MOQIZONE HOLDING CORPORATION

OTC PINK

2012 – 2013 ANNUAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

OTC PINK: MOQZ
CUSIP Number: 058479 10 6

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this interim report. Our consolidated financial statements have been prepared in accordance with U.S. GAAP. In addition, our consolidated financial statements and the financial data included in this interim report reflect our reorganization and have been prepared as if our current corporate structure had been in place throughout the relevant periods. The following discussion and analysis contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, without limitation, statements regarding our expectations, beliefs, intentions or future strategies that are signified by the words "expect," "anticipate," "intend," "believe," or similar language. All forward-looking statements included in this document are based on information available to us on the date hereof, and we assume no obligation to update any such forward-looking statements. Our business and financial performance are subject to substantial risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements in evaluating our business, you should carefully consider the information set forth under the heading "Risk Factors" in our Registration Statement on Form S-1 filed with SEC on October 15, 2010. Readers are cautioned not to place undue reliance on these forward-looking statements.

Background and Overview

In 2009 and 2010, we operated as a Chinese online game delivery platform company that offered digital infrastructure solutions to China's online game industry. Through our subsidiary Shanghai MoqiZone and VIE SZ Alar, we provided the following product solutions and services:

- Installation of WiMAX CPE (Customer Premises Equipment) at internet cafes with connection to our proprietary Moqizone WiMAX Network;
- Access to digital entertainment content such as online games, movies, and video hosted by the Company via the Moqizone WiMAX Network;
- Installation of Netcafe Farmer which is a peer-to-peer program allowing real time gaming content updates for all the PCs within the internet cafes; and
- Publishing online gaming content and issuing prepaid cards for players.

As our business developed, we believed our business model could eliminate unnecessary cost associated with traditional digital media content delivery value chain. We commenced our business with Netcafe Farmer (see below). We also commenced reselling prepaid online game cards. We successfully deployed a few WiMAX test sites in Beijing, Suzhou and Shenzhen and commenced building out our MoqiZone WiMAX Network business in Chengdu. As of September 30, 2010, over 30 internet cafes in Chengdu had been installed with our WiMAX CPE and approximately 700 Internet Cafes were installed with Netcafe Farmer.

Netcafe Farmer in connection with our WiMAX Network provided the necessary backbone infrastructure to allow us to roll out our gaming services and products. As our business continued to develop, our revenue was mainly to be generated from cash collected from prepaid game cards. We provided a profit sharing online billing system for internet cafes, game providers, marketing promotion companies and ourselves, via www.moqizone.com. This allowed profit sharing through the universal Moqizone Prepaid Card. We believed that this would effectively discourage price wars on prepaid game cards at retail locations, help internet cafes avoid obsolete prepaid card inventory and provide a more user friendly payment system by unifying prepaid game cards across different content providers' games. The universal prepaid game card was distributed via internet cafes and collected through our Point of Sales system. In addition, our software provided real-time reporting, payment and customer tracking via www.moqizone.com to internet cafes and content providers. As such, Moqizone ran data mine for customer behavior for gaming community management.

On September 30, 2010, we commenced generating revenue from selling prepaid cards and had generated limited revenue from Netcafe Farmer. Since the fall of 2009, we had launched more than 30 WiMAX connected

internet cafes in our test cities, however, they utilized our WiMAX Network free of charge for testing purposes and net yet producing revenue. Our goal was to deploy our online game content delivery platform on the WiMAX Network and via Netcafe Farmer in various targeted cities in China.

We intended to expand and redevelop Netcafe Farmer which already as of September 2010, had approximately 700 internet café customers and was generating revenue. Our target was to expand the customer base of Netcafe Farmer to also cover large scale residential development as well as school campuses.

We entered into business partnership with Win's Entertainment Limited ("Win's), a major motion picture producing company in Hong Kong through a series of proprietary content agreements in November 2009. To date, we have developed one online game – "Flirting Scholars II Online" which began open beta testing on July 9, 2010 in parallel with road show of the original movie "Flirting Scholars II". The official approval of the Ministry of Culture was still pending due to the latest change of the rules and regulations of publishing online games in China in September 2010. After we are granted approval, we plan to begin generating revenue via the sale of this game. We are currently developing and working towards publishing the game outside of China in other portals or websites.

