspects as content organization, service system introduction, and marketing promotion, etc. The major service types include:

   (1) Unicom wireless data service: as one of the short message services of GSM/WCDMA, it is a service brand of value-added business supplied to users by Party A and China Unicom, through which, Party A and China Unicom supply a paid short message communication channel to the cooperator, and by using business supporting system, supply agency fee calculation and agency fee collection service, according to the cooperator's requirements. The cooperator makes use of Party A and China Unicom's Unicom wireless data service as a platform to supply users of China Unicom with various short message services.

   (2) MMS: with the support of GPRS, pictures, voice and textural information are sent with WAP (wireless application protocol) as carrier, which ensures the real-time multimedia information transmission from mobile phone to mobile phone, mobile phone to internet or internet to mobile phone.

   (3) Mobile network services (2G-WAP): such services as information browse, picture, music, Download Fun, WAP PUSH, interactive application and e-commerce with 2G network and wireless application protocol.

   (4) Whole network PHS short message services: generally referring to the application services provided to users based on such information service platform as PAS, including public information services, commercial information, entertainment and chatting, etc.

   (5) WO internet portal: the broad band customer terminal and website brand launched with individuals and households as target users, to set up a broad bank world for users through the integration of broad band applications and services.

(6) Mobile newspaper: the information transmission platform with mobile phone as the media, which provides users with news services via mobile phone. i.e., news content of traditional media is sent to MMS mobile phones through wireless technology platform and such functions as SMS news, color pictures, animation design and WAP surfing are developed for mobile phones.

(7) Mobile surfing: the service sending information on network to mobile phones or other wireless communication terminals based on WAP. Through WAP, users may, at any time, use wireless communication terminal to have access to real-time information on internet or company website, to realize the wireless surfing in the real sense.

4. **Communication network and value-added service platform**
For the purpose of this Agreement, communication network refers to the communication service infrastructure based on (mobile network, fixed network and data network) provided by China Unicom. Value-added service platform is the service platform for one or multiple value-added services on the communication network, including but without limitation to such functions as user's interface, SP interface, service management and application fee calculation.
5. **Service support system**
User management and authentication, fee calculation, settlement, business operation support system (BOSS) required for the normal operation of business.
6. **Communication channel**
Physical and logical connection provided for the communication between users in communication systems.
7. **Port**
Interface setup for the communication connection between value-added service platform and communication network, value-added service platform and the application server provided by SP, including communication address and related parameters.
8. **Data traffic**
The inflow and outflow of communication traffic through the value-added services.
9. **Testing**
The testing using certain tools and methods to test the services provided by SP, including network connection testing, network consistency testing, function testing, etc., to ensure the related service satisfies the requirements for opening and operation. The time required by testing or as think necessary by Party A is the testing period.
10. **Point of junction for equipment**
The point for connecting two sets of physical and logical equipment.
11. **Maintenance interface**
The whole service system required for provision of services to users constitutes different parts and the maintenance responsibilities shall be undertaken by different persons responsible. Maintenance interface is where different persons responsible divide the responsibilities in respect of technology service and maintenance.
12. **System maintenance**
Daily maintenance, fault maintenance, and other work required for the normal operation of service system.

13. **Gateway**
    It refers to the equipment providing such functions as protocol conversion and system interconnection.
14. **User subscription**
    It refers to user's confirmation to accept service content and user's willingness to accept the services.
15. **Upload short message**
    The short message sent by users through mobile phone to Party B's SMS gateway. The fee thus accrued is the upload communication fee, which will be collected by Party A from related users.
16. **Downlink short message**
    The short message sent from Party B's short message access number to user's mobile phone. Downlink short message includes short messages of PUSH category.
17. **Unbalanced communication fee**
    The fee accrued due to unbalanced portion of short message (number of downlink short message –number of upload short message). Unbalanced communication fee shall be collected by Party A from Party B.
18. **7*24 hour**
    Seven days a week and 24 hours a day, without festivals, holidays or rest day.
19. **Communication fee**
    The fee accrued as a result of user or SP's occupation of China Unicom's network resources; communication fees shall be collected by Party A from users or SP, which shall be owned by Party A.
20. **Information service fee**
    Information service fee is any fee other than communication fee, which arises from users' use of SP content and information or application services. Information service fee may be allocated by Party A and Party B based on allocation ratio. Any fee based on Party A's fee calculation system prior to the allocation by the two parties, which shall be collected from users will be called "total amount of information service fee". Based on the agreement between the two parties, the information service fee paid by Party A, after deducting certain ratio of shares and costs from the total amount of information service fee, shall be the Settlement Information Service Fee.
21. **Fee calculation period**
    The statistical period for the total amount of Party B's information service fees in Party A's fee calculation system will generally be based on calendar month, from zero hour of the first day of a calendar month to the 24 hour of the last day of the same calendar month.
22. **Enterprise code**
    The code is the abbreviation of "China Unicom Value-Added Service SP Enterprise Code", which is the sole label for the identification of Party B in Party A's system.
23. **Cooperation partner relationship management system (PRM)**
    The online office system set up and maintained by Party A, which is used for the connection of Party A and Party B during business development, execution of agreements, account-checking, information release and feedback and other daily work.

24. **Ranking**
The rank arranged by Party A for all SPs providing value-added services which are not in the support period based on one or multiple indicators such as information service fee receipts or business volume and the sequence from high to low. If the result of total amount of SP multiplied by percentage has fractional part, the results shall be read in round figures. As to the SP whose information service fee receipts are unable to be determined due to account-checking, their ranking will be arranged based on Party A's data prior to account-checking.
25. **Service support period**
After Party B obtains the qualifications for access to whole network, if certain services pass testing for the first time, during certain period from the opening of the services for charging fees, Party A may grant certain preferential policies to Party B with regard to the ranking and exit of such services, with a view to providing Party B with a period of time to cultivate its business. The period is called business support period. Party A and Party B may, based on the characteristics of the value-added services they provided, choose whether to apply the business support period and specify the two parties' rights and obligations during the business support period in specific service appendixes. The support period for general service shall be three months and that for innovative business six months.
26. **Service screening**
The screening of any other services other than voice information service and Unicom wireless data services refers to Party A's cancellation of Party B's business/column exhibited to users and preservation of user subscription relationship and fee calculation; the screening of voice information service refers to the interim closing of service access numbers; the screening of Unicom wireless data service refers to the preservation of user subscription relationship, with the setup of service information fee as zero.
27. **Service withdrawal**
It refers to Party A's closing of Party B's business/column, cancellation of user's subscription relationship and termination of the fee calculation for such business.
28. **Withdrawal**
Party A will terminate Party B's certain type of services and will not accept Party B's application for such type of services.
29. **Service types**
The services which may be categorized based on their similarity in technical aspects as stipulated in Party A's service management rules, for example, "Unicom wireless data service type"
30. **Credit evaluation system**
Such factors as user breach, SP breach, violation and cooperation will be used to evaluate SP credit. Based on quantization, SP credit rating will be determined, and different service development policies will be granted to SP based on the different credit ratings.
31. **Content development**
Legal technical means or scientific methods will be used to process written words, voice, pictures, videos or content integrating the foregoing into value-added service products which may be provided to users through the value-added service platform.
32. **Value-added Service Authentication Center (VAC)**
VAC is the abbreviation of value-added service authentication center, which is the authentication center of China Unicom aiming at users, SPs and services for the provision of value-added services and the use of services.

33. **Platform construction and maintenance**
    It refers to the software and hardware for providing the value-added services under this Agreement and the necessary daily maintenance and fault maintenance for its normal operation.
34. **Market promotion**
    The organization and implementation such market activities as the marketing and planning of value-added services.
35. **Customer service**
    Customer service refers to necessary services provided for the normal and reasonable use of value-added services, including but without limitation to pre-sale, interim and after-sale services such as response to consultations, complaint handling, etc.
36. **Refund and compensation**
    The amount as anticipated compensation paid by Party A to users due to any reason on the part of Party B. The refund and compensation will be deducted from the pre-settlement information service fees accrued as a result of Party B's services.

Appendix 2 List of Breaching Acts and Breach Punishment

Section 1	Failure to provide free services	Breach punishment
1	Failure to make users know the specific term and conditions for users to use related services for free prior to user's use of such services at no costs.	General breach
2	During the use of free services, use technical means to link users to fee charging pages; or use technical means and violate business logic, to change the normal link of services, which result in user complaints.	General breach
3	Failure to make user know specific pricing standards prior to charging and after the expiry of the term for free use.	Serious breach
4	Failure to obtain user's subscription confirmation prior to charging and after the expiry of the term for free use, whereas services are subscribed for users	Serious breach
Section 2	**Failure to provide or update product content**	
5	Failure to satisfy the requirements in respect of time limit and quality specified in product specifications to provide or update product content (once).	Warning
6	Failure to satisfy the requirements in respect of time limit and quality specified in product specifications to provide or update product content, which results in user complaint.	General breach
7	Failure to satisfy the requirements in respect of time limit and quality specified in product specifications to provide or update product content for two successive periods.	Serious breach
Section 3	**Change to service content without authorization**	
8	Service content are adjusted to other service content after the launching of the services, e.g., news service is adjusted to be travel service.	General breach
9	Service content are altered or added to be obscene or unwholesome content after the launching of the services.	Serious breach
10	Service content are altered to be illegal, anti-revolutionary after the launching of the services, e.g., feudalistic, or involving gambling, drug, gangland, arms, hallucinogen, obscene or pornographic content or Falun Gong.	Material breach
Section 4	**Provision of unauthorized service content or failure to provide copyright/authorization certificate**	
11	The service content provided causes private disputes due to copyright issues, but without regard to misstatement, falsification of copyright certificate or authorization certificate.	Warning
12	The service content provided causes legal disputes due to copyright issues, but without regard to misstatement, falsification of copyright certificate or authorization certificate.	General breach
13	The service content, related copyright/authorization provided are imperfect, which results in legal dispute.	General breach
14	Violation of national legal provisions regarding intellectual property and provision of the content without the authorization by related right owners.	Serious breach
15	Violation of national legal provisions regarding intellectual property and provision of false or counterfeit copyright certificate or authorization certificates.	Material breach

Section 5	**Failure to provide marketing resources**	
16	Failure to perform the written commitment as to marketing resources, which is made to Party A/China Unicom, and failure to communicate with Party A/China Unicom in advance to reach consensus as to solutions, which causes certain regional (provincial) adverse impact.	General breach
17	Failure to perform the written commitment as to marketing resources, which is made to China Unicom, and failure to communicate with China Unicom in advance to reach consensus as to solutions, which cause whole network adverse impact.	Serious breach
Section 6	**Sublease channel or code without authorization**	
18	Sublease channel or code without authorization.	Serious breach
Section 7	**Collection of fees in violation of related regulations**	
19	Collection of fees for internet website business or content in violation of national laws or regulations or Party A's business standards	General breach
20	Collection of fees for unwholesome internet website business or content in violation of national laws or regulations or Party A's business standards	Serious breach
21	Collection of fees for illegal, anti-revolutionary internet website business or content in violation of national laws or regulations or Party A's business standards.	Material breach
Section 8	**Change the scope and content approved by Party A for sending information to group users without authorization**	
22	Change the scope and content approved by Party A for sending information to group users without authorization	General breach
23	Change the scope and content approved by Party A for sending information to group users without authorization, and such information contains cajoling and inductive content.	Serious breach
24	Change the scope and content approved by Party A for sending information to group users without authorization, and such information is change to illegal, anti-revolutionary information, e.g. feudalistic information, or information relating to gambling, drug, gangland, arms, hallucinogen, obscene or pornographic content or Falun Gong.	Material breach
Section 9	**Sending information to group users without the approval of Party A**	
25	Sending group users PUSH information, short message or email without the approval of Party A, and number of complaints relating to users at provincial level is less than 200 per month.	General breach
26	Sending group users PUSH information, short message or email without the approval of Party A, and number of complaints relating to users at provincial level is no less than 200, but no more than 500 per month	Serious breach
27	Sending group users PUSH information, short message or email without the approval of Party A, and number of complaints relating to users at provincial level is no less than 500 per month	Material breach
28	Sending group users PUSH information, short message or email without the approval of Party A, and the content contain unwholesome elements.	Serious breach

29	Sending group users PUSH information, short message or email without the approval of Party A, and the content are illegal, anti-revolutionary, e.g., relating feudalistic elements, gambling, drug, gangland, arms, hallucinogen, obscene or pornographic content or Falun Gong.	Material breach
Section 10	**Cajoling subscription and on-demand services**	
30	Cajoling users into subscribing or designating services, causing fees and user complaint. The number of cajoled users at provincial level is less than 20 per month.	General breach
31	Cajoling users into subscribing or designating services, causing fees and user complaint. The number of cajoled users at provincial level is no less than 20 but no more than 200 per month.	Serious breach
32	Cajoling users into subscribing or designating services, causing fees and user complaint. The number of cajoled users at provincial level is more than 200 per month.	Material breach
Section 11	**Compulsory subscription and designation of services**	
33	Subscribing or designating services for users without authorization, however Party B has sufficient evidence to prove that such case is due to any reason beyond Party B's control or any subjective reason not on the part of Party B	General breach
34	Using technical or other means to subscribe or designate services for users without authorization, which caused users to be overcharged or erroneously charged. And the number of involved users at provincial level is less than 20 per month.	General breach
35	Using technical or other means to subscribe or designate services for users without authorization, which caused users to be overcharged or erroneously charged. And the number of involved users at provincial level is no less than 20, but no more than 200 per month.	Serious breach
36	Using technical or other means to subscribe or designate services for users without authorization, which caused users to be overcharged or erroneously charged. And the number of involved users at provincial level is no less than 200 per month.	Material breach
37	Using technical or other means to subscribe or designate services for users without authorization, which caused users to be overcharged or erroneously charged with vile behavior or means, and which is exposed by the media directly under the provincial government or investigated by competent provincial department for responsibilities.	Serious breach
38	Using technical or other means to subscribe or designate services for users without authorization, which caused users to be overcharged or erroneously charged with vile behavior or means, and which is exposed by the media directly under the central government or investigated by competent national department for responsibilities.	Material breach
Section 12	**Causing group complaints**	
39	Group complaints arise from single service due to Party B, and the number of complaints at provincial level is less than 200 per month.	General breach
40	Group complaints arise from single service due to Party B, and the number of complaints at provincial level is no less than 200, but no more than 500 per month.	Serious breach

41	Group complaints arise from single service due to Party B, and the number of complaints at provincial level is no less than 500 per month.	Material breach
Section 13	**Such service promotional channels as terminals violate related rules**	
42	Setting up built-in services in terminals with terminal manufacturers without authorization, which is not filed in Party A's management system.	Serious breach
43	Collecting fees without providing services through built-in mobile phone services, including but not limited to failure to provide users with services or business content after users subscribe the same; services are unavailable and downloading failed, however fees are deducted.	Serious breach
44	Using technology means to screen the charging standard message sent by China Unicom.	Serious breach
45	Using advertisement ally and any other channels in violation of the requirements made by other industry regulatory departments and China Unicom to promote value-added services.	Serious breach
46	Inducing users to subscribe/designate services through mobile phone built-in value-added services, including but not limited to: direct deduction of fees for user's first click on built-in menu; or use the menu with obscene content or inductive titles to cajole users into subscribing and designating services, to result in fee deductions.	Serious breach
47	Procuring users to subscribe/designate services by compulsory means through value-added services built in mobile phone and other terminals, including but not limited to terminal's automatic sending of subscription short message to result in fee deductions without user's knowledge and any operation.	Material breach
48	Using porn-related unwholesome channels to promote value-added services, including but not limited to: the inclusion of porn-related and unwholesome information in service promotion channels; linking service promotion channels with illegal or law-breaking websites; collection of fees on behalf of porn-related or unwholesome websites.	Material breach
49	Conduction of service promotion through other improper means/channels.	From warning to suspending business for rectification
Section 14	**Using Party A's materials without authorization**	
50	Using Party A's name, label and other related materials without Party A/China Unicom's consent.	General breach
51	Using Party A's name, label and other related materials without Party A/China Unicom's consent, which causes Party A to sustain adverse impact or loss.	Serious breach
Section 15	**Failure to specify related information**	
52	Failure to notify users in detail of any of the following in the service charging standards in accordance with service management rules: Party B's company name, service name, information service fee charging standards, customer service telephone, etc (including the case the foregoing charging standards are not specified in fee deduction message for on demand services).	General breach

53	The mobile information service requires user's multiple times of participation or interaction (award-giving competition or quiz) fails to specify the constitution of the fees for interactive services (including: upper limit of total pieces of the interactive services for a successful participation with the price of ** yuan/piece, upper limit of total amount of possible information service fees and the information excluding communication fees.	General breach
Section 16	**Normal services are unavailable**	
54	Inability to provide users with services or user subscription relationship is canceled due to Party B's service design or system.	General breach
55	Party B is unable to provide normal services at the time user designates any services. Although information service fees are not deducted, Party B fails to send a piece of free service prompt information as required or apply to China Unicom for service withdrawal.	General breach
56	Users are unable to unsubscribe services due to Party B's service design or system.	Serious breach
Section 17	**Collecting fees without services**	
57	Collecting fees from users without providing services	General breach
Section 18	**Network failure**	
58	Party B's system causes Party A's business platform or network to sustain major faults which affects a portion of Party A's regional services (provincial level) due to Party B's service system safety mechanism or service design out of Party B's ill intention or any reason which is not able to be ascribed to third party by Party B.	Serious breach
59	Party B's system causes Party A's business platform or network to sustain major faults which affects Party A's whole network services due to Party B's service system safety mechanism or service design out of Party B's ill intention or any reason which is not able to be ascribed to third party by Party B.	Material breach
Section 19	**Unfair competition**	
60	Carrying out any unfair competition, which disrupts market order.	Serious breach
61	Carrying out any unfair competition, which disrupts market order, Party A's normal operation and causes Party A to sustain economic loss.	Material breach
Section 20	**Improper handling of actions or disputes**	
62	Any action, arbitration or other dispute arising from or in connection with Party B's services, for which Party B fails to provide proper cooperation, timely feedback, reasonable solutions or refuse to provide cooperation.	General breach
63	Any action, arbitration or other dispute arising from or in connection with Party B's services, for which Party B fails to provide proper cooperation, timely feedback, reasonable solutions or refuse to provide cooperation, which results in damage to Party A's interests or adverse impact on Party A.	Serious breach
Section 21	**Failure to provide customer support or the support is inadequate**	
64	Party B's such information as 24-hour customer service telephone is inconsistent with that in Party A's SP service system, or such telephone is unavailable for connection or connected without response.	General breach

65	Failure to provide corresponding customer services in accordance with agreement or service administration rules, prevaricating to or failure to respond to Party A's customer service complaint within the time limit specified in related contract.	Serious breach
Section 22	**Acts in violation of the administrative rules of China Unicom**	
66	Failure to provide operation data, operation analysis, invoice or satisfy other requirements.	Warning
67	Change to information regarding customer service, fax, telephone and contact person without authorization is not filed in time or SP service, customer service or technical interface personnel is not able to be contacted due to other reasons.	General breach
68	Failure to satisfy related requirements to keep user consumption or use records for no less than five months.	General breach
69	Violation of administrative measures and confidentiality provisions of cooperation agreement.	Serious breach
70	Providing falsified documents and qualification certificates at the time of applying for services.	Material breach
Section 23	**Party B's violation is especially serious**	
71	Adverse reporting by the media directly under the central government relating to Party A, which, as ascertained, causes abominable impact due to Party B's liabilities.	Termination of cooperation
72	Party B is investigated by any public security organ, prosecutorial or judicial organ of the State and judged to take criminal liabilities.	Termination of cooperation
Section 24	**Miscellaneous**	
73	Party B is subject to criticism circularized by the government, competent department and social service quality inspection agency or any punishment.	From warning to suspending business for rectification
74	Engaging in any activity damaging the interests of Party A and/or users, or provide any service content damaging the interests of Party A and/or users.	From warning to suspending business for rectification

Note:

1. Unless otherwise agreed in the Main Body, Appendix(es), or this list, the acts listed under the column of "breaches" include various breaches possible arise during value-added services; provided that some breaches will not be applicable to each type of value-added services due to technical or service feature.
2. "Breach grade" is divided into general, serious, material and warning, suspension of settlement, suspending business for rectification, and termination of cooperation, corresponding to the breach punishment methods specified in the Main Body of this Agreement. The division of the breach grade will, in principle, based on the seriousness of the breaches, the loss incurred or possibly incur to Party A/China Unicom or users, and the adverse impact on Party A and/or users. If breach grade fails to specify certain grade but specified the scope, for example, "from general grade to material grade", Party A may choose to apply the breach grade based on the nature of the breaches, the seriousness of the loss incurred to Party A/China Unicom or users, and the adverse impact on Party A and/or users.

3. In addition to the application of this list, Party A may, in accordance with the Main Body of this Agreement, formulate business standards, administration measures, etc.

Appendix 3 Allocation Ratio List

Service type	Settlement payment ratio Unicom: Cooperation Partner
Unicom wireless data service	20:80

Explanations:

1. The receipts of communication fee and basic function fee for various services shall be owned by China Unicom, and will not participate into allocation.
2. Unbalanced communication fees shall be charged for Unicom wireless data services, and the standards shall be: (piece of downlink information –piece of uplink information)*0.05 yuan/piece.

Exhibit 4.114

恒 生 銀 行
HANG SENG BANK

理財創富 專注為你
Managing wealth for you, with you.

Our Ref: Corporate Banking – G140930 [M]

Confidential

16 October 2014

KongZhong Corporation
中國北京海淀區西直門外大街168號騰達大廈35層
郵編 : 100044 (35th floor, Tengda Plaza, No.168 Xizhimenwai Street, Beijing China 100044)

Attention: 楊洋小姐, 執行副總裁 (Ms. Yang Yang, Executive vice president)

Dear Sirs,

BANKING FACILITIES

With reference to our recent discussions, we, Hang Seng Bank Limited (the "**Bank**") are pleased to offer the following banking facility/ facilities (the "**Facilities**") to the borrower(s) specified below (the "**Borrower**").

The Facilities will be made available on the terms and conditions set out in this letter and the Standard Terms and Conditions for Banking Facilities attached and upon satisfactory completion of the security specified below.

The Facilities are subject to review at any time and in any event by **30 September 2015** and also subject to our overriding right of repayment on demand, including the right to call for cash cover on demand for prospective and contingent liabilities. The Bank shall have an unrestricted discretion to cancel or suspend, or determine whether or not to permit drawings in relation to, the Facilities.

1. <u>Borrower</u>

KongZhong Corporation

2. <u>Facilities and Limits</u>

Term Loan Facility	RMB310,000,000
Total Facility Limit	**RMB310,000,000**

3. Facilities and Conditions

Term Loan Facility : Loan Amount: RMB310,000,000 or its equivalent in HKD/ USD

Purpose: To finance the Group's general offshore working capital including dividend payment, offshore procurement and M&A.

Final Maturity Date: 12 months from the date of drawdown or 2 weeks before the expiry date of SBDC (as mentioned under "Security" section below), whichever is earlier.

Drawdown Availability Period: Subject to the fulfilment of Conditions Precedent, this facility will be available within 3 months from the date of this letter.

Drawdown: Drawdown can be made on any Business Day within the availability period by giving the Bank three Business Days prior written notice and the drawdown may be in minimum of RMB10,000,000/ USD1,000,000/ HKD10,000,000 and in its integral multiple.

Each drawdown shall be supported by receipt by the Bank of the SBDC for an amount not less than the proposed drawdown amount, provided that total SBDC issued shall not be less than aggregate amount of drawdown under this facility. Total limit available for drawdown shall not exceed 100% of the total credit amount of the SBDC(s) received at any time.

Disbursement control: The Borrower shall provide to the Bank sufficient documentary proof of loan proceeds satisfying purpose of this facility and direct remittance to 3rd party outside PRC.

Interest Rate and Payment:
For drawdown in RMB: 4% per annum over RMB Prime Rate and payable quarterly.

For drawdown in HKD/USD: 1.35% per annum over 3 month HIBOR/ LIBOR or the Bank's Cost of Funds, whichever is higher, payable at the end of each interest period. No Interest Period shall extend beyond the Final Maturity Date.

Repayment: Repayment in one lump sum on the Final Maturity Date.

