



Muddy Waters, LLC
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December 19, 2013

Ms. Ying Han, director
Mr. Tiewei Li, director
Mr. Xiuming Tao, director
Mr. Jun Zhang, director
NQ Mobile, Inc.
Building 4, 11 Heping Li East Street
Dongcheng District, Beijing 100013
People's Republic of China

Dear Ms. Han, Mr. Li, Mr. Tao, and Mr. Zhang:

Part I: Our Offer to NQ's Independent Committee

Muddy Waters, LLC hereby offers to engage, at our own expense, an independent and qualified accounting firm to evaluate the independent committee's investigation into whether NQ Mobile is a fraud.

It is necessary and reasonable for the independent committee to have a qualified party evaluate the credibility of the investigation. While NQ has pledged to be highly transparent, the independent committee's retention of a law firm to oversee the investigation cloaks the entire investigation in attorney-client privilege. The law is clear that directors who are not complicit in a fraud (i.e., they have themselves been defrauded by a company's management) are not subject to liability. Thus, there is no good faith reason to have this investigation shrouded by attorney-client privilege.

The history of independent committee investigations into allegations of fraud against China issuers is a shameful one, and has cost investors billions of dollars in losses. After many previous investigations concluded short-sellers' claims of fraud were baseless, investors who took comfort in those conclusions went on to suffer near total losses when the stock and bond prices subsequently collapsed.

We cite eight examples in Part II of this letter of independent committees' apparent dysfunction and resulting flawed investigations of fraud allegations made against China companies. Each of these independent committee reports exonerated the companies of wrongdoing, but were followed by substantial investor losses, and often regulatory action. Those companies are: Sino-Forest, China Agritech, ChinaCast Education, China

Integrated Energy, China Medical Technologies, Duoyuan Global Water, Sino Clean Energy, and Silvercorp.

Independent director committees are unable to investigate fraud allegations impartially. Even if the directors played no part in the fraud, confirming that a company is a fraud can be viewed as a professional embarrassment. Further, independent directors often have longstanding personal relationships with management that taint their judgment. In other cases – particularly when the directors are in China and have little connection to the United States – the directors could be co-conspirators in the fraud.

One way that such investigations are often flawed is through limiting the scopes of work given to the outside investigating firms (in this case Deloitte FAS). This work is often unduly limited by the independent committee, which only allows the investigator access to evidence that management can control through its efforts to cover up. One such limitation an independent committee could place on an advisor is to limit its review to confirming the existence of cash balances. China frauds have repeatedly been able to show cash balances to independent committees’ advisors – often by borrowing the funds. Without an independent party to evaluate the investigation, investors will never know whether the scope of work was appropriately broad enough to carry out a good faith investigation, and thus run significant risk of being blindsided by a collapse later on.

Muddy Waters, LLC hereby offers to engage, at our own expense, Plante & Moran PLLC, which is one of the largest accounting and consulting firms in the United States, to evaluate the investigation. Plante & Moran has substantial experience investigating allegations of fraud made against U.S.-listed China companies, and has an office in China. Plante & Moran has also undertaken a substantial number of assignments to assist in the defense of auditors and board members of China companies accused fraud, and thus cannot be accused of being merely a “plaintiff’s firm”. We summarize Plante & Moran and the engagement partner, Martin Terpstra’s, qualifications in Part III.

Our offer is for Plante & Moran to do the following, with unimpeded and full access to information:

- Write a report that evaluates whether the investigation adequately addresses the assertions in Muddy Waters’s reports.
- As part of the evaluation process, Plante & Moran may evaluate the following items:
 - Whether the special committee, Deloitte FAS, and Shearman & Sterling have the sufficient level of independence and objectivity required to perform a legitimate investigation of our assertions and any other discrepancies that arise during their investigation
 - Whether the scope of work of the special committee and its advisors is relevant and broad enough to address our assertions and the concerns of other critics and potential investor plaintiffs,
 - Whether the roles and responsibilities assigned to each of the committee’s advisors is appropriate,

- Whether those planning and executing the advisors' work, and those advisors, are competent and knowledgeable enough to carry out an investigation according to best practice corporate governance standards and generally accepted consulting standards for such work.
- Receive all interim and final reports issued by Deloitte FAS, Shearman & Sterling, the independent committee, and all other advisors.
- Receive all working papers of Deloitte FAS and any other advisors.
- Receive, at Plante & Moran's request, any primary sources of information (such as documents, interview transcripts, data and records, and locations) the committee and its advisors review, in order to ensure their relevance, accuracy, and assess whether the information could be manipulated or forged.
- Speak directly and privately with the committee's advisors to discuss their work, and with the advisors having instructions to discuss their work and findings with Plante & Moran without restriction.

