NIKE INC
Form 10-Q
October 11, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended August 31, 2016
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number-001-10635

NIKE, Inc.
(Exact name of registrant as specified in its charter)

OREGON	93-0584541
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Bowerman Drive, Beaverton, Oregon	97005-6453
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (503) 671-6453
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 (§ 232.405 of this chapter) 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No
Shares of Common Stock outstanding as of October 6, 2016 were:

Class A	329,251,752
Class B	1,336,182,454
	1,665,434,206

Table of Contents

NIKE, INC.
FORM 10-Q
Table of Contents

Table of Contents

PART I - FINANCIAL INFORMATION
ITEM 1. Financial Statements
NIKE, Inc. Unaudited Condensed Consolidated Balance Sheets

(In millions)	August 31, 2016	May 31, 2016
ASSETS		
Current assets:		
Cash and equivalents	$ 2,659	$3,138
Short-term investments	2,128	2,319
Accounts receivable, net	3,526	3,241
Inventories	4,896	4,838
Prepaid expenses and other current assets	1,380	1,489
Total current assets	14,589	15,025
Property, plant and equipment, net	3,572	3,520
Identifiable intangible assets, net	284	281
Goodwill	139	131
Deferred income taxes and other assets	2,572	2,422
TOTAL ASSETS	$ 21,156	$21,379
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 44	$44
Notes payable	22	1
Accounts payable	2,088	2,191
Accrued liabilities	3,147	3,037
Income taxes payable	62	85
Total current liabilities	5,363	5,358
Long-term debt	1,993	1,993
Deferred income taxes and other liabilities	1,635	1,770
Commitments and contingencies		
Redeemable preferred stock	—	—
Shareholders' equity:		
Common stock at stated value:		
Class A convertible — 329 and 353 shares outstanding	—	—
Class B — 1,339 and 1,329 shares outstanding	3	3
Capital in excess of stated value	7,999	7,786
Accumulated other comprehensive income	85	318
Retained earnings	4,078	4,151
Total shareholders' equity	12,165	12,258
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 21,156	$21,379

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

Table of Contents

NIKE, Inc. Unaudited Condensed Consolidated Statements of Income

(In millions, except per share data)	Three Months Ended August 31, 2016	2015
Revenues	$9,061	$8,414
Cost of sales	4,938	4,419
Gross profit	4,123	3,995
Demand creation expense	1,041	832
Operating overhead expense	1,856	1,745
Total selling and administrative expense	2,897	2,577
Interest expense (income), net	7	4
Other (income) expense, net	(62)	(31)
Income before income taxes	1,281	1,445
Income tax expense	32	266
NET INCOME	$1,249	$1,179
Earnings per common share:		
Basic	$0.75	$0.69
Diluted	$0.73	$0.67
Dividends declared per common share	$0.16	$0.14

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

Table of Contents

NIKE, Inc.
Unaudited
Condensed
Consolidated
Statements of
Comprehensive
Income

	Three Months Ended August 31,	
(In millions)	2016	2015
Net income	$1,249	$1,179
Other comprehensive income (loss), net of tax:		
Change in net foreign currency translation adjustment	3	(81)
Change in net gains (losses) on cash flow hedges	(240)	(329)
Change in net gains (losses) on other	4	(3)
Total other comprehensive income (loss), net of tax	(233)	(413)
TOTAL COMPREHENSIVE INCOME	$1,016	$766

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

Table of Contents

NIKE, Inc. Unaudited Condensed Consolidated Statements of Cash Flows

(In millions)	Three Months Ended August 31, 2016	2015
Cash provided by operations:		
Net income	$1,249	$1,179
Income charges (credits) not affecting cash:		
Depreciation	173	154
Deferred income taxes	(50)	(31)
Stock-based compensation	57	54
Amortization and other	7	11
Net foreign currency adjustments	(61)	32
Changes in certain working capital components and other assets and liabilities:		
(Increase) decrease in accounts receivable	(284)	52
(Increase) in inventories	(62)	(100)
(Increase) in prepaid expenses and other current assets	(63)	(73)
(Decrease) in accounts payable, accrued liabilities and income taxes payable	(245)	(787)
Cash provided by operations	721	491
Cash used by investing activities:		
Purchases of short-term investments	(1,279)	(1,188)
Maturities of short-term investments	562	721
Sales of short-term investments	960	450
Investments in reverse repurchase agreements	—	(50)
Additions to property, plant and equipment	(277)	(327)
Disposals of property, plant and equipment	—	9
Other investing activities	(42)	—
Cash used by investing activities	(76)	(385)
Cash used by financing activities:		
Long-term debt payments, including current portion	(2)	(1)
Increase (decrease) in notes payable	21	(48)
Payments on capital lease obligations	(2)	—
Proceeds from exercise of stock options and other stock issuances	112	128
Excess tax benefits from share-based payment arrangements	59	75
Repurchase of common stock	(1,054)	(588)
Dividends — common and preferred	(269)	(240)
Cash used by financing activities	(1,135)	(674)
Effect of exchange rate changes on cash and equivalents	11	(38)
Net decrease in cash and equivalents	(479)	(606)
Cash and equivalents, beginning of period	3,138	3,852
CASH AND EQUIVALENTS, END OF PERIOD	$2,659	$3,246
Supplemental disclosure of cash flow information:		
Non-cash additions to property, plant and equipment	$96	$152
Dividends declared and not paid	272	239

The accompanying Notes to the Unaudited Condensed Consolidated Financial Statements are an integral part of this statement.

Table of Contents

Notes to the Unaudited Condensed Consolidated Financial Statements

Table of Contents

Note 1 — Summary of Significant Accounting Policies

Basis of Presentation

The Unaudited Condensed Consolidated Financial Statements include the accounts of NIKE, Inc. and its subsidiaries (the "Company") and reflect all normal adjustments which are, in the opinion of management, necessary for a fair statement of the results of operations for the interim period. The year-end Condensed Consolidated Balance Sheet data as of May 31, 2016 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("U.S. GAAP"). The interim financial information and notes thereto should be read in conjunction with the Company's latest Annual Report on Form 10-K. The results of operations for the three months ended August 31, 2016 are not necessarily indicative of results to be expected for the entire year.

On November 19, 2015, the Company announced a two-for-one split of both NIKE Class A and Class B Common Stock. The stock split was in the form of a 100 percent stock dividend payable on December 23, 2015, to shareholders of record at the close of business on December 9, 2015. Common stock began trading at the split-adjusted price on December 24, 2015. All share and per share amounts presented reflect the stock split.

Reclassifications

Certain prior year amounts have been reclassified to conform to fiscal 2017 presentation.

Recently Adopted Accounting Standards

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, Interest — Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The updated guidance requires debt issuance costs to be presented as a direct deduction from the carrying amount of the corresponding debt liability in the balance sheet. The Company adopted the standard on a retrospective basis in the first quarter of fiscal 2017. The adoption of this standard reduced both Deferred income taxes and other assets and Long-term debt by $17 million on the Unaudited Condensed Consolidated Balance Sheet as of May 31, 2016.

Recently Issued Accounting Standards

In May 2014, the FASB issued an accounting standards update that replaces existing revenue recognition guidance. The updated guidance requires companies to recognize revenue in a way that depicts 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. In addition, the new standard requires that reporting companies disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Based on the FASB's decision in July 2015 to defer the effective date and to allow more flexibility with implementation, the new standard will be effective for the Company beginning June 1, 2018, with early application permitted. The new standard is required to be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application. The Company has not yet selected a transition method and is currently evaluating the effect the guidance will have on the Consolidated Financial Statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The updated guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. The update to the standard is effective for the Company beginning June 1, 2018. The Company does not expect the adoption to have a material impact on the Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) that replaces existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The standard is effective for the Company beginning June 1, 2019, with early application permitted. The new standard is required to be applied with a modified retrospective approach to each prior reporting period presented with optional practical expedients. The Company is currently evaluating the effect the guidance will have on the Consolidated Financial Statements.

In March 2016, the FASB Issued ASU No. 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The updated guidance changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The update to the standard is effective for the Company beginning June 1, 2017, with early application permitted. The Company is currently evaluating the effect the guidance will have on the Consolidated Financial Statements.

Note 2 — Inventories

Inventory balances of $4,896 million and $4,838 million at August 31, 2016 and May 31, 2016, respectively, were substantially all finished goods.

Table of Contents

Note 3 — Accrued Liabilities

Accrued liabilities included the following:

(In millions)	As of August 31, 2016	As of May 31, 2016
Compensation and benefits, excluding taxes	$ 755	$ 943
Endorsement compensation	399	393
Fair value of derivatives	331	162
Dividends payable	272	271
Taxes other than income taxes	216	159
Import and logistics costs	208	198
Advertising and marketing	175	119
Collateral received from counterparties to hedging instruments	—	105
Other[1]	791	687
TOTAL ACCRUED LIABILITIES	$ 3,147	$ 3,037

(1) Other consists of various accrued expenses with no individual item accounting for more than 5% of the total Accrued liabilities balance at August 31, 2016 and May 31, 2016.

Note 4 — Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives and available-for-sale securities. Fair value is the price the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The Company uses the three-level hierarchy established by the FASB that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach).

The levels of the fair value hierarchy are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs for which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most conservative level of input that is significant to the fair value measurement.

Pricing vendors are utilized for certain Level 1 and Level 2 investments. These vendors either provide a quoted market price in an active market or use observable inputs without applying significant adjustments in their pricing.

Observable inputs include broker quotes, interest rates and yield curves observable at commonly quoted intervals, volatilities and credit risks. The fair value of derivative contracts is determined using observable market inputs such as the daily market foreign currency rates, forward pricing curves, currency volatilities, currency correlations and interest rates and considers nonperformance risk of the Company and that of its counterparties.

The Company’s fair value processes include controls that are designed to ensure appropriate fair values are recorded. These controls include a comparison of fair values to another independent pricing vendor.

Table of Contents

The following tables present information about the Company’s financial assets measured at fair value on a recurring basis as of August 31, 2016 and May 31, 2016, and indicate the level in the fair value hierarchy in which the Company classifies the fair value measurement.

	As of August 31, 2016			
(In millions)	Assets at Fair Value	Cash and Equivalents	Short-term Investments	Other Long-term Assets
Cash	$779	$ 779	$ —	$ —
Level 1:				
U.S. Treasury securities	1,045	200	845	—
Level 2:				
Time deposits	767	756	11	—
U.S. Agency securities	707	—	707	—
Commercial paper and bonds	671	106	565	—
Money market funds	818	818	—	—
Total Level 2:	2,963	1,680	1,283	—
Level 3:				
Non-marketable preferred stock	10	—	—	10
TOTAL	$4,797	$ 2,659	$ 2,128	$ 10

	As of May 31, 2016			
(In millions)	Assets at Fair Value	Cash and Equivalents	Short-term Investments	Other Long-term Assets
Cash	$774	$ 774	$ —	$ —
Level 1:				
U.S. Treasury securities	1,265	100	1,165	—
Level 2:				
Time deposits	831	827	4	—
U.S. Agency securities	679	—	679	—
Commercial paper and bonds	733	262	471	—
Money market funds	1,175	1,175	—	—
Total Level 2:	3,418	2,264	1,154	—
Level 3:				
Non-marketable preferred stock	10	—	—	10
TOTAL	$5,467	$ 3,138	$ 2,319	$ 10

The Company elects to record the gross assets and liabilities of its derivative financial instruments on the Unaudited Condensed Consolidated Balance Sheets. The Company’s derivative financial instruments are subject to master netting arrangements that allow for the offset of assets and liabilities in the event of default or early termination of the contract. Any amounts of cash collateral received related to these instruments associated with the Company's credit-related contingent features are recorded in Cash and equivalents and Accrued liabilities, the latter of which would further offset against the Company’s derivative asset balance (refer to Note 8 — Risk Management and Derivatives). Any amounts of cash collateral posted related to these instruments associated with the Company's credit-related contingent features are recorded in Prepaid and other current assets, which would offset against the Company’s derivative liability balance (refer to Note 8 — Risk Management and Derivatives). Cash collateral received or posted related to the Company's credit-related contingent features is presented in the Cash provided by operations component of the Unaudited Condensed Consolidated Statements of Cash Flows. Any amounts of non-cash collateral received, such as securities, are not recorded on the Unaudited Condensed Consolidated Balance Sheets pursuant to U.S. GAAP.

10

Table of Contents

The following tables present information about the Company's derivative assets and liabilities measured at fair value on a recurring basis as of August 31, 2016 and May 31, 2016, and indicate the level in the fair value hierarchy in which the Company classifies the fair value measurement.

	As of August 31, 2016					
	Derivative Assets			Derivative Liabilities		
(In millions)	Assets at Fair Value	Other Current Assets	Other Long-term Assets	Liabilities at Fair Value	Accrued Liabilities	Other Long-term Liabilities
Level 2:						
Foreign exchange forwards and options[1]	$480	$ 389	$ 91	$230	$ 199	$ 31
Embedded derivatives	7	1	6	9	3	6
Interest rate swaps[2]	—	—	—	129	129	—
TOTAL	$487	$ 390	$ 97	$368	$ 331	$ 37

(1) If the foreign exchange derivative instruments had been netted on the Unaudited Condensed Consolidated Balance Sheets, the asset and liability positions each would have been reduced by $180 million as of August 31, 2016. As of that date, the Company had posted $23 million of cash collateral to various counterparties related to these foreign exchange derivative instruments. No amount of collateral was received on the Company's derivative asset balance as of August 31, 2016.

(2) As of August 31, 2016, the Company had posted $8 million of cash collateral related to its interest rate swaps.

	As of May 31, 2016					
	Derivative Assets			Derivative Liabilities		
(In millions)	Assets at Fair Value	Other Current Assets	Other Long-term Assets	Liabilities at Fair Value	Accrued Liabilities	Other Long-term Liabilities
Level 2:						
Foreign exchange forwards and options[1]	$603	$ 487	$ 116	$145	$ 115	$ 30
Embedded derivatives	7	2	5	9	2	7
Interest rate swaps[2]	7	7	—	45	45	—
TOTAL	$617	$ 496	$ 121	$199	$ 162	$ 37

(1) If the foreign exchange derivative instruments had been netted on the Condensed Consolidated Balance Sheets, the asset and liability positions each would have been reduced by $136 million as of May 31, 2016. As of that date, the Company had received $105 million of cash collateral from various counterparties related to these foreign exchange derivative instruments. No amount of collateral was posted on the Company's derivative liability balance as of May 31, 2016.

(2) As of May 31, 2016, no amount of cash collateral had been received or posted on the derivative asset or liability balance related to the Company's interest rate swaps.

Available-for-sale securities comprise investments in U.S. Treasury and Agency securities, money market funds, corporate commercial paper and bonds. These securities are valued using market prices on both active markets (Level 1) and less active markets (Level 2). As of August 31, 2016, the Company held $1,889 million of available-for-sale securities with maturity dates within one year and $239 million with maturity dates over one year and less than five years within Short-term investments on the Unaudited Condensed Consolidated Balance Sheets. The gross realized gains and losses on sales of available-for-sale securities were immaterial for the three months ended August 31, 2016 and 2015. Unrealized gains and losses on available-for-sale securities included in Accumulated other comprehensive income were immaterial as of August 31, 2016 and May 31, 2016. The Company regularly reviews its available-for-sale securities for other-than-temporary impairment. For the three months ended August 31, 2016 and 2015, the Company did not consider any of its securities to be other-than-temporarily impaired and, accordingly, did not recognize any impairment losses.

Included in Interest expense (income), net for the three months ended August 31, 2016 and 2015 was interest income related to the Company's available-for-sale securities of $4 million and $2 million, respectively.

The Company’s Level 3 assets comprise investments in certain non-marketable preferred stock. These Level 3 investments are an immaterial portion of the Company's portfolio. Changes in Level 3 investment assets were immaterial during the three months ended August 31, 2016 and the fiscal year ended May 31, 2016.

No transfers among levels within the fair value hierarchy occurred during the three months ended August 31, 2016 and the fiscal year ended May 31, 2016.

Derivative financial instruments include foreign exchange forwards and options, embedded derivatives and interest rate swaps. Refer to Note 8 — Risk Management and Derivatives for additional detail.

As of August 31, 2016 and May 31, 2016, assets or liabilities that were required to be measured at fair value on a non-recurring basis were immaterial.

Financial Assets and Liabilities Not Recorded at Fair Value

The Company's long-term debt is recorded at adjusted cost, net of amortized premiums and discounts, amortized debt issuance costs and interest rate swap fair value adjustments. The fair value of long-term debt is estimated based upon quoted prices for similar instruments or quoted prices for identical instruments in inactive markets (Level 2). The fair value of the Company's long-term debt, including the current portion, was approximately $2,241 million at August 31, 2016 and $2,125 million at May 31, 2016.

Table of Contents

The carrying amounts reflected on the Unaudited Condensed Consolidated Balance Sheets for Notes payable approximate fair value.

Note 5 — Income Taxes

The effective tax rate was 2.5% and 18.4% for the three month periods ended August 31, 2016 and 2015, respectively. The decrease in the Company's effective tax rate was primarily due to a discrete benefit related to the resolution of a foreign tax credit matter with the U.S. Internal Revenue Service (IRS). The Company also benefited from a one-time adjustment to a deferred tax asset related to the nonqualified deferred compensation plan.

As of August 31, 2016, total gross unrecognized tax benefits, excluding related interest and penalties, were $387 million, $162 million of which would affect the Company’s effective tax rate if recognized in future periods. As of May 31, 2016, total gross unrecognized tax benefits, excluding related interest and penalties, were $506 million. The liability for payment of interest and penalties decreased $13 million during the three months ended August 31, 2016. As of August 31, 2016 and May 31, 2016, accrued interest and penalties related to uncertain tax positions were $196 million and $209 million, respectively (excluding federal benefit).