In July 2010, we entered into a share transfer agreement with Smart Lead Enterprises, Inc. to acquire 51% of Viva Red Limited ("Viva Red"), a company that acquires various licenses of mobile phone game and entertainment products and conducts value-added telecommunications services for mobile phones in China. According to the terms of the agreement, we made an initial cash deposit of approximately US$148,000 and to date we made deposits totaling approximately $160,706. Once this transfer was completed, we planned to leverage Viva Red to help us achieve our long-term goal of providing mobile gaming platform and service to all China Telecom customers. We were developing our mobile gaming delivery platform, configuring mobile games for different mobile handsets and discussing forming strategic business partnership with various domestic and international content providers. Our plan was to roll out our delivery platform by the end of the third quarter of 2010 and begin generating revenue in the fourth quarter of 2010.

Once we finalized the acquisition of Viva Red, we intended to extend our game delivery platform to cover mobile phone users. The plan was to roll out our delivery platform by the end of the third quarter of 2010 and begin generating revenue in the fourth quarter of 2010.

Our key business development objectives for 2011 and 2012 were as follows:

- Growing and expanding our business penetration that serves Internet cafes throughout selected targeted cities in China; and
- Building a diverse gaming platform that serves traditional professional gamers, casual gamers, including mobile phone users; and
- Publishing internally developed games for both PC gamers and mobile users.

Despite achieving the foregoing with limited financing, we were a development stage company and had insufficient revenues to support the growth of our business and ongoing operations. As such, we were dependent upon the obtaining additional financing in the equity markets. Our investment banker, TriPoint Global Equities ("TriPoint") informed us that it would continue to seek investment capital for us in the fall of 2010 and we proceeded with our business plan believing that our successes up to that point and the interest in the Company would result in an additional equity raise. However, with the advent of the highly publicized China small cap accounting scandal in the 2010 holiday season and the winter, and spring of 2011, it became apparent to TriPoint and the Company that we would not be able to raise additional capital to support our operations and business plan. As a result, in May of 2011, we filed a Form 15-12G with the SEC withdrawing our registration and substantially curtailed our operations while attempting to leverage our spectrum ownership, knowledge and considerable industry contacts and move forward with our core business plan and several available offshoots with reduced budgets until we were able to find additional equity financing.

Throughout 2012 and 2013 the company operated continuously, maintaining its WiMAX spectrum and exploring possible partnerships and joint ventures with firms interested in utilizing our spectrum for various

applications. In 2013, we had revenue of approximately $US17,000 in revenue from a consultancy contract with Towngas Telecom which engaged us to assist them in utilizing their nationwide fibre optics networks for the aviation industry.

Business activities throughout the next twelve months:

Our core business has always been in the integration and delivery of contents based on broadband internet using the WiMAX technology. Whilst we have successfully applied this capability of ours on private networks of internet cafes and created a business model to help them save costs, we are contemplating to apply the same to university campuses and airports. At the same time, we will work with some industrial experts on exploring the business opportunities in equipping airplanes and high speed trains with WIFI connectivity. With our system installed, passengers can go online with free WIFI while we can push our contents including advertisements and B2C shopping malls to their devices. On the content front, we look to expand our reach to cover broadband delivery of live concerts, movies and games and plan to utilize our technical capability on creating smart phone APPs and websites for the sales of consumer products such as investment, fashion, healthcare, skincare, and beauty products.

Through years of experience in market research and knowledge about our customers, we have identified three major categories of consumers, namely online game players, business travelers and female consumers, who can afford and willing to spend. We will thus focus on developing platforms and business models for delivering goods and services to meet their demand in the next twelve months and years ahead.

Online game players

There are over 150,000 internet cafes in China and most people go there to play online games and watch movies and other multimedia contents. Internet cafe users are mainly youngsters, college students, and blue-collar workers who are typically single and live in a city away from home. In most cases, Internet cafes are their prime entertainment venues where they can relax and carry out their social activities.

Due to the social and cultural situation in China, people feel more secured to interact with people in the cyber world or online games in which they can play virtual roles. This has led to the tremendous growth of the online game industry in China which is still seeing strong demand for the games.

Between 2010 and 2012, Moqizone has launched several online games featured with movie characters as supplementary products of the movies produced by certain top-tier movie companies. This has proved to be a big success with 200,000 subscribers subscribed to the games. The Company has also successfully set up a WiMAX network in 2010 connecting 40 internet cafes in Chengdu so the players can network together with better and safer internet connections.