Muddy Waters intends to publish Plante & Moran's evaluation report so that NQ's investors will have transparency into the investigation. (For the avoidance of doubt, "advisor" includes "sub-advisor" and any party directly or indirectly advising the committee on the investigation.) This offer expires at 12:00 am EST on January 7th, 2014. Please accept it by emailing me before expiration at: carson.block@muddywatersresearch.com.

If you would like us to provide an official Chinese translation of this offer to a committee member, please advise me by email.

Should the independent committee accept our offer, investors will greatly benefit by having reasonable transparency into a process that is critical to protecting their interests. The committee's findings will be given significant credence when evaluated favorably by Plante & Moran.

We look forward to your reply.

Part II: The Troubling History of China Companies' Independent Committees

Muddy Waters has first-hand experience with polluted independent committee processes. Sino-Forest spent approximately \$50 million on its independent committee investigation, and ultimately concluded that "[Sino-Forest] can categorically say Sino-Forest is not the '*near total fraud*' and '*Ponzi scheme*' as alleged by Muddy Waters... Far from being a '*near total fraud*' and '*Ponzi scheme*' as alleged by Muddy Waters, Sino-Forest is a real company, with real assets and real revenue." Unfortunately, investors who bought Sino-Forest bonds following the committee report saw their prospects for recovery plunge when the company declared bankruptcy four months later, and the Ontario Securities Commission then charged Sino-Forest and six of its former executives with fraud.

There are numerous other examples of independent committee dysfunction – especially with China issuers – including the following instances:

China Agritech, Inc.

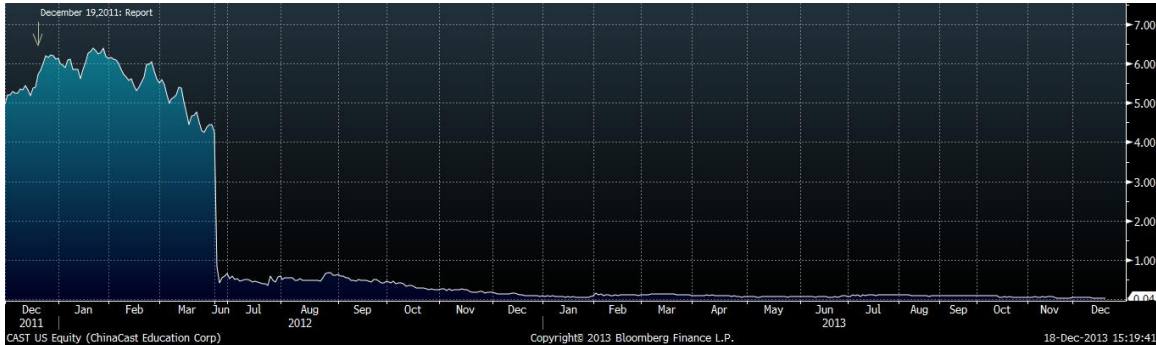
- On December 11, 2011, the independent committee’s investigation rejected fraud allegations from a short seller and to address concerns raised by the company’s former auditor, which it had dismissed. The company’s press release announcing the results of the IC investigation read “With specific regard to the [short-seller] Report, the Committee concluded that the allegations were either factually incorrect or that there were reasonable explanations as to their non-materiality.” The independent committee determined that the company had terminated the former auditor due to independence issues, and not due to concerns it had raised.
- Investors have lost approximately 95% of their equity investment since the announcement.



ChinaCast Education Corp.

- In November 2011, a short seller publicly accused the company of falsifying its financial statements. On December 19, 2011, the company that its audit committee had engaged FTI Consulting, Inc. to conduct an independent review of the company’s cash balances. The company stated “FTI independently obtained and reviewed documents which state that as of June 30, 2011, ChinaCast had cash, cash equivalents and term deposits totaling US\$132.1 million (RMB 845,674,247) held with 29 PRC financial institutions. This total represents 98.5% of the total cash, cash equivalents and term deposit balances reported in the Company's form 10-Q for the second quarter ended June 30, 2011. The remaining 1.5% discrepancy is attributable to the termination of the Company's University of Petroleum e-learning joint venture.” The company also reported “Daniel Tseung, Chairman of the Audit Committee, stated, "We believe the findings contained in the FTI report should provide some comfort to shareholders as to the integrity of the Company's financial reporting and should serve to distinguish the Company from other Chinese companies that have received adverse publicity after failing to provide adequate verifications with respect to their financial statements."