The Company incurs tax liabilities primarily in the United States, China and the Netherlands, as well as various state and other foreign jurisdictions. The Company is currently under audit by the IRS for fiscal years 2013 through 2016. As previously disclosed, the Company received statutory notices of deficiency for fiscal 2011 and fiscal 2012 proposing a total increase in tax of $254 million, subject to interest, related to a foreign tax credit matter. The Company contested these deficiencies by filing petitions with the U.S. Tax Court. During the period ended August 31, 2016, the Company reached a resolution with the IRS on this matter. Decisions were subsequently filed in US District Tax Court stating there is no deficiency in income tax due from the Company. The Company has now resolved all U.S. federal income tax matters through fiscal 2012.

The Company’s major foreign jurisdictions, China and the Netherlands, have concluded substantially all income tax matters through calendar 2005 and fiscal 2010, respectively. Although the timing of resolution of audits is not certain, the Company evaluates all domestic and foreign audit issues in the aggregate, along with the expiration of applicable statutes of limitations, and estimates that it is reasonably possible the total gross unrecognized tax benefits could decrease by up to $87 million within the next 12 months.

Note 6 — Common Stock and Stock-Based Compensation

The authorized number of shares of Class A Common Stock, no par value, and Class B Common Stock, no par value, are 400 million and 2,400 million, respectively. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors. There are no differences in the dividend and liquidation preferences or participation rights of the holders of Class A and Class B Common Stock.

The NIKE, Inc. Stock Incentive Plan (the “Stock Incentive Plan”) provides for the issuance of up to 718 million previously unissued shares of Class B Common Stock in connection with stock options and other awards granted under the Stock Incentive Plan. The Stock Incentive Plan authorizes the grant of non-statutory stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units and performance-based awards. The exercise price for stock options and stock appreciation rights may not be less than the fair market value of the underlying shares on the date of grant. A committee of the Board of Directors administers the Stock Incentive Plan. The committee has the authority to determine the employees to whom awards will be made, the amount of the awards and the other terms and conditions of the awards. Substantially all stock option grants outstanding under the Stock Incentive Plan are granted in the first quarter of each fiscal year, vest ratably over four years and expire ten years from the date of grant.

In addition to the Stock Incentive Plan, the Company gives employees the right to purchase shares at a discount to the market price under employee stock purchase plans (ESPPs). Employees are eligible to participate through payroll deductions of up to 10% of their compensation. At the end of each six-month offering period, shares are purchased by the participants at 85% of the lower of the fair market value at the beginning or the end of the offering period.

The Company accounts for stock-based compensation by estimating the fair value of options granted under the Stock Incentive Plan and employees’ purchase rights under the ESPPs using the Black-Scholes option pricing model. The Company recognizes this fair value as Operating overhead expense over the vesting period using the straight-line

method.

The following table summarizes the Company's total stock-based compensation expense recognized in Operating overhead expense:

	Three Months Ended August 31,	
(In millions)	2016	2015
Stock options[(1)]	$39	$ 39
ESPPs	9	7
Restricted stock	9	8
TOTAL STOCK-BASED COMPENSATION EXPENSE	$57	$ 54

(1) Expense for stock options includes the expense associated with stock appreciation rights. Accelerated stock option expense is recorded for employees eligible for accelerated stock option vesting upon retirement. Accelerated stock option expense was $5 million and $6 million for the three month periods ended August 31, 2016 and 2015, respectively.

As of August 31, 2016, the Company had $306 million of unrecognized compensation costs from stock options, net of estimated forfeitures, to be recognized in Operating overhead expense over a weighted average remaining period of 2.6 years.

Table of Contents

The weighted average fair value per share of the options granted during the three month periods ended August 31, 2016 and 2015, computed as of the grant date using the Black-Scholes pricing model, was $9.36 and $12.66, respectively. The weighted average assumptions used to estimate these fair values were as follows:

	Three Months Ended August 31,	
	2016	2015
Dividend yield	1.1 %	1.0 %
Expected volatility	17.3%	23.6%
Weighted average expected life (in years)	6.0	5.8
Risk-free interest rate	1.3 %	1.7 %

The Company estimates the expected volatility based on the implied volatility in market traded options on the Company's common stock with a term greater than one year, along with other factors. The weighted average expected life of options is based on an analysis of historical and expected future exercise patterns. The interest rate is based on the U.S. Treasury (constant maturity) risk-free rate in effect at the date of grant for periods corresponding with the expected term of the options.

Note 7 — Earnings Per Share

The following is a reconciliation from basic earnings per common share to diluted earnings per common share. The computations of diluted earnings per common share excluded options, including shares under employee stock purchase plans (ESPPs), to purchase an additional 31.7 million and 20.5 million shares of common stock outstanding for the three month periods ended August 31, 2016 and 2015, respectively, because the options were anti-dilutive.

	Three Months Ended August 31,	
(In millions, except per share data)	2016	2015
Determination of shares:		
Weighted average common shares outstanding	1,672.0	1,709.0
Assumed conversion of dilutive stock options and awards	36.9	45.5
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	1,708.9	1,754.5
Earnings per common share:		
Basic	$0.75	$ 0.69
Diluted	$0.73	$ 0.67

Note 8 — Risk Management and Derivatives

The Company is exposed to global market risks, including the effect of changes in foreign currency exchange rates and interest rates, and uses derivatives to manage financial exposures that occur in the normal course of business. The Company does not hold or issue derivatives for trading or speculative purposes.

The Company may elect to designate certain derivatives as hedging instruments under U.S. GAAP. The Company formally documents all relationships between designated hedging instruments and hedged items as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivatives designated as hedges to either recognized assets or liabilities or forecasted transactions.

The majority of derivatives outstanding as of August 31, 2016 are designated as foreign currency cash flow hedges, primarily for Euro/U.S. Dollar, Japanese Yen/U.S. Dollar and British Pound/Euro currency pairs. All derivatives are recognized on the Unaudited Condensed Consolidated Balance Sheets at fair value and classified based on the instrument's maturity date.

Table of Contents

The following table presents the fair values of derivative instruments included within the Unaudited Condensed Consolidated Balance Sheets as of August 31, 2016 and May 31, 2016:

(In millions)	Derivative Assets Balance Sheet Location	August 31, 2016	May 31, 2016	Derivative Liabilities Balance Sheet Location	August 31, 2016	May 31, 2016
Derivatives formally designated as hedging instruments:						
Foreign exchange forwards and options	Prepaid expenses and other current assets	$ 332	$ 447	Accrued liabilities	$ 77	$ 38
Interest rate swaps	Prepaid expenses and other current assets	—	7	Accrued liabilities	129	45
Foreign exchange forwards and options	Deferred income taxes and other assets	76	90	Deferred income taxes and other liabilities	27	12
Total derivatives formally designated as hedging instruments		408	544		233	95
Derivatives not designated as hedging instruments:						
Foreign exchange forwards and options	Prepaid expenses and other current assets	57	40	Accrued liabilities	122	76
Embedded derivatives	Prepaid expenses and other current assets	1	2	Accrued liabilities	3	2
Foreign exchange forwards and options	Deferred income taxes and other assets	15	26	Deferred income taxes and other liabilities	4	19
Embedded derivatives	Deferred income taxes and other assets	6	5	Deferred income taxes and other liabilities	6	7
Total derivatives not designated as hedging instruments		79	73		135	104
TOTAL DERIVATIVES		$ 487	$ 617		$ 368	$ 199

The following tables present the amounts affecting the Unaudited Condensed Consolidated Statements of Income for the three months ended August 31, 2016 and 2015:

(In millions)	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives[1]		Amount of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income[1]		
	Three Months Ended August 31,		Location of Gain (Loss) Reclassified From Accumulated Other Comprehensive Income into Income	Three Months Ended August 31,	
	2016	2015[2]		2016	2015[2]
Derivatives designated as cash flow hedges:					
Foreign exchange forwards and options	$ 53	$ 29	Revenues	$33	$ (46)
Foreign exchange forwards and options	(52)	(104)	Cost of sales	104	173
Foreign exchange forwards and options	(16)	(65)	Other (income) expense, net	43	61
Interest rate swaps	(91)	—	Interest expense (income), net	—	—

Total designated cash flow hedges	$ (106)	$ (140)	$180	$188

(1) For the three months ended August 31, 2016 and 2015, the amounts recorded in Other (income) expense, net as a result of hedge ineffectiveness and the discontinuance of cash flow hedges because the forecasted transactions were no longer probable of occurring were immaterial.

(2) Certain amounts have been updated to reflect the proper classification of $40 million between Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives and Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income for the three months ended August 31, 2015.

Table of Contents

(In millions)	Amount of Gain (Loss) Recognized in Income on Derivatives Three Months Ended August 31, 2016	2015	Location of Gain (Loss) Recognized in Income on Derivatives
Derivatives designated as fair value hedges:			
Interest rate swaps[1]	$ —	$ 1	Interest expense (income), net
Derivatives not designated as hedging instruments:			
Foreign exchange forwards and options	(35)	(29)	Other (income) expense, net
Embedded derivatives	(3)	—	Other (income) expense, net

All interest rate swaps designated as fair value hedges meet the shortcut method requirements under U.S. GAAP.

(1) Accordingly, changes in the fair values of the interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. Refer to “Fair Value Hedges” in this note for additional detail.

Refer to Note 3 — Accrued Liabilities for derivative instruments recorded in Accrued liabilities, Note 4 — Fair Value Measurements for a description of how the above financial instruments are valued and Note 9 — Accumulated Other Comprehensive Income for additional information on changes in Accumulated other comprehensive income for the three months ended August 31, 2016 and 2015.

Cash Flow Hedges

The purpose of the Company's foreign exchange risk management program is to lessen both the positive and negative effects of currency fluctuations on the Company's consolidated results of operations, financial position and cash flows. Foreign currency exposures that the Company may elect to hedge in this manner include product cost exposures, non-functional currency denominated external and intercompany revenues, selling and administrative expenses, investments in U.S. Dollar-denominated available-for-sale debt securities and certain other intercompany transactions. Product cost exposures are primarily generated through non-functional currency denominated product purchases and the foreign currency adjustment program described below. NIKE entities primarily purchase product in two ways: (1) Certain NIKE entities purchase product from the NIKE Trading Company (NTC), a wholly-owned sourcing hub that buys NIKE branded product from third-party factories, predominantly in U.S. Dollars. The NTC, whose functional currency is the U.S. Dollar, then sells the product to NIKE entities in their respective functional currencies. When the NTC sells to a NIKE entity with a different functional currency, the result is a foreign currency exposure for the NTC. (2) Other NIKE entities purchase product directly from third-party factories in U.S. Dollars. These purchases generate a foreign currency exposure for those NIKE entities with a functional currency other than the U.S. Dollar.

The Company operates a foreign currency adjustment program with certain factories. The program is designed to more effectively manage foreign currency risk by assuming certain of the factories’ foreign currency exposures, some of which are natural offsets to the Company's existing foreign currency exposures. Under this program, the Company’s payments to these factories are adjusted for rate fluctuations in the basket of currencies (“factory currency exposure index”) in which the labor, materials and overhead costs incurred by the factories in the production of NIKE branded products (“factory input costs”) are denominated. For the portion of the indices denominated in the local or functional currency of the factory, the Company may elect to enter into derivative contracts formally designated as cash flow hedges. For all currencies within the indices, excluding the U.S. Dollar and the local or functional currency of the factory, an embedded derivative contract is created upon the factory’s acceptance of NIKE’s purchase order. Embedded derivative contracts are separated from the related purchase order, as further described within the Embedded Derivatives section below.

The Company’s policy permits the utilization of derivatives to reduce its foreign currency exposures where internal netting or other strategies cannot be effectively employed. Typically, the Company may enter into hedge contracts starting up to 12 to 24 months in advance of the forecasted transaction and may place incremental hedges up to 100% of the exposure by the time the forecasted transaction occurs. The total notional amount of outstanding foreign currency derivatives designated as cash flow hedges was $11.3 billion as of August 31, 2016.

As of August 31, 2016, the Company had a series of forward-starting interest rate swap agreements with a total outstanding notional amount of $1.5 billion. These instruments were designated as cash flow hedges of the variability in the expected cash outflows of interest payments on future debt due to changes in benchmark interest rates.

All changes in fair value of derivatives designated as cash flow hedges, excluding any ineffective portion, are recorded in Accumulated other comprehensive income until Net income is affected by the variability of cash flows of the hedged transaction. In most cases, amounts recorded in Accumulated other comprehensive income will be released to Net income in periods following the maturity of the related derivative, rather than at maturity. Effective hedge results are classified within the Unaudited Condensed Consolidated Statements of Income in the same manner as the underlying exposure. The results of hedges of non-functional currency denominated revenues and product cost exposures, excluding embedded derivatives, are recorded in Revenues or Cost of sales when the underlying hedged transaction affects consolidated Net income. Results of hedges of selling and administrative expense are recorded together with those costs when the related expense is recorded. Amounts recorded in Accumulated other comprehensive income related to forward-starting interest rate swaps will be released through Interest expense (income), net as interest payments are made over the term of the issued debt. Results of hedges of anticipated purchases of U.S. Dollar-denominated available-for-sale securities are recorded in Other (income) expense, net when the securities are sold. Results of hedges of certain anticipated intercompany transactions are recorded in Other (income) expense, net when the transaction occurs. The Company classifies the cash flows at settlement from these designated cash flow hedge derivatives in the same category as the cash flows from the related hedged items, primarily within the Cash provided by operations component of the Unaudited Condensed Consolidated Statements of Cash Flows.

Premiums paid or received on options are initially recorded as deferred charges or deferred credits, respectively. The Company assesses the effectiveness of options based on the total cash flows method and records total changes in the options' fair value to Accumulated other comprehensive income to the degree they are effective.

Table of Contents

The Company formally assesses, both at a hedge's inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. Effectiveness for cash flow hedges is assessed based on changes in forward rates. Ineffectiveness was immaterial for the three months ended August 31, 2016 and 2015.

The Company discontinues hedge accounting prospectively when: (1) it determines that the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item (including hedged items such as firm commitments or forecasted transactions); (2) the derivative expires or is sold, terminated or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

When the Company discontinues hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, but is expected to occur within an additional two-month period of time thereafter, the gain or loss on the derivative remains in Accumulated other comprehensive income and is reclassified to Net income when the forecasted transaction affects consolidated Net income. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were in Accumulated other comprehensive income will be recognized immediately in Other (income) expense, net. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the Unaudited Condensed Consolidated Balance Sheets, recognizing future changes in the fair value in Other (income) expense, net. For the three months ended August 31, 2016 and 2015, the amounts recorded in Other (income) expense, net as a result of the discontinuance of cash flow hedging because the forecasted transactions were no longer probable of occurring were immaterial.

As of August 31, 2016, $302 million of deferred net gains (net of tax) on both outstanding and matured derivatives in Accumulated other comprehensive income were expected to be reclassified to Net income during the next 12 months concurrent with the underlying hedged transactions also being recorded in Net income. Actual amounts ultimately reclassified to Net income are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of August 31, 2016, the maximum term over which the Company was hedging exposures to the variability of cash flows for its forecasted transactions was 27 months.

Fair Value Hedges

The Company has, in the past, been exposed to the risk of changes in the fair value of certain fixed-rate debt attributable to changes in interest rates. Derivatives used by the Company to hedge this risk are receive-fixed, pay-variable interest rate swaps. All interest rate swaps designated as fair value hedges of the related long-term debt meet the shortcut method requirements under U.S. GAAP. Accordingly, changes in the fair values of the interest rate swaps are considered to exactly offset changes in the fair value of the underlying long-term debt. The cash flows associated with the Company's fair value hedges are periodic interest payments while the swaps are outstanding, which are reflected within the Cash provided by operations component of the Unaudited Condensed Consolidated Statements of Cash Flows. The Company recorded no ineffectiveness from its interest rate swaps designated as fair value hedges for the three months ended August 31, 2016 or 2015. On October 15, 2015, the Company repaid the long-term debt which had previously been hedged with these interest rate swaps. Accordingly, as of August 31, 2016, the Company had no interest rate swaps designated as fair value hedges.

Net Investment Hedges

The Company has, in the past, hedged and may, in the future, hedge the risk of variability in foreign-currency-denominated net investments in wholly-owned international operations. All changes in fair value of the derivatives designated as net investment hedges, except ineffective portions, are reported in Accumulated other comprehensive income along with the foreign currency translation adjustments on those investments. The Company classifies the cash flows at settlement of its net investment hedges within the Cash used by investing activities component of the Unaudited Condensed Consolidated Statements of Cash Flows. The Company assesses hedge effectiveness based on changes in forward rates. The Company recorded no ineffectiveness from its net investment hedges for the three months ended August 31, 2016 or 2015. The Company had no outstanding net investment hedges

as of August 31, 2016.

Undesignated Derivative Instruments

The Company may elect to enter into foreign exchange forwards to mitigate the change in fair value of specific assets and liabilities on the Unaudited Condensed Consolidated Balance Sheets and/or embedded derivative contracts. These forwards are not designated as hedging instruments under U.S. GAAP. Accordingly, these undesignated instruments are recorded at fair value as a derivative asset or liability on the Unaudited Condensed Consolidated Balance Sheets with their corresponding change in fair value recognized in Other (income) expense, net, together with the re-measurement gain or loss from the hedged balance sheet position or embedded derivative contract. The Company classifies the cash flows at settlement from undesignated instruments in the same category as the cash flows from the related hedged items, generally within the Cash provided by operations component of the Unaudited Condensed Consolidated Statements of Cash Flows. The total notional amount of outstanding undesignated derivative instruments was $7.7 billion as of August 31, 2016.