All sums which may become due to the Bank from time to time in respect of this facility (including but not limited to principal and interest) are to be directly debited from the account maintained with the Bank.

Prepayment: Prepayment (in whole or in part) is allowed provided that the Bank receives 30 days' prior written notice and such prepayment is made on an interest payment date with a minimum amount of RMB10,000,000/ USD1,000,000/ HKD10,000,000. A prepayment fee 0.5% on the amount prepaid shall be charged. Amount prepaid shall not be available for redrawing thereafter.

Arrangement Fee: 0.25% on Loan Amount and payable upon acceptance of this letter.

Representations and Warranties: Customary for financings of this nature and appropriate in the judgement of the Bank to be applied to the Borrower, including but not limited to the following:

(i) All necessary government and regulatory approvals for this facility to be obtained;

(ii) The borrowings made under this facility will constitute direct, unsecured and unsubordinated obligations of the Borrower and will at all times rank at least pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of the Borrower;

(iii) No material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower, the guarantor or any of its subsidiaries taken as a whole since the first drawdown date of this facility.

Top-up provision: The Borrower shall ensure Loan-To-Valuation Ratio throughout the entire period of this facility shall equivalent to not more than 100% (the exchange rates of RMB/HKD/USD shall be at the discretion of the Bank). The Borrower shall pay down the outstanding balance of this facility within 7 Business Days upon receipt of a notice from the Bank to restore the Loan-To-Valuation Ratio to 100% or below in any event if the Loan-To-Valuation Ratio exceeds 102%.

"Loan-To-Valuation Ratio" means the ratio of aggregate outstanding amount of this facility to the amount of SBDC received by the Bank.

Furthermore, the Borrower shall pay the Bank the remaining outstanding balance of this facility when exchange difference between RMB/HKD/USD occurs upon final maturity or the claiming of the SBDC by the Lender, whichever is earlier, to ensure the principal and interest of this facility are fully settled.

Other Covenants: Customary for financing of this nature and appropriate in the judgment of the Bank to be applied to the Borrower and/or the guarantor(s) throughout the life of this facility, including but not limited to:

(i) The Borrower shall not merge or consolidate with any non-group companies which, in the opinion of the Bank, shall impair the ability of the Borrower to fulfill its obligations under this facility.

(ii) The Borrower shall remain its listing status in NASDAQ and its shares shall not be suspended for trading for more than ten consecutive trading days, unless getting the Bank's consent.

(iii) The Borrower undertakes not to, without the prior written consent of the Bank, sell, transfer, assign or dispose of the whole or a substantial part of its assets or revenues, whether by one transaction or a series of related or unrelated transactions and whether at the same time or over a period of time.

(iv) The Borrower shall not change the nature and scope of business in any material aspect.

(v) The Borrower undertakes that the use of loans, and the flow of, proceeds of any facilities granted by the Bank complies with all applicable legal and regulatory requirements of the People's Republic of China ("PRC") and Laws of HKSAR, and that the Borrower irrevocably and unconditionally undertakes to indemnify the Bank on demand for all losses, liabilities, claims, demand, damage, taxes, costs, charges and expenses of any kind which may be incurred or suffered by the Bank arising out of or in connection with any breach of this undertaking by the Borrower at any time.

(vi) The Borrower shall undertake that the proceeds of this facility will not be directly or indirectly repatriated into PRC.

(vii) The Borrower declares and undertakes that the entry into and performance by the Borrower of, and the utilization of any Facilities or the flow of proceeds drawn under this letter do not and will not conflict with any law or regulation applicable to the Borrower (including without limitation (i) those in force in the PRC and Hong Kong and (ii) those relating to economic sanctions, anti-bribery / corruption, anti-money laundering and anti-terrorist financing). This declaration and undertaking is deemed to be made by the Borrower by reference to the facts then existing on each day during the subsistence of this letter;

(viii) In the case of a drawdown made in a currency different from the currency in which the SBDC referred to in paragraph 4 below is denominated ("SBDC Currency");

(a) payments to be made to the Bank by the issuer of the SBDC should be in the SBDC Currency;

(b) the loan outstanding has to be converted to SBDC currency 1) before claim should there be default or 2) per the issuing bank's request should there be change in PRC policy; and

(c) the Borrower agrees that the Bank shall convert any outstanding indebtedness to the SBDC currency at a rate determined by the Bank to be prevailing in the relevant foreign exchange market at the relevant time, such determination to be conclusive and binding on the Borrower.

(ix) Throughout life of this facility, KongZhong Information Technologies (Beijing) Co., Ltd. and KongZhong China Co., Ltd. should maintain existing respective shareholding of its subsidiary, Beijing AirInbox Information Technologies Co., Ltd. and Shanghai Dacheng Network Technology Co Ltd.

(x) A legal opinion satisfactory to the Bank on the Borrower's capacity to enter into this letter shall be obtained within 3 months after drawdown of this facility.

(xi) The Borrower shall ensure all dividend payout by obligors of the Bank or Hang Seng Bank (China) Limited should be channeled through the Bank or Hang Seng Bank (China) Limited.

"Dividend Payment" means the aggregate of final and interim dividend and other distribution declared, recommended or made.

(xii) The Borrower shall ensure all withholding tax arising from dividend payout should be borne by the Borrower.

Information Covenants: The Borrower and the corporate guarantor(s) shall provide to the Bank other relevant financial or operational information of the Borrower, the guarantor(s) and any of the Group subsidiaries as the Bank may from time to time reasonably request.

Conditions Precedent: Subject to the due diligence in form and substance satisfactory to the Bank, conditions precedent to Drawdown shall include, without limitation, the following:

(i) The relevant loan and security documents have been executed and delivered in form and substance satisfactory to the Bank and registered with relevant authorities. (if any)

(ii) Evidence showing that all necessary government and corporate approvals have been obtained. (if any)

(iii) No event of default is in existence and continuing or would result from the relevant drawing being made and no force majeure event shall exist.

(iv) The Representations and Warranties contained in this letter are true and correct in all material respects.

(v) Documentary proof showing loan proceeds are utilized or to be satisfied in accordance with the purpose of this facility, including but not limited to declaration of dividend payment, interest payment and refinancing of debt.

(vi) Loan proceeds should not be used to finance the acquisition of any company has ownership/direct holding of most of its assets located in the Mainland.

(vii) Loan proceeds will not be directly/ indirectly remitted to any receiving agent of a PRC entity.

Conditions Subsequent: The Borrower shall submit evidence satisfactory to the Bank that the drawdown proceeds is for offshore general working capital needs including the repayment of the Group's offshore interest expenses within 3 months from the drawdown date.

4. Security

The availability of the Facilities is conditional upon the Bank's receipt of the following documents in form and substance satisfactory to the Bank:-

(1) A **Guarantee** in the Bank's standard form for unlimited amount from KongZhong China Co., Ltd.

(2) A **Guarantee** in the Bank's standard form for unlimited amount from KongZhong Information Technologies (Beijing) Co., Ltd.

(3) A **Standby Documentary Credits** for RMB310,000,000 issued or to be issued in favour of the Bank by a reputable bank and in the contents that are acceptable to the Bank. (the "SBDC")

The Borrower and the corporate guarantor(s) (if any) and the corporate security provider(s) (if any) shall provide certified true copies of any consent, license, approval or authorization of, or registration or declaration with any governmental authority, bureau or agency required in connection with the execution, delivery, performance, validity and enforceability of this facility and all other documents required by the Bank.

The Borrower and the corporate guarantor(s) (if any) and the corporate security provider(s) (if any) shall provide such other documents, items or evidence as the Bank may reasonably request from time to time.

5. Undertakings

The Borrower and the under-mentioned undertaking parties (if any) will undertake to the Bank as follows:-

(1) The Borrower shall submit to the Bank a new SBDC or an amendment of any SBDC which the Bank has accepted for the purpose of Clause 4 above, which is acceptable to the Bank and in favour of the Bank, within 14 calendar days prior to the expiry date of any SBDC which the Bank has accepted for the purpose of Clause 4 above.

(2) The Borrower undertakes that for any Facilities denominated in Renminbi (if any), it will not directly or indirectly on-lend the proceeds of such Facilities to (i) any individuals and (ii) any Designated Business Customers if the proceeds of such Facilities (or any other Renminbi proceeds derived therefrom) are directly or indirectly credited to Renminbi accounts for the category of Designated Business Customers which are maintained for limited purposes of handling Renminbi cashnotes obtained in their ordinary course of business as Designated Business Customers and for Renminbi bond investment.

"Designated Business Customers" means establishments that have had a business relationship with a Hong Kong Renminbi business participating bank for more than three years which engage in commercial retail, catering, accommodation, transportation services, communications services, medical services, or educational services, including such establishments that have had a business relationship with such participating bank for less than three years, but with concrete evidence to show that they have the actual relevant business background.

The Borrower shall and agree to indemnify the Bank for all losses and liabilities incurred or suffered by the Bank arising out of or in connection with any breach of the above undertaking by the Borrower.

(3) The Borrower and the corporate guarantor(s) (if any) shall provide to the Bank a certified copy of its annual audited accounts/financial statements (consolidated if applicable) within 120 days after the end of each financial year and such other relevant financial information as the Bank may from time to time reasonably request.

(4) The Borrower and the corporate guarantor(s) (if any) shall provide to the Bank a certified copy of its semi-annual unaudited accounts/financial statements (consolidated if applicable) within 90 days after the end of each financial period and such other relevant financial information as the Bank may from time to time reasonably request.

(5) Each of the Borrower and the corporate guarantor(s) (if any) and the corporate security provider(s) (if any) shall immediately inform the Bank once there are changes of its directors or beneficial shareholders or amendment to its memorandum of association (if any) and articles of association or equivalent constitutional documents and shall ensure that such changes/amendment are updated in the company registry of its place of incorporation promptly.

6. Fees

Upon completing each review of the Facilities, the Bank is authorised to debit the current account maintained by the Borrower with the Bank for the facility review fee as the Bank may prescribe from time to time.

If applicable, a valuation fee shall be payable by the Borrower for the purpose of valuation of the property by surveyor appointed by the Bank in its sole discretion. The Bank is authorised to debit the current account maintained by the Borrower with the Bank for such valuation fee as the surveyor may charge, notwithstanding that the Borrower does not accept this Facility Letter, the Facilities are not made available due to the Borrower failing to comply with the terms and conditions set out in this Facility Letter, or the Facilities are cancelled or suspended at any time.

Section 83 of the Banking Ordinance

Section 83 of the Banking Ordinance (Cap. 155, Laws of Hong Kong) has imposed on us as a bank certain limitations on advances to persons related to our directors or employees. In accepting the Facilities, the Borrower should advise us whether the Borrower is in any way related to any of our directors or employees within the meaning of Section 83 and in the absence of such advice we will assume that the Borrower is not so related. We would also ask that if the Borrower becomes so related subsequent to accepting the Facilities, the Borrower should immediately advise us in writing.

Please note that in reviewing the Facilities, we may make reference to the credit report(s) of the Borrower(s)/guarantor(s)/security provider(s) (as the case may be) from the credit reference agency(ies). If you wish to access the report(s) yourself, you can contact the credit reference agency(ies) directly at the following address:

Commercial credit reference agency:
Dun & Bradstreet (HK) Ltd., Unit 1308-1315, 13/F., BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon.
Tel: 2516 1100 ; Fax: 2960 4721.

Please arrange for the enclosed copy of this letter to be signed by the Borrower and all guarantors and security providers of the Facilities and return the same to the Bank with Board Resolution(s) and Shareholder's Resolution(s) (if applicable) of the Borrower and all guarantors and security providers before **15 November 2014**, failing which our offer shall lapse unless it is extended by us at our absolute discretion.

By accepting this Facility Letter, you would agree to channel all your remittance transactions and insurance arrangement to the Bank. Our Payments and Cash Management Department and General Insurance Sales Department would contact you to offer our services on remittance and insurance respectively.

KongZhong Corporation
Our Ref: Corporate Banking – G140930 [M]

Should you have any queries, please do not hesitate to contact the following persons:-

Queries on	**Name**	**Telephone No.**
Banking arrangement	Mr. Yang Ming David	21983942
Factoring arrangement	Ms. Joan Kwan	21988678
Insurance	Mr. Vincent Mak	36625077
	Mr. John Li	21982522
Remittance	Mr. Billy Chow	21984534
	Remittance Hotline	21986919
Wealth management	Mr. Patrick Lai	21985920
Execution of documents	Documentation Hotline	21982094

Kindly return a signed copy of this letter and other relevant documents to **Credit Services Manager** of **Credit Services & Mortgage Department** at **L21, Tower 2, Enterprise Square V, 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong**.

We trust that you will make active use of the Facilities and are pleased to be of continued assistance.

Yours faithfully,
For Hang Seng Bank Limited

/s/ CHAN Wai Leung
Authorized Signature(s)

/s/ CHUNG Hon-ko, Jones
Authorized Signature(s)

HM/am

KongZhong Corporation
Our Ref: Corporate Banking – G140930 [M]

I/We hereby accept the Facilities and agree to be bound by all the terms and conditions set out in this letter and the Standard Terms and Conditions for Banking Facilities, which I/we have read and understood.

/s/ Leilei Wang
KongZhong Corporation

I/We agree to act as guarantor/ security provider of the Facilities upon the terms and conditions set out in this letter and the Standard Terms and Conditions for Banking Facilities.

/s/ Yingnan Zhang (Sealed)
KongZhong China Co., Ltd.

/s/ Yingnan Zhang (Sealed)
KongZhong Information Technologies (Beijing) Co., Ltd

恒生銀行
HANG SENG BANK

Standard Terms and Conditions for Banking Facilities

1. Definitions and Interpretation

1.1 In the Facility Letter and these Standard Terms and Conditions, unless defined otherwise or the context otherwise requires:-

"Bank" means Hang Seng Bank Limited which includes all its branches and offices wherever situated and its successors and assigns;

"Base Rate" means CNH HIBOR, HIBOR, LIBOR, SIBOR or such other interest rate on the lending and borrowing between banks in other interbank market as may be quoted as the base interest rate for the relevant Facilities and specified in the relevant Facility Letter;

"BLR" means the rate which the Bank announces or applies from time to time as its best lending rate for lending Hong Kong dollars or, if applicable, United States dollars or other foreign currency, which rate is subject to fluctuation at the Bank's discretion;

"Borrower" means the borrower, and where there is more than one borrower, all references to the "Borrower" shall mean all such persons or any one of them specified in the Facility Letter;

"Business Day" means a day (other than a Saturday or a general holiday within the meaning of the General Holidays Ordinance (Cap. 149, Laws of Hong Kong)) on which commercial banks are open for business in Hong Kong and, if applicable, the principal financial centre of the relevant currency or interbank offered rate;

"CNH HIBOR" means the CNH Hong Kong Interbank Offered Rate for the relevant period quoted on the Thomson Reuters Screen Page "CNHHIBOR" at or about 11:15 a.m. two Business Days prior to the first day of the relevant period;

"CNH Offer Rate" means the offer rate for Reminibi finance quoted by the Bank from time to time for the relevant period, which rate is subject to fluctuation at the Bank's discretion;

"Cost of Funds" means the cost to the Bank of funding the Facilities from whatever source(s) it may reasonably select;

"Facilities" means the banking facilities made available by the Bank to the Borrower;

"Facility Letter" means the facility letter issued by the Bank to the Borrower in relation to the Facilities;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"HIBOR" means the Hong Kong Interbank Offered Rate quoted by the Bank for the relevant period, which rate is subject to fluctuation at the Bank's discretion;

"LIBOR" means the London Interbank Offered Rate quoted by the Bank for the relevant period, which rate is subject to fluctuation at the Bank's discretion;

"Margin" means the interest margin (i.e. the percentage rate per annum) specified in the Facility Letter;

"Quotation Day" means in relation to any period for which an interest rate is to be determined, the first day of that period unless market practice differs in the relevant interbank market in which case the Quotation Day will be determined in accordance with market practice in the relevant interbank market (and if quotation would normally be given by leading banks in the relevant market on more than one day, the Quotation Day will be the last of those days);

"RMB Prime Rate" means the rate which the Bank announces or applies from time to time as its base rate for Renminbi finance, which rate is subject to fluctuation at the Bank's discretion;

"SIBOR" means the Singapore Interbank Offered Rate quoted by the Bank for the relevant period, which rate is subject to fluctuation at the Bank's discretion;

"Subsidiary" has the meaning given to it in the Companies Ordinance (Cap. 622, Laws of Hong Kong); and

"Supplement" means a supplement to these Standard Terms and Conditions.

1.2 In the Facility Letter and these Standard Terms and Conditions, unless the context otherwise requires:-

(a) any reference to a person includes an individual, a company, a partnership, a sole proprietorship or an unincorporated body and its successors and assigns;

(b) any reference to a document includes that document as amended, varied, supplemented, replaced or restated in any manner from time to time;

(c) any reference to an enactment includes that enactment as amended or re-enacted and any subsidiary legislation made under it;

(d) words importing the singular include the plural and vice versa and words importing a gender include every gender;

(e) the words "other", "include(s)", "including" and "in particular" do not limit the generality of any preceding words and are not to be construed as being limited to the same class as the preceding words where a wider construction is possible; and

(f) headings are inserted for reference only and are to be ignored in construing the Facility Letter and these Standard Terms and Conditions.

2. Bank's rights

2.1 The Bank reserves the right to terminate any offer of facilities set out in the Facility Letter by notice to the Borrower without giving any reason and the Borrower shall not be entitled to claim any damages or compensation for such termination from the Bank.

2.2 The Bank shall have the right at any time to require any security or further security to be provided by the Borrower or any third party to secure the Facilities or any other obligations of the Borrower to the Bank. At the request of the Bank, the Borrower shall execute such documents and perform such acts as the Bank may consider necessary to create and perfect the required security.

3. Interest

The Bank shall be entitled to debit any interest due and payable by the Borrower under the Facilities from any account of the Borrower maintained with the Bank.

4. Default Interest

Notwithstanding any provisions in these Standard Terms and Conditions and the Facility Letter, all sums (whether principal, interest, fees, charges or otherwise) due but unpaid in respect of the Facilities shall bear default interest at such rate as the Bank may at its absolute discretion determine from time to time.

5. Changes to Calculation of Interest

5.1 Market disruption

(a) If a Market Disruption Event (as defined below) occurs in relation to the Facilities for any interest period, then the rate of interest on those Facilities for that interest period shall be the percentage rate per annum which is the sum of:-

(i) the Margin; and

(ii) the percentage rate per annum notified to the Borrower by the Bank, as soon as practicable and in any event before interest is due to be paid in respect of that interest period, as the Cost of Funds.

(b) "**Market Disruption Event**" means:-

(i) at or about noon on the Quotation Day for the relevant interest period the Bank determines (which determination shall be conclusive and binding) that (aa) it is unable to obtain a quotation to determine the relevant Base Rate applicable for the relevant interest period; or (bb), by reason of circumstances affecting the relevant interbank market generally, adequate or fair means do not or will not exist to ascertain the relevant Base Rate applicable for the relevant interest period; or (cc) the relevant Base Rate is zero or negative or is not available for whatever reasons; or

(ii) at any time on the Quotation Day for the relevant interest period, the Bank determines (which determination shall be conclusive and binding) that the cost to it of obtaining matching deposits in the relevant interbank market would be in excess of the relevant Base Rate.

(c) If a Market Disruption Event shall occur, the Bank shall promptly notify the Borrower thereof.

6. Drawings against Uncleared Funds

If the Bank permits the Borrower to draw against funds to be collected or transferred from any account, the Borrower shall on demand reimburse the Bank in full the amount so drawn if the Bank does not receive the funds in full at the time the Bank ought to have received the same or if, after the Bank has accepted the transfer, the Bank is prevented from collecting or freely dealing with the funds in accordance with usual banking practice.

7. Refusal of Payment

The Borrower hereby irrevocably authorizes the Bank to refuse payment of any cheque, bill or any other document the payment of which would reduce the Borrower's credit balance with the Bank below the amount of total indebtedness owing by the Borrower to the Bank whether actually or contingently.

8. Borrower's Accounts

The Bank may, at any time, continue any existing account and open any new account in the name of the Borrower and no subsequent transactions, receipts or payments involving such new accounts shall affect the liabilities of the Borrower.

9. Representations and Warranties

The Borrower represents and warrants to the Bank that:-

(a) in respect of all transactions under the Facilities it is acting as principal and not as agent;

(b) it is duly incorporated and validly existing under the law of its incorporation;

(c) its total borrowings and liabilities, actual or contingent and including any sums owing hereunder, are within its powers under the terms of its constitutional documents;

(d) it has the power to enter into the Facility Letter and to perform its obligations thereunder and all corporate and other actions required to authorize the execution of the Facility Letter and the performance of its obligations thereunder have been duly taken; and

(e) all acts, conditions and things required to be done, fulfilled and performed in order to ensure that the obligations to be assumed by it under the Facility Letter are legal, valid and binding have been done, fulfilled and performed.

10. Undertakings

10.1 Without prejudice to any other undertakings of the Borrower to the Bank, the Borrower undertakes to the Bank that so long as any of the Facilities are made available to the Borrower or any amount remains outstanding under the Facilities, the Borrower shall at all times promptly advise the Bank of any material adverse change in the condition (financial or otherwise) of the Borrower or any of its Subsidiary and notify the Bank of any litigation, arbitration or proceedings, pending or threatened against the Borrower or any of its Subsidiary which might materially affect the continued operations or financial condition of the Borrower. If the Borrower fails to provide such advice or notice to the Bank within seven (7) days after the Borrower has knowledge of such change or proceedings, all outstandings under the Facilities shall become immediately due and payable and the Bank shall have the right to demand immediate repayment of such outstandings.

10.2 If the Borrower or a shareholder (whether direct or indirect, legal or beneficial) of the Borrower is a company incorporated in a country that permits issuance of bearer shares, the Borrower confirms and warrants that neither it nor such shareholder has issued any bearer shares and further undertakes that neither it nor such shareholder will issue or convert any of its shares or such shareholder's shares (as the case may be) to bearer form without the prior written consent of the Bank.

11. Fees and Expenses

11.1 The Borrower shall on demand pay to the Bank such commission, fees and charges in connection with the Facilities and other services provided to the Borrower (including insurance cover) at such rate, in such amount and in such manner as the Bank may stipulate. The Bank may, from time to time at its absolute discretion and without prior notice to or consent from the Borrower, impose further fees and charges which may be chargeable on the Facilities of the same type and change the terms of the existing and future fees and charges including the rate thereof. The Bank shall be entitled to debit all commission, fees and charges payable by the Borrower from any account of the Borrower maintained with the Bank without prior notice. All commission, fees and charges once paid by the Borrower shall not be refundable.

11.2 All costs and expenses (including legal fees) incurred by the Bank in connection with the Facilities and any matters arising therefrom shall be reimbursed by the Borrower on demand.

11.3 All fees, charges, costs and expenses payable by the Borrower shall continue to be payable notwithstanding that the Borrower's application for the Facilities is not accepted or the Facilities are cancelled, modified or withdrawn at any time.

12. Insurance

Any **property** mortgaged to the Bank shall be insured against the risks of fire, earthquake (fire, shock and flood), landslip and subsidence endorsement, explosion, typhoon, windstorm and flood for an amount which is not less than the reinstatement cost of such property or any other amount as required and determined by the Bank at its sole discretion. The insurance shall be taken out with QBE General Insurance (Hong Kong) Limited or such other insurance company with the Bank's prior approval at the Bank's sole discretion and the insurance policy denoting the Bank's interest as chargee, together with the receipt for premium paid, shall be lodged with the Bank on or before execution of the mortgage over the property; the renewal policy, also with the Bank's interest being denoted thereon, shall be lodged with the Bank no later than 14 days prior to the renewal date of the policy.

Otherwise, the Bank will insure the property on behalf of the Borrower or, as the case may be, the mortgagor, the premium of which shall be debited to the Borrower's or, as the case may be, the mortgagor's account with the Bank. If the insured amount is based on the reinstatement cost, a valuation and administration fee shall be charged for the initial and each subsequent renewal. The Bank may require an updated valuation report at any time as it thinks fit and all valuation fees shall be for the account of the Borrower.