- Investors have lost 99.5% of their equity investment since the announcement.



China Integrated Energy Inc.

- On May 24, 2012, the company announced that its independent committee investigation into allegations of fraud made by short sellers found that the allegations were baseless. The company wrote “Although the specific findings and conclusions of the Committee, as advised by its legal and forensic accounting professionals, remain privileged, the Company announced that the Committee has informed it that the Committee is satisfied that the vast majority of the short sellers' claims were baseless.” Shearman & Sterling, which is the legal advisor to NQ’s independent committee, also advised China Integrated Energy’s independent committee.
- Investors have lost over 80% since short-sellers first alleged fraud into the company. Investors have lost “only” 8% since the announcement because the stock was already trading below reported net cash at that time.



China Medical Technologies, Inc.

- On July 30, 2009, the company announced that the independent committee formed to investigate fraud allegations in a letter sent to the company’s audit committee had concluded “The independent law firm and forensic accountants have substantially completed their investigative work and have reported to the audit committee that the investigation has not identified evidence to support the allegations made in the anonymous letter.”

- Nasdaq de-listed the company's shares in March 2012, and pursuant to court order, the company has been in liquidation in since June 2012. The stock is likely worth zero at this point, having fallen from over \$20 per share on the date of the announcement.



Duoyuan Global Water, Inc.

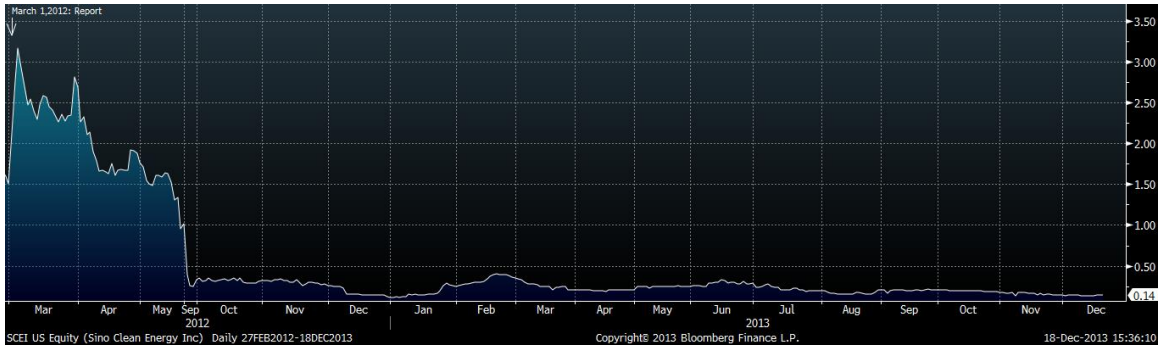
- In response to an April 2011 Muddy Waters report concluding the company was a fraud, in June 2011 the independent committee confirmed that the cash in the company's bank accounts matched the prior two periods' reported numbers.
- The stock had been halted at the time of the announcement at a price of \$3.88. Investors have lost almost 95% since then.



Sino Clean Energy, Inc.

- In response to an April 2011 short seller report, the company's audit committee engaged an outside advisor to investigate the allegations. On March 1, 2012, the company announced that the independent advisor had successfully reconciled the company's SEC financial statements to its PRC filings, had concluded the company's asset values are not overstated, and had verified that the reported cash balances were accurate.

- Nasdaq notified the company on August 7, 2012 that it was de-listing its shares. Investors have lost close to 93% of their equity investment since the announcement.



Silvercorp, Inc.

- Silvercorp is home listed in Canada, with a dual listing on the NYSE. In September 2011, short sellers raised doubts about the accuracy of its financial reporting. The company formed a special committee, which engaged KPMG Forensic, Inc. to investigate the allegations. On October 24, 2011, the company announced that KPMG confirmed the reported cash balances, and found no support for the revenue overstatement allegations.
- On September 8, 2012, Canada's largest newspaper, the Globe and Mail, ran an investigative report strongly suggesting that Silvercorp had taken retribution against one of the short sellers by bribing Chinese police to arrest one of the firm's analysts. The analyst, a Canadian citizen named Dino (Kun) Huang, remains in prison in China. If the bribery allegations were true, the company's conduct would have broken Chinese and international laws.
- While no regulatory body has de-listed or taken legal action against the company for fraud, bribery, or potentially related charges, investors in the stock have lost over 75% of their equity investment since the announcement.