Embedded Derivatives

As part of the foreign currency adjustment program described above, an embedded derivative contract is created upon the factory’s acceptance of NIKE’s purchase order for currencies within the factory currency exposure indices that are neither the U.S. Dollar nor the local or functional currency of the factory. Embedded derivative contracts are treated as foreign currency forward contracts that are bifurcated from the related purchase order and recorded at fair value as a derivative asset or liability on the Unaudited Condensed Consolidated Balance Sheets with their corresponding change in fair value recognized in Other (income) expense, net from the date a purchase order is accepted by a factory through the date the purchase price is no longer subject to foreign currency fluctuations.

In addition, the Company has entered into certain other contractual agreements which have payments that are indexed to currencies that are not the functional currency of either substantial party to the contracts. These payment terms expose NIKE to variability in foreign exchange rates and create embedded derivative contracts that must be bifurcated from the related contract and recorded at fair value as derivative assets or liabilities on the Unaudited Condensed Consolidated Balance Sheets with their corresponding changes in fair value recognized in Other (income) expense, net until each payment is settled.

At August 31, 2016, the total notional amount of embedded derivatives outstanding was approximately $294 million.

Table of Contents

Credit Risk

The Company is exposed to credit-related losses in the event of nonperformance by counterparties to hedging instruments. The counterparties to all derivative transactions are major financial institutions with investment grade credit ratings. However, this does not eliminate the Company's exposure to credit risk with these institutions. This credit risk is limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. To manage this risk, the Company has established strict counterparty credit guidelines that are continually monitored.

The Company's derivative contracts contain credit risk-related contingent features designed to protect against significant deterioration in counterparties' creditworthiness and their ultimate ability to settle outstanding derivative contracts in the normal course of business. The Company's bilateral credit-related contingent features generally require the owing entity, either the Company or the derivative counterparty, to post collateral for the portion of the fair value in excess of $50 million should the fair value of outstanding derivatives per counterparty be greater than $50 million. Additionally, a certain level of decline in credit rating of either the Company or the counterparty could also trigger collateral requirements. As of August 31, 2016, the Company was in compliance with all credit risk-related contingent features and had derivative instruments with credit risk-related contingent features in a net liability position of $96 million. Accordingly, the Company was required to post $31 million of cash collateral to various counterparties to its derivative contracts as a result of these contingent features (refer to Note 4 — Fair Value Measurements). As of August 31, 2016, the Company had not received any cash collateral from its counterparties to its derivative contracts (refer to Note 4 — Fair Value Measurements). Given the considerations described above, the Company considers the impact of the risk of counterparty default to be immaterial.

Note 9 — Accumulated Other Comprehensive Income

The changes in Accumulated other comprehensive income, net of tax, for the three months ended August 31, 2016 were as follows:

(In millions)	Foreign Currency Translation Adjustment[1]	Cash Flow Hedges	Net Investment Hedges[1]	Other	Total
Balance at May 31, 2016	$ (207)	$ 463	$ 115	$(53)	$318
Other comprehensive gains (losses) before reclassifications[2]	3	(60)	—	13	(44)
Reclassifications to net income of previously deferred (gains) losses[3]	—	(180)	—	(9)	(189)
Other comprehensive income (loss)	3	(240)	—	4	(233)
Balance at August 31, 2016	$ (204)	$ 223	$ 115	$(49)	$85

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Net of tax benefit (expense) of $0 million, $46 million, $0 million, $1 million and $47 million, respectively.

(3) Net of tax (benefit) expense of $0 million, $0 million, $0 million, $(1) million and $(1) million, respectively.

The changes in Accumulated other comprehensive income, net of tax, for the three months ended August 31, 2015 were as follows:

(In millions)	Foreign Currency Translation Adjustment[1][2]	Cash Flow Hedges[3]	Net Investment Hedges[1][2]	Other	Total
Balance at May 31, 2015	$ (31)	$ 1,220	$ 115	$(58)	$1,246
Other comprehensive gains (losses) before reclassifications[4]	(81)	(142)	—	—	(223)
Reclassifications to net income of previously deferred (gains) losses[5]	—	(187)	—	(3)	(190)
Other comprehensive income (loss)	(81)	(329)	—	(3)	(413)

Balance at August 31, 2015	$ (112)	$ 891	$ 115	$(61)	$ 833

(1) The accumulated foreign currency translation adjustment and net investment hedge gains/losses related to an investment in a foreign subsidiary are reclassified to Net income upon sale or upon complete or substantially complete liquidation of the respective entity.

(2) Beginning and ending balances have been updated to reflect the proper classification of $20 million of deferred tax balances between Foreign Currency Translation Adjustment and Net Investment Hedges.

(3) Certain amounts have been updated to reflect the proper classification of $40 million between Other comprehensive gains (losses) before reclassifications and Reclassifications to net income of previously deferred (gains) losses for the three months ended August 31, 2015.

(4) Net of tax benefit (expense) of $0 million, $(2) million, $0 million, $0 million and $(2) million, respectively.

(5) Net of tax (benefit) expense of $0 million, $1 million, $0 million, $0 million and $1 million, respectively.

Table of Contents

The following table summarizes the reclassifications from Accumulated other comprehensive income to the Unaudited Condensed Consolidated Statements of Income:

(In millions)	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income Three Months Ended August 31, 2016	2015[1]	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income
Gains (losses) on cash flow hedges:			
Foreign exchange forwards and options	$ 33	$ (46)	Revenues
Foreign exchange forwards and options	104	173	Cost of sales
Foreign exchange forwards and options	43	61	Other (income) expense, net
Total before tax	180	188	
Tax (expense) benefit	—	(1)	
Gain (loss) net of tax	180	187	
Gains (losses) on other	8	3	Other (income) expense, net
Total before tax	8	3	
Tax (expense) benefit	1	—	
Gain (loss) net of tax	9	3	
Total net gain (loss) reclassified for the period	$ 189	$ 190	

(1) Certain amounts have been updated to reflect the proper classification of $40 million between Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income for cash flow hedges for the three months ended August 31, 2015.

Note 10 — Operating Segments

The Company’s operating segments are evidence of the structure of the Company's internal organization. The NIKE Brand segments are defined by geographic regions for operations participating in NIKE Brand sales activity.

Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel and equipment. The Company’s reportable operating segments for the NIKE Brand are: North America, Western Europe, Central & Eastern Europe, Greater China, Japan and Emerging Markets, and include results for the NIKE, Jordan and Hurley brands. The Company’s NIKE Brand Direct to Consumer (DTC) operations are managed within each geographic operating segment. Converse is also a reportable segment for the Company, and operates in one industry: the design, marketing, licensing and selling of casual sneakers, apparel and accessories.

Global Brand Divisions is included within the NIKE Brand for presentation purposes to align with the way management views the Company. Global Brand Divisions primarily represents NIKE Brand licensing businesses that are not part of a geographic operating segment, and demand creation, operating overhead and product creation and design expenses that are centrally managed for the NIKE Brand.

Corporate consists largely of unallocated general and administrative expenses, including expenses associated with centrally managed departments; depreciation and amortization related to the Company’s headquarters; unallocated insurance, benefit and compensation programs, including stock-based compensation; and certain foreign currency gains and losses, including certain hedge gains and losses.

The primary financial measure used by the Company to evaluate performance of individual operating segments is earnings before interest and taxes (commonly referred to as “EBIT”), which represents Net income before Interest expense (income), net and Income tax expense in the Consolidated Statements of Income.

As part of the Company's centrally managed foreign exchange risk management program, standard foreign currency rates are assigned twice per year to each NIKE Brand entity in the Company's geographic operating segments and to Converse. These rates are set approximately nine and twelve months in advance of the future selling seasons to which they relate (specifically, for each currency, one standard rate applies to the fall and holiday selling seasons and one standard rate applies to the spring and summer selling seasons) based on average market spot rates in the calendar month preceding the date they are established. Inventories and Cost of sales for geographic operating segments and Converse reflect use of these standard rates to record non-functional currency product purchases in the entity’s functional currency. Differences between assigned standard foreign currency rates and actual market rates are included in Corporate, together with foreign currency hedge gains and losses generated from the Company's centrally managed foreign exchange risk management program and other conversion gains and losses.

Accounts receivable, net, Inventories and Property, plant and equipment, net for operating segments are regularly reviewed by management and are therefore provided below.

Table of Contents

(In millions)	Three months ended August 31, 2016	2015
REVENUES		
North America	$4,031	$3,799
Western Europe	1,763	1,641
Central & Eastern Europe	440	401
Greater China	1,020	886
Japan	245	179
Emerging Markets	945	966
Global Brand Divisions	15	26
Total NIKE Brand	8,459	7,898
Converse	574	555
Corporate	28	(39)
TOTAL NIKE CONSOLIDATED REVENUES	$9,061	$8,414
EARNINGS BEFORE INTEREST AND TAXES		
North America	$1,004	$1,042
Western Europe	392	485
Central & Eastern Europe	81	98
Greater China	371	330
Japan	50	36
Emerging Markets	171	258
Global Brand Divisions	(771)	(624)
Total NIKE Brand	1,298	1,625
Converse	153	147
Corporate	(163)	(323)
Total NIKE Consolidated Earnings Before Interest and Taxes	1,288	1,449
Interest expense (income), net	7	4
TOTAL NIKE CONSOLIDATED INCOME BEFORE INCOME TAXES	$1,281	$1,445

Table of Contents

(In millions)	As of August 31, 2016	As of May 31, 2016
ACCOUNTS RECEIVABLE, NET		
North America	$ 1,571	$ 1,689
Western Europe	569	378
Central & Eastern Europe	261	194
Greater China	90	74
Japan	116	129
Emerging Markets	519	409
Global Brand Divisions	92	76
Total NIKE Brand	3,218	2,949
Converse	298	270
Corporate	10	22
TOTAL ACCOUNTS RECEIVABLE, NET	$ 3,526	$ 3,241
INVENTORIES		
North America	$ 2,268	$ 2,363
Western Europe	939	929
Central & Eastern Europe	200	210
Greater China	428	375
Japan	170	146
Emerging Markets	558	478
Global Brand Divisions	47	35
Total NIKE Brand	4,610	4,536
Converse	306	306
Corporate	(20)	(4)
TOTAL INVENTORIES	$ 4,896	$ 4,838
PROPERTY, PLANT AND EQUIPMENT, NET		
North America	$ 738	$ 742
Western Europe	586	589
Central & Eastern Europe	47	50
Greater China	224	234
Japan	236	223
Emerging Markets	120	109
Global Brand Divisions	493	511
Total NIKE Brand	2,444	2,458
Converse	123	125
Corporate	1,005	937
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	$ 3,572	$ 3,520

Note 11 — Commitments and Contingencies

At August 31, 2016, the Company had letters of credit outstanding totaling $153 million. These letters of credit were issued primarily for the purchase of inventory and guarantees of the Company’s performance under certain self-insurance and other programs.

There have been no other significant subsequent developments relating to the commitments and contingencies reported on the Company's latest Annual Report on Form 10-K.

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

On November 19, 2015, we announced a two-for-one split of both NIKE Class A and Class B Common Stock. The stock split was in the form of a 100 percent stock dividend payable on December 23, 2015 to shareholders of record at the close of business on December 9, 2015. Common stock began trading at the split-adjusted price on December 24, 2015. All share and per share amounts presented reflect the stock split.

For the first quarter of fiscal 2017, NIKE, Inc. Revenues increased 8% to $9.1 billion. Excluding the impact of changes in foreign currency exchange rates, Revenues increased 10%. For the first quarter of fiscal 2017, Net income was $1,249 million and diluted earnings per common share was $0.73, 6% and 9% higher, respectively, than the first quarter of fiscal 2016.

Income before income taxes decreased 11% compared to the first quarter of fiscal 2016 as revenue growth was more than offset by lower gross margin and an increase in selling and administrative expense as a percent of revenues. The NIKE Brand, which represents over 90% of NIKE, Inc. Revenues, delivered 7% revenue growth. On a constant currency basis, NIKE Brand revenues grew 10%, driven by higher revenues across all geographies, all product engines and most key categories. Constant currency revenues for Converse increased 4% due to revenue growth in direct distribution markets, primarily the United States.

Our effective tax rate was 2.5% for the first quarter of fiscal 2017 compared to 18.4% for the first quarter of fiscal 2016. The decrease in our effective tax rate was primarily due to a one-time benefit related to the resolution with the U.S. Internal Revenue Service (IRS) of a foreign tax credit matter. We also benefited from a one-time adjustment to our deferred tax asset related to our nonqualified deferred compensation plan.

Diluted earnings per common share benefited from a 3% decline in the diluted weighted average common shares outstanding, driven by our share repurchase program.

Results of Operations

	Three Months Ended August 31,		
(Dollars in millions, except per share data)	2016	2015	% Change
Revenues	$9,061	$8,414	8 %
Cost of sales	4,938	4,419	12 %
Gross profit	4,123	3,995	3 %
Gross margin %	45.5 %	47.5 %	
Demand creation expense	1,041	832	25 %
Operating overhead expense	1,856	1,745	6 %
Total selling and administrative expense	2,897	2,577	12 %
% of Revenues	32.0 %	30.6 %	
Interest expense (income), net	7	4	—
Other (income) expense, net	(62)	(31)	—
Income before income taxes	1,281	1,445	-11 %
Income tax expense	32	266	-88 %
Effective tax rate	2.5 %	18.4 %	
NET INCOME	$1,249	$1,179	6 %
Diluted earnings per common share	$0.73	$0.67	9 %

Table of Contents

Consolidated Operating Results
Revenues

(Dollars in millions)	Three Months Ended August 31, 2016	2015	% Change	% Change Excluding Currency Changes[1]
NIKE, Inc. Revenues:				
NIKE Brand Revenues by:				
Footwear	$5,472	$5,123	7 %	10 %
Apparel	2,549	2,341	9 %	12 %
Equipment	423	408	4 %	6 %
Global Brand Divisions[2]	15	26	-42 %	-30 %
Total NIKE Brand Revenues	8,459	7,898	7 %	10 %
Converse	574	555	3 %	4 %
Corporate[3]	28	(39)	—	—
TOTAL NIKE, INC. REVENUES	$9,061	$8,414	8 %	10 %
Supplemental NIKE Brand Revenues Details:				
NIKE Brand Revenues by:				
Sales to Wholesale Customers	$6,139	$5,940	3 %	6 %
Sales Direct to Consumer	2,305	1,932	19 %	22 %
Global Brand Divisions[2]	15	26	-42 %	-30 %
TOTAL NIKE BRAND REVENUES	$8,459	$7,898	7 %	10 %

(1) The percentage change has been calculated using actual exchange rates in use during the comparative prior year period to enhance the visibility of the underlying business trends by excluding the impact of translation arising from foreign currency exchange rate fluctuations, which is considered a non-GAAP financial measure.

(2) Global Brand Divisions revenues are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

(3) Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.

Excluding the effects of changes in currency exchange rates, NIKE, Inc. Revenues grew 10% for the first quarter of fiscal 2017, driven by higher revenues for the NIKE Brand and Converse. On a currency-neutral basis, every NIKE Brand geography delivered higher revenues for the first quarter of fiscal 2017 as our category offense continued to deliver innovative products, deep brand connections and compelling retail experiences to consumers online and at NIKE-owned and retail partner stores, driving strong demand for NIKE Brand products. For the first quarter of fiscal 2017, North America contributed approximately 3 percentage points of the increase in NIKE, Inc. Revenues, while Greater China and Western Europe each contributed approximately 2 percentage points, and Central & Eastern Europe, Emerging Markets and Converse each contributed approximately 1 percentage point.

The constant currency increase in NIKE Brand footwear revenues for the first quarter of fiscal 2017 was attributable to growth in our Sportswear, Jordan Brand and Running categories. Unit sales of footwear increased approximately 6%, with higher average selling price (ASP) per pair contributing approximately 4 percentage points of footwear revenue growth, primarily driven by higher full-price ASP.

The currency-neutral growth in NIKE Brand apparel revenues for the first quarter of fiscal 2017 was driven by increases in most key categories, led by Sportswear, Football (Soccer) and Running. Unit sales of apparel increased approximately 9%, while higher ASP per unit contributed approximately 3 percentage points of apparel revenue growth, primarily due to higher full-price ASP.

While wholesale revenues remain the largest component of overall NIKE Brand revenues, we continue to expand our NIKE Brand Direct to Consumer (DTC) operations in each of our geographies. Our NIKE Brand DTC operations

include NIKE-owned in-line and factory stores, as well as NIKE-owned digital commerce. For the first quarter of fiscal 2017, DTC revenues represented approximately 27% of our total NIKE Brand revenues compared to 24% for the first quarter of fiscal 2016. On a currency neutral basis, DTC revenues grew 22% for the first quarter of fiscal 2017, driven by strong digital commerce sales growth, the addition of new stores and comparable store sales growth of 8%. Comparable store sales include revenues from NIKE-owned in-line and factory stores for which all three of the following requirements have been met: (1) the store has been open at least one year, (2) square footage has not changed by more than 15% within the past year and (3) the store has not been permanently repositioned within the past year. Digital commerce sales, which are not included in comparable store sales, grew 49% for the first quarter of fiscal 2017. Digital commerce sales represented approximately 21% of our total NIKE Brand DTC revenues for the first quarter of fiscal 2017 compared to 17% for the first quarter of fiscal 2016.

Table of Contents

Futures Orders

Futures orders for NIKE Brand footwear and apparel scheduled for delivery from September 2016 through January 2017 totaled $12.3 billion and were 5% higher than the orders reported for the comparable prior year period. NIKE Brand reported futures include (1) orders from external wholesale customers and (2) internal orders from our DTC in-line stores and digital commerce operations, which are reflected at prices that are comparable to prices charged to external wholesale customers. The U.S. Dollar futures orders amount is calculated based upon our internal forecast of the currency exchange rates under which our revenues will be translated during this period. Excluding the impact of currency changes, futures orders increased 7%, with unit orders increasing 2% and ASP per unit contributing approximately 5 percentage points of growth.