Any **machinery** charged to the Bank shall be insured for the full replacement value of the machinery when it is new. The insurance shall be taken out with QBE General Insurance (Hong Kong) Limited or such other insurance company with the Bank's prior approval at the Bank's sole discretion and the insurance policy noting the Bank's interest as chargee, together with the receipt for premium paid, shall be lodged with the Bank on or before drawdown of the facility. The renewal policy, also with the Bank's interest noted thereon, shall be lodged with the Bank no later than 14 days prior to the renewal date of the policy. Otherwise, the Bank will insure the machinery on behalf of the Borrower or, as the case may be, the chargor, the premium of which shall be debited to the Borrower's or, as the case may be, the chargor's account with the Bank.

13. Taxes

13.1 All payments to be made by the Borrower, any guarantor, security provider or other person (collectively "the obligors" and each "an obligor") to the Bank in respect of the Facilities or under any documents relating to the Facilities shall be made to the Bank as specified by the Bank without any set-off, counterclaim or condition and free and clear of all present and future taxes, deductions or withholdings of any nature whatsoever. If at any time an obligor is required to make any deduction or withholding for or on account of tax or otherwise from any payment to the Bank, the sum due from that obligor in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Bank receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding) a net sum equal to the sum which the Bank would have received had no such deduction or withholding been made or required to be made and it shall be the sole responsibility of the obligors to effect payment of such deduction or withholding to the relevant authority within the applicable time limit. The obligors shall jointly and severally indemnify the Bank against any losses, liabilities, interest, penalties, or costs and expenses payable or incurred by reason of any failure of the relevant obligor to make any such deduction or withholding or to effect payment of such deduction or withholding to the relevant authority within the applicable time limit or by reason of any increased payment not being made on the due date for such payment. Upon request of the Bank, the obligors shall jointly and severally and promptly deliver to the Bank evidence satisfactory to the Bank that such deduction or withholding has been made or (as applicable) any appropriate payment paid to the relevant authority.

13.2 Any fee or charge referred to in the Facility Letter and these Standard Terms and Conditions is exclusive of any value added tax, goods and services tax or any other tax which might be chargeable in connection with that fee or charge. If any value added tax, goods and services tax or other tax is so chargeable, it shall be paid by the relevant obligor at the same time as it pays the relevant fee or charge.

14. Payments

14.1 For the avoidance of doubt, all payments by the Borrower to the Bank pursuant to the Facilities shall be made in immediately available funds.

14.2 All payments by the Borrower to the Bank pursuant to the Facilities shall be made in the currency of the relevant facility or liability or, if the Bank so agrees, in a different currency, in which case the conversion to that different currency shall be made at the Bank's prevailing exchange rate.

14.3 No payment to the Bank pursuant to the Facilities shall discharge the obligation of the Borrower in respect of which it was made unless and until payment in full has been received in the currency in which it is payable under the Facilities and, to the extent that the amount of any such payment shall on actual conversion into such currency at the Bank's prevailing exchange rate fall short of the amount of the obligation expressed in that currency, the Borrower shall be liable for the shortfall.

15. Set-off

The Bank may, at any time and without notice, apply and set-off any credit balance to which the Borrower is entitled on any account with the Bank or any other moneys owed by the Bank to the Borrower in or towards satisfaction of any obligations owed by the Borrower to the Bank. For this purpose, the Bank is authorized to purchase, at its prevailing exchange rate, such other currencies as may be necessary to effect such application with the moneys standing to the credit of such account or to effect conversion of one currency to another in any other manner.

16. Indemnity

The Borrower shall indemnify the Bank, its officers and employees against all liabilities, claims, demand, losses, damages, taxes, costs, charges and expenses of any kind (including legal fees on a full indemnity basis and related expenses, and any claims by any relevant authorities on the Bank for tax in respect of any profits or gains attributable to the Borrower) which may be incurred by any of them and all actions or proceedings which may be brought by or against any of them in connection with the provision of the Facilities or any services in connection with the Facilities to the Borrower or the exercise or preservation of the Bank's powers and rights under the Facility Letter and these Standard Terms and Conditions, unless due to the negligence or wilful default of the Bank, its officers or employees and only to the extent of direct and reasonably foreseeable loss and damage (if any) arising directly and solely therefrom. The Bank is entitled to withhold, retain or deduct such portion from the Borrower's assets in the possession or control of the Bank or such amount from any of the Borrower's accounts with the Bank as it reasonably determines to be sufficient to cover any amount which may be owed by the Borrower under this Clause. This indemnity shall survive notwithstanding the termination of the Facilities or any services in connection with the Facilities or any part of them.

17. Joint Borrowers

Where the Borrower consist of more than one person, each Borrower shall be jointly and severally liable with the other Borrower(s) for all sums payable or owing to the Bank under the Facilities (whether incurred by that Borrower or not). The obligations and liabilities of each Borrower shall take effect immediately upon its acceptance of the Facilities. Each Borrower further agrees that the Bank is not required to make any reference to the other Borrower(s) in relation to the utilization of the Facilities by any Borrower(s).

The obligations and liabilities of each Borrower shall not be affected by (i) any time or indulgence granted to or composition with any other Borrower(s) or any other person; (ii) any change, variation or termination of any agreement or arrangement with any other Borrower(s) or any other person; (iii) any release of, or any neglect to obtain, perfect or enforce, any rights or securities against any Borrower(s) or any other person; or (iv) any unenforceability or invalidity of any obligations of any Borrower(s) or any other persons.

18. Borrower's Consent to Release Information to Guarantors or Third Party Security Providers

The Borrower consents and acknowledges that the Bank may provide the Borrower's information to any proposed or actual guarantor or other third party security provider (or their solicitors) in respect of the Facilities, including:-

(a) any financial information concerning the Borrower;
(b) a copy or a summary of the Facility Letter;
(c) a copy of any formal demand for overdue payment which is sent to the Borrower after it has failed to settle an overdue amount; and
(d) a copy of the latest statement of account provided to the Borrower.

19. Disclosure of Information to Credit Reference Agency

(a) Each Borrower acknowledges and agrees that, subject to sub-paragraph (b) below, any information with respect to such Borrower which is provided by such Borrower at the request of the Bank or collected in the course of dealings between such Borrower and the Bank may be disclosed to, or used and retained by, any credit reference agency or similar service provider for the purpose of verifying such information or enabling them to provide such information to other institutions (1) in order that they may carry out credit and other status checks in respect of such Borrower; (2) for the purposes of reasonable monitoring of any indebtedness while there is a current default by such Borrower as borrower or guarantor and/or (3) to assist them in collecting debts.

(b) For a Borrower which is a limited company:-

(i) Any Borrower may by giving the Bank 90 days' notice in writing revoke the consent contained in sub-paragraph (a) above.
(ii) If any Borrower gives notice to revoke the consent given pursuant to sub-paragraph (a) in accordance with sub-paragraph (b)(i), the Bank may:-

(01) subject to (06) and (07) below, the Bank may continue to disclose information pursuant to sub-paragraph (a) until the notice of revocation given pursuant to sub-paragraph (b)(i) expires;
(02) the Bank may notify all persons to whom the Bank is permitted to disclose information pursuant to sub-paragraph (a) of the fact that a notice of revocation has been given pursuant to sub-paragraph (b)(i);
(03) the Bank may regard the notice of revocation served on the Bank as also applying to the consent such Borrower has previously given in respect of all other credit facilities (including hire purchase or leasing loans) granted to such Borrower by the Bank;
(04) the Bank may terminate the Facilities and any other facilities provided to such Borrower with effect from the date to be advised by the Bank, subject to the terms and conditions by which the relevant facilities are governed;
(05) the credit reference agency or similar service provider may continue to retain information provided to it by the Bank in its internal archive for its internal use but not for provision of such information to other institutions when they seek credit reports;

(06) the Bank may continue to provide information relating to hire purchase and leasing transactions and loans to wholesalers and retailers to finance the acquisition of stock in trade to the credit reference agency or similar service provider notwithstanding revocation of the consent referred to in paragraph (b)(i) above; and

(07) the credit reference agency or similar service provider may continue to provide information relating to hire purchase and leasing transactions and loans to wholesalers and retailers to finance the acquisition of stock in trade and information which is a matter of public record notwithstanding the revocation of the consent referred to in paragraph (b)(i) above.

(c) For a Borrower which is a sole proprietorship or partnership, any Borrower may instruct the Bank, upon termination of an account by full repayment without any refinancing from the Bank, to make a request to the credit reference agency or similar service provider to delete relevant account data from its database, so long as the instruction is given within 5 years after account termination and at no time did the account have a default in payment for a period in excess of 60 days within 5 years immediately before account termination.

(d) Subject to sub-paragraphs (b) and (c), this consent shall remain in effect despite the termination of any Borrower's account or borrowing relationship with the Bank.

(e) This consent is given by the Borrower, or if there are more than one Borrower, by each of the Borrowers severally.

(f) This consent is in addition to and does not affect any agreement or consent contained in any account rules, terms and conditions or other contracts and agreements or documents governing any Borrower's account and/or borrowing relationship with the Bank.

19A. Disclosure of Personal Data and Borrower Information

(a) To enable the Bank to consider whether to make or continue to make available Facilities to the Borrower, the Borrower shall, upon the Bank's request, supply to the Bank from time to time personal data relating to the Borrower and/or other information relating to the Borrower and, where applicable, any of the Borrower's directors, authorized signatories and/or other officers or representatives and failure to do so may result in the Bank's inability to make or continue to make available Facilities to the Borrower.

(b) All information and personal data in relation to the Borrower and, where applicable, each of the Borrower's directors, authorized signatories and/or other officers or representatives and all other information relating to the Facility Letter or the Facilities and any transaction or dealing between each Borrower and the Bank which are in the Bank's possession or control from time to time shall collectively be referred to as "Borrower Information".

(c) The Borrower agrees (for and on behalf of the Borrower and each of the Borrower's directors, authorized signatories and/or other officers or representatives) that the Bank may:-

(i) use, store, disclose, transfer (whether within or outside Hong Kong) and/or exchange any Borrower Information to or with such persons as the Bank may consider necessary including any member of the group of companies of which the Bank is a member ("the Group") for any and all purposes in connection with any service and/or credit or banking facility and/or accommodation provided or to be provided by the Bank or any other member of the Group to the Borrower or to any other person at the request of the Borrower, and/or in connection with matching for whatever purpose (whether or not with a view to taking any adverse action against the Borrower) any Borrower Information with other personal data concerning the Borrower in the Bank's possession, and/or for the purpose of promoting, improving and furthering the provision of other services and/or facilities by the Bank and any other member of the Group to the Borrower or to any other person at the request of the Borrower generally, and/or for the purpose of detecting or preventing money laundering, terrorist financing or other criminal activities, and/or any other purposes and to such persons as may be in accordance with the Bank's general policy on disclosure of personal data and/or other information as set out in statements, circulars, notices or other terms and conditions made available by the Bank to the Borrower from time to time; and/or

(ii) deliver any Borrower Information to any credit reference agency or similar service provider, and in the event of default by the Borrower or by any other person (to whom the Bank has made advances or otherwise give credit or afford Facilities at the request of the Borrower) in performing any obligations or discharging any liabilities to the Bank, to any debt collection agency or similar service provider, and/or provide banker's or credit references to other financial institutions or other parties in respect of the Borrower; and/or

(iii) where the Bank considers it necessary or appropriate, the Bank may transfer any Borrower Information to any service provider (whether situated in or outside Hong Kong) for the purpose of data processing or providing any service on the Bank's behalf to the Borrower. Where the service provider is situated outside Hong Kong in an area where there are less stringent data protection laws, the Bank will impose on the service provider confidentiality undertakings substantially similar to the requirements of the data protection laws in Hong Kong. In any event, the Bank will remain responsible for ensuring the confidentiality of the Borrower Information so transferred.

(d) If the Borrower Information includes information or data of a third party, the Borrower confirms and warrants that the Borrower has obtained the consent of such third party to the provision of such information or data to the Bank for the foregoing purposes and for disclosure to such persons as stipulated above.

20. Severability

If any provision of the Facility Letter or these Standard Terms and Conditions is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect the legality, validity or enforceability of any other provision of the Facility Letter and these Standard Terms and Conditions or the legality, validity or enforceability of such provision in any other jurisdiction.

21. Assignment

21.1 The Borrower may not assign or transfer all or any of its rights, benefits or obligations under or referred to in the Facility Letter and these Standard Terms and Conditions without the Bank's prior written consent.

21.2 The Bank may at any time assign or transfer to any person all or any of its rights, benefits or obligations under or referred to in the Facility Letter and these Standard Terms and Conditions or change its lending office.

22. Changes in Circumstances

Without prejudice to other provisions in the Facility Letter or these Standard Terms and Conditions, if at any time the Bank determines that it is or will become unlawful or contrary to any directive of any agency of any state for it to continue with its obligations under the Facility Letter or if in the Bank's opinion there is a material change in market conditions including increased cost of funds which does not adequately reflect the costs to the Bank of obtaining funding for or makes it unfeasible for the Bank to continue with its obligations under the Facility Letter, the Bank may notify the Borrower of the same in writing and thereupon (unless the Borrower and the Bank reach a suitable alternative arrangement) the Bank's obligations shall be cancelled and the Borrower shall repay the indebtedness and accrued interest thereon and any other sum due to the Bank under the Facility Letter.

23. Certificate by the Bank

A certificate in writing signed by a manager or other duly authorized officer of the Bank stating the interest rate and the amount at any particular time due and payable by the Borrower to the Bank under the Facility Letter, and any other certificate, determination or opinion of the Bank provided in relation to the Facilities, save to the extent of manifest error, shall be conclusive and binding on the Borrower.

24. Amendment

The Bank may, at its absolute discretion, by notice to the Borrower vary, amend or supplement (i) these Standard Terms and Conditions and (ii) if relating to any interest, charges, commissions or fees, the terms of any Facility Letter and/or Facilities. Such variation, amendment or supplement shall take effect on the date of the notice setting out details of such variation, amendment or supplement or, if later, the date specified in the notice.

25. Inconsistency

25.1 In the event of any inconsistency between these Standard Terms and Conditions and any Supplement, the relevant Supplement shall prevail.

25.2 In the event of any inconsistency between the Facility Letter and these Standard Terms and Conditions, the Facility Letter shall prevail.

26. Force Majeure

Without prejudice to other provisions in the Facility Letter or these Standard Terms and Conditions, in the event of the Bank directly or indirectly being rendered unable by reason of force majeure to grant or continue granting the Facilities or any part thereof to the Borrower, such Facilities or any part thereof not utilized whether or not notification, request or application whatsoever has been given to the Bank to drawdown or utilize the Facilities shall cease to be available to the Borrower, and in the case of outstanding transactions, the due date of such transactions shall be postponed until such impediment has ceased to exist, without any liabilities to the Bank. Notwithstanding the occurrence of an event or events of force majeure, interest shall nevertheless continue to accrue on all outstanding transactions until the Bank has received payment for the same.

Force majeure shall mean and include such changes or events of national or international, financial, political or economic conditions or currency availability or exchange rates or exchange controls as (in any case) would make it impossible, unlawful or contrary to any requirement of or request from any central bank or other fiscal monetary authority (whether or not having the force of law) for the Bank to grant or continue granting the Facilities to the Borrower or for the Bank to perform any outstanding transactions, or acts of God, strikes, lockouts, boycotts, blockades (whether or not such strikes, lockouts, boycotts or blockades effected by or upon the Bank or its employees), industrial disturbances, acts of the public enemy, wars (whether declared or not), blockades, insurrections, riots, epidemics, earthquakes, fires, storms, floods, other natural catastrophe, civil disturbances, governmental regulations and any other causes whether of the kind herein mentioned or otherwise not within the control of the Bank.

The Bank shall not be responsible for any damages resulting from any force majeure, no matter how initiated.

Upon occurrence of any event of force majeure, the Bank shall be entitled to demand repayment of all outstandings under the Facilities, and the Bank shall not in any circumstances be liable to the Borrower in respect of any loss or damage suffered by the Borrower as a result of the Bank exercising this right.

27. Governing Law and Jurisdiction

27.1 The Facility Letter, these Standard Terms and Conditions and the Facilities shall be governed by and construed in accordance with the laws of Hong Kong. The Borrower irrevocably submits to the non-exclusive jurisdiction of Hong Kong courts.

27.2 If the Borrower is not ordinarily resident in Hong Kong or a company incorporated under the laws of Hong Kong or a foreign company registered under the Companies Ordinance (Cap. 622, Laws of Hong Kong), the Borrower hereby appoints a process agent (as notified to the Bank) to accept service of any legal process in Hong Kong in connection with the Facilities. The Borrower agrees that any writ, summons, order, judgment or other document shall be deemed duly and sufficiently served on the Borrower when left at or sent by post to the address of the process agent last known to the Bank. The foregoing shall not limit the Bank's right to serve process on the Borrower by any other mode of service.

28. Foreign Exchange

28.1 Purpose

All foreign exchange facilities provided by the Bank to the Borrower are for the Borrower's utilization to cover interest or exchange rate exposure incurred in the normal course of the Borrower's business.

28.2 Utilization

The aggregate amount of utilization under any foreign exchange facility provided by the Bank to the Borrower will be calculated by the Bank on a risk-weighted basis using the Bank's standard risk-weighting algorithms. These will use different weightings for different products, but for a deal of any given nominal amount of a particular product these weightings will be lower for deals of shorter maturities and for deals where the value of a contract on a mark-to-market basis is in favour of the Borrower. The Bank will be pleased to advise the Borrower at any time of the Borrower's current utilization under the limits stated in the Facility Letter. The amount of any and each utilization available to the Borrower shall be calculated by the Bank which calculation shall be conclusive.

28.3 Inconsistency with ISDA Master Agreement

In the event of any inconsistency between the Facility Letter and the ISDA Master Agreement made between the Borrower and the Bank, the Facility Letter shall prevail and the provisions of the ISDA Master Agreement shall be amended to the extent of such inconsistency.

28.4 Authorized Signatories

The Borrower shall at the Bank's request from time to time submit to the Bank the names and specimen signatures of the authorized signatories ("Authorized Signatories") who are authorized to enter into any foreign exchange transaction orally or in writing and to execute any document in relation to such transaction on behalf of the Borrower, including remittance instructions.

28.5 Instructions

The Bank shall agree with the Borrower in writing the use of a password from time to time such that one password shall be in use at any one time and any change in the password shall automatically cancel the validity of the password previously in use. The Bank shall at all times when the Bank's dealing room is in operation be authorized to act on the instructions given verbally by telephone by any one of the Authorized Signatories provided that the valid password is quoted. The Bank may at its absolute discretion determine that some or all of the Authorized Signatories do not need to quote the password and the Bank shall be authorized to act on their instructions/orders without the password being quoted. The Borrower expressly agrees to be conclusively bound by and liable for all the instructions/orders of an Authorised Signatory and all the instructions/orders which the Bank reasonably believes are those of an Authorised Signatory. In the event of dispute, the Borrower agrees to accept the Bank's tape recordings as conclusive evidence of the instructions/orders given verbally by telephone.

28.6 Confirmations

The Bank shall provide the Borrower with a written confirmation of each foreign exchange transaction effected under the Facilities ("FX Transaction"). Any delay or failure in delivering a confirmation shall not affect the validity of the relevant FX Transaction. In the absence of manifest error, all confirmations and statements sent by the Bank shall be conclusive and binding on the Borrower unless, within one Business Day of receipt, notice in writing is given to the Bank of any objection.

Each confirmation issued in respect of a FX Transaction should be checked by the Borrower upon receipt with a copy of which signed and returned to the Bank.

28.7 Bank's rights

The Bank shall have an overriding right to call for cash cover on demand and/or to close out any or all FX Transactions outstanding at any time without further reference to the Borrower and to demand settlement of any balance owing by the Borrower to the Bank.

29. Loan Facility

29.1 Purpose

Each term loan, revolving loan, property instalment loan or other loan facility made available by the Bank to the Borrower shall be used by the Borrower solely for the purpose specified in the Facility Letter.

29.2 Drawdown

29.2a For any term loan or revolving loan facility which allows multi-currencies drawdown, the following provisions shall apply:-

(i) For the purpose of calculating the limit available for drawdown, all non-Hong Kong dollar advances outstanding and intended non-Hong Kong dollar drawdown shall be calculated as the equivalent of the Hong Kong dollar amount at the spot T/T selling rate as quoted by the Bank on the date of drawdown. If as a result of such calculation the intended drawdown (in Hong Kong dollar or other currencies) cause the limit of the facility to be exceeded, the drawdown notice shall be deemed not to have been served.

(ii) For the purpose of determining whether the limit of the facility has been exceeded, on the last day of each interest period (the "Calculation Date") the aggregate of all non-Hong Kong dollar advances outstanding will be calculated as the equivalent of the Hong Kong dollar at the spot T/T selling rate of the relevant currency as quoted by the Bank on the Calculation Date. The effective limit of the facility shall be reduced: (i) by amount undrawn at the end of the availability period, (ii) in accordance with the relevant repayment provision and (iii) by any prepayment made by the Borrower. If as a result of such calculation the limit of the facility is exceeded, the Borrower shall repay such excess within 3 Business Days upon notification by the Bank. Amount repaid to reduce limit excess cannot be re-borrowed.

29.2b Any undrawn amount after the availability period shall be cancelled.

29.2c In respect of any term loan facility, no amount repaid or prepaid can be reborrowed.

29.2d In respect of any term loan or revolving loan facility, no loan or interest period shall extend beyond the relevant final maturity date.

29.2e The Borrower shall on demand indemnify the Bank, without prejudice to any of the Bank's other rights under these Standard Terms and Conditions, against any loss, cost (including but not limited to any break funding costs) or expense sustained or incurred by the Bank as a result of any advances or drawings not being made for any reason after a drawdown notice or notification has been given.

29.3Interest

Interest shall be calculated on the basis of the actual number of days elapsed and (in respect of loans in Hong Kong dollars) a 365-day year or (in respect of loans in currency other than Hong Kong dollars) a 360-day year. Interest shall be calculated up to but excluding an interest payment date.

29.4Repayment

29.4a If any repayment date falls on a day which is not a Business Day, repayment shall be made on the next Business Day unless such Business Day falls on the next calendar month in which case repayment shall be made on the preceding Business Day.

29.4b In respect of any property instalment loan:-

(i) If a monthly instalment due date falls on a day which is not a Business Day, the instalment due date shall fall on the next Business Day, unless that next Business Day falls on the next calendar month in which case the instalment due date shall fall on the preceding Business Day. Interest shall be calculated up to but excluding the date on which an instalment is due and payable. Notwithstanding any contrary provisions in the legal charge over the property, any change in the Bank's best lending rate will be effective on the date on which the change in that rate takes effect and in the event of such change either the amount of monthly instalment or the number of monthly instalments may be varied by the Bank by giving written notice to the Borrower (together with a revised repayment schedule) and the revision shall be effective on the date specified in the notice. If the amount of the instalment is inadequate to cover the interest accrued on the loan during the instalment period, the shortfall shall be carried forward to form part of the accrued interest payable in the subsequent instalments. Overdue instalment payment will be subject to a late charge. On the final instalment due date, the Borrower shall pay to the Bank all outstanding principal, accrued interest and all other sums then due and payable to the Bank.

(ii) Instalments shall be applied first towards payment of interest due on the outstanding loan; next (but only if the Bank shall elect to do so) in repayment of any sums, other than the principal, due and owing by the Borrower to the Bank in respect of the loan; and the balance (if any) shall be applied in reduction of the outstanding principal of the loan.

29.4c The Borrower shall on demand indemnify the Bank, without prejudice to any of the Bank's other rights under these Standard Terms and Conditions, against any loss, cost (including but not limited to any break funding costs) or expense sustained or incurred by the Bank as a result of all or any part of a loan being repaid or prepaid on a day which is not an interest payment date.

29.4d If the Bank receives any payment which is insufficient to discharge all the amounts then due and payable by the Borrower to the Bank under the Facilities, the Bank may apply that payment in such manner and in such order as the Bank may consider appropriate, which shall override any appropriation by the Borrower.