Although the Company had to shut down its online game and Internet cafe operation due to the lack of working capital in 2012, it has since maintained working relationships with its original key staff members and numerous multimedia companies such as online game producers and operators, broadcasting portals, production houses, movie makers and concert organizers, etc. With these resources on hand, we plan to raise funds for producing a concert to be broadcast live over several broadcasting portals in China.

Business Travelers

There are approximately 200 million business travelers per year in China and these people demand seamless connectivity so they can receive information and can stay in touch all the time. On the other hand, these people’s busy schedules often mean that they can only have time to shop while waiting at airports or being on board an airplane. We therefore plan to target this market in 2014.

During the past two years, the Company continued to seek business opportunities for utilizing its 3.3GHz spectrum. In 2013, we participated, through our partners such as China Mobile and certain equipment providers, in an ATG (“Air to Ground”) project utilizing our spectrum. This ATG technology enabled flight data to be seamlessly streamed from the airplane to the ground control units so the whole fight can be monitored on a real time basis. This will substantially enhance aviation safety and is highly desirable by the Chinese government.

Two commercial aircrafts on the flight routes CA 4116 and CA 4109 flying between Beijing to Chengdu were equipped with the relevant equipment and they commenced the ATG pilot run from July 3, 2013. As the data transfer speed can reach 30Mbps, it is sufficient to provide passengers with high speed internet connections in the plane at the same time. However, as this project was for demonstration purposes only so it did not produce any revenue.

Shenzhen Alar, our VIE, entered into a non-binding and confidential MOU with China Hang Tong Group for the ATG project. According to the MOU, China Hang Tong is the network integrator and Shenzhen Alar is to provide in-flight broadband connectivity to the passengers so they can access the Internet with their devices through Wi-Fi and an e-commerce platform so they can shop on the plane.

Moqizone has thus developed several smartphone APPs and e-commerce platform prototypes to demonstrate how this can work. China Hang Tong Group, however, is undergoing a corporate restructuring exercise so it is unable to come up with a definite timetable for completing this ATG networks for all the aircrafts in China. Despite this uncertainty, we are of the view that we should not rely solely on China Hang Tong but to leverage our knowledge and spectrum to further explore possible ways to tap into this lucrative business travelers market.

Female consumers

During the course of developing the in-flight e-commerce platforms, we have contacted several luxury product suppliers such as StrawberryNET.com which targets to attract more female China consumers to their website. At the same time, a financial products provider PUPU works with us on a new business model to target the female consumer market and the first task is to attract as many female users as possible to install their APP.

Having considered numerous options, we have noticed that Korean pop stars and their concerts in China can attract a large female audience. We then plan to organize a Korean pop ("K-pop") concert to be held in Shanghai in late 2014 with PUPU and StrawberryNet.com as sponsors. Given our strengths, we also plan to have this concert broadcasted live over several popular platforms in China in order to reach out to the massive female market.

Our business objectives for the next 12 months include:

1. Carry out the live K-pop concert in Shanghai so as to attract millions of young Chinese female consumers to our partners' platforms and to increase their awareness of their brands.

2. To perform live broadcast over the Internet for the K-pop concert and so we can create a large database of approximately two million female consumers through their registration on our APPs and websites.

3. Leveraging on this consumer database, we aim to create our own e-commerce platforms for serving them. To achieve this, we will sign up several high quality suppliers of cosmetics, skin care, healthcare and fashion items, etc.

Financing Requirements

At December 31, 2013, we had cash of $1,075 and current liabilities of approximately $2,900,000. We anticipate that we will require $3 million in debt and/or equity financing to finance our K-pop concert and e-commerce platforms. In November 2013, we entered into a non-binding MOU with Moxian Corp Limited which intended to fund the K-pop concert with RMB15 million for a title sponsorship. In addition, we have also obtained an indication from Pegasus Entertainment Holdings Limited (which is a Hong Kong listed company, www.pegasusmovie.com) to provide us with a loan for an amount up to $U.S.500,000 at a 10% interest per annum on condition that we promote their brand name throughout our marketing campaign. The Company has accrued amounts due to Pegasus in accrued liabilities. We will also try to obtain more sponsorships and pre-sell tickets for raising sufficient cash to complete the concert. We will continue to seek a combination of equity and long-term debt financing as well as other traditional cash flow to meet our financing needs and to reduce our overall cost of capital. However, there can be no assurance that we will be able to obtain any additional financing on acceptable terms or at all.