By geography, futures orders growth was as follows:

	Reported Futures Orders	Futures Orders Excluding Currency Changes[1]
North America	1 %	1 %
Western Europe	4 %	9 %
Central & Eastern Europe	9 %	9 %
Greater China	15 %	19 %
Japan	26 %	11 %
Emerging Markets	6 %	10 %
TOTAL NIKE BRAND FUTURES ORDERS	5 %	7 %

(1) Futures orders growth has been calculated using prior year exchange rates for the comparative period to enhance the visibility of the underlying business trends, excluding the impact of foreign currency exchange rate fluctuations.

The reported futures orders growth is not necessarily indicative of our expectation of revenue growth during this period. This is due to year-over-year changes in shipment timing, changes in the mix of orders between futures and at-once orders, and because the fulfillment of certain orders may fall outside of the schedule noted above. In addition, exchange rate fluctuations as well as differing levels of order cancellations, discounts and returns can cause differences in the comparisons between futures orders and actual revenues. Moreover, a portion of our revenue is not derived from futures orders, including sales of at-once and closeout NIKE Brand footwear and apparel, all sales of NIKE Brand equipment, the difference between retail sales and internal orders from our DTC in-line stores and digital commerce operations, and sales from Converse, NIKE Golf and Hurley.

Gross Margin

	Three Months Ended August 31,		
(Dollars in millions)	2016	2015	% Change
Gross profit	$ 4,123	$ 3,995	3 %
Gross margin %	45.5 %	47.5 %	(200) bps

Our consolidated gross margin decreased 200 basis points for the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016, primarily driven by the following factors:

- Higher NIKE Brand full-price ASP (increasing gross margin approximately 60 basis points, net of discounts) aligned with our strategy to deliver innovative, premium products to the consumer;
- Higher NIKE Brand product costs (decreasing gross margin approximately 40 basis points) as labor input cost inflation more than offset lower material input costs;
- Unfavorable changes in foreign currency exchange, net of hedges (decreasing gross margin approximately 40 basis points);
- Unfavorable impact of increased off-price sales (decreasing gross margin approximately 30 basis points);

- Lower NIKE Brand DTC margins (decreasing gross margin approximately 30 basis points) driven by increased sales through our factory stores; and
- Higher other costs (decreasing gross margin approximately 80 basis points) primarily driven by investments in sourcing and manufacturing resources, warehousing and logistics costs, and costs associated with the exit from the Golf equipment business.

Total Selling and Administrative Expense

	Three Months Ended August 31,		
(Dollars in millions)	2016	2015	% Change
Demand creation expense[(1)]	$1,041	$832	25 %
Operating overhead expense	1,856	1,745	6 %
Total selling and administrative expense	$2,897	$2,577	12 %
% of Revenues	32.0 %	30.6 %	140 bps

(1) Demand creation expense consists of advertising and promotion costs, including costs of endorsement contracts, television, digital and print advertising, brand events and retail brand presentation.

Table of Contents

Demand creation expense increased 25% for the first quarter of fiscal 2017 due to higher advertising, marketing and digital brand marketing costs, primarily to support key sporting events, including the Rio Olympics and European Football Championship. Demand creation expense also increased due to higher sports marketing costs. For the first quarter of fiscal 2017, changes in foreign currency exchange rates reduced growth in Demand creation expense by approximately 2 percentage points.

Operating overhead expense increased 6% for the first quarter of fiscal 2017. The increase was driven by continued investments in our growing DTC business as well as ongoing investments in operational infrastructure and consumer-focused digital capabilities. Changes in foreign currency exchange rates reduced the growth in Operating overhead expense by approximately 2 percentage points for the first quarter of fiscal 2017.

Other (Income) Expense, Net

	Three Months Ended August 31,	
(In millions)	2016	2015
Other (income) expense, net	$(62)	$(31)

Other (income) expense, net comprises foreign currency conversion gains and losses from the re-measurement of monetary assets and liabilities denominated in non-functional currencies and the impact of certain foreign currency derivative instruments, as well as unusual or non-operating transactions that are outside the normal course of business. For the first quarter of fiscal 2017, Other (income) expense, net increased from $31 million of other income, net in the prior year, to $62 million of other income, net in the current year, primarily due to a $29 million net change in foreign currency conversion gains and losses.

We estimate the combination of the translation of foreign currency-denominated profits from our international businesses and the year-over-year change in foreign currency related gains and losses included in Other (income) expense, net had a favorable impact of approximately $3 million on our Income before income taxes for the first quarter of fiscal 2017.

Income Taxes

	Three Months Ended August 31,		
	2016	2015	% Change
Effective tax rate	2.5%	18.4%	(1,590) bps

Our effective tax rate for the first quarter of fiscal 2017 was 2.5%, compared to 18.4% for the first quarter of fiscal 2016, primarily due to a one-time benefit related to the resolution with the IRS of a foreign tax credit matter. We also benefited from a one-time adjustment to our deferred tax asset related to our nonqualified deferred compensation plan. We anticipate the effective tax rate for the full fiscal year will be approximately 17.0%.

Table of Contents

Operating Segments

Our operating segments are evidence of the structure of the Company's internal organization. The NIKE Brand segments are defined by geographic regions for operations participating in NIKE Brand sales activity.

Each NIKE Brand geographic segment operates predominantly in one industry: the design, development, marketing and selling of athletic footwear, apparel and equipment. The Company’s reportable operating segments for the NIKE Brand are: North America, Western Europe, Central & Eastern Europe, Greater China, Japan and Emerging Markets, and include results for the NIKE, Jordan and Hurley brands. The Company’s NIKE Brand DTC operations are managed within each geographic operating segment. Converse is also a reportable segment for the Company and operates in one industry: the design, marketing, licensing and selling of casual sneakers, apparel and accessories.

As part of our centrally managed foreign exchange risk management program, standard foreign currency rates are assigned twice per year to each NIKE Brand entity in our geographic operating segments and Converse. These rates are set approximately nine and twelve months in advance of the future selling seasons to which they relate (specifically, for each currency, one standard rate applies to the fall and holiday selling seasons and one standard rate applies to the spring and summer selling seasons) based on average market spot rates in the calendar month preceding the date they are established. Inventories and Cost of sales for geographic operating segments and Converse reflect use of these standard rates to record non-functional currency product purchases into the entity’s functional currency. Differences between assigned standard foreign currency rates and actual market rates are included in Corporate, together with foreign currency hedge gains and losses generated from our centrally managed foreign exchange risk management program and other conversion gains and losses.

Table of Contents

The breakdown of revenues is as follows:

	Three Months Ended August 31,			
(Dollars in millions)	2016	2015	% Change	% Change Excluding Currency Changes[1]
North America	$4,031	$3,799	6 %	6 %
Western Europe	1,763	1,641	7 %	10 %
Central & Eastern Europe	440	401	10 %	16 %
Greater China	1,020	886	15 %	21 %
Japan	245	179	37 %	18 %
Emerging Markets	945	966	-2 %	11 %
Global Brand Divisions[2]	15	26	-42 %	-30 %
Total NIKE Brand Revenues	8,459	7,898	7 %	10 %
Converse	574	555	3 %	4 %
Corporate[3]	28	(39)	—	—
TOTAL NIKE, INC. REVENUES	$9,061	$8,414	8 %	10 %

(1) The percentage change has been calculated using actual exchange rates in use during the comparative prior year period to enhance the visibility of the underlying business trends by excluding the impact of translation arising from foreign currency exchange rate fluctuations, which is considered a non-GAAP financial measure.

(2) Global Brand Divisions revenues are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

(3) Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.

The primary financial measure used by the Company to evaluate performance of individual operating segments is earnings before interest and taxes (commonly referred to as “EBIT”), which represents Net income before Interest expense (income), net and Income tax expense in the Unaudited Condensed Consolidated Statements of Income, and is considered a non-GAAP financial measure. As discussed in Note 10 — Operating Segments in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements, certain corporate costs are not included in EBIT of our operating segments.

The breakdown of earnings before interest and taxes is as follows:

	Three Months Ended August 31,		
(Dollars in millions)	2016	2015	% Change
North America	$1,004	$1,042	-4 %
Western Europe	392	485	-19 %
Central & Eastern Europe	81	98	-17 %
Greater China	371	330	12 %
Japan	50	36	39 %
Emerging Markets	171	258	-34 %
Global Brand Divisions	(771)	(624)	-24 %
Total NIKE Brand	1,298	1,625	-20 %
Converse	153	147	4 %
Corporate	(163)	(323)	50 %
TOTAL CONSOLIDATED EARNINGS BEFORE INTEREST AND TAXES	1,288	1,449	-11 %
Interest expense (income), net	7	4	—
TOTAL CONSOLIDATED INCOME BEFORE INCOME TAXES	$1,281	$1,445	-11 %

26

Table of Contents

North America

(Dollars in millions)	Three Months Ended August 31, 2016	2015	% Change	% Change Excluding Currency Changes
Revenues by:				
Footwear	$2,518	$2,366	6 %	7 %
Apparel	1,317	1,247	6 %	6 %
Equipment	196	186	5 %	5 %
TOTAL REVENUES	$4,031	$3,799	6 %	6 %
Revenues by:				
Sales to Wholesale Customers	$2,824	$2,749	3 %	3 %
Sales Direct to Consumer	1,207	1,050	15 %	15 %
TOTAL REVENUES	$4,031	$3,799	6 %	6 %
EARNINGS BEFORE INTEREST AND TAXES	$1,004	$1,042	-4 %	

Excluding changes in currency exchange rates, North America revenues for the first quarter of fiscal 2017 increased 6% driven by growth in our Sportswear and Jordan Brand categories. DTC revenues grew 15%, fueled by strong digital commerce sales growth, the addition of new stores and comparable store sales growth of 5%.

The constant currency footwear revenue growth for the first quarter of fiscal 2017 was due to higher revenues in our Sportswear and Jordan Brand categories. First quarter unit sales of footwear increased approximately 5%. Higher ASP per pair contributed approximately 2 percentage points of footwear revenue growth, driven by higher full-price and off-price ASPs, partially offset by higher off-price mix.

The increase in apparel revenues for the first quarter of fiscal 2017 was fueled by growth in most key categories, led by Men's Training. Unit sales of apparel increased approximately 9%, while lower ASP per unit reduced apparel revenue growth by approximately 3 percentage points. The decrease in ASP per unit was primarily due to the clearance of excess inventories through off-price channels, including through our DTC factory stores.

EBIT decreased 4% for the first quarter of fiscal 2017 as revenue growth was more than offset by lower gross margin and higher selling and administrative expense as a percent of revenues. Gross margin decreased 90 basis points as lower product costs were more than offset by the impact of clearing excess inventories. Selling and administrative expense increased as a percent of revenues primarily due to higher demand creation resulting from marketing support for the Rio Olympics, increased retail brand presentation costs and higher sports marketing expenses. Operating overhead also increased primarily due to support for our growing DTC operations.

Western Europe

(Dollars in millions)	Three Months Ended August 31, 2016	2015	% Change	% Change Excluding Currency Changes
Revenues by:				
Footwear	$1,147	$1,128	2 %	4 %
Apparel	531	434	22 %	26 %
Equipment	85	79	8 %	10 %
TOTAL REVENUES	$1,763	$1,641	7 %	10 %
Revenues by:				
Sales to Wholesale Customers	$1,304	$1,280	2 %	4 %
Sales Direct to Consumer	459	361	27 %	30 %
TOTAL REVENUES	$1,763	$1,641	7 %	10 %

EARNINGS BEFORE INTEREST AND TAXES	$392	$485	-19 %

On a currency-neutral basis, Western Europe revenues for the first quarter of fiscal 2017 grew 10% due to higher revenues in every territory. Growth was led by our largest territory, the UK & Ireland, which grew 7%, and by France, which grew 12%. On a category basis, revenues increased in most key categories, led by Sportswear and Football (Soccer). DTC revenues increased 30% for the first quarter of fiscal 2017, driven by comparable store sales growth of 16%, digital commerce sales growth and the addition of new stores.

Currency-neutral footwear revenue growth for the first quarter of fiscal 2017 was led by Sportswear, partially offset by declines concentrated in Football (Soccer). Unit sales of footwear decreased approximately 1%, while higher ASP per pair contributed approximately 5 percentage points of footwear revenue growth. Higher ASP per pair was driven by the favorable impact of an increase in the proportion of revenues from our DTC business and higher full-price ASP, partially offset by higher off-price mix.

Table of Contents

The increase in constant currency apparel revenue for the first quarter of fiscal 2017 was due to growth in nearly every category, most notably Sportswear and Football (Soccer). Unit sales of apparel increased approximately 12% and higher ASP per unit contributed approximately 14 percentage points of apparel revenue growth, primarily driven by higher full-price ASP and the favorable impact of an increase in the proportion of revenues from our DTC business.

On a reported basis, EBIT decreased 19% for the first quarter of fiscal 2017 as revenue growth was more than offset by a decline in gross margin and higher selling and administrative expense as a percent of revenues. Gross margin declined 630 basis points primarily driven by the significant effects of unfavorable standard foreign currency exchange rates. Gross margin was also impacted to a lesser extent by higher off-price mix and higher other costs for third-party royalties and warehousing, partially offset by higher full-price ASP and the favorable impact of growth in our higher-margin DTC business. Selling and administrative expense increased as a percent of revenues, driven by higher demand creation expense, including advertising and marketing support for the Rio Olympics and European Football Championship, as well as higher sports marketing costs. Operating overhead increased as a result of higher costs to support DTC expansion.

Central & Eastern Europe

	Three Months Ended August 31,			
(Dollars in millions)	2016	2015	% Change	% Change Excluding Currency Changes
Revenues by:				
Footwear	$270	$238	13 %	19 %
Apparel	138	133	4 %	12 %
Equipment	32	30	7 %	16 %
TOTAL REVENUES	$440	$401	10 %	16 %
Revenues by:				
Sales to Wholesale Customers	$378	$350	8 %	14 %
Sales Direct to Consumer	62	51	22 %	31 %
TOTAL REVENUES	$440	$401	10 %	16 %
EARNINGS BEFORE INTEREST AND TAXES	$81	$98	-17 %	

Excluding changes in currency exchange rates, Central & Eastern Europe revenues increased 16% for the first quarter of fiscal 2017, with double-digit growth in nearly every territory. Revenue growth was led by two of our largest territories, Russia and Turkey, which grew 34% and 17%, respectively, and by Greece, which grew 43%. On a category basis, most key categories grew, led by Sportswear and Running. DTC revenues increased 31%, fueled by comparable store sales growth of 20% and the addition of new stores.

The constant currency increase in footwear revenues for the first quarter of fiscal 2017 was attributable to growth in most key categories, led by Sportswear and Running. Unit sales of footwear increased approximately 15%, while increases in ASP per pair contributed approximately 4 percentage points of footwear revenue growth. The increase in ASP per pair was driven by higher full-price ASP and to a lesser extent, higher off-price ASP and the favorable impact of growth in our DTC business.

Constant currency apparel revenue growth for the first quarter of fiscal 2017 was attributable to growth in most key categories, most notably Sportswear. Unit sales of apparel increased approximately 9%. Higher ASP per unit contributed approximately 3 percentage points of apparel revenue growth, primarily driven by the favorable impact of growth in our DTC business, partially offset by lower full-price ASP, largely reflecting higher discounts.

On a reported basis, EBIT for the first quarter of fiscal 2017 decreased 17% primarily reflecting the impact of weakening foreign currency exchange rates, primarily the Russian Ruble. Reported revenue growth and selling and administrative expense leverage were more than offset by gross margin contraction. Gross margin declined 890 basis points primarily driven by significant unfavorable standard foreign currency exchange rates and higher product costs, which were partially offset by higher full-price ASP. Selling and administrative expense decreased as a percent of revenues despite higher demand creation and operating overhead expenses. Demand creation increased as a result of

higher advertising and sports marketing costs, while operating overhead increased slightly due to investments in our growing DTC business.

Table of Contents

Greater China

(Dollars in millions)	Three Months Ended August 31, 2016	2015	% Change	% Change Excluding Currency Changes
Revenues by:				
Footwear	$710	$599	19 %	25 %
Apparel	269	246	9 %	15 %
Equipment	41	41	0 %	4 %
TOTAL REVENUES	$1,020	$886	15 %	21 %
Revenues by:				
Sales to Wholesale Customers	$695	$634	10 %	15 %
Sales Direct to Consumer	325	252	29 %	37 %
TOTAL REVENUES	$1,020	$886	15 %	21 %
EARNINGS BEFORE INTEREST AND TAXES	$371	$330	12 %	

On a currency-neutral basis, Greater China revenues grew 21% for the first quarter of fiscal 2017. Nearly every key category grew, led by Running, Sportswear, the Jordan Brand and NIKE Basketball. DTC revenues increased 37%, fueled by the addition of new stores, significant digital commerce sales growth and an 11% increase in comparable store sales.

The constant currency increase in footwear revenue growth for the first quarter of fiscal 2017 was attributable to increases in nearly all key categories, most notably Running, Sportswear, NIKE Basketball and the Jordan Brand. Unit sales of footwear increased approximately 26%, while ASP per pair declined 1% as higher full-price and off-price ASPs were more than offset by lower ASP in our DTC business and higher off-price mix.

Constant currency apparel revenue growth was due to higher revenues in most key categories, led by Running. Unit sales of apparel increased approximately 15%, while ASP per unit was flat as higher off-price and full-price ASPs were offset by lower ASP in our DTC business and higher off-price mix.

On a reported basis, EBIT for the first quarter of fiscal 2017 increased 12% despite the negative impact of changes in foreign currency exchange rates. EBIT growth was driven by reported revenue growth and selling and administrative expense leverage, partially offset by lower gross margin. Gross margin declined 210 basis points as higher full-price ASP was more than offset by higher product costs and unfavorable standard foreign currency exchange rates. Selling and administrative expense decreased as a percent of revenues despite higher operating overhead primarily to support our growing DTC business. Demand creation expense also increased as higher advertising and digital brand marketing costs, in part to support the Rio Olympics, more than offset lower retail brand presentation expenses.