Exhibit 4.115

Private & Confidential

Dated the 30th day of December 2014

KongZhong Corporation
(as Purchaser)

and

Foga Development Co. Ltd.
(as Vendor)

and

Jieguang Zhuang (莊捷廣)
(as Guarantor)

AGREEMENT
relating to the sale and purchase of approximately
7% of the issued share capital

in

FORGAME HOLDINGS LIMITED
(雲遊控股有限公司)

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THIS AGREEMENT is dated 30 December 2014 and is made

BETWEEN:

(1) **KongZhong Corporation**, a company incorporated under the laws of the Cayman Islands and whose registered office is situated at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands (the "**Purchaser**");

(2) **Foga Development Co. Ltd.**, a company incorporated under the laws of the British Virgin Islands and whose registered office is situated at Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands (the "**Vendor**"); and

(3) **Jieguang Zhuang (**莊捷廣**)**, (PRC Identity Card No. : 445122198110117055) at Room 804, Jinhai South Street No. 1, Tianhe District, Guangzhou, Guangdong Province, PRC (the "**Guarantor**").

WHEREAS:

A. Forgame Holdings Limited (雲遊控股有限公司) ("**Target Company**", together with its subsidiaries the "**Target Group**") is a company incorporated in the Cayman Islands with limited liability under the Companies Law and the issued Shares of which are listed on the Main Board (Stock code: 00484) and whose registered office is at the offices of Osiris International Cayman Limited, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 32311, Grand Cayman KY1-1209, Cayman Islands.

B. The Target Group is principally engaged in the development and the publishing of webgames in China.

C. As at the date hereof, 127,054,229 Shares have been issued and fully paid up or credited as fully paid.

D. As of the date hereof, the Vendor is the registered and beneficial owner of the Sale Shares, representing approximately 7% of the total issued share capital of Target Company as at the date of this Agreement.

E. The Vendor has now agreed to sell and the Purchaser has now agreed to purchase the Sale Shares upon the terms and subject to the conditions set out in this Agreement.

BY WHICH IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Defined Terms

In this Agreement), unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to each of them below:

"**Agreement**" means and includes this agreement (including the recitals, Schedules (if any) and Exhibits (if any)) as originally executed and such modification, amendment, addition or supplement from time to time to be agreed between the parties hereto;

"**Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which banks are open in Hong Kong to the general public for business;

"**Companies Law**" means the Companies Law of the Cayman Islands (as consolidated and amended from time to time);

"**Companies Ordinance**" means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time;

"**Completion**" means completion of the sale and purchase of the Sale Shares in accordance with this Agreement;

"**Completion Date**" means 23 January 2015 or such other date as the parties hereto may agree in writing or if Completion does not occur on such date due to the hoisting of Typhoon Signal No. 8 (or above) or Black Rainstorm Warning in Hong Kong, on the immediately following Business Day;

"**Computershare**" means Computershare Hong Kong Investor Services Limited, the Target Company's Hong Kong branch share registrar;

"**Conditions**" means the conditions to Completion set out in Clause 4.1 and
"**Condition**" means any or a specific one of them;

"**Consideration**" means HK$124,506,200;

"**Encumbrances**" means any assignment, dealing, restriction, mortgage, charge, debenture, pledge, lien, title retention, option or right to acquire, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or dispositions or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid, whether or not granted for the purpose of security; "**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Listing Rules**" means the Rules Governing the Listing of Securities on the Stock Exchange;

"**Main Board**" means the main board of the Stock Exchange;

"**PRC**" means the People's Republic of China;

"**Purchaser**" bears the meaning as set forth in the recitals above;

"**RSU Scheme**" means the restricted share units scheme adopted by the Target Company on 1 September 2013;

"**Sale Shares**" means 8,893,300 ordinary shares in the issued share capital of Target Company, representing approximately 7% of the entire issued share capital of Target Company as at the date of this Agreement, registered in the name of, and beneficially owned by, the Vendor;

"**SFC**" means the Securities and Futures Commission of Hong Kong;

"**Share Option Schemes**" means (i) the pre-IPO share option scheme adopted by the Target Company on 31 October 2012 and (ii) the post-IPO share option scheme adopted by the Target Company on 1 September 2013;

"**Shares**" means the ordinary shares in the share capital of Target Company;

"**Stamp Duty Office**" means the Stamp Office of the Inland Revenue Department of Hong Kong;

"**Stock Exchange**" means The Stock Exchange of Hong Kong Limited;

"**Target Company**" bears the meaning set forth in the recitals above;

"**Target Group**" bears the meaning set forth in the recitals above;

"**Warranties**" means the representations, warranties and undertakings given by the Warrantors under this Agreement;

"**Warrantors**" means the Vendor and the Guarantor;

"**HK$**" means Hong Kong Dollars, the lawful currency of Hong Kong; and

"**%**" means per cent.

1.2 Headings and Contents

The headings and the tables of contents in this Agreement do not affect its interpretation.

1.3 Singular/Plural and Gender

Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing one gender include the other gender and the neuter.

1.4 Time

Any reference to time is a reference to the time in Hong Kong.

1.5 Clauses/Schedules

This Agreement includes its Schedules. Unless the context otherwise requires, any reference to a "Clause" or "Schedule" in this Agreement is a reference to a clause or a schedule to this Agreement and, unless otherwise indicated, a reference to a Clause includes all the sub Clauses of that Clause.

1.6 Statutory provisions and others

References to ordinance, statutes, statutory provisions, rules or regulations shall where the context so admits or requires be construed as references to those ordinance, statutes, statutory provisions, rules or regulations as respectively replaced, amended, consolidated, extended, or re-enacted or as their application is modified by other ordinance, statutes, statutory provisions, rules or regulations from time to time and for the time being in force, and shall include any subordinate legislation, rules or regulations made under such ordinance, statutes, statutory provisions, rules or regulations.

2. SALE AND PURCHASE

2.1 Sale and Purchase of Sale Shares

On the terms and subject to the conditions set out in this Agreement, the Vendor shall sell and the Purchaser shall purchase the Sale Shares in each case with effect from the Completion Date free from all Encumbrances and with all rights attached or accrued at Completion or subsequently becoming attached or accrued to it, including the right to receive all dividends and other distributions declared prior to Completion and in respect of which the record date for such dividend or other distribution is on or after the Completion Date.

3. CONSIDERATION

The aggregate consideration for the sale and purchase of the Sale Shares shall be the sum of HK$124,506,200 and shall be satisfied by the Purchaser at Completion immediately following compliance by the Vendor with all the provision in Clauses 5.2 and 5.2A by way of electronic transfer to a bank account nominated by the Vendor in immediately available funds in accordance with Clause 5.3(c).

4. CONDITIONS PRECEDENT

4.1 Completion under this Agreement is subject to and conditional upon each of the following conditions being fulfilled or waived in accordance with Clause 4.5 on or before Completion:

(a) the current listing and trading of the Shares on the Main Board not having been suspended (save for suspension of trading for a period of not more than 15 consecutive trading days or otherwise pending clearance of relevant Stock Exchange announcements pursuant to the Listing Rules), cancelled or withdrawn;

(b) neither the Stock Exchange nor the SFC having indicated that the current listing and trading of the Shares on the Stock Exchange will be suspended (other than for reasons of clearance of relevant Stock Exchange announcements pursuant to the Listing Rules), cancelled or withdrawn before or after Completion or that it will object to the continued listing and trading of the Shares on the Stock Exchange, whether or not for reasons related to or arising from the transactions contemplated under this Agreement;

(c) the representations, warranties and undertakings of the Warrantors as set out in Clause 7 given as at the date of this Agreement and repeated between the date of this Agreement and the Completion Date and on the Completion Date being true, accurate and not misleading in all material respects;

(d) there shall not be any injunction, judgment, order, decree, administrative orders, ruling or charge in effect preventing consummation of any of the transactions contemplated by this Agreement; and

(e) there being no ongoing, pending or (to the knowledge of the Vendor) threatened third party legal proceedings in any courts or government organisations which shall prevent consummation of any of the transactions contemplated by this Agreement.

4.2 The Warrantors shall each use their reasonable endeavours to procure fulfillment of the Conditions as soon as possible and in any event before Completion.

4.3 If any Warrantor becomes aware of any matter, circumstance or thing that might prevent a Condition from being satisfied, he/it shall as soon as reasonably practicable inform the Purchaser in writing.

4.4 If any Condition has not been satisfied or waived in accordance with Clause 4.5 by 11:30 a.m. on the Completion Date, each party hereto may by notice in writing to the other party:

(a) postpone Completion to a later date, being not more than ten (10) Business Days (or such later date as the Purchaser and the Vendor may mutually agree) in which event the provisions of this Agreement shall apply as if that other date is the Completion Date; or

(b) terminate this Agreement in which event the provisions of Clause 9 shall apply.

4.5 The Purchaser may by notice to the Vendor waive, to such extent as it thinks fit, compliance with any of the Conditions in whole or in part on or before the Completion Date but without prejudice to any other right which it may have under this Agreement.

5. COMPLETION

5.1 Completion

Completion shall occur at 16th Floor, Man Yee Building, 60 -68 Des Voeux Road Central, Central, Hong Kong at 11:30 a.m. on the Completion Date when the matters set out in Clauses 5.2 to 5.3 below shall be transacted, subject to the terms and conditions of this Agreement.

5.2 Upon Completion, the Vendor shall deliver or procure the delivery to the Purchaser and the Target Company or to its order of all the following:

(a) copy, certified as true and complete by a director of the Vendor, of resolutions of the board of directors of the Vendor approving the execution of, and the performance by the Vendor of its obligations under, this Agreement and other documents necessary for the purpose of effecting the transactions contemplated hereunder; and

(b) such other reasonable documents as may be required to give the Purchaser good title to the Sale Shares and to enable the Purchaser to become the registered owner thereof.

5.2A Upon Completion, the Vendor shall deliver or procure the delivery to the Target Company all the following:

(a) an instrument of transfer and a sold note in respect of the transfer of the Sale Shares duly executed by the registered holder thereof in favour of the Purchaser or its nominee; and

(b) share certificate(s) covering such Sale Shares (there should be four share certificates covering approximately 2%, 2%, 2% and 1%, respectively, of the entire issued share capital of Target Company as at the date of this Agreement).

The Vendor shall deliver copies of the documents referred to in this Clause 5.2A to the Purchaser.

5.2B Upon Completion, the Vendor shall procure the Target Company to, upon its receipt of the relevant documents as referred in Clauses 5.2, 5.2A, 5.3(a), 5.3(b) and 11.11 by the Target Company:

(a) arrange for the stamping of the bought and sold notes and instrument of transfer and to provide proof of such documents being stamped to the Purchaser; and

(b) arrange for the registration of the Purchaser as the registered holder of the Sale Shares and to provide proof of such registration to the Purchaser (including the issuance of share certificates to the Purchaser or its nominee).

5.3 Against compliance and fulfillment of all acts and the requirements set out in Clause 5.2 and 5.2A, the Purchaser shall:

(a) deliver to the Target Company a bought note and the instrument of transfer in respect of the Sale Shares executed by it or, its nominee and copies of such documents to the Vendor;

(b) deliver to the Vendor and the Target Company copies, certified as true and complete by a director of the Purchaser, of resolutions of the board of directors of the Purchaser approving the execution of, and the performance by the Purchaser of its obligations under, this Agreement and other documents necessary for the purpose of effecting the transactions contemplated hereunder;

(c) pay the Consideration (less the Initial Estimation Amount (as defined below)) to the bank account nominated (such nomination being made no later than 9:00 a.m. on the fifth Business Day immediately prior to the Completion Date) and designated, in writing, by the Vendor, in immediately available funds.

The Vendor will pay all Hong Kong seller's ad valorem stamp duty and fixed duty on the instrument of transfer as may be payable in respect of the sale of the Sale Shares to the Purchaser and shall bear in equal shares with the Purchaser all charges, fees and expenses of Computershare including (without limitation) their fees and expenses in effecting the transfer of the Sale Shares and the issue of certificates therefor in board lots to the Purchaser (together, the "**Vendor's Expenses**"), and the Purchaser is hereby authorised to deduct from the payments to be made by it to the Vendor pursuant to the immediately preceding paragraph an amount equals to HK$124,516.50 (the "**Initial Estimation Amount**") (being the initial estimation of the amount of the Vendor's Expenses) for the purposes of paying on the Vendor's behalf such costs, charges, fees and expenses as are payable by the Vendor.

For avoidance of doubt, in the event that the Vendor's Expenses turn out to be: (i) less than the Initial Estimation Amount, the Purchaser shall forthwith return such difference to the Vendor (or its nominee) or (ii) more than the Initial Estimation Amount, the Vendor shall forthwith (but in any event not later than the third Business Day upon the Vendor being notified to pay the difference) pay such difference to the Purchaser or its nominee.

5.4 In the event that the Vendor shall without reasonable ground acceptable to the Purchaser in its reasonable opinion fail to do any or all of the acts and matters required to be done by it under Clauses 5.2 and 5.2A, without prejudice to any other right or remedy available to the Purchaser, the Purchaser may:

(a) defer Completion to a day not more than 14 days after the date fixed for Completion (and so that the provision of this Clasue 5 shall apply to Completion as so deferred);

(b) elect to proceed to Completion so far as practicable but without prejudice to the Purchaser's right to the extent that the Vendor shall not have complied with its obligations hereunder (incluing the right to set another date for the Vendor to comply with those obligations which the Vendor has failed to comply with on the Completion Date); or

(c) rescind this Agreement (but without prejudice to any right, claim and remedy of the Purchaser for any breaches, defaults, failures, non-compliances and non-performances of any terms and conditions of this Agreement on the part of the Vendor including but not limited to the breach of Clause 5 by the Vendor).

5.5 In the event that the Purchaser shall without reasonable ground acceptable to the Vendor in its reasonable opinion fail to do anything required to be done by it under Clause 5.3, without prejudice to any other right or remedy available to the Vendor, the Vendor may:

(a) defer Completion to a day not more than 14 days after the date fixed for Completion (and so that the provision of this Clause 5 shall apply to Completion as so deferred);

(b) elect to proceed to Completion so far as practicable but without prejudice to the Vendor's right to the extent that the Purchaser shall not have complied with its obligations hereunder (incluing the right to set another date for the Purchaser to comply with those obligations which the Purchaser has failed to comply with on the Completion Date); or

(c) rescind this Agreement (but without prejudice to any right, claim and remedy of the Vendor for any breaches, defaults, failures, non-compliances and non-performances of any terms and conditions of this Agreement on the part of the Purchaser including but not limited to the breach of Clause 5 by the Purchaser).

6. CONDUCT OF BUSINESS PENDING COMPLETION

The Warrantors jointly and severally undertake that they shall pending Completion take all steps necessary to ensure that except as required by this Agreement or by any applicable law or in the ordinary and usual course of business of the Target Company, the Target Company shall not carry out any of the following actions and no resolution of the board of directors of Target Company or of its general meeting shall be passed to carry out the same unless the written consent of the Purchaser is obtained:

(a) the alteration of the rights attached to any of the Sale Shares; and

(b) doing, allowing or procuring any act or omission on or before Completion which will constitute a material breach of any of the Warranties.

The Vendor will, and will procure the Target Company to, comply with any requirements of the Stock Exchange regarding the proposed sale of the Sale Shares.

7. WARRANTIES AND UNDERTAKINGS BY THE WARRANTORS

7.1 Warranties

The Warrantors hereby jointly and severally represent, warrant and undertake to and with the Purchaser that the Warranties are now and will be true, accurate and not misleading in all material respects as at the date of this Agreement and at all times up to and including the Completion Date. The Warrantors acknowledge that the Purchaser, in entering into this Agreement is relying on the Warranties and the covenants and undertakings given by the Warrantors hereunder.

7.2 Each of the Warranties are without prejudice to any other Warranties and, except herein expressly or otherwise stated, no provision in any Warranty shall govern or limit the extent or application of any other provision in any warranty.

7.3 The Warrantors hereby jointly and severally represent, warrant and undertake to the Purchaser that:

(a) the Vendor has been duly established, is validly existing under the laws of the British Virgin Islands, is of good standing and is able to pay its debts as they fall due;

(b) the Vendor is the registered and beneficial owner of the Sale Shares and is entitled to sell and transfer the full legal and beneficial ownership of the Sale Shares to the Purchaser or its nominee free from Encumbrances with effect from the Completion Date and with all rights attached or accrued at Completion or subsequently becoming attached or accrued to it;

(c) no order has been made or petition presented or resolution passed for the winding up of the Vendor and no distress, execution or other process has been levied on any of its assets. The Vendor is not insolvent nor unable to pay its debts, no receiver or manager has been appointed by any person of its business or assets or any part thereof, no power to make any such appointment has arisen, the Vendor has taken no steps to enter liquidation and, so far as the Warrantors are aware, there are no grounds on which a petition or application could be based for the winding up or appointment of a receiver of the Vendor;

(d) no order has been made or petition presented for the bankruptcy of the Guarantor and no distress, execution or other process has been levied on any of the Guarantor's assets. The Guarantor is not insolvent nor unable to pay his debts; the Guarantor has taken no steps to declare bankruptcy and, so far as the Guarantor is aware, there are no grounds on which a petition or application could be based for the bankruptcy of the Guarantor;

(e) the Sale Shares represent approximately 7% of all of the issued ordinary shares in the capital of Target Company as at the date of this Agreement;

(f) there are no Encumbrances and there is no agreement or commitment to give or create any Encumbrance on, over or affecting any of the Sale Shares;

(g) no person has any right to alter or require any alteration to the share or loan capital of Target Company except (i) disclosed by the Target Company in the public domain prior to the date of this Agreement and (ii) pursuant to the Share Option Schemes and/or the RSU Scheme;

(h) there is no liability attaching to the Sale Shares and the Sale Shares are not subject to any claim, demand, dispute, action, suit, investigation or legal or analogous proceedings;

(i) the Sale Shares have been properly and validly issued and are fully paid up and rank *pari passu* in all respects with the other issued Shares and at Completion, it will be entitled to and will sell and transfer, or procure the sale and transfer of, the full legal and beneficial ownership in the Sale Shares free from all Encumbrances at the date of this Agreement;

(j) all necessary approvals, consents, authorisations and licenses required to be obtained by the Vendor and the Guarantor in relation to the execution and performance of this Agreement (if any) have been obtained;

(k) the Vendor and the Guarantor have full power and authority and the legal capacity to enter into and perform its obligations under this Agreement and each document to be delivered by it at Completion, when executed, will constitute legal and binding obligations enforceable in accordance with its terms;

(l) the Vendor's and the Guarantor's execution, delivery and performance of this Agreement does not and shall not violate in any respect any provision of:

(i) any law or regulation or any order or decree of any governmental authority, agency or court of Hong Kong and any other jurisdiction to which it is subject; or

(ii) the laws and documents incorporating and constituting it; and/or

(iii) any agreement or other undertaking to which it is a party or which is binding upon it or any of its assets, and does not and shall not result in the creation or imposition of any Encumbrance on any of its assets pursuant to the provisions of any such agreement or other undertaking.

(m) the Vendor will be responsible for any fixed and ad valorem stamp duty payable by the seller and will indemnify the Purchaser against any liability, claim, cost, charge or expense in respect thereof or in connection therewith; and

(n) the information contained in the Recitals is true and accurate.

7.4 The Warranties shall be deemed to be repeated by the Warrantors between the date of this Agreement up to and at the Completion Date with reference to the facts then subsisting and shall remain in full force and effect notwithstanding Completion and the transfer of the Sale Shares to the Purchaser.

7.5 The Warrantors agree that each of the Warranties shall be separate and independent to the intent that the Purchaser shall have a separate claim and right of action in respect of any breach thereof.

7.6 The Warrantors hereby undertake to indemnify and keep the Purchaser fully indemnified in readily available cash against all losses, claims, and liabilities suffered by the Purchaser as a result of or in connection with any breach of any of the Warranties including, but not limited to any costs and expenses (including without limitation reasonable legal costs and expenses) incurred as a result of such breach. This indemnity shall be without prejudice to any other rights and remedies of the Purchaser in relation to any breach of any of the Warranties or any other parts of this Agreement, and all other rights and remedies are expressly reserved to the Purchaser.

7.7 The Warranties shall survive Completion and the rights and remedies of the Purchaser in respect of any breach of the Warranties shall not be affected by the Purchaser rescinding, or failing to rescind this Agreement, or failing to exercise or delaying the exercise of any right or remedy, or by any other event or matter whatsoever, except by way of a specific and duly authorised written waiver or release of the Purchaser and no single or partial exercise of any right or remedy shall preclude any further or other exercise.

7.8 The Purchaser shall be entitled to take action after Completion in respect of any breach or non-fulfillment of any of the Warranties and Completion shall not in any way constitute a waiver of any right of the Purchaser.

7.9 The Warrantors hereby jointly and severally undertake in relation to any Warranties which refer to the knowledge, information or belief of the Warrantors that they have made reasonable enquiry into the subject matter of that Warranty and that it does not have the knowledge, information or belief that the subject matter of that Warranty may not be correct, complete or accurate.

7.10 The Warrantors shall as soon as reasonably practicable inform the Purchaser in writing of any fact, matter, event or circumstance which renders any of the Warranties untrue, inaccurate or misleading or will give rise to a material breach of any of the Warranties.

8. GUARANTEE BY THE GUARANTOR

8.1 In consideration of the Purchaser agreeing to enter into this Agreement, the Guarantor hereby unconditionally and irrevocably as primary obligor guarantees to the Purchaser the due and punctual performance by the Vendor of all its obligations under this Agreement and undertakes to indemnify and keep indemnified the Purchaser against all losses, damages, costs and expenses of whatsoever nature which may be suffered or incurred by it by reason of any default on the part of the Vendor in the due and punctual performance of the said obligations.

8.2 Subject to Clause 8.3, the Guarantor shall not be discharged or released from its undertakings under this Clause by any arrangement made between the other parties or by any alteration in the obligations on the part of the Vendor or any of it under this Agreement or by time or other indulgence granted by the Purchaser.

8.3 This guarantee and undertaking shall remain in force (regardless of any change in shareholding or control of the Vendor or any of it) for so long as the Vendor has any liability or obligation under this Agreement.

8A. LOCK-UP

The Purchaser agrees that it will not (i) sell or dispose of (or create any agreement to sell or dispose of) the Sale Shares or (ii) pledge or create any Encumbrance (or create any agreement to pledge or create any Encumbrance) on the Sale Shares, for a period of six months commencing from the date of Completion.

9. TERMINATION

If this Agreement is terminated pursuant to Clause 4.4(b) or Clauses 5.4 and 5.5, all rights and obligations of the parties hereto shall cease immediately upon termination except that:

(a) termination shall not affect the then accrued rights and obligations of the parties hereto unless otherwise specified herein; and

(b) termination shall be without prejudice to the continued application of Clauses 1, 9, 10 and 11 which shall remain in full force and effect.

10. CONFIDENTIALITY AND ANNOUNCEMENTS

10.1 Subject to the provisions of Clause 10.2, any applicable statutory or regulatory rules or otherwise as may be required by any court, relevant stock exchange, government or any other regulatory body with competent jurisdiction, each party hereto shall at all times keep confidential and not directly or indirectly disclose or make use of any information in its possession relating to any other party, or make any public announcement in relation to the transactions the terms of which are set out in this Agreement or the transactions or arrangements hereby contemplated or herein referred to or any matter ancillary hereto or thereto (together the "**Information**") without the prior consent of the other (which consent shall not be unreasonably withheld or delayed).

10.2 The restrictions contained in Clause 10.1 shall not apply:

(a) to prevent any party from making any disclosure to such of the directors, officers or employees of and any financial, legal or other professional advisers, lenders or auditors engaged by the Vendor, the Purchaser, the shareholders of the Vendor and the Purchaser and/or their respective holding companies or subsidiaries (having the meanings ascribed to them under the Companies Ordinance) who are involved in or have been engaged in connection with the transactions contemplated under this Agreement (together the "**Authorised Persons**"), in each case only where such Authorised Persons shall comply with or are subject to similar non-disclosure obligations;

(b) if and to the extent that disclosure is required for the purpose of any judicial, arbitration or similar proceedings, or at the request of a relevant stock exchange, government or any other regulatory body with competent jurisdiction, ; or

(c) in respect of any Information which is or becomes generally available to the public otherwise than by a breach of Clause 10.1 by any of the parties; or

(d) to any Information which is already in the possession of the receiving party at the time of disclosure, otherwise than due to a breach of any obligations of confidentiality on the disclosing party; or

(e) to any public announcement or press release made by the Target Company pursuant to the rules of any relevant stock exchange or regulatory body with competent jurisdiction, provided that the Vendor had consulted the Purchaser on the contents of such press release or public announcement, insofar as such consultation is reasonably practicable and permitted by relevant laws and regulations; or

(f) to any public announcement or press release made by the Purchaser pursuant to the rules of any relevant stock exchange or regulatory body with competent jurisdiction, provided that the Purchaser had consulted the Vendor and the Target Company on the contents of such press release or public announcement, insofar as such consultation is reasonably practicable and permitted by relevant laws and regulations.