Results of Operations for the years ended December 31, 2013 and 2012 compared

The following paragraphs summarize selected items from the statement of operations for the years ended December 31, 2013 compared to 2012.

Revenue

In the year ended December 31, 2013, the Company earned revenue of $17,345 from a consultancy contract with Towngas Telecom for advising them to utilize their nationwide fibre optics network for the aviation industry in China. As the Company did not have sufficient working capital to finance its business operation, it did not generate any revenue in the year ended December 31, 2012.

Costs and Expenses

General and administrative expenses for the years ended December 31, 2013 and 2012 were $218,845 and $224,359 respectively. These expenses decreased by approximately 5% over the year as the Company further cut down its operating expenses. These expenses mainly represent accrued fees and salaries for the directors and the necessary fees and expenses for maintaining the legal status of all the group companies. We expect our general and administrative expenses to increase next year for our anticipated development in K-pop concert and e-commerce platforms.

Other Income/(Expense)

Our other income or expense includes an interest expense of $188,665 in 2014 and $134,608 in 2013. The change in fair value of derivative liabilities amounting to a gain of 6,573 was drastically lower than the gain of approximately $11,600,000 in 2012.

We recorded a net loss of $383,592 for the year ended December 31, 2013 compared to net income in 2012 of $11,221,366. The change is related to the reduction in estimated fair value of our derivative liabilities, which causing a related gain in the statements of operations.

Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We currently do not have sufficient working capital to generate internal operating cash flow to finance our intended business activities. We are not adequately capitalized in the near term. Moreover, we may not be able to obtain the necessary capital to pursue our strategic plan, and in the ultimate negative situation, we may not be able to conduct any business operation.

As of December 31, 2013, we had cash and cash equivalents of only $1,075 compared with $1,069 at the end of 2012. Net cash provided by operating activities for the year ended December 31, 2013 was $718 as compared with net cash used in operating activities of $4,789 for the previous year. There were current liabilities of approximately $2,900,000 and $2,300,000 at the end of 2013 and 2012 respectively. The increase over the year was mainly due to the expiry of warrants and lack of cash flows during the year ended December 31, 2013.

Cash from Operating Activities

Based on our limited operation, we have not been able to generate significant cash flows from operations necessary to sustain or operations.

Cash from Investing and Financing Activities

There have been no cash flows from investing and financing activities in the two years ended December 31, 2013 and 2012.

Cash Flow

Since inception, we have primarily financed our cash flow requirements through the issuance of common stock, preferred shares, convertible notes and sales generated income. With anticipated increase in business activities in 2014 we may, during our normal course of business, experience net negative cash flows from operations, pending receipt of revenue, which often are delayed due to the fact that, in China, we need to sell concert tickets and receive payments for live broadcast through licensed third party platforms. Further, we may be required to obtain financing to fund operations through additional common stock offerings and bank or other debt borrowings, to the extent available, or to obtain additional financing to the extent necessary to augment our available working capital.

Satisfaction of our cash obligations for the next 12 months

As of December 31, 2013, our cash balance was $1,075. Our plan for satisfying our cash requirements for the next twelve months is through additional equity, third party financing and/or debt financing. We anticipate sales-generated income during that same period of time, but do not anticipate generating sufficient amounts of positive cash flow to meet our working capital requirements. Consequently, we intend to make appropriate plans to insure sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

As we expand operational activities, we may continue, from time to time, to experience net negative cash flows from operations, pending receipt of sales, and will be required to obtain additional financing to fund operations through common stock offerings and debt borrowings to the extent necessary to provide working capital.

Prediction of future operating results are difficult to ascertain due to our shift in operating activities. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of commercial viability, particularly companies in new and rapidly evolving technology markets. Such risks include, but are not limited to, evolving and unpredictable business models and the management of growth. To address these risks, we must, among other things, implement and successfully execute our business and marketing strategy, continue to develop and upgrade technology and products, respond to competitive developments, and continue to attract, retain and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

Expected purchase of significant equipment

We do not anticipate the purchase of any significant equipment in the next 12 months.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has an accumulated deficit of approximately $6,700,000 and has generated little revenue from operations since inception. In addition, the Company has a shareholders' deficit of approximately $2,900,000 as of December 31, 2013. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying unaudited consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditure or capital resources that is material to investors.