Japan

(Dollars in millions)	Three Months Ended August 31, 2016	2015	% Change	% Change Excluding Currency Changes
Revenues by:				
Footwear	$166	$122	36 %	17 %
Apparel	60	43	40 %	21 %
Equipment	19	14	36 %	12 %
TOTAL REVENUES	$245	$179	37 %	18 %
Revenues by:				
Sales to Wholesale Customers	$161	$114	41 %	21 %
Sales Direct to Consumer	84	65	29 %	12 %
TOTAL REVENUES	$245	$179	37 %	18 %

EARNINGS BEFORE INTEREST AND TAXES	$50	$36	39 %

On a constant currency basis, revenues for Japan increased 18% for the first quarter of fiscal 2017, driven by growth in most key categories, led by Sportswear and Running. DTC revenues grew 12% due to an increase in digital commerce sales, comparable store sales growth of 5% and the addition of new stores.

Reported EBIT for the first quarter of fiscal 2017 increased 39% driven by higher reported revenues and selling and administrative expense leverage, partially offset by lower gross margin. Gross margin declined 240 basis points as lower product costs were more than offset by the impact of unfavorable standard foreign currency exchange rates and lower DTC margins. Selling and administrative expense declined as a percent of revenues despite higher operating overhead, primarily to support DTC expansion. Demand creation expense increased largely as a result of higher digital brand marketing and advertising costs.

Table of Contents

Emerging Markets

	Three Months Ended August 31,			
(Dollars in millions)	2016	2015	% Change	% Change Excluding Currency Changes
Revenues by:				
Footwear	$661	$670	-1 %	12 %
Apparel	234	238	-2 %	12 %
Equipment	50	58	-14 %	-2 %
TOTAL REVENUES	$945	$966	-2 %	11 %
Revenues by:				
Sales to Wholesale Customers	$777	$813	-4 %	9 %
Sales Direct to Consumer	168	153	10 %	25 %
TOTAL REVENUES	$945	$966	-2 %	11 %
EARNINGS BEFORE INTEREST AND TAXES	$171	$258	-34 %	

Excluding changes in currency exchange rates, Emerging Markets revenues for the first quarter of fiscal 2017 increased 11%. Growth for the first quarter was attributable to higher revenues in most territories, led by SOCO (which includes Argentina, Uruguay and Chile), which grew 47%. On a category basis, revenue growth was primarily attributable to our Sportswear and Running categories. DTC revenues increased 25% driven by the addition of new stores, comparable store sales growth of 7% and digital commerce sales growth.

Constant currency footwear revenue growth for the first quarter of fiscal 2017 was largely driven by higher revenues in our Sportswear and Running categories. Unit sales of footwear were flat while higher ASP per pair contributed approximately 12 percentage points of footwear revenue growth. Higher ASP per pair was attributable to higher full-price ASP, in part reflecting inflationary conditions in certain territories.

The constant currency apparel revenue growth for the first quarter of fiscal 2017 was fueled by increases in most key categories, led by Sportswear, Running and Football (Soccer). Unit sales of apparel decreased approximately 1%, while increases in ASP per unit contributed approximately 13 percentage points of apparel revenue growth, primarily driven by higher full-price ASP, in part reflecting inflationary conditions in certain territories.

On a reported basis, EBIT decreased 34%, in part reflecting the negative impact of changes in foreign currency exchange rates, primarily the Argentine Peso and Mexican Peso. Reported EBIT was also negatively impacted by a decline in revenues, lower gross margin and higher selling and administrative expense as a percent of revenues. Gross margin decreased 350 basis points as unfavorable standard foreign currency exchange rates and higher product costs were only partially offset by higher full-price ASP. Selling and administrative expense grew due to higher demand creation expense, primarily as a result of increased marketing and digital brand marketing support for the Rio Olympics, as well as increased sports marketing costs. Operating overhead also grew, reflecting increased investments in DTC.

Global Brand Divisions

	Three Months Ended August 31,			
(Dollars in millions)	2016	2015	% Change	% Change Excluding Currency Changes
Revenues	$15	$26	-42 %	-30 %
(Loss) Before Interest and Taxes	$(771)	$(624)	24 %	

Global Brand Divisions primarily represent demand creation, operating overhead, and product creation and design expenses that are centrally managed for the NIKE Brand. Revenues for Global Brand Divisions are primarily attributable to NIKE Brand licensing businesses that are not part of a geographic operating segment.

Global Brand Divisions' loss before interest and taxes increased for the first quarter of fiscal 2017, primarily due to higher demand creation and operating overhead expense. The increase in demand creation was due to higher advertising and digital brand marketing expenses, largely in support of the Rio Olympics and the European Football Championship, as well as higher sports marketing expense. Operating overhead increased for the first quarter of fiscal 2017 primarily due to investments in operational infrastructure and consumer-focused digital capabilities.

Converse

	Three Months Ended August 31,			
(Dollars in millions)	2016	2015	% Change	% Change Excluding Currency Changes
Revenues	$574	$555	3 %	4 %
Earnings Before Interest and Taxes	$153	$147	4 %	

Table of Contents

In territories we define as “direct distribution markets,” Converse designs, markets and sells products directly to distributors and wholesale customers, and to consumers through DTC operations. The largest direct distribution markets are the United States, the United Kingdom and China. We do not own the Converse trademarks in Japan. Territories other than direct distribution markets and Japan are serviced by third-party licensees who pay royalty revenues to Converse for the use of its registered trademarks and other intellectual property rights.

Excluding changes in currency exchange rates, revenues for Converse increased 4% for the first quarter of fiscal 2017. Comparable direct distribution markets (i.e., markets served under a direct distribution model for comparable periods in the current and prior fiscal years), grew 4%, contributing approximately 3 percentage points of total Converse revenue growth for the first quarter of fiscal 2017. Comparable direct distribution market unit sales increased approximately 1%, while higher ASP per unit contributed approximately 3 percentage points of direct distribution market revenue growth. On a territory basis, growth in the United States was partially offset by declines in Europe and Asia Pacific. Conversion of markets from licensed to direct distribution increased total Converse revenues by approximately 1 percentage point for the first quarter. Revenues from comparable licensed markets decreased 3%, reducing total Converse revenues by an insignificant amount.

Reported EBIT for Converse increased 4% for the first quarter of fiscal 2017, driven by higher reported revenues and selling and administrative expense leverage, partially offset by lower gross margin. Gross margin declined 370 basis points as shifts in mix to higher-cost products, unfavorable standard foreign currency exchange rates and unfavorable off-price margins more than offset higher full-price ASP. Selling and administrative expense was lower as a percent of revenues due to lower demand creation and operating overhead costs.

Corporate

	Three Months Ended August 31,		
(Dollars in millions)	2016	2015	% Change
Revenues	$28	$(39)	—
(Loss) Before Interest and Taxes	$(163)	$(323)	-50 %

Corporate revenues primarily consist of foreign currency hedge gains and losses related to revenues generated by entities within the NIKE Brand geographic operating segments and Converse, but managed through our central foreign exchange risk management program.

The Corporate loss before interest and taxes consists largely of unallocated general and administrative expenses, including expenses associated with centrally managed departments; depreciation and amortization related to our corporate headquarters; unallocated insurance, benefit and compensation programs, including stock-based compensation; and certain foreign currency gains and losses.

In addition to the foreign currency gains and losses recognized in Corporate revenues, foreign currency results in Corporate include gains and losses resulting from the difference between actual foreign currency rates and standard rates used to record non-functional currency denominated product purchases within the NIKE Brand geographic operating segments and Converse; related foreign currency hedge results; conversion gains and losses arising from re-measurement of monetary assets and liabilities in non-functional currencies; and certain other foreign currency derivative instruments.

For the first quarter of fiscal 2017, Corporate's loss before interest and taxes decreased $160 million primarily due to the following:

- a beneficial change of $138 million from net foreign currency losses to net foreign currency gains related to the difference between actual foreign currency exchange rates and standard foreign currency exchange rates assigned to the NIKE Brand geographic operating segments and Converse, net of hedge gains and losses; these results are reported as a component of consolidated gross margin; and
- an increase in net foreign currency gains of $23 million related to the re-measurement of monetary assets and liabilities denominated in non-functional currencies and the impact of certain foreign currency derivative instruments, reported as a component of consolidated Other (income) expense, net.

Foreign Currency Exposures and Hedging Practices

Overview

As a global company with significant operations outside the United States, in the normal course of business we are exposed to risk arising from changes in currency exchange rates. Our primary foreign currency exposures arise from the recording of transactions denominated in non-functional currencies and the translation of foreign currency denominated results of operations, financial position and cash flows into U.S. Dollars.

Our foreign exchange risk management program is intended to lessen both the positive and negative effects of currency fluctuations on our consolidated results of operations, financial position and cash flows. We manage global foreign exchange risk centrally on a portfolio basis to address those risks that are material to NIKE, Inc. We manage these exposures by taking advantage of natural offsets and currency correlations that exist within the portfolio and, where practical and material, by hedging a portion of the remaining exposures using derivative instruments such as forward contracts and options. As described below, the implementation of the NIKE Trading Company (NTC) and our foreign currency adjustment program enhanced our ability to manage our foreign exchange risk by increasing the natural offsets and currency correlation benefits that exist within our portfolio of foreign exchange exposures. Our hedging policy is designed to partially or entirely offset the impact of exchange rate changes on the underlying net exposures being hedged. Where exposures are hedged, our program has the effect of delaying the impact of exchange rate movements on our Unaudited Condensed Consolidated Financial Statements; the length of the delay is dependent upon hedge horizons. We do not hold or issue derivative instruments for trading or speculative purposes.

Table of Contents

Transactional Exposures

We conduct business in various currencies and have transactions which subject us to foreign currency risk. Our most significant transactional foreign currency exposures are:

- Product Costs — NIKE's product costs are exposed to fluctuations in foreign currencies in the following ways:

1. Product purchases denominated in currencies other than the functional currency of the transacting entity:
   a. Certain NIKE entities purchase product from the NTC, a wholly-owned sourcing hub that buys NIKE branded products from third-party factories, predominantly in U.S. Dollars. The NTC, whose functional currency is the U.S. Dollar, then sells the products to NIKE entities in their respective functional currencies. When the NTC sells to a NIKE entity with a different functional currency, the result is a foreign currency exposure for the NTC.
   b. Other NIKE entities purchase product directly from third-party factories in U.S. Dollars. These purchases generate a foreign currency exposure for those NIKE entities with a functional currency other than the U.S. Dollar.

In both purchasing scenarios, a weaker U.S. Dollar reduces the inventory cost incurred by NIKE whereas a stronger U.S. Dollar increases its cost.

2. Factory input costs: NIKE operates a foreign currency adjustment program with certain factories. The program is designed to more effectively manage foreign currency risk by assuming certain of the factories' foreign currency exposures, some of which are natural offsets to our existing foreign currency exposures. Under this program, our payments to these factories are adjusted for rate fluctuations in the basket of currencies ("factory currency exposure index") in which the labor, materials and overhead costs incurred by the factories in the production of NIKE branded products ("factory input costs") are denominated.

For the currency within the factory currency exposure indices that is the local or functional currency of the factory, the currency rate fluctuation affecting the product cost is recorded within Inventories and is recognized in Cost of sales when the related product is sold to a third-party. All currencies within the indices, excluding the U.S. Dollar and the local or functional currency of the factory, are recognized as embedded derivative contracts and are recorded at fair value through Other (income) expense, net. Refer to Note 8 — Risk Management and Derivatives in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional detail.

As an offset to the impacts of the fluctuating U.S. Dollar on our non-functional currency denominated product purchases described above, a strengthening U.S. Dollar against the foreign currencies within the factory currency exposure indices decreases NIKE's U.S. Dollar inventory cost. Conversely, a weakening U.S. Dollar against the indexed foreign currencies increases our inventory cost.

- Non-Functional Currency Denominated External Sales — A portion of our Western Europe and Central & Eastern Europe geography revenues, as well as a portion of our Converse European operations revenues, are earned in currencies other than the Euro (e.g. the British Pound) but are recognized at a subsidiary that uses the Euro as its functional currency. These sales generate a foreign currency exposure.
- Other Costs — Non-functional currency denominated costs, such as endorsement contracts, also generate foreign currency risk, though to a lesser extent. In certain cases, the Company has also entered into other contractual agreements which have payments that are indexed to foreign currencies and create embedded derivative contracts that are recorded at fair value through Other (income) expense, net. Refer to Note 8 — Risk Management and Derivatives in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional detail.
- Non-Functional Currency Denominated Monetary Assets and Liabilities — Our global subsidiaries have various assets and liabilities, primarily receivables and payables, including intercompany receivables and payables, denominated in currencies other than their functional currencies. These balance sheet items are subject to re-measurement which may create fluctuations in Other (income) expense, net within our consolidated results of operations.

Managing Transactional Exposures

Transactional exposures are managed on a portfolio basis within our foreign currency risk management program. We manage these exposures by taking advantage of natural offsets and currency correlations that exist within the portfolio and may also elect to use currency forward and option contracts to hedge the remaining effect of exchange rate fluctuations on probable forecasted future cash flows, including certain product cost exposures, non-functional currency denominated external sales and other costs described above. Generally, these are accounted for as cash flow

hedges in accordance with U.S. GAAP, except for hedges of the embedded derivatives components of the product cost exposures and other contractual agreements as discussed above.

Certain currency forward contracts used to manage the foreign exchange exposure of non-functional currency denominated monetary assets and liabilities subject to re-measurement and embedded derivative contracts are not formally designated as hedging instruments under U.S. GAAP. Accordingly, changes in fair value of these instruments are immediately recognized in Other (income) expense, net and are intended to offset the foreign currency impact of the re-measurement of the related non-functional currency denominated asset or liability or the embedded derivative contract being hedged.

Refer to Note 4 — Fair Value Measurements and Note 8 — Risk Management and Derivatives in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional description of how the above financial instruments are valued and recorded as well as the fair value of outstanding derivatives at each reported period end.

Table of Contents

Translational Exposures

Many of our foreign subsidiaries operate in functional currencies other than the U.S. Dollar. Fluctuations in currency exchange rates create volatility in our reported results as we are required to translate the balance sheets, operational results and cash flows of these subsidiaries into U.S. Dollars for consolidated reporting. The translation of foreign subsidiaries' non-U.S. Dollar denominated balance sheets into U.S. Dollars for consolidated reporting results in a cumulative translation adjustment to Accumulated other comprehensive income within Shareholders' equity. In the translation of our Unaudited Condensed Consolidated Statements of Income, a weaker U.S. Dollar in relation to foreign functional currencies benefits our consolidated earnings whereas a stronger U.S. Dollar reduces our consolidated earnings. The impact of foreign exchange rate fluctuations on the translation of our consolidated Revenues was a detriment of approximately $185 million and $701 million for the three months ended August 31, 2016 and 2015, respectively. The impact of foreign exchange rate fluctuations on the translation of our Income before income taxes was a detriment of approximately $26 million and $173 million for the three months ended August 31, 2016 and 2015, respectively.

Managing Translational Exposures

To minimize the impact of translating foreign currency denominated revenues and expenses into U.S. Dollars for consolidated reporting, certain foreign subsidiaries use excess cash to purchase U.S. Dollar denominated available-for-sale investments. The variable future cash flows associated with the purchase and subsequent sale of these U.S. Dollar denominated investments at non-U.S. Dollar functional currency subsidiaries creates a foreign currency exposure that qualifies for hedge accounting under U.S. GAAP. We utilize forward contracts and/or options to mitigate the variability of the forecasted future purchases and sales of these U.S. Dollar investments. The combination of the purchase and sale of the U.S. Dollar investment and the hedging instrument has the effect of partially offsetting the year-over-year foreign currency translation impact on net earnings in the period the investments are sold. Hedges of the purchase of U.S. Dollar denominated available-for-sale investments are accounted for as cash flow hedges.

Refer to Note 4 — Fair Value Measurements and Note 8 — Risk Management and Derivatives in the accompanying Notes to the Unaudited Condensed Consolidated Financial Statements for additional description of how the above financial instruments are valued and recorded as well as the fair value of outstanding derivatives at period end.

We estimate the combination of translation of foreign currency-denominated profits from our international businesses and the year-over-year change in foreign currency related gains and losses included in Other (income) expense, net had a favorable impact of approximately $3 million on our Income before income taxes for the three month period ended August 31, 2016.

Net Investments in Foreign Subsidiaries

We are also exposed to the impact of foreign exchange fluctuations on our investments in wholly-owned foreign subsidiaries denominated in a currency other than the U.S. Dollar, which could adversely impact the U.S. Dollar value of these investments, and therefore the value of future repatriated earnings. We have, in the past, hedged and may, in the future, hedge net investment positions in certain foreign subsidiaries to mitigate the effects of foreign exchange fluctuations on these net investments. These hedges are accounted for in accordance with U.S. GAAP. There were no outstanding net investment hedges as of August 31, 2016 and 2015. There were no cash flows from net investment hedge settlements for the three month periods ended August 31, 2016 and 2015.

Liquidity and Capital Resources

Cash Flow Activity

Cash provided by operations was $721 million for the first three months of fiscal 2017 compared to $491 million for the first three months of fiscal 2016. Our primary source of operating cash flows for the first three months of fiscal 2017 was Net income of $1,249 million compared to $1,179 million for the first three months of fiscal 2016. Operating cash flows also increased due to changes in working capital, which resulted in a cash outflow of $654 million for the first three months of fiscal 2017 compared to an outflow of $908 million for the first three months of fiscal 2016. The change in working capital was primarily due to the amount of posted cash collateral with derivative counterparties as a result of hedging activities (refer to the Credit Risk section of Note 8 — Risk Management and Derivatives for additional detail). For the first three months of fiscal 2017, cash collateral decreased $136 million as

compared to a decrease of $500 million during the first three months of fiscal 2016. This working capital decrease was partially offset by an increase in accounts receivable driven by revenue growth.