11. GENERAL PROVISIONS

11.1 Entire Agreement

This Agreement contains the entire agreement between the parties hereto as to their subject matter and supersede any previous agreements (whether written or oral) between the parties relating to their subject matter.

11.2 Remedies Cumulative

The rights of the parties hereto under this Agreement are cumulative and do not exclude or restrict any other rights (except as otherwise provided in the Agreement).

11.3 No Waiver

No failure or delay by a party hereto to exercise (in whole or in part) any right under this Agreement or otherwise will operate as a waiver of that right or any other right nor will any single or partial exercise of any such right preclude any other or further exercise of that right or the exercise of any other right. A waiver of any breach of any provision of this Agreement shall not be effective, or implied, unless that waiver is in writing and is signed by the party against whom that waiver is claimed. No consent or approval to be given pursuant to this Agreement shall be effective unless it is in writing and signed by the relevant party giving such approval or consent.

11.4 Time of the Essence

Time is of the essence of this Agreement as regards any time, date or period specified for the performance of an obligation and as to any dates and periods which may, by agreement in writing between the parties hereto, be substituted therefor.

11.5 Severance

If any provision of this Agreement is not or ceases to be legal, valid, binding and enforceable under the law of any jurisdiction, neither the legality, validity, binding effect or enforceability of the remaining provisions under that law nor the legality, validity, binding effect or enforceability of that provision under the law of any other jurisdiction will be affected.

11.6 Amendments

No amendment to this Agreement will be effective unless in writing and executed by all the parties hereto.

11.7 Further Assurance

The Vendor shall execute, do and perform or procure to be executed, done and performed by other necessary parties all such further acts, agreements, assignments, assurances, deeds and documents as the Purchaser may reasonably require to vest effectively the legal and beneficial ownership of the Sale Shares in the Purchaser.

11.8 Counterparts

This Agreement may be executed in any number of counterparts and by each party hereto on separate counterparts, each of which is an original but, together, they constitute one and the same agreement.

11.9 Successors and Personal Representatives

This Agreement is binding on the successors and permitted assigns of each party.

11.10 Assignment

The rights or obligations of a party under this Agreement are incapable of assignment except with the prior written consent of all the other party to this Agreement.

11.11 Expenses

Each party hereto is responsible for its own legal and other expenses incurred in the negotiation, preparation and completion of this Agreement. Stamp duty in connection with the transactions contemplated in this Agreement (including the transfer of the Sale Shares) shall be borne as to 50% by the Vendor on the one part and the remaining 50% of the stamp duty shall be borne by the Purchaser on the other part. All charges, fees and expenses of Computershare including (without limitation) their fees and expenses in effecting the transfer of the Sale Shares and the issue of certificates therefor in board lots to the Purchaser shall be borne as to 50% by the Vendor on the one part and the remaining 50% shall be borne by the Purchaser on the other part.

The Vendor and the Purchaser shall cooperate with the Target Company to provide such information as is requested by the Stamp Duty Office and/or Computershare, and the Vendor shall procure the Target Company to submit the relevant bought and sold notes and instrument of transfer for adjudication by the Stamp Duty Office.

Subject to Clause 5.3(c), after the Target Company has received the relevant stamping request from the Stamp Duty Office (and the Vendor shall procure the Target Company to notify the Purchaser of the same as soon as reasonably practicable), the Purchaser shall remit payment in immediately available funds to the bank account nominated by the Target Company in the aggregate amount specified in such stamping request within five Business Days after such nomination, to enable the Target Company to arrange for the stamping of the relevant bought and sold notes and instrument of transfer.

Subject to Clause 5.3(c), after the Target Company has received the amount of charges, fees and expenses from Computershare (and the Vendor shall procure the Target Company to notify the Purchaser of the same as soon as reasonably practicable), the Purchaser shall remit payment in immediately available funds to the bank account nominated by the Target Company in an amount equals to the amount of such charges, fees and expenses within five Business Days after such nomination, to enable the Target Company to arrange for the registration of the Purchaser as the registered holder of the Sale Shares (including the issuance of share certificates to the Purchaser or its nominee).

11.12 Notices

All notices, requests, demands, claims or communication under this Agreement must be in writing and may, without prejudice to any other form of delivery, be delivered personally or sent by post or transmitted by fax to the address set out below or at such other address or fax number as the addressee may by three (3) Business Days' prior notice have notified to the other party in writing:

To the Purchaser:

Address:	35F, Tengda Tower, No. 168 Xiwai Street, Haidian District, Beijing, PRC
Facsimile:	(+86) 10 6810 9402
Attention:	Fan Tai / Zhu Jiang Hua

To the Vendor:

Address:	Floor 33A, Fu Li Ying Long Plaza, No.76 West Huangpu Road, Tianhe District, Guangzhou, 510623, the People's Republic of China
Facsimile:	(+852) 3796 2600
Attention:	Mr. ZHUANG Jieguang

To the Guarantor:

Address: Floor 33A, Fu Li Ying Long Plaza, No.76 West Huangpu Road, Tianhe District, Guangzhou, 510623, the People's Republic of China

Facsimile: (+852) 3796 2600

Attention: Mr. ZHUANG Jieguang

Any notice or communication so addressed to the relevant party shall be deemed to have been delivered: (a) if given or made by personal delivery, when actually delivered to the relevant address; (b) if sent by post, on the second (2nd) Business Day after the date of posting, if local, or on the seventh (7th) Business Day after the date of posting, if outside of Hong Kong; and (c) if given or made by facsimile, when despatched subject to machine-printed confirmation of receipt being received by the sender.

In proving service it shall be sufficient to prove that the envelope containing such notice was properly addressed and delivered to the address shown thereon or that the facsimile transmission was made and a facsimile confirmation report was received, as the case may be.

11.13 Governing Law and Jurisdiction

This Agreement is governed by and will be construed in accordance with Hong Kong law.

The parties hereto submit to the non-exclusive jurisdiction of the Hong Kong courts and each party waives any objection to proceedings in Hong Kong on the grounds of venue or inconvenient forum.

11.14 Process Agent

The Vendor hereby appoints Forgame Holdings Limited of 16th Floor, Man Yee Building, 60 - 68 Des Voeux Road Central, Central, Hong Kong Hong Kong as its agent to receive, for itself and on its behalf, service of process in any proceedings in Hong Kong. Such service shall be deemed completed on delivery to the process agent (whether or not it is forwarded to and received by the Vendor). If for any such reason the process agent ceases to be able to act as such or no longer has an address in Hong Kong, the Vendor irrevocably agrees to appoint a substitute process agent acceptable to the Purchaser, and to deliver to the Purchaser a copy of the new agent's acceptance of appointment, within 10 days of such acceptance. The appointment of the substitute process agent shall not become effective for the purpose of this Clause 11.14 until the Purchaser receives a copy of the new agent's acceptance of appointment.

The Purchaser hereby appoints Forgame Holdings Limited of 16th Floor, Man Yee Building, 60 - 68 Des Voeux Road Central, Central, Hong Kong Hong Kong as its agent to receive, for itself and on its behalf, service of process in any proceedings in Hong Kong. Such service shall be deemed completed on delivery to the process agent (whether or not it is forwarded to and received by the Purchaser). If for any such reason the process agent ceases to be able to act as such or no longer has an address in Hong Kong, the Purchaser irrevocably agrees to appoint a substitute process agent acceptable to the Vendor, and to deliver to the Vendor a copy of the new agent's acceptance of appointment, within 10 days of such acceptance. The appointment of the substitute process agent shall not become effective for the purpose of this Clause 11.14 until the Vendor receives a copy of the new agent's acceptance of appointment.

AS WITNESS this Agreement has been signed and executed by the duly authorised representatives of the parties the date first above written.

SIGNED by Wang Leilei for and on behalf of **KongZhong Corporation** in the presence of:-	)))))	/s/ Leilei Wang
Name: Title:		
SIGNED by Jieguang ZHUANG for and on behalf of **Foga Development Co. Ltd.** in the presence of:- /s/ Xiaoping SHEN	)))))	/s/ Jieguang ZHUANG
Name: Fiona Shen Title: Assistant to CFO		
SIGNED, SEALED AND DELIVERED by Jieguang ZHUANG in the presence of:- /s/ Xiaoping SHEN	)))	/s/ Jieguang ZHUANG
Name: Fiona Shen Title: Assistant to CFO.		

Exhibit 4.116

Option Agreement

THIS OPTION AGREEMENT *(this "Agreement")* is entered into by and among the following parties *(the "Parties")* on December 1, 2014.

Party A: KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F, Tengda Plaza, No.168 Xiwai Street, Haidian District, Beijing, 100044, China

Party B:
Jia Tao; ID No.: 110105197802109636
Address: 35F, Tengda Plaza, No.168 Xiwai Street Haidian District, Beijing, PRC.

Chen Junhong; ID NO.: 350203197504274032
Address: Rm.17, No.442, Siming South Road, Siming District Xiamen, Fujian, PRC

Party C: Xiamen Xinreli Technology Co., Ltd.
Address: Room 14A, Lianfu Office Building, No.2. Lianqian West Road, Siming District.

WHEREAS

1. Party A is a wholly foreign-owned enterprise registered and valid existing in the PRC.

2. Party C is a limited liability company registered in the PRC.

3. Shareholder I and Shareholder II of Party B (the "Authorizing Parties") are the shareholders of Party C.

4. To guarantee the performance of Exclusive Consulting and Services Agreement between Party A and Party C, Party A and Party B has entered into Share Pledge Agreement. For security the above mortgage, and considering the technical support to Party C provided by Party A, and the friendly cooperative relationship between the Parties, the parties hereby enter agreement as follows:

1. GRANT OF THE OPTION

1.1 Grant

The Authorizing Parties hereby grant to Party A an exclusive option to purchase all their respective equity interests in Party C at the lowest price permitted by PRC laws by Party A or its designated third party under the provisions of this Agreement, unless disclosing to Party A and prior consented otherwise in written by Party A. The aforesaid option shall be effected upon this Agreement executed by the Parties and coming into effect. And this authorization shall be irrevocably during the term of this Agreement (including the renewed term under Article 1.2) from the Grant Date.

1.2 Term

This Agreement shall be executed and come into effect as of the date first set forth above and shall last for a period of ten (10)years from the effective date. Upon the request of Party A, the term of this Agreement shall be renewed, or a separate new Option Agreement shall be entered into by the Parties at the request of Party A.

2. EXERCISE OF THE OPTION AND ITS CLOSING

2.1 Timing of Exercise

2.1.1 The Authorizing Parties agree unanimously that with the permission of PRC laws and regulations, Party A may exercise part or full option anytime during the term of this Agreement.

2.1.2 The Authorizing Parties agree unanimously that there is no limitation on the times for Party A to exercise its option, unless Party A has purchased all of the equity interests in Party C.

2.1.3 The Authorizing Parties agree unanimously that Party A may designate in its sole discretion any third party to exercise the options on its behalf, in which case Party A shall provide a prior written notice to the Authorizing Parties.

2.2 Disposal of Exercise Price

The authorizing parties unanimously agree that all exercise prices obtained by an authorizing party in the process of right exercise by Party A shall be used to clear off the debts owed by Party C to Party A under the Exclusive Consultation and Service Agreement, or shall be transferred from the authorizing party to Party C or other third party designated by Party A in a way approved by Party A in writing.

2.3 Transfer

The Authorizing Parties agree unanimously that all or part of the options of Party A under this Agreement may be transferred to a third party without prior consent of the authorizing Parties, which shall be deemed as a party to this Agreement and is entitled to exercise the options under terms of this Agreement, to enjoy the rights and assume the obligations of Party A under this Agreement.

2.4 Notice Requirement

To exercise an Option, Party A shall send an written notice to the Authorizing Parties of such Option is to be exercised 10 days prior to each closing date (as defined below), specifying the following:

2.4.1 The date of the effective closing of such purchase (the "Closing Date");

2.4.2 The name of the person in which the Equity Interests shall be registered;

2.4.3 The amount and the portion of Equity Interests to be purchased from such Authorizing Parties;

2.4.4 The purchase price and means of payment; and

2.4.5 A power of attorney (applicable if a third party has been designated to exercise the Option)

The Parties agree unanimously that Party A is entitled to exercise the Options and elect to register the Equity Interests in the name of a third party as it may designates from time to time.

2.5 Transfer of Stock Rights

Each time when Party A exercises its option, the following works need to be done within ten (10) working days upon receipt of the Notice of Exercise issued by Party A in accordance with Article 2.4 hereof:

(1) The authorizing party shall instruct Party C to timely convene a shareholders' meeting, in which a resolution with regard to the transfer of stocks rights by the authorizing party to Party A and/or its designated third party shall be made;

(2) The authorizing party shall sign a transfer agreement with Party A (or its designated third party where applicable), which is substantively the same as the stock right transfer agreement listed in Attachment 1 hereof in all material aspects; and

(3) All parties to Party B shall sign all other contracts, agreements or documents required, obtain all necessary governmental approvals and consents, and take all necessary measures to transfer the good title of stocks purchased to Party A and/or its designated third party without any conditional secured interest, and shall cause Party A and/or its third party to be the owner of such stocks registered with the administration for industry and commerce, and shall submit Party A or its designated third party with latest business license, Articles of Association, approval certificate (if applicable) and other documents issued or archived in competent Chinese authorities. The change in stock right of Party C or change of its directors or legal representative etc. shall be reflected in the aforementioned documents.

3. REPRESENTATIONS AND WARRANTIES

3.1 The Authorizing Parties hereby represent and warrant as follows:

3.1.1 They have the full power and authority to enter into and perform this Agreement;

3.1.2 The fulfilling of the obligations hereunder does not violate any applicable laws, regulations and contracts, or require any government authorization or approval;

3.1.3 There is no lawsuit, arbitration or other legal or administrative procedures pending which, based on its knowledge, will possibly have material and adverse affects on the performance of this Agreement;

3.1.4 They have already disclosed all conditions that may pose unfavorable influences to the performance of this Agreement to Party A;

3.1.5 They have not been declared bankruptcy and having stable and good financial condition;

3.1.6 Their stock rights in Party C are free from any pledge, security, liabilities or other third-party encumbrance, and are free from third-party claim;

3.1.7 They will not create any pledge, liability or other third party right on Party C's stock rights held, or disposing of its stock rights to any party other than Party A or its designated third party by means of transfer, bestowal, pledge or others;

3.1.8 The options granted to Party A are exclusive, and the Authorizing Parties shall not grant options or similar right to other parties in any ways.

3.1.9 The businesses engaged in by Party C in the duration of this Agreement shall comply with laws, regulations, rules and other administrative provisions and instructions promulgated by other competent government authority and there is no violation of the foregoing provisions, which may have any substantially unfavorable influences to the businesses engaged or the composition of assets.

3.1.10 They will maintain Party C's existence in line with good financial and commercial standards and practices. Operate Party C's businesses prudently and effectively and handle affairs and shall try its utmost efforts to obtain all necessary licenses, permits and official documents etc. required for maintaining its continue operation, and make sure that all these licenses, permits and official documents may not be cancelled, withdrawn or declared void;

3.1.11 They will provide all materials about Party C's operation and finance to Party A upon Party A's request;

3.1.12 Party C shall not engage in any of the following acts unless it has obtained the written consent of Party A (or its designated third party) before Party A (or its designated third party) exercises its option and obtains all stock rights or interests of Party C:

(a) Selling, transferring, pledging or disposing in any other way of any assets, businesses or revenues or allowing to create any secured interests on such assets, businesses or revenues (except those created in normal or routine business or those disclosed to Party A and having obtained Party A' s prior written consent);

(b) Concluding any transaction that may substantively affects its assets, obligations, operation, stock rights and other legal rights (except those created in normal or routine business or those disclosed to Party A and having obtained Party A' s prior written consent);

(c) Distributing dividends in any form to each shareholder;

(d) Creating, inheriting, securing or allowing the existence of any liabilities, except (i) liabilities created in normal or routine operation other than by means of borrowing; and (ii) liabilities already disclosed to Party A and for which the expressly prior written consent of Party A is obtained;

(e) Signing any major contract, except contracts concluded in the process of normal businesses (for the purpose of this paragraph, a contract whose value exceeds RMB 10,000 yuan shall be deemed as a major contract);

(f) Increasing or decreasing the registered capital of Party C through a resolution of shareholders meeting, or separately changing the composition of such registered capital;

(g) Supplementing, amending or modifying the Articles of Association of Party C in any form; or

(h) Merging or uniting any party, or acquiring any party or making investment to any party.

3.1.13 All parties to Party B shall not jointly or severally engage in any of the following acts unless it has obtained the written consent of Party A (or its designated third party) before Party A (or its designated third party) exercises its option and obtains all stock rights or interests of Party C:

(a) Supplementing, amending or modifying the documents alike Articles of Association of Party C in any form, and such supplement, amendment or modification will substantively and adversely affect the assets, responsibilities, operation, stock rights or other legal rights of Party C (except capital increase at the same proportion made to meet legal requirements), or may affect the effective performance of this Agreement and other agreements concluded among Party A, Party B and Party C;

(b) Urging Party C to conclude any transaction that may substantively and adversely affect the assets, obligations, operation, stock rights and other legal rights of Party C (except those created in normal or routine business or those disclosed to Party A and having Party A' s prior written consent);

(c) Urging the shareholders' meeting of Party C to pass a resolution on the distribution of dividends;

(d) Selling, transferring, pledging or disposing in any other form of any legal or beneficial interests of Party C's stock rights at any time from the Effective Date of this Contract, or allowing to create any other secured interests on such rights;

(e) Urging the shareholders' meeting of Party C to approve the selling, transferring, pledging or disposal in any other form of any legal or beneficial interests of Party C's stock rights or to allow the creation of any other secured interests on such rights;

(f) Urging the shareholders' meeting of Party C to approve the merger or union of Party C with any party or the acquisition of or investment to any party, or approve the reorganization in any other form; or

(g) Voluntarily winding up, liquidating or dissolving Party C.

3.1.14 All parties to Party B hereby undertake as follows before Party A (or its designated third party) exercises its option and obtains all stock rights or interests of Party C:

(a) Informing Party A of any occurred or possibly occurring litigation, arbitration or administrative proceeding against its stock rights held or of any circumstance that may pose unfavorable influences to such stock rights in writing immediately;

(b) Urging the shareholders' meeting of Party C to review and approve the transfer of stock rights purchased as specified in this Agreement; urging Party C to modify its Articles of Association so as to reflect the transfer of stock rights from Party B to Party A and/or its designated third party and other alterations mentioned herein, and to make an application immediately with competent Chinese authority (if required by law) and go through relevant change of registration; urging Party C to approve the persons assigned by Party A and /or its third party to assume as the new director or new legal representative through a shareholders' resolution;

(c) Signing all necessary or appropriate documents, taking all necessary or appropriate measures and making all necessary or appropriate accusation or conducting necessary and appropriate defense with regard to all claims, so as to secure its legal and valid ownership to the stock rights;

(d) Immediately transferring its stock rights to a third party designated by Party A unconditionally at any time upon the request of Party A, and giving up the preemptive right enjoyed during the above transfer of stock rights by another existing shareholder; and

(e) Following closely to this Contract and contracts concluded by all parties to Party B and Party A jointly or separately, earnestly fulfilling all obligations under these contracts and not engaging in any feasance or nonfeasance that may affect the validity and enforceability of such contracts.

3.2 Undertaking

The authorized party hereby undertakes to Party A that it will bear all costs arising from the transfer of the stock rights, and will complete all such formalities as are necessary to make Party A or its designated party a full and proper shareholder of Party C. Such formalities include, but are not limited to, assisting Party A with the obtaining of necessary approvals of the equity transfer from relevant government authorities, the submission of the equity transfer agreement and shareholder's resolution to the relevant administrative department of industry and commerce for the purpose of amending the Articles of Association, changing the list of shareholders and other constitutional documents of Party C.

3.3 All parties to Party B hereby jointly and severally represent and undertake as follows on the signing date of this Contract and on each closing date:

(1) Having appropriate rights and capabilities to sign and deliver this Contract and any stock right transfer agreement (named as "transfer agreement") to which it is a party and which concerned with each transfer of stocks purchased in line with this Contract; and to perform its obligations under this Contract and any transfer agreement. This Contract and other transfer agreement to which it is a party after being signed shall constitute legal, effective and binding obligations, which might be compulsively enforced in accordance with its clauses.

(2) The execution and delivery of this Contract or any transfer agreement or the performance of obligations under this Contract or any transfer agreement shall not: (i) Resulting in violation of any Chinese laws and regulations; (ii) Conflicting with its Articles of Association or other constitutive documents; (iii) Resulting in violation of any contract or document to which it is a party or binding upon itself, or constitute a breach of the contract or document to which it is a party or binding upon itself; (iv) Resulting in violation of any granted consent or approval and/or any continuously valid conditions for such grant; or (v) Resulting in the suspension or withdrawal of any consent or approval granted or the creation of supplementary conditions;

(3) All parties to Party B shall hold good and salable title with regard to all stock rights of Party C, but shall not create any secured interests on the above stock rights.

(4) Party C has no outstanding liabilities, except (i) liabilities created in the process of normal operation; and (ii) liabilities already disclosed to Party A and having expressly prior written consent of Party A;

(5) Party C shall comply with all laws and regulations that apply to the acquisition of stock rights and assets.

(6) Not yet any ongoing, pending or possibly occurring litigation, arbitration or administrative proceeding pertaining to the stock rights or assets of Party C for the moment.

4. SPECIAL AGREEMENT

Party B undertakes that with any alternation on proportion of the equity interest in Party C held by Party B, this agreement shall be binding on all the equity interests in Party C.

5. TAXES

All taxes arising from the performance of this Agreement will be paid by each party respectively.

6. BREACH OF AGREEMENT

6.1 If Party B or Party C violates this Agreement of its representations and warranties in this Agreement, the abiding party may notify the default party in writing requesting it to correct its wrongdoings within 10 days of receiving the notice, take corresponding measures to effectively and timely avoid the damages and to resume performing this Agreement. If there are damages, the default party shall compensate the abiding party, causing the abiding party to obtain all receivable rights and interests from the performance of the Agreement.

6.2 If Party B or Party C breaches this Agreement, which causes the other party to bear any expenses, liabilities or suffer any losses, and fails to remedy such breach within ten (10) days upon the receipt of such notice under Article 5.1, the default party shall compensate Party A with respect to such expenses, liabilities or losses (including but not limited to the interests lost or paid due to the breach and attorney fees).

7. GOVERNING LAW AND DISPUTE SETTLEMENT

7.1 Governing Laws

This Agreement shall be governed by the laws of the PRC, including but not limited to the execution, performance, effect and interpretation of this Agreement.

7.2 Friendly Consultation

The Parties shall settle the dispute regarding the interpretation or performance of this Agreement through friendly consultation or mediation by a third party. Any dispute that failing such consultation or mediation shall be submitted to the arbitration authority for arbitration within 30 days after the commencement of such discussions.

7.3 Arbitration

Any dispute in connection with this Agreement shall be submitted to China International Trade Arbitration Committee for arbitration in accordance with its arbitration rules. The arbitration award shall be final and binding on all Parties to this Agreement.

8 CONFIDENTIALITY

8.1 Confidential Information

The contents of this Agreement and the Annexes hereof shall be kept confidential. No Party shall disclose any such information to any third party (except for the part agreed upon by the Parties with a prior written agreement). Each Party's obligations under this clause shall survive after the termination of this Agreement.

8.2 Exceptions

If a disclosure is explicitly required by law, any courts, arbitration tribunals, or administrative authorities, such a disclosure by any Party shall not be deemed a violation of Article 7.1 above.

9. MISCELLANEOUS

9.1 Entire agreement

The Parties hereby agree that this fair and equitable agreement is executed on the basis of equality and mutual benefit. This Agreement constitutes the entire agreement and understanding among the Parties in respect of the subject matter hereof and supersedes all prior discussions, negotiations and agreements among them.