Part III: Plante & Moran's Credentials

Founded in 1924, Plante & Moran is among the nation's largest certified public accounting and business advisory firms, providing clients with tax, audit, risk management, financial, technology, consulting, and wealth management services. Plante & Moran has a staff of more than 2,000 professionals in 22 offices throughout Illinois, Michigan, and Ohio, with international offices in Shanghai, China; Monterrey, Mexico; and Mumbai, India. The firm has over 2,000 staff members including 268 partners and entity members and more than 500 CPAs.

Plante & Moran's International Team is staffed with more than 100 international specialists with expertise in audit, accounting, tax, engineering, and global business. Team members have helped hundreds of companies develop, assess and implement their global strategies.

Plante & Moran opened its office in Shanghai more than 15 years ago and has accountants and management consultants who are experienced in helping western companies make deals in China. They understand the culture and the complexities of doing business in a country with a unique business etiquette, intense competition and corruption.

FORENSIC AND VALUATION SERVICES

Plante & Moran's Forensic and Valuation Services (FVS) team members possess accounting, auditing, economic, financial, investigative, and litigation experience to help uncover fraud and accurately measure and quantify the amount of economic loss. The FVS team looks beyond the numbers and deals with the business reality of transactions. They analyze the available financial, market, and economic data and effectively communicate their findings and conclusions in simple, clear, and concise language to fact finders, be they judges, juries, or arbitrators. The FVS team has extensive experience testifying in depositions, state and federal courts, and at arbitration hearings.

Members of Plante & Moran's FVS team have the following certifications and licenses: Certified Public Accountant (CPA); Juris Doctor (JD); Certified Internal Auditor (CIA); Certified Fraud Examiner (CFE); Certified in Financial Forensics (CFF); Certified Management Accountant (CMA); Accredited Senior Appraiser (ASA); and Accredited in Business Valuation (ABV). They have been retained in connection with thousands of disputes involving multinational corporations, regional corporations, closely held companies, partnerships, and individuals participating in a broad range of industries.

Examples of their work include:

- Investigations of accounting malpractice and bankruptcy claims. Plante & Moran was appointed accountant to the Examiner of Enron Corporation.

- Securities industry damages calculations and evaluations related to fraud, corporate raiding, class action shareholder suits, account churning, investment misrepresentation, and complex derivatives trading, among others.

MARTIN W. TERPSTRA, CPA, CFF, CFE (THE ENGAGEMENT PARTNER)

A partner in Plante & Moran's forensic and valuation services practice, Marty has directed hundreds of forensic investigations and provided expert testimony in numerous trials, arbitrations, and mediations. He helps achieve successful resolution of disputes and claims by:

- Consulting and providing expert witness services on professional liability claims, which involve the application and interpretation of accounting principles and auditing standards.
- Directing special investigations for boards of directors of publicly traded companies, including representation before the Securities and Exchange Commission (SEC).
- Performing economic damages calculations and rebutting opposing experts in complex insurance claims, including wrongful termination and business interruption claims.
- Investigating failures of financial institutions, including performing loan portfolio analysis and evaluating the roles of professional service providers, and directors and officers.
- Investigating failures of insurance companies, including those involving offshore fraud and money-laundering schemes.
- Investigating embezzlements from family offices and trusts.
- Drawing on his extensive accounting experience and an astute attention to detail to uncover and analyze vital evidence needed to paint a clear picture of costs and damages in complex, high profile cases.

As an adjunct faculty member at Benedictine University, Marty teaches graduate courses in forensic accounting and fraud investigation. He also has developed and presented programs on risk management, fraud detection and prevention, and professional liability matters. Marty earned a B.S. in Accounting (magna cum laude) and a Master of Accountancy (with distinction) from DePaul University.

Part IV: Conclusion

It is in investors' best interests for the independent committee to accept our offer. Accepting our offer will accord with NQ's repeated promises to provide a high degree of transparency, and will provide credibility that will otherwise be lacking due to the sorry track record of independent committee investigative failures in China. We look forward to engaging Plante & Moran to work with you and your advisors.

Sincerely,
Carson C. Block
Muddy Waters, LLC