Cash used by investing activities was $76 million for the first three months of fiscal 2017 compared to $385 million for the first three months of fiscal 2016. The primary driver of the decrease in Cash used by investing activities was the net change in short-term investments (including sales, maturities and purchases) from net purchases to net sales/maturities. In the first three months of fiscal 2017, there were $243 million of net sales/maturities compared to $17 million of net purchases in the first three months of fiscal 2016.

Cash used by financing activities was $1,135 million for the first three months of fiscal 2017 compared to $674 million for the same period of fiscal 2016.

Section 4.14 Environmental Matters. Except as would not constitute a Company Material Adverse Effect, (a) none of the Company nor any of its Subsidiaries has violated or is in violation of any Environmental Law; (b) none of the Company or any of its Subsidiaries is actually, potentially or allegedly liable under any Environmental Law (including pending or threatened liens, or with respect to exposure to Hazardous Substances); and (c) neither the execution of this Agreement nor the consummation of the Transactions will require any investigation, remediation or other action with respect to Hazardous Substances, or any notice to or consent of Governmental Authorities or third parties, pursuant to any applicable Environmental Law.

Table of Contents

To the Knowledge of the Company, there is no Phase I or Phase II environmental site assessment or other environmental investigation report, remedial report or environmental study or audit conducted in the past three years of which the Company is in possession, custody or control as of the date hereof that relates to the current or prior business of the Company or any of its Subsidiaries or any property or facility now or previously owned or leased by the Company or any of its Subsidiaries a copy of which has not been made available to Parent at least three Business Days prior to the date hereof.

Section 4.15 Material Contracts.

(a) Except for this Agreement and except for Contracts filed as exhibits to the Company SEC Reports that are available prior to the date hereof or set forth in Section 4.15(a) of the Company Disclosure Schedule, as of the date hereof, none of the Company or its Subsidiaries is a party to or bound by any Contract that:

(i) is a material contract (as such term is defined in Item 601(b)(10) of Regulation S-K under the Securities Act) with respect to the Company and its Subsidiaries;

(ii) would, individually or in the aggregate, prevent, materially delay or materially impair the Company s ability to consummate the Transactions;

(iii) is an indenture, credit agreement, loan agreement, security agreement, guarantee, note, or mortgage, other than intercompany agreements;

(iv) is a Contract to which the Company or any of its Subsidiaries is a party that creates or grants a material Encumbrance on properties or other assets of the Company or any of its Subsidiaries, other than any Permitted Encumbrances;

(v) is a Contract pursuant to which the Company or any of its Subsidiaries was granted any land use rights;

(vi) is a Contract under which the Company or any of its Subsidiaries has, directly or indirectly, made any loan, capital contribution to, or other investment in, any Person (except for the Company or any of its Subsidiaries), other than (A) accounts receivable and extensions of credit to customers in the ordinary course of business consistent with past practice in connection with the sale, license or lease by the Company or any of its Subsidiaries of the Company s products, and (B) investments in marketable securities (consisting solely of time deposits held at major banks, commercial paper, U.S. government agency discount notes, money market mutual funds and other money market securities with maturities of 90 days or less at the date of purchase) in the ordinary course of business;

Table of Contents

(vii) is a joint venture contract, strategic cooperation or partnership arrangement (including cooperation or long-term agency contracts entered into at the corporate headquarters level with insurance companies), or any other agreement involving a sharing of profits, losses, costs or liabilities by the Company or any of its Subsidiaries with any third party;

(viii) is between the Company or any of its Subsidiaries and any director or executive officer of the Company or any Person beneficially owning five percent or more of the outstanding Shares required to be disclosed pursuant to Item 404(a) of Regulation S-K under the Securities Act;

(ix) is a Contract that contains any provisions restricting the Company or any of its Affiliates or their successors in any material respect from (A) competing or engaging in any activity or line of business or with any Person or in any area or pursuant to which any benefit or right is required to be given or lost as a result of so competing or engaging or which, pursuant to its terms, could have such effect after the Closing solely as a result of the consummation of the Transactions or (B) hiring or soliciting for hire the employees or contractors of any third party (other than non-hire and non-solicitation provisions contained in confidentiality agreements);

(x) is a Contract that (A) grants any exclusive rights to any third party (other than any exclusive license, sublicense or other right to, or covenant not to be sued under, any Intellectual Property Right), including any exclusive license or supply or distribution agreement or other exclusive rights or which, pursuant to its terms, could have such effect after the Closing solely as a result of the consummation of the Transactions, (B) contains any provision that requires the purchase of all or any stated percentage of the Company s or any of its Subsidiaries requirements from any third party or (C) grants most favored nation rights (other than most favored nation provisions contained in confidentiality agreements), except in the case of each of clauses (A), (B) and (C) above for such rights and provisions that are not material to the Company and its Subsidiaries, taken as a whole;

(xi) is a Contract pursuant to which the Company or any of its Subsidiaries (A) receives or is granted any license, sublicense or other right to, or covenant not to be sued under, any material Intellectual Property Right (other than any non-exclusive license to off-the-shelf Software generally available on non-discriminatory pricing terms) or (B) grants any license, sublicense or other right to, or covenant not to be sued under, any material Intellectual Property Right (other than a non-exclusive license granted in the ordinary course of the grantor s business); and

(xii) is an outstanding Contract that is not included in (i) through (xi) above and in respect of which the consideration payable by or to the Company and/or its Subsidiaries exceeds US$1,000,000.

Each such Contract described in clauses (i) through (xii) above is referred to herein as a ***Material Contract***; provided that Material Contracts shall not include any (i) Benefit Plans and (ii) any management, employment, severance, change in control, transaction bonus, consulting, repatriation or expatriation agreement or other Contract between the Company or one of its Subsidiaries and any Service Provider with respect to which the Company or one of its Subsidiaries has or may have any material liability or obligation, which Contracts are dealt with exclusively in Section 4.10.

Table of Contents

(b) Except as would not constitute a Company Material Adverse Effect, (i) each Key Contract is a legal, valid and binding obligation of the Company and/or any Subsidiary that is a party thereto and, to the Company s Knowledge, the other parties thereto, in each case subject to the Bankruptcy and Equity Exception; (ii) neither the Company nor any of its Subsidiaries nor, to the Company s Knowledge, any other party thereto is in breach or violation of, or default under, any Key Contract and no event has occurred or not occurred through the Company s or any of its Subsidiaries action or inaction or, to the Company s Knowledge, the action or inaction of any third party, that with notice or lapse of time or both would constitute a breach or violation of, or default under, any Key Contract; and (iii) except as set forth in Section 4.15(b) of the Company Disclosure Schedule, to the Company s Knowledge, the Company and its Subsidiaries have not received any written claim or notice of default, termination or cancellation under any such Key Contract. For the purposes of this Agreement, a ***Key Contract*** means a Contract that is either (x) a Material Contract or, (y) if not a Material Contract, an outstanding Contract pursuant to which the Company or any of its Subsidiaries (A) provides material products or services to any Major Customer, (B) provides products or services to any third party (other than any Major Customer), in respect of which the aggregate consideration payable to the Company or its Subsidiaries exceeds RMB 10,000,000, or (C) purchases products, services or supplies from any third party, in respect of which the aggregate consideration payable by the Company or its Subsidiaries exceeds RMB 8,000,000.

(c) Section 4.15(c) of the Company Disclosure Schedule lists certain business Contracts of the Company and its Subsidiaries entered into during the fiscal year ended December 31, 2012, pursuant to which the Company or any of its Subsidiaries provided to, or purchased from, any third party products or services (the ***Selected Business Contracts***). The aggregate value of the Selected Business Contracts is equal to at least 60% of the aggregate value of the business Contracts of the Company and its Subsidiaries, taken as a whole, entered into during the fiscal year ended December 31, 2012. Each Selected Business Contract was, at the time such Contract was entered into, a legal, valid and binding obligation of the Company and/or any Subsidiary that was a party thereto and, to the Company s Knowledge, the other parties thereto, in each case subject to the Bankruptcy and Equity Exception.

(d) Complete, correct and unredacted copies of each Material Contract, as amended and supplemented, have been filed with the SEC prior to the date of this Agreement or have been provided by the Company to Parent prior to the date of this Agreement.

Section 4.16 Insurance.

(a) Section 4.16(a) of the Company Disclosure Schedule lists, as of the date hereof, all material insurance policies of the Company and its Subsidiaries covering its or their assets, business, equipment, properties, operations, employees, directors or directors (collectively, the ***Insurance Policies***). There is no material claim by the Company or any of its Subsidiaries pending under any of the Insurance Policies as to which the Company has been notified that coverage has been questioned, denied or disputed by the underwriters of such policies.

Table of Contents

(b) Except as would not constitute a Company Material Adverse Effect, (i) all Insurance Policies or renewals thereof are in full force and effect, (ii) the Company has no reason to believe that it or any of its Subsidiaries will not be able to (A) renew its Insurance Policies as and when such policies expire or (B) obtain comparable coverage from comparable insurers as may be necessary to continue its business without a significant increase in cost, (iii) all premiums due and payable under all of the Insurance Policies have been paid when due and (iv) the Company and its Subsidiaries are otherwise in material compliance with the terms of all of the Insurance Policies.

(c) Section 4.16(c) of the Company Disclosure Schedule lists each material insurance claim made by the Company or any of its Subsidiaries between December 31, 2011 and the date of this Agreement.

Section 4.17 Opinion of Financial Advisor. The Special Committee has received the oral opinion of the Company Financial Advisor (to be confirmed in writing) to the effect that, as of the date of this Agreement and subject to the assumptions and limitations set forth in the Company Financial Advisor s written opinion, the Merger Consideration is fair, from a financial point of view, to the Company s stockholders (other than Parent, Merger Sub, the Sponsors, the Buyer Group Parties, and their respective Affiliates). A signed copy of such opinion will be made available to Parent for information purposes only, promptly following receipt thereof by the Special Committee. It is agreed and understood that such opinion may not be relied on by Parent, Merger Sub, the Sponsors, any of the Buyer Group Parties or any of their respective Affiliates, Representatives or Financing Sources.

Section 4.18 Brokers. Except for the Company Financial Advisor, a copy of whose engagement agreement has been provided to Parent, no broker, finder or investment banker (other than the Company Financial Advisor) is entitled to any brokerage, finder s or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Company. On or prior to the date hereof, the Company has provided to Parent (i) the aggregate amount of all unpaid Expenses of the Company as of the date hereof and (ii) the Company s good faith estimate of the aggregate amount of all unpaid Expenses of the Company as of immediately prior to the Effective Time (based on the assumptions set forth therein).

Section 4.19 Customers.

(a) Section 4.19(a) of the Company Disclosure Schedule lists the five largest customers of the Company and its Subsidiaries (determined on the basis of aggregate revenues recognized by the Company and its Subsidiaries by quarter for each quarter over the fiscal year ended December 31, 2012) (each, a ***Major Customer***).

(b) Except as would not constitute a Material Adverse Effect, neither the Company nor any of its Subsidiaries has received, as of the date of this Agreement, any notice in writing from any Major Customer that it intends to terminate, or not renew, its relationship with the Company or its Subsidiaries as a result of the Merger.

Table of Contents

Section 4.20 Compliance with Anti-Corruption and Trade Sanction Laws. None of the Company, any of its Subsidiaries or any of their respective directors, executives or, to the Company s Knowledge, agents has, in any material respect, (i) used any corporate funds for any illegal contributions, gifts, entertainment or other unlawful expenses relating to political activity, (ii) used any corporate funds for any direct or indirect unlawful payments to any foreign or domestic government officials or employees, (iii) violated or is violating any provision of the U.S. Foreign Corrupt Practices Act of 1977, (iv) except as set forth in Section 4.20 of the Company Disclosure Schedule, violated or is violating any provision of the PRC Law on Anti-Unfair Competition promulgated on September 2, 1993, or the Interim Rules on Prevention of Commercial Bribery promulgated on November 15, 1996, or any PRC Law in relation thereto, prohibiting commercial bribery activities, (v) established or maintained any fund of corporate monies or other properties not recorded on the Company s books and records, (vi) to the Knowledge of the Company, made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment of any nature, or (vii) violated or operated in noncompliance with any applicable money laundering law, anti-terrorism law or regulation, anti-boycott regulations, export restrictions or embargo regulations. None of the Company, any of its Subsidiaries or any of their respective directors, executives or, to the Company s Knowledge, agents is currently the target of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department.

Section 4.21 Privacy. Except as would not have a Company Material Adverse Effect, the Company and each of its Subsidiaries have complied with all applicable Law regarding collecting, accessing, using, disclosing, electronically transmitting, securing, sharing, transferring and storing personally identifiable data, including federal, state or foreign laws or regulations regarding (i) data privacy and information security, (ii) data breach notification (as applicable), and/or (iii) trespass, computer crime and other laws governing unauthorized access to or use of electronic data (***Privacy and Security Laws***). The Company and each of its Subsidiaries have in place, and take steps reasonably designed to assure material compliance with its, privacy security policies and procedures. As of the date of this Agreement, except as would not have a Company Material Adverse Effect, neither the Company nor any of its Subsidiaries has been notified in writing of any complaint to or audit, proceeding, investigation (formal or informal) or claim currently pending against, the Company or any of its Subsidiaries by (A) any private party or (B) any Governmental Authority, with respect to any Privacy and Security Laws.

Section 4.22 No Additional Representations. Except for the representations and warranties made by the Company in this Article IV, neither the Company nor any other Person makes any other express or implied representation or warranty with respect to the Company or any of its Subsidiaries or their respective businesses, operations, assets, liabilities, condition (financial or otherwise) or prospects or any information provided to Parent, Merger Sub or any of their Affiliates or Representatives, notwithstanding the delivery or disclosure to Parent, Merger Sub or any of their Affiliates or Representatives of any documentation, forecasts or other information in connection with the Transactions and hereby expressly disclaims any such other representations and warranties, and each of Parent and Merger Sub acknowledges the foregoing.

Table of Contents

Neither the Company nor any other Person will have or be subject to any liability or indemnity obligations to Parent, Merger Sub or any other Person resulting from the distribution or disclosure or failure to distribute or disclose to Parent, Merger Sub or any of their Affiliates or Representatives, or their use of, any information, unless and to the extent such information is expressly included in the representations and warranties contained in this Article IV.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

As an inducement to the Company to enter into this Agreement, Parent and Merger Sub hereby, jointly and severally, represent and warrant to the Company that:

Section 5.01 Corporate Organization. Each of Parent and Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its incorporation or organization and has the requisite corporate or similar power and authority and all necessary governmental approvals to own, lease and operate its properties and assets and to carry on its business as it is now being conducted, except where the failure to be so organized, existing or in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, prevent or materially adversely affect the ability of Parent or Merger Sub to consummate the Transactions.

Section 5.02 Certificate of Incorporation and Bylaws. Parent has heretofore furnished to the Company a complete and correct copy of the certificate of incorporation and bylaws or other equivalent organizational documents of Parent and the certificate of incorporation and bylaws or other equivalent organizational documents of Merger Sub, each as amended to date. Such certificates of incorporation and bylaws or other equivalent organizational documents are in full force and effect. Neither Parent nor Merger Sub is in violation of any of the provisions of its certificate of incorporation or bylaws or other equivalent organizational documents.

Section 5.03 Capitalization.

(a) As of the date of this Agreement, the authorized share capital of Parent consists of 5,000,000 ordinary shares of par value US$0.01 per share. As of the date of this Agreement, one ordinary share is issued and outstanding, which is duly authorized, validly issued, fully paid and non-assessable. As of the date of this Agreement, no preferred shares of Parent are issued and outstanding. Except as set forth in the Rollover Agreement, the Additional Rollover Agreements (if any) and the Equity Commitment Letters, there are no options, warrants, convertible debt or other convertible instruments or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of Parent or Merger Sub or obligating Parent or Merger Sub to issue or sell any shares of capital stock of, or other equity interests in, Parent or Merger Sub. All ordinary shares of Parent subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and non-assessable.

Table of Contents

(b) The authorized capital stock of Merger Sub consists of 1,000 shares of common stock, par value US$0.001 per share, 100 shares of which are duly authorized, validly issued, fully paid and non-assessable and free of any preemptive rights in respect thereof and are owned by Parent. Each outstanding share of capital stock of Merger Sub is owned by Parent free and clear of all Encumbrances, except where failure to own such shares free and clear would not, individually or in the aggregate, materially adversely affect Parent s ability to consummate the Transactions.

Section 5.04 Authority Relative to This Agreement.

(a) Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement and, subject to the adoption of this Agreement by Parent in accordance with Section 7.08(f) hereof, to perform its obligations hereunder and to consummate the Transactions. The execution and delivery of this Agreement by Parent and Merger Sub and the consummation by Parent and Merger Sub of the Transactions have been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of Parent or Merger Sub are necessary to authorize this Agreement or to consummate the Transactions (other than, with respect to the Merger, the adoption of this Agreement by Parent in accordance with Section 7.08(f) hereof and the filing of the Certificate of Merger as required by the DGCL). This Agreement has been duly and validly executed and delivered by each of Parent and Merger Sub and constitutes a valid, legal and binding agreement of each of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(b) The Parent Board and the board of directors of Merger Sub have duly and validly approved by resolution and authorized the execution, delivery and performance of this Agreement and the consummation of the Transactions by Parent and Merger Sub, as the case may be, and taken all such actions as may be required to be taken by the Parent Board and the board of directors of Merger Sub to effect the Transactions. The board of directors of Merger Sub has declared this Agreement advisable, resolved to recommend the adoption of this Agreement to, and directed that this Agreement be submitted for consideration by, Parent.