9.2 Notices

9.2.1 Any notices or other correspondences among the Parties in connection with the Performance of this Agreement shall be in writing and be delivered in person, by registered mail, prepaid mail, recognized express mail or facsimile to the following correspondence addresses:

Party A: KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F, Tengda Plaza, No.168 Xiwai Street, Haidian District, Beijing, 100044, China
Fax: 88575872
Tele: 010-88576000
Addressee: Zhang Yingnan

Party B:
Shareholder I, Jia Tao
Address: 35F, Tengda Tower No.168 Xiwai Street Haidian District, Beijing, PRC.
Fax: 85894836
Tel: 85805125
Addressee: Jia Tao

Shareholder II, Chen Junhong
Address: Rm.17, No.442, South Road Siming, Siming District, Xiamen, Fujian, PRC
Fax: 86-592-5161130
Tel: 86-592-5161157
Addressee: Chen Junhong

Party C: Xiamen Xinreli Technology Co., Ltd.
Address:14A, No.2. Lianqian West Road, Siming Distric.
Tax: 86-592-5161130
Tel: 86-592-5161157
Addressee: Pang Xin

9.3.2 Notices and correspondences shall be deemed to have been effectively delivered:

9.3.2.1 At the exact time displayed in the corresponding transmission record, if delivered by facsimile, unless such facsimile is sent after 5:00 pm or on a non-business day in the place where it is received, in which case the date of receipt shall be deemed to be the following business day;

9.3.2.2 On the date that the receiving Party signs for the document, if delivered in person (including express mail);

9.3.2.3 On the fifteenth (15th) day after the date shown on the registered mail receipt, if sent by registered mail;

9.4 Binding Force

This Agreement shall be binding on the Parties.

9.5 Language and Counterparts

This Agreement shall be executed in 3 originals in Chinese, with each party holding one copy.

9.6 Days and Business Day

A reference to a day herein is to a calendar day. A reference to a business day herein is to any day from Monday through Friday in a week.

9.7 Headings

The headings contained herein are inserted for reference purposes only and shall not affect the meaning or interpretation of any part of this Agreement.

9.8 Supplementary articles

The obligations, undertakings and liability under this Agreement to Party B shall be separately collectively and jointly. To be concerned of Party A, any party's breach of the authorized party shall be deemed automatically the breach of the authorized party.

9.9 Party B undertakes that with any alternation in proportion of the equity interest in Party C held by Party C, this Agreement shall be binding on Party B, and all the equity interest in Party C held by Party B shall be bound by this Agreement.

9.10 Unspecified Matters

Any matter not specified in this Agreement shall be handled through discussions among the Parties and resolved in accordance with PRC laws.

[No text on this page. Only for signature]

Party A:
Authorized Representative:

Party B:
Jia Tao

Chen Junhong

Party C:
Authorized Representative:

Appendix I: Equity Transfer Agreement

Equity Transfer Agreement

This Equity Transfer Agreement (hereinafter referred to as the "Agreement") was signed on by and between:

Party A: KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F, Tengda Plaza, No.168 Xiwai Street, Haidian District, Beijing, 100044, China

Party B:
Jia Tao (Shareholder 1), ID No.: 110105197802109636
Address: Room 409, No. 267, West Hexiang Street, Siming District, Xiamen City, Fujian Province, China
Chen Junhong (Shareholder 2), ID No.: 350203197504274032
Address: Room 616, Tower A, COFCO Plaza, No. 8, Jianguomennei Avenue, Beijing, China

Party C: Xiamen Xinreli Technology Co., Ltd.
Address: 14A, Lianfu Building, No. 2, West Lianqian Road, Xiamen, China

Party A, Party B and Party C hereof are referred to as a "Party" individually, and "Parties" collectively.

Whereas:

1. Party A is a wholly foreign owned company registered and valid existing in the PRC.

2. Party C is a completely domestic-funded company registered in Beijing of China. At present, Shareholder 1 of Party B holds 80% equity in Party C, and Shareholder 2 of Party B holds 20% equity in Party B (hereinafter referred to as "Related Equity");

3. Party B is willing to transfer all or part of its equity in Party C to Party A or the third party designated by Party A when Party A or the third party hereby exercise its option, in accordance with the provisions of Option Agreement signed between Party A and Party B as the date of December 1, 2014 ("Equity Transfer").

Therefore, Parties reached the following agreements upon consensus:

1. Equity Transfer

1.1 Party B is willing to transfer the Related Equity to Party A, and Party Ais willing to accept such transfer. Upon the completion of the transfer, Party Awill hold 100% equity in Party C.

1.2 Party A shall, as per Clause 2, pay RMB in total to Party B as the consideration of the Equity Transfer.

1.3 Party B agrees the Equity Transfer action under this Clause; is willing to and will cause other shareholders of Party C (except Party B) be willing to sign necessary documents including the Resolution of the General Meeting of Shareholders and the letters of waiving pre-emption right of Related Equity; and is willing to and will assist in performing other necessary formalities of Equity Transfer.

1.4 Party B and Party C shall, respectively and collectively, be responsible for taking necessary actions, including but not limited to signing the Agreement, adopting the Resolution of the General Meeting of Shareholders, amendments to the Articles of Association, etc, in order to realize Equity Transfer from Party B to Party A; and shall be responsible for completing all governmental approvals or business registration and filing within ten working days upon the signing hereof under the provisions of Option Agreement, in order to make Party A the registered owner of Related Equity.

2. Payment of the Transfer Price

2.1 Party A shall, within five working days upon the execution of this Agreement, pay to Jia Tao _____Yuan, Chen Junhong_____Yuan; within five working days upon the completion of all registration and filing formalities concerning Equity Transfer, pay RMB to Jia Tao, and RMB to Chen Junhong.

2.2 Party B shall give a receipt for every payment as described in Article 2.1 within five(5) days after it has received such payment.

3. Declaration and warranties

3.1 Declaration and warranties of Parties hereof respectively are as follows:

(a) The Party is a legitimately established and validly existing company or an individual with full civil capacity who has complete authority and capacity to sign and implement the Agreement, and other documents related with the Agreement in order to realize the purposes hereof;

(b) The Party has taken, or will take all necessary actions, to properly and validly authorize the signing, delivery and implementation of the Agreement and all other documents related with the transaction hereunder; and such signing, delivery and implementation shall not violate any related laws, regulations and government rules, and shall not infringe the legal interests and rights of any third parties.

3.2 Party B and Party C, respectively and collectively, declare and warrant to Party Aas follows:

(a) Party B legally and validly holds 100% equity in Party C at present; The acquisition and possession of the above 100% equity held by Party B does not have any violation to any laws, governmental regulations and benefits and rights of any third party.

(b) Party C is a limited liability company properly established and validly existing under the laws of China. It has complete capacity for rights and capacity for actions; has the right to own, treat and operate its assets and businesses, as well as carry out the ongoing or planned businesses. Party C has obtained all permits, qualification certificates or other governmental approvals, authorizations, registrations or filing formalities for all businesses specified in its business license;

(c) Party C's actions from the date of execution has not any violation to any laws or governmental regulations;

(d) The equity held by Party B in Party C does not have any security interests or any third party interest;

(e) The Party does not omit the provision of any document or information related to Party C or the businesses of Party C to Party A that may influence the decision of Party Aon signing hereof;

(f) Before the completion of the Equity Transfer, the Party will not, in the form of any feasance or nonfeasance, authorize or cause the issuance of or commitment to issuing new equity on the date of signing hereof, except those that have been issued; and will not change, in any form, the registered capital or the shareholder structure of Party C.

4. Entering into Force and Term of Validity

The Agreement shall be signed and immediately come into force on the date indicated at the beginning hereof.

5. Settlement of Disputes

In the case of disputes concerning the explanation and implementation of articles hereunder, Parties shall settle such disputes in good faith upon negotiation. If Parties fail to reach an agreement concerning the settlement thereof within 30 days upon the day when one Party requests to settle the disputes upon negotiation, any Party can submit such disputes to China International Economic and Trade Arbitration Commission (Beijing) for arbitration as per the prevailing arbitration rules. The location of the arbitration shall be Beijing, and the language used in the arbitration shall be Chinese. The arbitration award shall be final, binding on both parties.

6. Applicable Laws

The effect, explanation and implementation shall be governed by the laws of China.

7. Modification and Supplementation

The modifications and supplementations to the Agreement by Parties shall be in writing agreement. The amendment agreement and supplementation agreement related herewith duly signed by Parties are integral parts of the Agreement, and shall have the same legal effect as the Agreement.

8. Severability

If any term hereunder is invalid or unenforceable due to inconsistence with relevant laws, such terms shall be invalid or unenforceable within the jurisdiction of certain laws and shall not influence the legal effect of other terms hereof.

9. Attachment

Any attachment hereto is an integral part of the Agreement, and shall have the same legal effect as the Agreement.

10. Miscellaneous

(1) The Agreement is written in Chinese, and in copies.

(2) If Party A designates any third party to implement options, the references to Party A herein shall refer to Party A and (or) the third party designed by Party A, as the case may be.

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[This page is the signature page for the Equity Transfer Agreement, no text]

Party A: KongZhong Information Technologies (Beijing) Co., Ltd.
(Stamp)

Party B:

Jia Tao

Chen Junhong:

Party C: Xiamen Xinreli Technology Co., Ltd.
(Stamp)

Exhibit 4.117

EXCLUSIVE CONSULTING AND SERVICES AGREEMENT

This Exclusive Consulting and Services Agreement (the "Agreement") is entered into as of December 1, 2014, between the following two parties ("the Parties").

PARTY A: KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F, Tengda Plaza, No. 168 Xiwai Street, Haidian District, Beijing, 100044, China
PARTY B: Xiamen Xinreli Technology Co., Ltd.
Address: 14A, No. 2. Lianqian West Road, Siming District.

WHEREAS,
1. Party A , a wholly foreign−owned enterprise registered in People's Republic of China under the laws of PRC, with the resources of consulting and services.

2. Party B, a wholly domestic invested limited liability company registered in PRC.

3. Party A agrees to be the provider of technical and consulting services to Party B, and Party B hereby agrees to accept such technical and consulting services.

WHEREAS, Party A and Party B, through friendly negotiation and based on the equality and mutual benefit, enter into the Agreement as follows:

1. TECHNICAL CONSULTING AND SERVICES; OWNERSHIP AND EXCLUSIVE INTERESTS

1.1 During the term of this Agreement, Party A agrees to provide the relevant technical consulting and services to Party B (the content is specified in Appendix 1) in accordance with the Agreement.

1.2 Party B hereby agrees to accept such technical and consulting services during the term of the Agreement. With the consideration of the value of the consulting and services provided by Party A and the friendly cooperative relationship between the Parties, Party B further agrees that, during the term of this Agreement, it shall not utilize any third party to provide such technical and consulting services for such above−mentioned business without the prior written consent of Party A.

1.3 Party A shall be the sole and exclusive owner of all rights, title, interests and intellectual property rights arising from the performance of this Agreement, including, (but not limited to, any copyrights, patent, know–how, commercial secrets and otherwise), whether developed by Party A or Party B based on Party A's intellectual property. Party B shall not entitled to claim any rights, ownerships, benefits, and intellectual property rights to Party A.

Provided that the aforesaid development is based on Party B's intellectual property, Party B shall warranty hereby that there is no defect on such intellectual property. Party B shall indemnity Party A from any and all losses that may arise out of such defect. If any damages asserted against Party A by a third party caused by Party B's violation of the above warranty, Party A shall be entitled to clam such above damages to Party B after it compensating to the third party.

1.4 With the consideration of the friendly cooperative relationship between the Parties, Party B covenant that Party A have the priority on cooperation with Party B in the same condition in case Party B is going to cooperate with other enterprises in respect of any business.

2. CALCULATION AND PAYMENT OF THE FEE FOR TECHNICAL AND CONSULTING SERVICES (THE "FEE")

2.1 The calculate method of service fees under this Agreement shall be negotiated between the Parties based on the actual conditions and shall be entered into a separate Appendix.

2.2 If Party B fails to pay the service fees and other payable fees, Party B shall pay the overdue fines which shall be calculated on a daily basis at 0.05 percent of the amount owned by Party A.

2.3 Party A shall be entitled to assign its employee or Certified Public Accountant from China or other country("the authorized representative")at its own cost to audit the Party B's account to examine the calculate method and amount of the service fees. Therefore Party B shall provide the authorized representative the documents, account books, records, data at the request of the authorized representative. The amount of services fees shall be determined by the authorized representative unless such amount is materially inaccurate.

2.4 Unless consensus is reached, the service fees which Party B shall pay to Party A shall not be deducted in any ways (such as bank charges).

2.5 Furthermore, Party B shall pay actual expenses arouse out of the consulting and services provided by Party A under this Agreement except for the service fees, including but not limited to travel charges, transportation costs, printing expenses, and postage, and so on.

2.6 The parties agree that all the economical losses caused by performing this Agreement shall be borne by Party B.

3. REPRESENTATIONS AND WARRANTIES

3.1 Party A hereby represents and warrants as follows:

3.1.1 Party A is a company duly registered and validly existing under the laws of the PRC;

3.1.2 Party A has full right, power, authority and capacity and all consents and approvals of any other third party and government necessary to execute and perform this Agreement, which shall not be against any enforceable and effective laws or contracts;

3.1.3 The Agreement will constitute a legal, valid and binding agreement of Party A enforceable against it in accordance with its terms upon its execution.

3.2 Party B hereby represents and warrants as follows:

3.2.1 Party B is a company duly registered and validly existing under the laws of the PRC.

3.2.2 Party B has full right, power, authority and capacity and all consents and approvals of any other third party and government necessary to execute and perform this Agreement, which shall not be against any enforceable and effective laws or contracts.

3.2.3 Once the Agreement has been duly executed by both parties, it will constitute a legal, valid and binding agreement of Party B enforceable against it in accordance with its terms upon its execution.

4. CONFIDENTIALITY

4.1 Each Party agrees to use all reasonable means to protect and maintain the confidentiality of the other party's confidential data and information acknowledged or received from the other party (collectively the "Confidential Information". The disclosing party shall inform the confidentiality of such disclosed information to the receiving party, by issuing a written notice, as of the date providing such information). Party B shall not disclose or transfer any Confidential Information to any third party without Party A's prior written consent. (including the receiving party be merged, controlled directly or indirectly by the third party). Upon termination or expiration of this Agreement, each party shall, return all and any documents, information or software contained any of such Confidential Information to the owner or the provider of such information or destroy it, delete all of such Confidential Information from any memory devices, with the consent of the above owner and provider, and cease to use them. Party B shall take necessary measures to keep the Confidential Information to the employees, agents or professional consultants of Party B who are necessary to get to know such Information and procure them to observe the confidential obligations hereunder. Party A and Party B, the employees of Party B, agency, or consultant shall sign specific non-disclosure agreement to act in accordance with.

4.2 The limitation stipulated in Section 4.1 shall not apply to:

4.2.1 The materials available to the public at the time of disclosure;

4.2.2 The materials that become available to the public after the disclosure without fault of the disclosing party;

4.2.3 The materials the disclosing party prove to have got the control neither directly nor indirectly from any other party before the disclosure;

4.2.4 The information that each Party is required by law to disclose to relevant government authorities, stock exchange institute, or that is necessary to disclose the above confidential information directly to the legal counselor and financial consultant in order to keep its usual business.

4.3 Both Parties agree that this article shall survive the modification, elimination or termination of this Agreement.

5. INDEMNITY

5.1 Unless otherwise provided by this Agreement, it shall be deemed a breach, if each party fails to perform all or suspends performing its obligations under this Agreement, and does not remedy the breach within thirty (30) days from receipt of a notice by the other party of redressing such breach, or its presentation or warranty is untrue and unaccuracy.

5.2 If a party fails to perform any of its obligations or breach any representation and warranty under this Agreement, the non-breaching Party is entitled to request the Party in breach, by issuing a written notice, to redress the breach within ten(10)days upon receiving such notice, and take appropriate measures to prevent the aggravation of the loss timely and continue to perform this Agreement. The Party in breach shall compensate to the non-breaching party, the damages to be paid shall be equivalent to the losses caused by the breach of contract, including the interests receivable by the other party had the contract been performed.

5.3 If either party breaches this Agreement, which causes the other party bear any expenses, liabilities or suffer any losses (including but not limited to the profit losses of the Company), the default party shall compensate the abiding party with respect to such expenses, liability or losses (including but not limited to the interests lost or paid due to the breach and attorney fees). The amount of the compensation shall equal the losses due to the breach. The compensation includes the receivable interests by the abiding party from performance of this Agreement, but shall not exceed reasonable expectations of the Parties.

5.4 If Party B utilizes Party A's Intellectual Property rights inconsistence with Party A's instruction or in any inappropriate ways or any wrong operations, Party B shall be liable for all the compensations claimed by anyone caused by the above misuse. If Party B find anyone use Party A's Intellectual Property right without legally authorization, it shall promptly inform Party A and provide association to any actions took by Party A.

5.5 If both parties breach the Agreement, each party shall bear its corresponding liability.

6. EFFECTIVE DATE AND TERM

6.1 This Agreement shall be executed and come into effect as of the date first set forth above.

6.2 This Agreement will terminate upon the dissolution of Party A.

7. TERMINATION

7.1 During the term of this Agreement, Party B shall not early terminate this Agreement. Party A has the right to terminate this Agreement by sending written notice to Party B thirty days early at any time. If Party A early terminates this Agreement due to Party B, Party B shall indemnify party A any and all losses that may arouse out of such termination and pay the relevant fees for the services provided.

7.2 This Agreement may be terminated when agreement on its dissolution has been reached by the parties through consultation.

8. SETTLEMENT OF DISPUTES

8.1 The parties shall strive to settle any dispute arising from the interpretation or performance in connection with this Agreement through friendly consultation. In case no settlement can be reached through consultation, each party can submit such matter to China International Economic and Trade Arbitration Commission (the "CIETAC"). The arbitration shall follow the current rules of CIETAC, and the arbitration proceedings shall be conducted in Chinese and shall take place in Beijing. The arbitration award shall be final and binding upon Both Parties. This article shall not be influenced by the termination or elimination of this Agreement.

8.2 Each Party shall continue to perform its obligations in good faith according to the provisions of this Agreement except for the matters in dispute.

9. FORCE MAJEURE

9.1 Force Majeure, which includes but is not limited to, acts of governments, acts of nature, fire, explosion, typhoon, flood, earthquake, tide, lightning, war, means any event that is beyond the party's reasonable control and cannot be prevented with reasonable care. However, any shortage of credit, capital or finance shall not be regarded as an event of Force Majeure. The affected party who is claiming to be not liable to its failure of fulfilling this Agreement by Force Majeure shall inform the other party, without delay, of the approaches of the performance of this Agreement by the affected party.

9.2 In the event that the affected party is delayed in or prevented from performing its obligations under this Agreement by Force Majeure, only within the scope of such delay or prevention, the affected party will not be responsible for any damage by reason of such a failure or delay of performance. The affected party shall take appropriate means to minimize or remove the effects of Force Majeure and attempt to resume performance of the obligations delayed or prevented by the event of Force Majeure. After the event of Force Majeure is removed, both parties agree to resume performance of this Agreement with their best efforts.

10. NOTICES

Notices or other communications required to be given by any party pursuant to this Agreement shall be written in English and Chinese and shall be deemed to be duly given when it is delivered personally or sent by registered or mail or postage prepaid mail or by a recognized courier service or by facsimile transmission to the address of the relevant party or parties set forth below.:

PARTY A: KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F, Tengda Plaza, No. 168 Xiwai Street, Haidian District, Beijing, 100044, China
Tax: 88575872
Tel: 010-88576000
Addressee: Zhang Yingnan

PARTY B: Xiamen Xinreli Technology Co., Ltd.
Address:14A, No.2. Lianqian West Road, Siming Distric.
Tax: 86-592-5161130
Tel: 86-592-5161157
Addressee: Pang Xin

11. ASSIGNMENT

Party B shall not assign its rights or obligations under this Agreement to any third party without the prior written consent of Party A. Party A shall transfer its rights or obligations under this Agreement to any third party without the consent of Party B, but shall inform Party B of the above assignment.

12. SEVERABILITY

The Parties hereby agree that this fair and equitable agreement is executed on the basis of equality and mutual benefit. Any provision of this Agreement that is invalid or unenforceable because of any inconsistency with relevant law shall be ineffective or unenforceable within such jurisdiction where the relevant law governs, without affecting in any way the remaining provisions hereof.

13. AMENDMENT AND SUPPLEMENT

Any amendment and supplement of this Agreement shall come into force only after a written agreement is signed by both parties. The amendment and supplement duly executed by both parties shall be part of this Agreement and shall have the same legal effect as this Agreement.

14. GOVERNING LAW

The execution, validity, performance and interpretation of this Agreement shall be governed by and construed in accordance with the laws of PRC.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed on their behalf by a duly authorized representative as of the Effective Date first written above.

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PARTY A: KongZhong Information Technologies (Beijing) Co., Ltd.

PARTY B: Xiamen Xinreli Technology Co., Ltd.

APPENDIX 1: THE LIST OF TECHNICAL AND CONSULTING SERVICES

a) to maintain website and machine room;

b) to provide and maintain network conditions in the offices;

c) to security the entire network;

d) to design and implement the integral architecture of network, including installing the sever system, providing 7×24 daily maintenance;

e) to develop and test the new products;

f) to provide the marketing strategy plan on the new products;

g) to design, create, update and maintain the webpage;

h) to protect the customer services platform;

i) to train the employees;

j) to supply marketing research and analysis;

k) to provide public relationship services.

Exhibit 4.118

Share Pledge Agreement

No:

This Share Pledge Agreement (this "Agreement") is entered into on December 1, 2014 by and among the following parties ("the Parties"):

Party A (the Pledgee) : KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F, Tengda Plaza, No. 168 Xiwai Street, Haidian District, Beijing, 100044, China
Registration No: 110000410172515

Party B (the Pledgor) :Jia Tao;
IDNo.: 110105197802109636
Address: 32F, Tengda Plaza, No.168 Xiwai Street, Haidian District, Beijing, 100044, China

WHEREAS,

1. Party A is a wholly foreign owned company registered and valid existing in the PRC.

2. Xiamen Xinreli Technology Co., Ltd. is a limited liability company("the Company") registered in the PRC.

3. Party B (the "Pledgor") is the shareholder of the Company, and owns paid-in 8 million RMB equity.

4. Party A and the Company have signed Exclusive Consulting and Services Agreement on December 1, 2014; Party A, Party B and the Company have signed Option Agreement and Business Operations Agreement on December 1, 2014.

5. In order to guarantee that Party A collects normally technical service fees under the Exclusive Consulting and Services Agreement, and to ensure the performance of Business Operation Agreement and Option Agreement, the Pledgor is willing to severally and jointly pledge all its equity interest in Party B to the Pledgee as a security for the performance of the obligations under the aforesaid agreement, with Party A as the Pledgee.

Therefore, through friendly negotiations and in the principles of equality and mutual benefit, the parties hereby enter agreement as follows.

1. Definitions

Unless otherwise provided in this Agreement, the following terms shall have the following meanings:

1.1 Pledge means the full content of Article 2 hereunder.

1.2 Equity Interest means all the equity interests in the Company legally and jointly held by the Pledgor and all the present and future rights and benefits based on such equity interest.

1.3 Reorganization Agreements mean Exclusive Consulting and Services Agreement, Option Agreement and Business Operations Agreement signed by Party A, the Company and the other relative parties on December 1, 2014.

1.4 Event of Default means any event in accordance with Article 7 hereunder.

1.5 Notice of Default means the notice of default issued by the Pledgee in accordance with this Agreement.

2. Pledge

2.1 The Pledgor agrees to pledge all paid-in 8 million RMB equity in the Company to Party A as the security for Party A's rights and interest under the Reorganization Agreements.

2.2 The Pledge under this Agreement refers to the rights owned by the Pledgee to collect the fees (including legal fees), expenditures losses, interests, compensations、damages. the expenses for enforcing creditor's rights that the Company and/or the Pledgee shall pay under the Reorganization Agreement(RMB 100 million), and civil liabilities that the Company and the Pledgor shall bear in case the Reorganization Agreement wholly or partially becomes nullify due to any reason.