Section 5.05 No Conflict; Required Filings and Consents.

(a) The execution and delivery of this Agreement by each of Parent and Merger Sub do not, and the performance of this Agreement by each of Parent and Merger Sub, and the consummation of the Merger, will not, (i) conflict with or violate the certificate of incorporation or bylaws or other equivalent organizational documents of Parent or Merger Sub, (ii) assuming all consents, approvals, authorizations and other actions described in Section 5.05(b) have been obtained or taken and all filings and obligations described in Section 5.05(b) have been made or satisfied, and subject to the adoption of this Agreement by Parent in accordance with Section 7.08(f) hereof, conflict with or violate any Law applicable to Parent or Merger Sub or by which any property or asset of Parent or Merger Sub is bound or affected, or (iii) violate, conflict with, require consent under, result in any breach of, result in any loss of any benefit under, or constitute a default (or an event which, with notice or lapse of time or both, would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of an Encumbrance on any property or asset of Parent or Merger Sub pursuant to, any Contract, Parent Permit or other instrument or obligation to which Parent or Merger Sub is a party or by which Parent or Merger Sub or any property or asset of Parent or Merger Sub is bound or affected, except, with respect to clauses (ii) and (iii), for any such conflicts, violations, breaches, defaults or other occurrences which would not, individually or in the aggregate, prevent or materially adversely affect the ability of Parent or Merger Sub to consummate the Transactions.

Table of Contents

(b) The execution and delivery of this Agreement by each of Parent and Merger Sub do not, and the performance of this Agreement by each of Parent and Merger Sub, and the consummation of the Transactions will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, except (i) for applicable requirements, if any, of the Securities Act, the Exchange Act, and the rules and regulations thereunder (including, but not limited to, the filing of the Proxy Statement, and the filing of one or more amendments to the Proxy Statement to respond to comments of the SEC, if any, on such documents), (ii) for compliance with the rules and regulations of NASDAQ, (iii) for the filing of the Certificate of Merger as required by the DGCL, (iv) for the filings under the PRC Anti-Monopoly Law and receipt of clearance thereunder approving the Merger, and (v) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not, individually or in the aggregate, prevent or materially adversely affect the ability of Parent or Merger Sub to consummate the Transactions.

Section 5.06 Operations of Merger Sub. Merger Sub is a direct, wholly owned Subsidiary of Parent, was formed solely for the purpose of engaging in the Transactions, has engaged in no other business activities and has conducted its operations only as contemplated by this Agreement.

Section 5.07 Absence of Litigation. As of the date hereof, there is no Action pending or, to the Knowledge of Parent, threatened against Parent or any of its Subsidiaries, or any property or asset of Parent or any of its Subsidiaries, before any Governmental Authority that, individually or in the aggregate, prevents or has prevented or materially adversely affects or has materially adversely affected the ability of Parent or Merger Sub to consummate the Transactions. As of the date hereof, neither Parent nor any of its Subsidiaries nor any material property or asset of Parent or any of its Subsidiaries is subject to any continuing order of, consent decree, settlement agreement or other similar written agreement with, or, to the Knowledge of Parent, continuing investigation by, any Governmental Authority or any Order of any Governmental Authority that would, individually or in the aggregate, prevent or materially adversely affect the ability of Parent or Merger Sub to consummate the Transactions.

Section 5.08 Available Funds and Financing.

(a) Assuming (i) the Financing is funded in accordance with the Financing Documents, (ii) the contribution of Shares to Parent by the Rollover Stockholders pursuant to and in accordance with the Rollover Agreement and the Additional Rollover Agreements (if any), and (iii) the satisfaction of the conditions to the obligation of Parent and Merger Sub to consummate the Merger as set forth in Section 8.01 and Section 8.02 or the waiver of such conditions, Parent and Merger Sub will have available to them, as of or immediately after the Effective Time, all funds necessary for the payment to the Paying Agent of the aggregate amount of the Exchange Fund and any other amounts required to be paid in connection with the consummation of the Merger, the Financing and the other Transactions and to pay all related Expenses.

Table of Contents

(b) Parent has on or before the date hereof delivered to the Company true, correct and complete copies of (i) an executed equity commitment letter from each Sponsor (each, an ***Equity Commitment Letter***) pursuant to which each Sponsor has committed to purchase, or cause the purchase of, for cash, subject to the terms and conditions therein, equity securities of Parent up to the aggregate amount set forth therein (the ***Equity Financing***), the proceeds of which shall be used to finance the consummation of the Merger and the other Transactions, (ii) an executed debt commitment letter (the ***Debt Commitment Letter***, and together with the Equity Commitment Letters, the ***Financing Documents***), between Parent and Merger Sub, Nomura International (Hong Kong) Limited, Bank of Taiwan, Cathay United Bank, Co., LTD., ICBC International Capital Limited and Maybank Investment Bank Berhad (collectively, the ***Lender***), and the other parties thereto, pursuant to which the Lender has committed to provide, by itself or through is Affiliates, debt financing to Merger Sub in the aggregate amount set forth therein (the ***Debt Financing***, and together with the Equity Financing, the ***Financing***), subject to the terms and conditions therein, the proceeds of which shall be used to finance the consummation of the Merger and the other Transactions, and (iii) the Rollover Agreement. As of the date hereof, each of the Financing Documents, in the form so delivered, is in full force and effect and is a legal, valid and binding obligation of Parent, Merger Sub and the other parties thereto (other than the Lender) and, to the Knowledge of Parent, the Lender, in each case, subject to the Bankruptcy and Equity Exception. As of the date hereof, each of the Financing Documents has not been amended or modified, no such amendment or modification is contemplated, the obligations and commitments contained in the Financing Documents have not been withdrawn, terminated or rescinded in any respect and no such withdrawal, termination or restriction is contemplated. Parent or Merger Sub has fully paid any and all fees in connection with any Financing Document that are payable on or prior to the date hereof and will pay when due all other fees arising under the Financing Documents as and when they become due and payable thereunder. As of the date hereof, the Rollover Agreement, in the form so delivered, is in full force and effect and is a legal, valid and binding obligation of the parties thereto (other than the Rollover Stockholders) and, to the Knowledge of Parent, the Rollover Stockholders, in each case, subject to the Bankruptcy and Equity Exception. As of the date hereof, the Rollover Agreement has not been amended or modified, no such amendment or modification is contemplated, no obligations or commitments contained in the Rollover Agreement have been withdrawn, terminated or rescinded in any respect and no such withdrawal, termination or restriction is contemplated.

(c) As of the date hereof, no event has occurred which, with or without notice, lapse of time or both, would constitute a default or breach on the part of Parent or Merger Sub or, to the Knowledge of Parent, any other parties thereto, under the Financing Documents; provided, however, that Parent is not making any representation or warranty regarding the effect of the inaccuracy of the representations and warranties in Article IV. As of the date hereof, Parent and Merger Sub do not have any reason to believe that any of the conditions to the Financing will not be satisfied or that the Financing will not be available to Parent or Merger Sub at the Effective Time; provided, however, that Parent is not making any representation or warranty regarding the effect of the inaccuracy of the representations and warranties in Article IV, or compliance by the Company with its obligations hereunder.

Table of Contents

Each of the Financing Documents contains all of the conditions precedent to the obligations of the parties thereunder to make the Financing available to Parent on the terms therein. The parties hereto agree that it shall not be a condition to the Closing for Parent or Merger Sub to obtain the Financing or the Alternative Debt Financing.

(d) There are no side letters or other oral or written Contracts containing any conditions to the funding of the full amount of the Financing other than (i) as expressly set forth in the Financing Documents, and (ii) any customary engagement letter(s) and non-disclosure agreement(s).

Section 5.09 Limited Guarantees. Concurrently with the execution of this Agreement, Parent has delivered to the Company a Limited Guarantee duly executed by each Guarantor, with respect to certain matters on the terms specified therein. Each Limited Guarantee is in full force and effect and constitutes a legal, valid, binding and enforceable obligation of the relevant Guarantor, subject to the Bankruptcy and Equity Exception, and no event has occurred, which, with or without notice, lapse of time or both, would constitute a default on the part of such Guarantor under such Limited Guarantee.

Section 5.10 Brokers. No broker, finder or investment banker (other than the Person(s) listed on Section 5.10 of the Parent Disclosure Schedule) is entitled to any brokerage, finder s or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Parent or Merger Sub.

Section 5.11 Solvency. Neither Parent nor Merger Sub is entering into the Transactions with the intent to hinder, delay or defraud either present or future creditors. As of the date hereof, neither Parent nor Merger Sub owns any assets (except for cash in a *de minimis* amount) and neither Parent nor Merger Sub has any liabilities other than liabilities incidental to their formation or relating to the transactions contemplated by (a) this Agreement, (b) the Rollover Agreement, (c) the Voting Agreement, (d) the Equity Commitment Letters, (e) the Limited Guarantees, and (f) the Debt Commitment Letter, or the Alternative Debt Financing Documents, as applicable. Assuming the satisfaction of the conditions of Parent and Merger Sub to consummate the Merger as set forth in Section 8.01 and Section 8.02, immediately after giving effect to all of the Transactions, including the Financing (and any Alternative Debt Financing, if applicable), the payment of the Merger Consideration and the aggregate amount of consideration payable in respect of Company Options and Company Restricted Stock Units in accordance with Section 3.04, the payment of all other amounts required to be paid in connection with the consummation of the Transactions, and the payment of all related Expenses, the Surviving Corporation shall (A) be able to pay its debts as they become due, and (B) not have, as of such date, unreasonably small capital to carry on its business.

Section 5.12 Ownership of Company Shares. As of the date hereof, other than as a result of this Agreement, the Rollover Agreement and the Voting Agreement, neither Parent nor Merger Sub beneficially owns (as such term is used in Rule 13d-3 promulgated under the Exchange Act) any Shares or other securities or any other economic interest (through derivative securities or otherwise) of the Company or any options, warrants or other rights to acquire any Shares or other securities of, or any other economic interest (through derivatives securities or otherwise) in the Company, except as set forth on Section 5.12 of the Parent Disclosure Schedule.

Table of Contents

Other than as a result of this Agreement, the Rollover Agreement, the Additional Rollover Agreements (if any), the Voting Agreement or any agreement, arrangement or understanding between Parent and/or Merger Sub, on the one hand, and any of the Rollover Stockholders, on the other, that occurred subsequent to, and in conformity with, the unanimous written consent of the Special Committee, dated as of August 2, 2012, none of Parent, Merger Sub or any of their affiliates or associates is, or at any time during the last three (3) years has been, an interested stockholder of the Company, as such terms are defined in Section 203 of the DGCL.

Section 5.13 Independent Investigation. Parent and Merger Sub have conducted their own independent investigation, review and analysis of the business, operations, assets, liabilities, results of operations, financial condition and prospects of the Company and the Subsidiaries of the Company, which investigation, review and analysis was performed by Parent, Merger Sub, their respective Affiliates and Representatives. Each of Parent and Merger Sub acknowledges that as of the date hereof, it, its Affiliates and their respective Representatives have been provided adequate access to the personnel, properties, facilities and records of the Company and the Company Subsidiaries for such purpose. In entering into this Agreement, each of Parent and Merger Sub acknowledges that it has relied solely upon the aforementioned investigation, review and analysis and not on any statements, representations or opinions of any of the Company, its Affiliates or their respective Representatives (except the representations and warranties of the Company set forth in this Agreement and in any certificate delivered pursuant to this Agreement).

Section 5.14 Buyer Group Contracts. Parent has on or before the date hereof delivered to the Company a true, correct and complete copy of each of the Buyer Group Contracts as in effect as of the date hereof. As of the date hereof, other than the Buyer Group Contracts provided to the Company, there are no side letters or other oral or written agreements or understandings (i) between Parent, Merger Sub or any of their Affiliates (excluding the Company and its Subsidiaries), on the one hand, and any of the Company s or its Subsidiaries directors, officers, employees or stockholders (excluding any of the Persons identified on Section 5.14 of the Parent Disclosure Schedule), on the other hand, that relate to the Transactions, (ii) pursuant to which any stockholder of the Company would be entitled to receive consideration of a different amount or nature than the Merger Consideration or (iii) pursuant to which any stockholder of the Company has agreed to vote to approve this Agreement or the Merger or has agreed to vote against any Superior Proposal.

Section 5.15 Non-Reliance on Company Estimates. The Company has made available to Parent and Merger Sub, and may continue to make available, certain estimates, projections and other forecasts for the business of the Company and its Subsidiaries and certain plan and budget information. Each of Parent and Merger Sub acknowledges that these estimates, projections, forecasts, plans and budgets and the assumptions on which they are based were prepared for specific purposes and may vary significantly from each other. Further, each of Parent and Merger Sub acknowledges that there are uncertainties inherent in attempting to make such estimates, projections, forecasts, plans and budgets, that Parent and Merger Sub are taking full responsibility for making their own evaluation of the adequacy and accuracy of all estimates, projections, forecasts, plans and budgets so furnished to them (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, plans and budgets), and that neither Parent nor Merger Sub is relying on any estimates, projections, forecasts, plans or budgets furnished by the Company, its Subsidiaries or their respective Affiliates and Representatives, and neither Parent nor Merger Sub shall, and shall cause its Affiliates and their respective Representatives not to, hold any such Person liable with respect thereto.

Table of Contents

Section 5.16 No Other Representations or Warranties. Except for the representations and warranties made by Parent and Merger Sub in this Article V, neither Parent nor Merger Sub nor any other Person makes any other express or implied representation or warranty with respect to Parent or Merger Sub or any of their Subsidiaries or their respective business, operations, assets, liabilities, condition (financial or otherwise) or prospects, notwithstanding the delivery or disclosure to the Company or any of its Affiliates or Representatives of any documentation, forecasts or other information in connection with the Transactions and hereby expressly disclaims any such other representations and warranties, and the Company hereby acknowledges the foregoing.

ARTICLE VI

CONDUCT OF BUSINESS PENDING THE MERGER

Section 6.01 Conduct of Business by the Company Pending the Merger.

(a) The Company covenants and agrees that, between the date of this Agreement and the Effective Time, except (i) as contemplated or permitted by this Agreement, (ii) as required by applicable Law or (iii) with the prior written consent of Parent (which consent shall not be unreasonably withheld, conditioned or delayed), the Company shall use its reasonable best efforts to carry on the businesses of the Company and its Subsidiaries in the ordinary course and in a manner consistent with past practice in all material respects and the Company and each of its Subsidiaries shall use their reasonable best efforts, consistent with past practice, to preserve substantially intact their business organization, keep available the services of their directors, officers and Tier I Employees and maintain their current relationships and goodwill with customers, lenders, suppliers, and distributors with which the Company or any of its Subsidiaries has material business relations.

(b) By way of amplification and not limitation, except as (i) set forth in Section 6.01(b) of the Company Disclosure Schedule, (ii) as required by applicable Law, (iii) as contemplated or permitted by any other provision of this Agreement, or (iv) with the prior written consent of Parent, which consent shall not be unreasonably withheld, conditioned or delayed, neither the Company nor any of its Subsidiaries shall, between the date of this Agreement and the Effective Time, directly or indirectly, do any of the following (it being understood and hereby agreed that if any action is expressly permitted by any of the following subsections, such action shall be expressly permitted under Section 6.01(a)):

(i) amend or otherwise change its certificate of incorporation or bylaws or equivalent organizational documents (whether by merger, consolidation or otherwise);

Table of Contents

(ii) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant, or encumbrance of, or redeem, purchase or otherwise acquire, any capital stock of the Company or any of its Subsidiaries, or securities convertible or exchangeable into or exercisable for such capital stock, or any options, warrants or other rights of any kind to acquire any capital stock or such convertible or exchangeable securities, other than in connection with (A) the exercise of Company Stock Awards that are outstanding on the date of this Agreement, in each case in accordance with their terms on the date of this Agreement, (B) the acquisition by the Company of its securities in connection with the forfeiture of Company Options that are outstanding on the date of this Agreement, in each case in accordance with their terms on the date of this Agreement, (C) the acquisition by the Company of its securities in connection with the net exercise of Company Stock Awards that are outstanding on the date of this Agreement, in each case in accordance with their terms on the date of this Agreement, (D) the issuance of Company securities as required to comply with any Company Stock Plan or Benefit Plan in effect on the date of this Agreement, (E) the transfer or other disposition of securities between or among the Company and its direct or indirect wholly-owned Subsidiaries, or (F) pursuant to Contracts as in effect on the date of this Agreement (copies of which have been made available to Parent prior to the date hereof);

(iii) (A) sell, lease, pledge, transfer or otherwise dispose of, (B) grant an Encumbrance on or permit an Encumbrance to exist on, or (C) authorize the sale, lease, pledge, transfer or other disposition of, or granting or placing of an Encumbrance on, any material assets of the Company or any of its Subsidiaries having a value in excess of US$3,000,000 in the aggregate, except (x) in the ordinary course of business and in a manner consistent with past practice or (y) any sale, lease, pledge, transfer or other disposition of securities between or among the Company and its direct or indirect wholly-owned Subsidiaries;

(iv) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock, except for dividends by any of the Company s direct or indirect wholly owned Subsidiaries to the Company or any of its other wholly owned Subsidiaries, in the ordinary course of business consistent with past practice;

(v) reclassify, combine, split or subdivide any of its capital stock;

(vi) adopt a plan or agreement of, or resolutions providing for or authorizing, complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, each with respect to the Company or any of its Subsidiaries;

(vii) acquire (including by merger, consolidation or acquisition of stock or assets or any other business combination) any corporation, partnership, other business organization or any division thereof or any assets, other than (A) in the ordinary course of business, or (B) if not in the ordinary course of business, with a value or purchase price (including the value of assumed liabilities) not in excess of US$4,000,000 for any individual transaction or a related series of transactions or acquisitions or US$5,000,000 in the aggregate;