2.3 The Pledge under this Agreement refers to the prior right owned by the Pledgee to the money gained from the conversion, auction, or sell of the equity interests pledged by the Pledgor to the Pledgee.

2.4 Unless with Party A's prior written consent from the effective date of the Agreement, the pledge under this Agreement will be discharged only when the Company and Pledgor has performed all the obligations and liabilities under the Reorganization Agreement and Party A confirms in writing. Even though the Pledgor or the Company pays 8 million RMB back to the Pledgee directly ,the pledge obligations under this agreement can't be terminated If the Company or Pledgor has not fully performed all or part of its obligations or liabilities under the Reorganization Agreement at the expiration of such agreements, Party A will maintain the pledge hereunder up to the date when all such obligations and liabilities are fully performed.

3. Effect

3.1 This Agreement shall establish as of the date of signature by the Parties and with the common seals on it. The pledge under this Agreement shall take effect when the equity shares pledged are registered in the administrative authority of industry and commerce.

3.2 Party A is entitled to dispose the pledge from Party A's reasonable notification hereunder if the Company fails to pay the fees in accordance with the Exclusive Consulting and Services Agreement or fail to perform other provisions of the Exclusive Consulting and Services Agreement, the Business Operation Agreement and the Option Agreement.

4. Physical Possession Of Documents

4.1 The Pledgor shall deliver the physical possession of the Certificate of Distribution (original) of the Company to Party A, submit certification of having pledged appropriate registered in the stock transfer books to Party A, go through all the approval and registration procedures with the Laws in the PRC, and provide the testify of the proper record of such pledge on the shareholders' register of the Company to Party A within ten(10) days as of the date of conclusion of this Agreement or earlier time that be unanimously agreed by the Parties.

4.2 If any changes occurs to the recorded items under the Pledge, it shall be registered in accordance with the Law, Party A and Party B shall make corresponding record within five (5) working days of such change, and provide the relative record documents.

4.3 During the term of the Pledge, the Pledgors shall inform the Company not distribute any dividend and bonus, or adopt any profit distribution plan; If the Pledgor is entitled to collect any economical interest except for dividend, bonus or other distribution plan of profit, it shall inform the Company remit such economical interest (after liquidation) to the bank account designated by Party A, and shall not utilize it without the prior written consent from Party A.

4.4 During the term of the Pledge, if the Pledgors subscribe for the new register capital of the Company or purchase the equity interests in other pledgor (the "new shares"), the new shares shall be the equity shares pledged automatically. The pledgor shall go through all the procedures for creating pledge on the new shares within ten (10)days of acquiring such shares. If the Pledgors fail to accomplish such procedures in accordance with the preceding provisions, Party A shall be entitled promptly exercise the Pledge pursuant to Article 8 under this Agreement.

5 Warranties And Representation Of The Pledgor

The Pledgor hereby makes the following representation and warranties to the Pledgee and confirm that Party A executes this Agreement, in reliance of such representation and warranties:

5.1 The Pledgor lawfully owns the equity interests hereunder and are entitled to create pledge on such the equity interests;

5.2 From the date of execution of this Agreement and during the terms of the Pledge pursuant to Article 2.4 under this Agreement. Party A shall not be interfered by any other parties once the Party A exercises the rights of the Pledge in accordance with this Agreement.

5.3 Party A is entitled to dispose the pledge in accordance with relevant laws and this Agreement.

5.4 The execution and performance of this Agreement of the Pledgor has gained all necessary authorization and shall not violate any applicable laws and regulations. The representative who signs this Agreement shall be lawfully and effectively authorized.

5.5 Except for the pledge under this Agreement, there is no other burden of rights on the equity interests pledged by the Pledgors (including but not limited to pledge).

5.6 There is no pending or incoming civil, administrative or criminal litigation or administrative punishment or arbitration relating to the equity interests hereunder at the date of execution of this Agreement.

5.7 There are no outstanding taxes, fees or undecided legal procedures related with the equity interests hereunder at the date of execution of this Agreement.

5.8 Each provision hereunder is the expression of each Party's true meaning and shall be binding upon all the Parties.

6 Covenant Of The Pledgor

6.1 During the term of this Agreement, the Pledgor covenants to Party A that the Pledgor will:

6.1.1 Unless consented by Party A, not transfer or assign the equity interests, create or permit to create any pledges which may have an adverse effect on the rights or benefits of the Pledgee without prior written consent from the Pledgee except transfer to the Pledgee or the person designated by the Pledgee as required by the Pledgee;

6.1.2 comply with and implement laws and regulations with respect to the pledge of rights, present to Party A the notices, orders or suggestions with respect to the Pledge issued or made by the competent authority within five days upon receiving such notices, orders or suggestions and take actions in accordance with the reasonable instruction of Party A;

6.1.3 timely notify Party A of any events or any received notices which may affect the Pledgor's equity interest or any part of its right, and any events or any received notices which may change the Pledgor's any covenant and obligation under this Agreement or which may affect the Pledgor's performance of its obligations under this Agreement, take actions in accordance with the instructions of Party A;

6.2 The Pledgors agree that Party A's right of exercising the Pledge pursuant to this Agreement shall not be suspended or hampered by the Pledgors or any successors or transferees of the Pledgors or any other persons.

6.3 The Pledgors warrant to Party A that in order to protect or perfect the security over the obligation of the technical consulting and service fees under the Organization Agreement, the Pledgors shall make any necessary amendments on the Articles of Association of the Pledgor, and execute in good faith and cause other parties who have interests in the pledge to execute all the title certificates, contracts, and /or perform and cause other parties who have interests to take action as required by the Pledgee and make access to exercise the rights and authorization vested in the Pledgee under this Agreement, and execute all the documents with respect to the changes of certificate of equity interests with the Pledgee or another party designated by the Pledgee, and provides the Pledgee with all the documents regarded as necessary to the Pledgee within the reasonable time.

6.4 The Pledgors warrants to Party A that the Pledgors will comply with and perform all the guarantees, covenants, agreements, representations and conditions for the benefits of the Pledgee. The Pledgor shall compensate for all the losses suffered by Party A for the reasons that the Pledgor does not perform or fully perform their guarantees, covenants, agreements, representations and conditions.

7 Event Of Default

7.1 The following events shall be regarded as an event of default:

7.1.1 The Company or its successors or transferees fails to make full payment of service fees under the Reorganization Agreement on time, or the Pledgors or its successors or transferees fail to perform the Business Operations Agreement, the Option Agreement and the Exclusive Consulting and Services Agreement;

7.1.2 The Pledgors make any material misleading or fraudulent representations or warranties under Article 5 and 6 herein, and/or the Pledgor is in violation of any representations or warranties under Article 5 and 6 herein;

7.1.3 The Pledgors gravely violate any provisions of this Agreement;

7.1.4 The Pledgors waive the pledged equity interests or transfers the pledged equity interests without prior written consent from the Pledgee except otherwise agreed under Article 6.1.1 herein;

7.1.5 The Pledgor's any external loan, security, compensation, covenants or any other compensation liabilities are required to be repaid or performed prior to the scheduled date; or are due but can not be repaid or performed as scheduled and thereby cause the Pledgee to deem that the Pledgor's capacity to perform the obligations herein is affected, which subsequently affects the interests of Party A;

7.1.6 The Pledgors are incapable of repaying the general debt or other debt, which subsequently affects the interests of Party A;

7.1.7 This Agreement is illegal for the reason of the promulgation of any related laws or the Pledgor's incapability of continuing to perform the obligations herein;

7.1.8 Any approval, permits, licenses or authorization from the competent authority of the government needed to perform this Agreement or validate this Agreement are withdrawn, suspended, invalidated or materially amended;

7.1.9 The property of the Pledgor is adversely changed and causes Party A to deem that the capability of the Pledgor to perform the obligations herein is affected;

7.1.10 Other circumstances whereby the Pledgee is incapable of exercising the right to dispose the Pledge in accordance with relevant laws.

7.2 The Pledgor shall immediately give a written notice to Party A if the Pledgor is aware of or find that any event under Article 7.1 herein or any events that may result in the foregoing events have happened or are going on.

7.3 Unless the event of default under Article 7.1 herein has been solved to Party A's satisfaction, Party A, at any time when the event of default happens or thereafter, may give a written notice of default to the Pledgor and require the Pledgor to immediately make full payment of the outstanding fees under the Reorganization Agreement, and other payables or timely perform the Business Operation Agreement or the Option Agreement. If the Pledgor or the Company fails to redress its breach or take any necessary remedies within ten (10) days of giving such a written notice, Party A shall be entitled to dispose the Pledge in accordance with Article 8 herein.

8 Exercise Of The Right Of The Pledge

8.1 The Pledgor shall not transfer the pledge without prior written approval from Party A prior to the full repayment of the fees under the Reorganization Agreements.

8.2 Party A shall give a notice of default to the Pledgors when it exercises the right of pledge according to Article 7.3.

8.3 Subject to Article 7.3, the Pledgee may exercise the right to dispose the Pledge at any time when Party A gives a notice of default in accordance with Article 7.3 or thereafter.

8.4 Party A is entitled to have priority in receiving payment by the evaluation or proceeds from the auction or sale of whole or part of the share pledged herein in accordance with legal procedure until the outstanding fees under the Reorganization Agreements and all other payables there under are repaid, and the full performance of the Business Operations Agreement or the Option Agreement.

8.5 The Pledgors shall not hinder the Pledgee from disposing the Pledge in accordance with this Agreement and shall give necessary assistance so that the Pledgee could realize its Pledge.

9 Transfer

9.1 The Pledgors shall not transfer the rights and obligations to any third party herein without prior consent from the Pledgee.

9.2 This Agreement shall be binding upon the Pledgors and their successors and be effective to Party A and his successors and assignees.

9.3 Party A may transfer its all or any rights and obligations under the Reorganization Agreement to any third party at any time. In this case, the assignee shall enjoy and undertake the same rights and obligations herein of Party A as if the assignee is a party hereto. When Party A transfers the rights and obligations under the Reorganization Agreement, at the request of Party A, the Pledgors shall execute relevant agreements and/or documents with respect to such transfer.

9.4 After the Pledgee's change resulting from the transfer, the new parties to the pledge shall reexecute a pledge agreement and the Pledgors shall be in charge of going through all the registration procedures.

10 Fees And Other Charges

10.1 All the fees and actual expenditures in relation to this Agreement including but not limited to legal fees, cost of production, stamp tax and any other taxes and charges shall undertake by Pledgor. If the laws stipulate that Party A should pay relevant taxes and fees , the Pledgor shall compensate all taxes and fees to Party A.

10.2 If the Pledgor doesn't pay any payable taxes and fees under this agreement, or due to other reasons, lead to Party A to take any means or recourse, the Pledgor should undertake all fees(including but not limited to all kinds of taxes , fees ,management fees, legal fees, insurance expenses and so forth handling pledge .)

11 Force Majeure

11.1 If this Agreement is delayed in or prevented from performing in the Event of Force Majeure ("Event of Force Majeure"), only within the limitation of such delay or prevention, the affected party is absolved from any liability under this Agreement. Force Majeure, which includes acts of governments, acts of nature, fire, explosion, geographic change, flood, earthquake, tide, lightning, war, means any unforeseen events beyond the prevented party's reasonable control and cannot be prevented with reasonable care. However, any shortage of credit, capital or finance shall not be regarded as an event beyond a Party's reasonable control. The Party affected by Force Majeure who claims for exemption from performing any obligations under this Agreement or under any Article herein shall notify the other party of such exemption promptly and advice him of the steps to be taken for completion of the performance.

11.2 The Pledge affected by Force Majeure shall not assume any liability under this Agreement. However, subject to the Party affected by Force Majeure having taken its reasonable and practicable efforts to perform this Agreement, the Party claiming for exemption of the liabilities may only be exempted from performing such liability as within limitation of the part performance delayed or prevented by Force Majeure. Once causes for such exemption of liabilities are rectified and remedied, both parties agree to resume performance of this Agreement with their best efforts.

12 Applicable Law and Dispute Resolution

12.1 The execution, validity, performance and interpretation of this Agreement shall be governed by and construed in accordance with the PRC law.

12.2 The parties shall strive to settle any dispute arising from the interpretation or performance through friendly consultation. In case no settlement can be reached through consultation, each party can submit such matter to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration. The arbitration shall follow the current rules of CIETAC, and the arbitration proceedings shall be conducted in Chinese and shall take place in Beijing. The arbitration award shall be final and binding upon the parties.

12.3 Each Party shall continue performance of this Agreement in good faith according to the stipulations herein except the matters in dispute.

13 Notice

Any notice or correspondence, which is given by the Party as stipulated hereunder, shall be in Chinese and English writing and shall be delivered in person or by registered or prepaid mail or recognized express service, or be transmitted by telex or facsimile to the following addresses:

Party A: KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F, Tengda Plaza, No.168 Xiwai Street, Haidian District, Beijing, 100044, China
Tel: 010-88576000
Addressee: Zhang Yingnan

Party B: Jia Tao
Address: 35F,Tengda Plaza,No.168 Xiwai Street, Haidian District,Beijing,100044,China
Tel: 010-88576000
Addressee: Jia Tao

14 Appendices

The appendices to this Agreement are entire and integral part of this Agreement.

15 Waiver

The Pledgee's non-exercise or delay in exercise of any rights, remedies, power or privileges hereunder shall not be deemed as the waiver of such rights, remedies, power or privileges. Any single or partial exercise of the rights, remedies, power and privileges shall not exclude the Pledgee from exercising any other rights, remedies, power and privileges. The rights, remedies, power and privileges hereunder are accumulative and shall not exclude the application of any other rights, remedies, power and privileges stipulated by laws.

16 Miscellaneous

16.1 Any amendments, modifications or supplements to this Agreement shall be in writing and come into effect upon being executed and sealed by the parties hereto. For sure, if the industrial and commercial bureau which handled the share pledge declares that it's no need to illustrate the specific amount of guarantee , this agreement will make amendment accordingly –no upper limit is setted.

16.2 The Parties hereby agree that this fair and equitable Agreement is executed on the basis of equality and mutual benefit, In case any terms and stipulations in this Agreement is regarded as illegal or can not be performed in accordance with the applicable law, such terms and stipulations shall be deemed to lose effect and enforcement within the scope governed by the applicable law, and the rest stipulations will remain effective.

16.3 Party B undertakes that with any alternation in proportion of the equity interest held by Party B, this Agreement shall be binding upon Party B, and all the equity interests in Party B on the occasion shall be bound by this Agreement.

16.4 This Agreement shall be executed in Chinese and kept in 4 copies.

(No text on this page. Only for signature.)

Party A:
KongZhong Information Technologies (Beijing) Co., Ltd.
Authorized Representative: _____

Party B:
Jia Tao

Exhibit 4.119

Share Pledge Agreement

No:

This Share Pledge Agreement (this "Agreement") is entered into on December 1, 2014 by and among the following parties ("the Parties"):

Party A (the Pledgee) : KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F,Tengda Plaza,No.168 Xiwai Street,Haidian District,Beijing,100044,China
Registration No: 110000410172515

Party B (the Pledgor) :Chen Junhong;
IDNo.: 350203197504274032
Address: Rm.17, No.442, South Road Siming, Siming District, Xiamen, Fujian, PRC.

WHEREAS,

1. Party A is a wholly foreign owned company registered and valid existing in the PRC.

2. Xiamen Xinreli Technology Co., Ltd. is a limited liability company("the Company") registered in the PRC.

3. Party B (the "Pledgor") is the shareholder of the Company, and owns paid-in 2 million RMB equity.

4. Party A and the Company have signed Exclusive Consulting and Services Agreement on December 1, 2014; Party A, Party B and the Company have signed Option Agreement and Business Operations Agreement on December 1, 2014.

5. In order to guarantee that Party A collects normally technical service fees under the Exclusive Consulting and Services Agreement, and to ensure the performance of Business Operation Agreement and Option Agreement, the Pledgor is willing to severally and jointly pledge all its equity interest in Party B to the Pledgee as a security for the performance of the obligations under the aforesaid agreement, with Party A as the Pledgee.

Therefore, through friendly negotiations and in the principles of equality and mutual benefit, the parties hereby enter agreement as follows.

1. Definitions

Unless otherwise provided in this Agreement, the following terms shall have the following meanings:

1.1 Pledge means the full content of Article 2 hereunder.

1.2 Equity Interest means all the equity interests in the Company legally and jointly held by the Pledgor and all the present and future rights and benefits based on such equity interest.

1.3 Reorganization Agreements mean Exclusive Consulting and Services Agreement, Option Agreement and Business Operations Agreement signed by Party A, the Company and the other relative parties on December, 1 2014.

1.4 Event of Default means any event in accordance with Article 7 hereunder.

1.5 Notice of Default means the notice of default issued by the Pledgee in accordance with this Agreement.

2. Pledge

2.1 The Pledgor agrees to pledge all paid-in 2 million RMB equity in the Company to Party A as the security for Party A's rights and interest under the Reorganization Agreements.

2.2 The Pledge under this Agreement refers to the rights owned by the Pledgee to collect the fees (including legal fees), expenditures losses, interests, compensations、damages. the expenses for enforcing creditor's rights that the Company and/or the Pledgee shall pay under the Reorganization Agreement(RMB 100 million), and civil liabilities that the Company and the Pledgor shall bear in case the Reorganization Agreement wholly or partially becomes nullify due to any reason.

2.3 The Pledge under this Agreement refers to the prior right owned by the Pledgee to the money gained from the conversion, auction, or sell of the equity interests pledged by the Pledgor to the Pledgee.

2.4 Unless with Party A's prior written consent from the effective date of the Agreement, the pledge under this Agreement will be discharged only when the Company and Pledgor has **p**erformed all the obligations and liabilities under the Reorganization Agreement and Party A confirms in writing. Even though the Pledgor or the Company pays 2 million RMB back to the Pledgee directly ,the pledge obligations under this agreement can't be terminated If the Company or Pledgor has not fully performed all or part of its obligations or liabilities under the Reorganization Agreement at the expiration of such agreements, Party A will maintain the pledge hereunder up to the date when all such obligations and liabilities are fully performed.

3. Effect

3.1 This Agreement shall establish as of the date of signature by the Parties and with the common seals on it. The pledge under this Agreement shall take effect when the equity shares pledged are registered in the administrative authority of industry and commerce.

3.2 Party A is entitled to dispose the pledge from Party A's reasonable notification hereunder if the Company fails to pay the fees in accordance with the Exclusive Consulting and Services Agreement or fail to perform other provisions of the Exclusive Consulting and Services Agreement, the Business Operation Agreement and the Option Agreement.

4. Physical Possession Of Documents

4.1 The Pledgor shall deliver the physical possession of the Certificate of Distribution (original) of the Company to Party A, and submit certification of having pledged appropriate registered in the stock transfer books to Party A, go through all the approval and registration procedures with the Laws in the PRC, and provide the testify of the proper record of such pledge on the shareholders' register of the Company to Party A within ten(10) days as of the date of conclusion of this Agreement or earlier time that be unanimously agreed by the Parties.

4.2 If any changes occurs to the recorded items under the Pledge, it shall be registered in accordance with the Law, Party A and Party B shall make corresponding record within five (5) working days of such change, and provide the relative record documents.

4.3 During the term of the Pledge, the Pledgors shall inform the Company not distribute any dividend and bonus, or adopt any profit distribution plan; If the Pledgor is entitled to collect any economical interest except for dividend, bonus or other distribution plan of profit, it shall inform the Company remit such economical interest (after liquidation) to the bank account designated by Party A, and shall not utilize it without the prior written consent from Party A.

4.4 During the term of the Pledge, if the Pledgors subscribe for the new register capital of the Company or purchase the equity interests in other pledgor (the "new shares"), the new shares shall be the equity shares pledged automatically. The pledgor shall go through all the procedures for creating pledge on the new shares within ten (10)days of acquiring such shares. If the Pledgors fail to accomplish such procedures in accordance with the preceding provisions, Party A shall be entitled promptly exercise the Pledge pursuant to Article 8 under this Agreement.

5 Warranties And Representation Of The Pledgor

The Pledgor hereby makes the following representation and warranties to the Pledgee and confirm that Party A executes this Agreement, in reliance of such representation and warranties:

5.1 The Pledgor lawfully owns the equity interests hereunder and are entitled to create pledge on such the equity interests;

5.2 From the date of execution of this Agreement and during the terms of the Pledge pursuant to Article 2.4 under this Agreement. Party A shall not be interfered by any other parties once the Party A exercises the rights of the Pledge in accordance with this Agreement.

5.3 Party A is entitled to dispose the pledge in accordance with relevant laws and this Agreement.

5.4 The execution and performance of this Agreement of the Pledgor has gained all necessary authorization and shall not violate any applicable laws and regulations. The representative who signs this Agreement shall be lawfully and effectively authorized.

5.5 Except for the pledge under this Agreement, there is no other burden of rights on the equity interests pledged by the Pledgors (including but not limited to pledge).

5.6 There is no pending or incoming civil, administrative or criminal litigation or administrative punishment or arbitration relating to the equity interests hereunder at the date of execution of this Agreement.

5.7 There are no outstanding taxes, fees or undecided legal procedures related with the equity interests hereunder at the date of execution of this Agreement.

5.8 Each provision hereunder is the expression of each Party's true meaning and shall be binding upon all the Parties.

6 Covenant Of The Pledgor

6.1 During the term of this Agreement, the Pledgor covenants to Party A that the Pledgor will:

6.1.1 Unless consented by Party A, not transfer or assign the equity interests, create or permit to create any pledges which may have an adverse effect on the rights or benefits of the Pledgee without prior written consent from the Pledgee except transfer to the Pledgee or the person designated by the Pledgee as required by the Pledgee;

6.1.2 comply with and implement laws and regulations with respect to the pledge of rights, present to Party A the notices, orders or suggestions with respect to the Pledge issued or made by the competent authority within five days upon receiving such notices, orders or suggestions and take actions in accordance with the reasonable instruction of Party A;

6.1.3 timely notify Party A of any events or any received notices which may affect the Pledgor's equity interest or any part of its right, and any events or any received notices which may change the Pledgor's any covenant and obligation under this Agreement or which may affect the Pledgor's performance of its obligations under this Agreement, take actions in accordance with the instructions of Party A;

6.2 The Pledgors agree that Party A's right of exercising the Pledge pursuant to this Agreement shall not be suspended or hampered by the Pledgors or any successors or transferees of the Pledgors or any other persons.

6.3 The Pledgors warrant to Party A that in order to protect or perfect the security over the obligation of the technical consulting and service fees under the Organization Agreement, the Pledgors shall make any necessary amendments on the Articles of Association of the Pledgor, and execute in good faith and cause other parties who have interests in the pledge to execute all the title certificates, contracts, and /or perform and cause other parties who have interests to take action as required by the Pledgee and make access to exercise the rights and authorization vested in the Pledgee under this Agreement, and execute all the documents with respect to the changes of certificate of equity interests with the Pledgee or another party designated by the Pledgee, and provides the Pledgee with all the documents regarded as necessary to the Pledgee within the reasonable time.

6.4 The Pledgors warrants to Party A that the Pledgors will comply with and perform all the guarantees, covenants, agreements, representations and conditions for the benefits of the Pledgee. The Pledgor shall compensate for all the losses suffered by Party A for the reasons that the Pledgor does not perform or fully perform their guarantees, covenants, agreements, representations and conditions.

7 Event Of Default

7.1 The following events shall be regarded as an event of default:

7.1.1 The Company or its successors or transferees fails to make full payment of service fees under the Reorganization Agreement on time, or the Pledgors or its successors or transferees fail to perform the Business Operations Agreement, the Option Agreement and the Exclusive Consulting and Services Agreement;

7.1.2 The Pledgors make any material misleading or fraudulent representations or warranties under Article 5 and 6 herein, and/or the Pledgor is in violation of any representations or warranties under Article 5 and 6 herein;

7.1.3 The Pledgors gravely violate any provisions of this Agreement;

7.1.4 The Pledgors waive the pledged equity interests or transfers the pledged equity interests without prior written consent from the Pledgee except otherwise agreed under Article 6.1.1 herein;

7.1.5 The Pledgor's any external loan, security, compensation, covenants or any other compensation liabilities are required to be repaid or performed prior to the scheduled date; or are due but can not be repaid or performed as scheduled and thereby cause the Pledgee to deem that the Pledgor's capacity to perform the obligations herein is affected, which subsequently affects the interests of Party A;

7.1.6 The Pledgors are incapable of repaying the general debt or other debt, which subsequently affects the interests of Party A;

7.1.7 This Agreement is illegal for the reason of the promulgation of any related laws or the Pledgor's incapability of continuing to perform the obligations herein;

7.1.8 Any approval, permits, licenses or authorization from the competent authority of the government needed to perform this Agreement or validate this Agreement are withdrawn, suspended, invalidated or materially amended;

7.1.9 The property of the Pledgor is adversely changed and causes Party A to deem that the capability of the Pledgor to perform the obligations herein is affected;

7.1.10 Other circumstances whereby the Pledgee is incapable of exercising the right to dispose the Pledge in accordance with relevant laws.

7.2 The Pledgor shall immediately give a written notice to Party A if the Pledgor is aware of or find that any event under Article 7.1 herein or any events that may result in the foregoing events have happened or are going on.

7.3 Unless the event of default under Article 7.1 herein has been solved to Party A's satisfaction, Party A, at any time when the event of default happens or thereafter, may give a written notice of default to the Pledgor and require the Pledgor to immediately make full payment of the outstanding fees under the Reorganization Agreement, and other payables or timely perform the Business Operation Agreement or the Option Agreement. If the Pledgor or the Company fails to redress its breach or take any necessary remedies within ten (10) days of giving such a written notice, Party A shall be entitled to dispose the Pledge in accordance with Article 8 herein.

8 Exercise Of The Right Of The Pledge

8.1 The Pledgor shall not transfer the pledge without prior written approval from Party A prior to the full repayment of the fees under the Reorganization Agreements.

8.2 Party A shall give a notice of default to the Pledgors when it exercises the right of pledge according to Article 7.3.

8.3 Subject to Article 7.3, the Pledgee may exercise the right to dispose the Pledge at any time when Party A gives a notice of default in accordance with Article 7.3 or thereafter.

8.4 Party A is entitled to have priority in receiving payment by the evaluation or proceeds from the auction or sale of whole or part of the share pledged herein in accordance with legal procedure until the outstanding fees under the Reorganization Agreements and all other payables there under are repaid, and the full performance of the Business Operations Agreement or the Option Agreement.

8.5 The Pledgors shall not hinder the Pledgee from disposing the Pledge in accordance with this Agreement and shall give necessary assistance so that the Pledgee could realize its Pledge.

9 Transfer

9.1 The Pledgors shall not transfer the rights and obligations to any third party herein without prior consent from the Pledgee.

9.2 This Agreement shall be binding upon the Pledgors and their successors and be effective to Party A and his successors and assignees.

9.3 Party A may transfer its all or any rights and obligations under the Reorganization Agreement to any third party at any time. In this case, the assignee shall enjoy and undertake the same rights and obligations herein of Party A as if the assignee is a party hereto. When Party A transfers the rights and obligations under the Reorganization Agreement, at the request of Party A, the Pledgors shall execute relevant agreements and/or documents with respect to such transfer.

9.4 After the Pledgee's change resulting from the transfer, the new parties to the pledge shall reexecute a pledge agreement and the Pledgors shall be in charge of going through all the registration procedures.

10 Fees And Other Charges

10.1 All the fees and actual expenditures in relation to this Agreement including but not limited to legal fees, cost of production, stamp tax and any other taxes and charges shall undertake by Pledgor. If the laws stipulate that Party A should pay relevant taxes and fees , the Pledgor shall compensate all taxes and fees to Party A.

10.2 If the Pledgor doesn't pay any payable taxes and fees under this agreement, or due to other reasons, lead to Party A to take any means or recourse, the Pledgor should undertake all fees(including but not limited to all kinds of taxes , fees ,management fees, legal fees, insurance expenses and so forth handling pledge .)

11 Force Majeure

11.1 If this Agreement is delayed in or prevented from performing in the Event of Force Majeure ("Event of Force Majeure"), only within the limitation of such delay or prevention, the affected party is absolved from any liability under this Agreement. Force Majeure, which includes acts of governments, acts of nature, fire, explosion, geographic change, flood, earthquake, tide, lightning, war, means any unforeseen events beyond the prevented party's reasonable control and cannot be prevented with reasonable care. However, any shortage of credit, capital or finance shall not be regarded as an event beyond a Party's reasonable control. The Party affected by Force Majeure who claims for exemption from performing any obligations under this Agreement or under any Article herein shall notify the other party of such exemption promptly and advice him of the steps to be taken for completion of the performance.

11.2 The Pledge affected by Force Majeure shall not assume any liability under this Agreement. However, subject to the Party affected by Force Majeure having taken its reasonable and practicable efforts to perform this Agreement, the Party claiming for exemption of the liabilities may only be exempted from performing such liability as within limitation of the part performance delayed or prevented by Force Majeure. Once causes for such exemption of liabilities are rectified and remedied, both parties agree to resume performance of this Agreement with their best efforts.

12 Applicable Law and Dispute Resolution

12.1 The execution, validity, performance and interpretation of this Agreement shall be governed by and construed in accordance with the PRC law.

12.2 The parties shall strive to settle any dispute arising from the interpretation or performance through friendly consultation. In case no settlement can be reached through consultation, each party can submit such matter to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration. The arbitration shall follow the current rules of CIETAC, and the arbitration proceedings shall be conducted in Chinese and shall take place in Beijing. The arbitration award shall be final and binding upon the parties.

12.3 Each Party shall continue performance of this Agreement in good faith according to the stipulations herein except the matters in dispute.

13 Notice

Any notice or correspondence, which is given by the Party as stipulated hereunder, shall be in Chinese and English writing and shall be delivered in person or by registered or prepaid mail or recognized express service, or be transmitted by telex or facsimile to the following addresses:

Party A: KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F, Tengda Plaza, No.168 Xiwai Street, Haidian District, Beijing, 100044, China
Tel: 010-88576000
Addressee: Zhang Yingnan

Party B: Chen Junhong
Address: Rm.17, No.442, South Road Siming, Siming District, Xiamen, Fujian, PRC
Tel: 86-592-5161157
Addressee: Chen Junhong

14 Appendices

The appendices to this Agreement are entire and integral part of this Agreement.

15 Waiver

The Pledgee's non-exercise or delay in exercise of any rights, remedies, power or privileges hereunder shall not be deemed as the waiver of such rights, remedies, power or privileges. Any single or partial exercise of the rights, remedies, power and privileges shall not exclude the Pledgee from exercising any other rights, remedies, power and privileges. The rights, remedies, power and privileges hereunder are accumulative and shall not exclude the application of any other rights, remedies, power and privileges stipulated by laws.

16 Miscellaneous

16.1 Any amendments, modifications or supplements to this Agreement shall be in writing and come into effect upon being executed and sealed by the parties hereto. For sure, if the industrial and commercial bureau which handled the share pledge declares that it's no need to illustrate the specific amount of guarantee , this agreement will make amendment accordingly –no upper limit is setted.

16.2 The Parties hereby agree that this fair and equitable Agreement is executed on the basis of equality and mutual benefit, In case any terms and stipulations in this Agreement is regarded as illegal or can not be performed in accordance with the applicable law, such terms and stipulations shall be deemed to lose effect and enforcement within the scope governed by the applicable law, and the rest stipulations will remain effective.

16.3 Party B undertakes that with any alternation in proportion of the equity interest held by Party B, this Agreement shall be binding upon Party B, and all the equity interests in Party B on the occasion shall be bound by this Agreement.

16.4 This Agreement shall be executed in Chinese and kept in 4 copies.

(No text on this page. Only for signature.)

Party A:
KongZhong Information Technologies (Beijing) Co., Ltd.
Authorized Representative: _____

Party B:
Chen Junhong

Exhibit 4.120

Business Operations Agreement

This Business Operations Agreement (this "Agreement") is entered into on the day of December 1, 2014 by and among the following parties("the Parties"):

Party A: KongZhong Information Technologies (Beijing) Co., Ltd.
Address: 35F,Tengda Plaza,No.168 Xiwai Street,Haidian District,Beijing,100044,China
Tax: 88575872
Tel: 010-88576000

Party B: Xiamen Xinreli Technology Co., Ltd.
Address: 14A, No.2. Lianqian West Road, Siming District.
Tax: 86-592-5161130
Tel: 86-592-5161157

Party C:
Shareholder : Jia Tao; ID No. : 110105197802109636
Address: 35F, Tengda Tower No.168 Xiwai Street Haidian District, Beijing, PRC.

Shareholder : Chen Junhong; ID No. : 350203197504274032
Address: Rm.17, No.442, South Road Siming, Siming District, Xiamen, Fujian, PRC.

WHEREAS:

1. Party A is a wholly foreign-owned enterprise registered and validly existing in the PRC;

2. Party B, a wholly domestic-owned limited liability company registered in the PRC;

3. A business relationship has been established between Party A and Party B by entering into *Exclusive Consulting and Services Agreement,* under which Party B shall pay all incomes from main business operations to Party A, and subsequently the daily operation of Party B will have a material impact on its payment capacity to Party A;

4. Shareholder I and Shareholder II of Party C are shareholders of Party B (the "Shareholders of Party B").

Party A, Party B and Party C, through friendly negotiation in the principle of equality and common interest, hereby jointly agree the following:

1. Non-action Obligation

In order to ensure Party B's performance of the agreements between Party A and Party B and all its obligations to Party A and Party C hereby jointly confirm and agree that Party B will not conduct any transaction which may materially affect its assets, business, employees, obligations, rights or the company's operation unless a prior written consent from Party A or another Party appointed by Party A, including but not limited to the following contents, has been obtained:

1.1 To conduct any business which is beyond normal business operations, or operate the company's business in any way which is general and inconsistent with past ;

1.2 To borrow money or incur any debt from any third party;

1.3 To change or dismiss any directors or to dismiss and replace any senior management officers;

1.4 To sell to or acquire from any third party any assets or rights exceeding RMB Ten thousand Yuan, including but not limited to any intellectual property rights;

1.5 To provide guarantee for any third party with its assets or intellectual property rights or to provide any other guarantee or to place its assets under any other obligations;

1.6 To amend the Articles of Association of the company or to change its scope of business;

1.7 To change the normal business process or modify any material by laws;

1.8 To assign rights and obligations under this Agreement to any third party;

1.9 To make material amendments to its business model, marketing strategy, operation principles or customer relationship;

1.10 To distribute dividends in any manner.

2. Management of Operation and Arrangements of HR

2.1 Party B together with its shareholders hereby jointly agree to accept and strictly enforce the proposals in respect of the employment and dismissal of its employees, the daily business management and financial management, etc., provided by Party A and the managerial personnel relating to financial and human resources from time to time.

2.2 Party B together with the Shareholders of Party B hereby jointly agree that the Shareholders of Party B shall only appoint candidates designated by Party A as the directors of Party B in accordance with the procedures regulated by laws and regulations and the Article of Association of the company, and Party B shall engage Party A's nominees as Party B's General Manager, Chief Financial Officer, and other senior officers.

2.3 If any of the above officers designated by Party A quits or is dismissed by Party A, he or she will lose the qualification to undertake any positions in Party B and therefore the Shareholders of Party B shall promptly dismiss the above officers who hold any positions in Party B and appoint other nominees of Party A to assume such positions.

2.4 For the purpose of 2.3, the Shareholders of Party B shall take all necessary inside and outside procedures to accomplish the above dismissal and engagement in accordance with the laws, the Articles of Association of the company and the provision of this Agreement.

2.5 The Shareholders of Party B hereby agree, simultaneously with the execution of this Agreement, to sign Powers of Attorneys as provided in Appendix 1, according to which the Shareholders of Party B will irrevocably authorize personnel designated by Party A to exercise their shareholders' rights and their full voting rights as shareholders at Party B's shareholders' meetings. The Shareholders of Party B further agree to replace the authorized persons appointed in the above mentioned Power of Attorney at any time at the request of Party A.

3. Other Agreements

3.1 In the event that any of the agreements between Party A and Party B terminates or expires, Party A is entitled to terminate all agreements between Party A and Party B including but not limited to the Exclusive and Consulting Services Agreement.

3.2 Whereas the business relationship between Party A and Party B has been establishes through the Exclusive Consulting and Services Agreement and other agreements and the daily business operations of Party B shall bear a material impact on its capacity to pay the payables to Party A, the Shareholders of Party B jointly agree that they will immediately and unconditionally pay or transfer without compensation to Party A any bonus, dividends or any other incomes or benefits (regardless of the forms) obtained from Party B as shareholders of Party B at the time such payables occur, and provide all the documents and take actions for the aforesaid payment or assignment at the request of Party A.

4. Entire Agreement and Modifications

4.1 This Agreement together with all the other agreements and/or documents mentioned or explicitly included in this Agreement will be part of the whole agreement concluded in respect of the matters in this Agreement and shall replace all other prior oral and written agreements, contracts, understandings and communications among all the parties involving this matters.

4.2 Any amendment to this Agreement shall take effect only after it is executed by all Parties. The amendment and supplement duly executed shall be part of this Agreement and shall have the same legal effect as this Agreement.

5. Governing Law

The execution, effect, performance and the resolution of disputes of this Agreement shall be governed by and construed in accordance with the PRC laws.

6. Dispute Resolution

6.1 The parties shall strive to settle any dispute arising from the interpretation or performance through negotiation in good faith. In case no settlement can be reached through consultation, each party can submit such matter to China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration in accordance with the current rules of CIETAC. The arbitration proceedings shall take place in Beijing and shall be conducted in Chinese. The arbitration award shall be final and binding upon all parties.

6.2 Each Party shall continue to perform its obligations in good faith according to the provisions of this Agreement except for the matters in dispute.

7. Notice

7.1 Notices for the purpose of exercising the rights and performing the obligations hereunder shall be in writing and be delivered by personal delivery, registered or mail or postage prepaid mail, recognized courier service or by facsimile transmission to the address of the relevant party or parties set forth below.

Party A:	KongZhong Information Technologies (Beijing) Co., Ltd.
Address:	35F, Tengda Plaza, No.168Xiwai Street, Haidian District, Beijing, 100044, China
Fax:	88575872
Tele:	010-88576000
Addressee:	Zhang Yingnan

Party B:	Xiamen Xinreli Technology Co., Ltd.
Address:	14A, No.2. Lianqian West Road, Siming District.
Fax:	86-592-5161130
Tele:	86-592-5161157
Addressee:	Pang Xin

Party C:

Shareholder I, Jia Tao
Address: 35F, Tengda Tower No.168 Xiwai Street Haidian District, Beijing, PRC.
Fax: 85894836
Tel: 85805125
Addressee: Jia Tao

Shareholder II, Chen Junhong
Address: Rm.17, No.442, South Road Siming, Siming District, Xiamen, Fujian, PRC
Fax: 86-592-5161130
Tel: 86-592-5161157
Addressee: Chen Junhong

8. Effect, Term and Other About This Agreement

8.1 Any written consent, suggestion, appointment or other decisions which have material effects on Party B's daily business operations involved in this Agreement shall adopted by the board of directors of Party A.

8.2 This Agreement will take effect upon execution by duly authorized representatives of all parties and the term of this Agreement will last for a period of ten (10) years from the Effective Date unless earlier terminated by Party A. Prior to the termination of this agreement. Upon the request from Party A, the term of this Agreement shall renewed, or separate Business Operation Agreement shall be entered into by the Parties at the request of Party A.

8.3 Party B and the Shareholders of Party B shall not terminate this Agreement within the term of this Agreement while Party A is entitled to terminate this Agreement any time by issuing a written notice to Party B and the Shareholders of Party B 30 days prior to the termination.

8.4 The parties agree and confirm this fair and equitable Agreement is executed on the basis of equality and mutual benefit. In case any term or provision in this Agreement is regarded as illegal or can not be performed in accordance with the applicable law, it shall be deemed to be deleted from this Agreement and be null and void, and this Agreement shall be treated as without it from the very beginning. However, the rest of the provisions will remain effective. The parties shall replace the deleted provisions with lawful, effective and mutually acceptable ones through negotiations.

8.5 Any non-exercise of any rights, powers or privileges hereunder shall not be deemed as a waiver thereof. Any single or partial exercise of such rights, powers or privileges shall not exclude one party from exercising any other rights, powers or privileges.

8.6 The shareholders of Party C undertake that with any alternation in proportion of the equity interest held by Party C, this Agreement shall be binding upon Party C. And all the equity interests in Party C on the occasion shall be bound by this Agreement.

8.7 Party A may transfer all its rights and obligations to any third party without Party B's prior consent, provided that Party A shall inform Party B by issuing a written notice.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed on their behalf by duly authorized representatives as of the Effective Date first written above.

(No text on this page. Only for signature.)

Party A:

Authorized Representative: _____

Party B:

Authorized Representative: _____

Party C:

Shareholder I

Shareholder II

Exhibit 4.121

Power of Attorney

Principal:	**Tao Jia**
ID No.:	110105197802109636
Address:	32F, Tengda Plaza, No.168 Xiwai Street, HaiDian District, Beijing

Agent:	**Leilei Wang**
ID No.:	110102197304020437
Address:	No.1001, Building 1, Xiao Yang Yi Bin Hutong, Dongcheng District, Beijing

The Principal, Tao Jia, a citizen of the People's Republic of China, hereby authorizes Mr. Wang Leilei to exercise all voting powers as a shareholder of **Xiamen Xinreli Technology Co., Ltd.** ("**Xinreli**") during the term of this Power of Attorney, including not limited to acting as the authorized representative to nominate and elect senior management officers such as directors, general manager at shareholders' meetings of Xinreli.

Unless consented by the board of directors of **KongZhong Information Technologies (Beijing) Co., Ltd. ("KongZhong Beijing")**, the aforesaid authorization is irrevocable. The Principal also agrees that KongZhong Beijing is entitled to appoint a new agent to replace the original agent, and will execute relevant documents and take all necessary actions to complete the new appointment.

The Agent, with the authorization of the Principal, shall exercise shareholders' voting powers of Xinreli with due diligence and care, and will act in accordance with directions of the board of directors of KongZhong Beijing.

This Power of Attorney will come into effect on the date of execution and will expire upon dissolution of KongZhong Beijing.

/s/ Tao Jia (Signature)

Tao Jia
Date: December 1, 2014

Exhibit 4.122

Power of Attorney

Principal:	**Junhong Chen**
ID No.:	350203197504274032
Address:	Room 17, No.442 Siming South Road, Siming District, Xiamen, Fujian Province.

Agent:	**Leilei Wang**
ID No.:	110102197304020437
Address:	No.1001, Building 1, Xiao Yang Yi Bin Hutong, Dongcheng District, Beijing

The Principal, Junhong Chen, a citizen of the People's Republic of China, hereby authorizes Mr. Wang Leilei to exercise all voting powers as a shareholder o f **Xiamen Xinreli Technology Co., Ltd.** ("**Xinreli**") during the term of this Power of Attorney, including not limited to acting as the authorized representative to nominate and elect senior management officers such as directors, general manager at shareholders' meetings of Xinreli.

Unless consented by the board of directors of **KongZhong Information Technologies (Beijing) Co., Ltd. ("KongZhong Beijing")**, the aforesaid authorization is irrevocable. The Principal also agrees that KongZhong Beijing is entitled to appoint a new agent to replace the original agent, and will execute relevant documents and take all necessary actions to complete the new appointment.

The Agent, with the authorization of the Principal, shall exercise shareholders' voting powers of Xinreli with due diligence and care, and will act in accordance with directions of the board of directors of KongZhong Beijing.

This Power of Attorney will come into effect on the date of execution and will expire upon dissolution of KongZhong Beijing.

/s/ Junhong Chen (Signature)

Junhong Chen
Date: December 1, 2014

Exhibit 8.1

List of Subsidiaries and Consolidated Entities of KongZhong Corporation, as of March 31, 2015

Name of the Subsidiaries or Consolidated Entities	State or Jurisdiction of Incorporation
Beijing AirInbox Information Technologies Co., Ltd.	People's Republic of China
Beijing Boya Wuji Technologies Co., Ltd.	People's Republic of China
Beijing Chengxitong Information Technology Co., Ltd.	People's Republic of China
Beijing Shangshu Boer Culture Communication Co., Ltd.	People's Republic of China
Beijing Shiyuan Leya Culture Communication Co., Ltd.	People's Republic of China
Beijing Wireless Interactive Network Technologies Co., Ltd.	People's Republic of China
Beijing Xinrui Network Technology Co., Ltd.	People's Republic of China
Beijing Yin'ao Fulai Culture Development Co., Ltd.	People's Republic of China
Dacheng Holdings Limited	Cayman Islands
Dacheng Investment (Hong Kong) Limited	Hong Kong
KongZhong China Co., Ltd.	People's Republic of China
KongZhong Information Technologies (Beijing) Co., Ltd.	People's Republic of China
Money King Search Corporation	Cayman Islands
Nanjing Net Book Culture Co., Ltd.	People's Republic of China
Nuomena Innovation (BVI) Ltd.	British Virgin Islands
Nuomena Productions Limited	Hong Kong
Shanghai Dacheng Network Technology Co., Ltd.	People's Republic of China
Shanghai KongZhong Brilliant Game Co., Ltd.	People's Republic of China
Shanghai Mailifang Communications Co., Ltd.	People's Republic of China
Sigma Interactive Inc.	British Virgin Islands
Simlife (Beijing) Science Co., Ltd.	People's Republic of China
Simlife International, Inc.	Cayman Islands
Success Blueprint Limited	British Virgin Islands
Tianjin Mammoth Technologies Co., Ltd.	People's Republic of China
Xiamen Xinreli Technology Co., Ltd.	People's Republic of China
KONGZHONGWANG JP Co., Ltd.	Japan
Dacheng (Singapore) Pte. Ltd.	Singapore
KongZhong (Singapore) Pte. Ltd.	Singapore

Exhibit 12.1

CERTIFICATION

I, Leilei Wang, certify that:

1. I have reviewed this annual report on Form 20-F of KongZhong Corporation;

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 annual 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 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: April 16, 2015

/s/ Leilei Wang
Name: Leilei Wang
Title: Chief Executive Officer

Exhibit 12.2

CERTIFICATION

I, Jay Chang, certify that:

1. I have reviewed this annual report on Form 20-F of KongZhong Corporation;

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 annual 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 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: April 16, 2015

/s/ Jay Chang
Name: Jay Chang
Title: Chief Financial Officer

Exhibit 13.1

KONGZHONG CORPORATION

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, Leilei Wang, Chief Executive Officer of KongZhong Corporation (the "Company"), hereby certifies, to his knowledge, that the Company's annual report on Form 20-F for the year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2015

/s/ Leilei Wang
Name: Leilei Wang
Title: Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 13.2

KONGZHONG CORPORATION

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, Jay Chang, Chief Financial Officer of KongZhong Corporation (the "Company"), hereby certifies, to his knowledge, that the Company's annual report on Form 20-F for the year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 16, 2015

/s/ Jay Chang
Name: Jay Chang
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 23.1

通商律师事务所

Commerce & Finance Law Offices
6F NCI Tower, A12 Jianguomenwai Avenue,
Chaoyang District, Beijing, PRC; Postcode: 100022
Tel: (8610) 65693399 Fax: (8610) 65693838, 65693836, 65693837
Website: www.tongshang.com

April 16, 2015

Kong Zhong Corporation
35th Floor, Tengda Plaza
No. 168 Xizhimenwai Street
Beijing, China 100044

Dear Sirs,

We consent to the reference to our firm under the headings "Risk Factors" and "Our Corporate Structure" and elsewhere in the Annual Report of KongZhong Corporation on Form 20-F for the year ended December 31, 2014, which will be filed with the Securities and Exchange Commission (the "SEC"). We also consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report on Form 20-F for the year ended December 31, 2014.

Yours faithfully,

/s/ Commerce & Finance Law Offices
Commerce & Finance Law Offices

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 333-122530, 333-132219, 333-140538, 333-156640 and 333-195905) and Form F-3(No. 333-181459) of our reports dated April 16, 2015 relating to the consolidated financial statements of KongZhong Corporation, its subsidiaries and variable interest entities (collectively, the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 20-F of KongZhong Corporation for the year ended December 31, 2014. We also consent to the reference to us under the heading "Experts" in the Prospectus, which is part of the Registration Statement on Form F-3 (No. 333-181459).

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP
Beijing, the People's Republic of China
April 16, 2015