Table of Contents

(viii) repurchase, prepay or incur any Indebtedness or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any Person, or make any loans or advances or capital contributions to, or investments in, any Person, other than (A) from the Company to any wholly owned Subsidiary or from any wholly owned Subsidiary to the Company or another wholly owned Subsidiary, (B) if from the Company to any Person (other than a wholly owned Subsidiary of the Company) or from any Person (other than a wholly owned Subsidiary of the Company) to the Company or a Subsidiary of the Company, not in excess of US$15,000,000 in the aggregate, or (C) that is a renewal or extension of any facility agreement effective as of the date hereof;

(ix) other than expenditures (A) associated with the construction project disclosed in Section 4.11(a) of the Company Disclosure Schedule in accordance with the budget and business plan provided to Parent prior to the date hereof and which do not exceed 10% of the amount budgeted therefor, or (B) necessary to maintain existing assets in good repair, authorize, or make any commitment with respect to, any single capital expenditure which is in excess of US$500,000 or capital expenditures which are, in the aggregate, in excess of US$8,000,000;

(x) except as required under applicable Law or the terms of any Benefit Plan as in effect on the date hereof (copies of which have been made available to Parent prior to the date hereof) or this Agreement (A) increase the compensation payable or to become payable or the benefits provided to any Service Provider (except for increases in base salaries or wages in the ordinary course of business consistent with past practice for Service Providers who are not Tier I Employees); (B) grant (or increase the amount of) any severance, equity or equity-based awards, retention or termination pay to, or enter into any employment, bonus, change in control or severance agreement with, any Service Provider; (C) establish, adopt, enter into or amend any collective bargaining agreement or Benefit Plan; (D) hire any Service Provider to whom a written offer of employment has not previously been made and accepted prior to the date hereof who, upon such hire, would be a Tier I Employee or, after the date hereof, extend any new offers of employment with the Company or any of its Subsidiaries to any individual who would be a Tier I Employee; or (E) take any action to amend or waive any performance or vesting criteria or accelerate any rights or benefits or take any action to fund or in any other way secure the payment of compensation or benefits under any Benefit Plan, including as a consequence of consummation of the Transactions or termination of employment;

(xi) make any changes with respect to accounting policies or procedures materially affecting the reported consolidated assets, liabilities or results of operations of the Company and its Subsidiaries, except as required by changes in applicable GAAP or applicable Law;

Table of Contents

(xii) make or change any material Tax election, materially amend any Tax Return (except as required by applicable Law), enter into any material closing agreement with respect to Taxes, surrender any right to claim a material refund of Taxes, settle or finally resolve any material controversy with respect to material Taxes or materially change any method of Tax accounting or take any action outside the ordinary course of business that could reasonably be expected to result in the Company or a Subsidiary being required to include a material item of income in, or exclude a material deduction from, a Tax Return for a period beginning after the Closing Date;

(xiii) except (A) in the ordinary course of business consistent with past practice or (B) in connection with any transaction or a series of transactions which are otherwise permitted under this Section 6.01, enter into, amend or modify, in any material respect, or terminate, or waive any material rights under, any Material Contract (or Contract that would be a Material Contract if such Contract had been entered into prior to the date hereof);

(xiv) enter into any Contract that contains any provisions restricting the Company or any of its Affiliates from competing or engaging in any material respect in any activity or line of business or with any Person or in any area or pursuant to which any material benefit or right is required to be given or lost as a result of so competing or engaging, except in the ordinary course of business consistent with past practice, or which, pursuant to its terms, could have such effect after the Closing solely as a result of the consummation of the Transactions;

(xv) fail to make in a timely manner any filings with the SEC required under the Securities Act or the Exchange Act or the rules and regulations promulgated thereunder;

(xvi) (A) pay, discharge or satisfy any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction of liabilities or obligations (1) as required by their terms as in effect on the date of this Agreement; (2) reserved against on the 2012 Balance Sheet (for amounts not in excess of such reserves); or (3) as they become due in the ordinary course of business and consistent with past practice, or (B) settle any Action before a Governmental Authority by or against the Company or any of its Subsidiaries or relating to any of their business, properties or assets, other than settlements (1) entered into in connection with any labor disputes; (2) of any Action by the Company or any of its Subsidiaries requiring of the Company and its Subsidiaries only the payment of monetary damages not exceeding RMB10,000,000; or (3) of any Action against the Company or any of its Subsidiaries requiring of the Company and its Subsidiaries only the payment of monetary damages not exceeding RMB6,000,000;

(xvii) sell, assign, license, sublicense, abandon, allow to lapse, transfer or otherwise dispose of, or create or incur any Encumbrance (other than Permitted Encumbrances) on, any material Company Owned Intellectual Property Rights, other than in the ordinary course of business or for the purpose of disposing of obsolete or worthless assets; or

Table of Contents

(xviii) agree, resolve or commit to do any of the foregoing.

(c) In addition, between the date of this Agreement and the Effective Time, the Company and its Subsidiaries shall (i) prepare and timely file all Tax Returns required to be filed, (ii) timely pay all Taxes shown to be due and payable on such Tax Returns, and (iii) promptly notify Parent of any notice of any suit, claim, action, investigation, audit or proceeding in respect of any Tax matters (or any significant developments with respect to ongoing suits, claims, actions, investigations, audits or proceedings in respect of such Tax matters).

Section 6.02 Conduct of Business by Parent and Merger Sub Pending the Merger. Each of Parent and Merger Sub agrees that, from the date hereof to the Effective Time, it shall not take any action or fail to take any action, the taking or failure to take, as applicable, would, or would be reasonably likely to, individually or in the aggregate, prevent, materially delay or materially impede the ability of Parent or Merger Sub to consummate the Merger or the other Transactions.

Section 6.03 No Control of Other Party s Business. Nothing contained in this Agreement is intended to give Parent or Merger Sub, directly or indirectly, the right to control or direct the operations of the Company or its Subsidiaries prior to the Effective Time, and nothing contained in this Agreement is intended to give the Company, directly or indirectly, the right to control or direct Parent s or Merger Sub s operations. Prior to the Effective Time, each of Parent, Merger Sub and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries respective operations.

ARTICLE VII

ADDITIONAL AGREEMENTS

Section 7.01 Proxy Statement and Schedule 13E-3.

(a) As soon as reasonably practicable following the date of this Agreement, the Company shall (i) prepare and file with the SEC the Schedule 13E-3 and a preliminary proxy statement (the ***Preliminary Proxy Statement***) relating to this Agreement and the Transactions; provided, that the Company shall provide Parent and its counsel a reasonable opportunity to review the proposed Preliminary Proxy Statement in advance of filing and consider in good faith any comments reasonably proposed by Parent and its counsel; (ii) respond as promptly as reasonably practicable to any comments of the SEC with respect to the Schedule 13E-3 and the Preliminary Proxy Statement; (iii) use commercially reasonable efforts to have the SEC confirm that it has no further comments thereto; and (iv) cause a definitive proxy statement, letter to stockholders, notice of meeting and form of proxy accompanying the proxy statement that will be provided to the holders of Shares in connection with the solicitation of proxies for use at the Company Stockholders Meeting (collectively, as amended or supplemented, the ***Proxy Statement***), to be mailed to the holders of Shares at the earliest practicable date, and in any event within five (5) Business Days, after the date that the SEC confirms it has no further comments; provided, however, that no material amendments or supplements to the Schedule 13E-3, the Preliminary Proxy Statement or the Proxy Statement will be made by the Company without prior consultation with Parent and its counsel in accordance with this Section 7.01.

Table of Contents

The Company and Parent shall cooperate to: (A) respond as promptly as reasonably practicable to any comments received from the SEC with respect to such filings; and (B) prepare and file any amendments or supplements necessary to be filed in response to any SEC comments or as required by Law. The Company will cause the information relating to the Company for inclusion in the Schedule 13E-3, the Preliminary Proxy Statement and the Proxy Statement, at the time of the mailing of the Proxy Statement or any amendments or supplements thereto, and at the time of the Company Stockholders Meeting, not to contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that no representation, warranty, covenant or agreement is made by the Company with respect to information supplied by Parent for inclusion or incorporation by reference in the Proxy Statement. For the avoidance of doubt, nothing in this Section 7.01(a) shall limit or preclude the ability of the Company Board (or any committee thereof, including the Special Committee) to effect a Change in the Company Recommendation in accordance with Section 7.03(d).

(b) Parent shall provide to the Company all information concerning Parent and Merger Sub and their respective Affiliates as may be reasonably requested by the Company in connection with the Schedule 13E-3, the Preliminary Proxy Statement and the Proxy Statement and shall otherwise assist and cooperate with the Company in the preparation of the Schedule 13E-3, the Preliminary Proxy Statement and the Proxy Statement and resolution of comments of the SEC or its staff related thereto. Parent will cause the information relating to Parent, Merger Sub, or any of their respective Affiliates supplied by it for inclusion in the Schedule 13E-3, the Preliminary Proxy Statement and the Proxy Statement, at the time of the mailing of the Proxy Statement or any amendments or supplements thereto, and at the time of the Company Stockholders Meeting, not to contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that no representation or warranty is made by Parent or Merger Sub with respect to information supplied by the Company for inclusion or incorporation by reference in the Proxy Statement.

(c) Each of the Company and Parent shall promptly correct any information provided by it for use in the Schedule 13E-3, the Preliminary Proxy Statement and the Proxy Statement if and to the extent that such information shall have become false or misleading in any material respect, and the Company shall take all steps necessary to amend or supplement the Schedule 13E-3, the Preliminary Proxy Statement and the Proxy Statement and to cause the Schedule 13E-3 and the Proxy Statement, as so amended or supplemented, to be filed with the SEC and mailed to its stockholders, in each case as and to the extent required by applicable Law. The Company shall (i) as promptly as practicable after receipt thereof, provide Parent or its counsel with copies of any written comments, and advise Parent or its counsel of any oral comments, with respect to the Preliminary Proxy Statement, the Proxy Statement (or any amendment or supplement thereto) or the Schedule 13E-3 received from the SEC or its staff, (ii) provide Parent and its counsel a reasonable opportunity to review the Company s proposed response to such comments and (iii) consider in good faith any comments reasonably proposed by Parent and its counsel.

Table of Contents

(d) Notwithstanding the foregoing or anything else herein to the contrary, and subject to compliance with the terms of Section 7.03, in connection with any disclosure regarding a Change in the Company Recommendation, the Company shall not be required to provide Parent or Merger Sub the opportunity to review or comment on (or include comments proposed by Parent or Merger Sub in) the Schedule 13E-3 or the Proxy Statement, or any amendment or supplement thereto, or any comments thereon or any other filing by the Company with the SEC, with respect to such disclosure.

Section 7.02 Company Stockholders Meeting.

(a) (i) Subject to Section 9.01, as promptly as reasonably practicable following clearance of the Proxy Statement and the Schedule 13E-3 by the SEC, the Company shall take, in accordance with applicable Law, its certificate of incorporation and bylaws and the rules of NASDAQ, all action necessary to call, give notice of, set a record date for, and convene the Company Stockholders Meeting for the purpose of obtaining the Company Stockholder Approval.

(b) Unless there has been a Change in the Company Recommendation pursuant to Section 7.03(d), the Company Board shall (i) make the Company Recommendation and include such recommendation in the Proxy Statement and (ii) use commercially reasonable efforts to take all actions reasonably necessary in accordance with applicable Law and the certificate of incorporation and bylaws of the Company, to solicit the Company Stockholder Approval. Unless this Agreement has been terminated in accordance with its terms, this Agreement shall be submitted to the Company s stockholders at the Company Stockholders Meeting whether or not a Change in the Company Recommendation in response to an Intervening Event shall have occurred.

Section 7.03 No Solicitation of Transactions; Company Board Recommendation; Alternative Acquisition Agreement.

(a) Until the Effective Time or, if earlier, the termination of this Agreement in accordance with Article IX, the Company and its Subsidiaries shall not, nor shall they authorize or direct any of their respective Representatives to, directly or indirectly:

(i) solicit, initiate or take any other action knowingly to facilitate or encourage any Acquisition Proposal; or

(ii) engage in, continue or otherwise participate in any discussions or negotiations regarding, or provide any non-public information or data concerning, the Company or any of its Subsidiaries to any Person (other than Parent, Merger Sub or any designees of Parent or Merger Sub) with the intent to induce the making, submission or announcement of, or the intent to encourage, facilitate or assist an Acquisition Proposal; or

Table of Contents

(iii) approve, endorse, recommend, execute or enter into any letter of intent, agreement in principle, merger agreement, acquisition agreement or other similar agreement (other than an Acceptable Confidentiality Agreement) relating to any Acquisition Proposal;

provided that, any proposal or suggestion, formal or informal, made by a director of the Company at any meeting of the Company Board or any of its committees, which was not solicited by the Company Board or any of its committees, to take any action described in sub-clause (e) in the definition of Acquisition Proposal and any discussion of such proposal solely for the purpose of informing such director of the Company s obligations pursuant to this Section 7.03(a) shall not (in themselves) be a breach of this Section 7.03(a); provided further, that no further action which is not permitted pursuant to sub-clauses (i) through (iii) above is taken with respect to such proposal.

(b) Notwithstanding anything to the contrary in this Agreement, at any time prior to the receipt of the Company Stockholder Approval, the Company, its Subsidiaries and the Company s and its Subsidiaries Representatives may:

(i) grant a waiver, amendment or release under any standstill agreement for the purpose of allowing any Person or group of Persons to make an Acquisition Proposal;

(ii) following the receipt of an Acquisition Proposal which did not result from any breach of this Section 7.03, contact the Person or group of Persons who has made such Acquisition Proposal to clarify and understand the terms and conditions thereof;

(iii) following the receipt of an Acquisition Proposal which did not result from any breach of this Section 7.03, provide information (including any non-public information or data concerning the Company or any of its Subsidiaries) in response to the request of the Person or group of Persons who has made such Acquisition Proposal, if and only if, prior to providing such information, the Company has received from the Person or group of Persons so requesting such information an executed Acceptable Confidentiality Agreement (a copy of which shall be provided for informational purposes only to Parent); provided that the Company shall promptly make available to Parent any non-public information concerning the Company and its Subsidiaries that is provided to any Person or group of Persons making such Acquisition Proposal that is given such access and that was not previously made available to Parent or its Representatives; and/or

(iv) following the receipt of an Acquisition Proposal which did not result from any breach of this Section 7.03, engage or participate in any discussions or negotiations with the Person or group of Persons who has made such Acquisition Proposal;

Table of Contents

provided that prior to taking any action described in Section 7.03(b)(iii) or Section 7.03(b)(iv) above, the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee) shall have determined in good faith, based on the information then available and after consultation with its independent financial advisor and outside legal counsel, that such Acquisition Proposal either constitutes a Superior Proposal or could reasonably be expected to result in a Superior Proposal.

(c) Except as set forth in Section 7.03(d), neither the Company Board nor any committee thereof shall (i) withhold, withdraw, amend or modify in a manner adverse to Parent, or publicly propose to withhold, withdraw, amend or modify in a manner adverse to Parent, the Company Recommendation (a ***Change in the Company Recommendation***); provided, however, that a stop, look and listen communication by the Company Board (or any committee thereof) pursuant to Rule 14d-9(f) of the Exchange Act, or any substantially similar communication, with respect to an Acquisition Proposal, which did not result from any breach of this Section 7.03, shall not be deemed to be a Change in the Company Recommendation or (ii) cause or permit the Company or any of its Subsidiaries to enter into any Alternative Acquisition Agreement.

(d) Notwithstanding anything to the contrary set forth in this Agreement, at any time prior to obtaining the Company Stockholder Approval, subject to the Company s compliance with this Section 7.03, the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee) may (i) effect a Change in the Company Recommendation in response to an Intervening Event or a Superior Proposal and/or (ii) authorize the Company to terminate this Agreement to enter into an Alternative Acquisition Agreement, if and only if:

(i) (A) with respect to a Change in the Company Recommendation, the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee) determines in good faith, after consultation with its outside legal counsel, that failure to do so would reasonably be expected to be inconsistent with the directors fiduciary duties under applicable Law or (B) with respect to a termination of this Agreement to enter into an Alternative Acquisition Agreement with respect to a bona fide, written Acquisition Proposal, the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee) determines in good faith, based on information then available and after consultation with its independent financial advisor and outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal;

Table of Contents

(ii) prior to effecting a Change in the Company Recommendation or terminating this Agreement to enter into an Alternative Acquisition Agreement in accordance with this Section 7.03(d), (A) the Company shall have provided prior written notice (the ***Change or Termination Notice***) to Parent that the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee) has resolved to effect a Change in the Company Recommendation or to terminate this Agreement pursuant to Section 9.01(d)(ii), describing in reasonable detail the reasons for such Change in the Company Recommendation or termination (which notice shall specify, if related to an Acquisition Proposal, the identity of the party making the Acquisition Proposal and the material terms thereof and copies of all relevant documents (other than redacted terms of financing documents) relating to such Acquisition Proposal), and (B) the Company shall cause its financial and legal advisors to, during the period beginning at 5:00 p.m. Hong Kong Time on the day of delivery by the Company to Parent of such Change or Termination Notice (or, if delivered after 5:00 p.m. Hong Kong Time or any day other than a Business Day, beginning at 5:00 p.m. Hong Kong Time on the next Business Day) and ending five (5) Business Days later at 5:00 p.m. Hong Kong Time (the ***Notice Period***) negotiate with Parent and its Representatives in good faith (to the extent Parent desires to negotiate) any proposed modifications to the terms and conditions of this Agreement and/or the Financing Documents so that such Acquisition Proposal ceases to constitute a Superior Proposal or so that the failure to effect a Change in the Company Recommendation would no longer reasonably be expected to be inconsistent with the directors fiduciary duties under applicable Law; provided, that, with respect to a Change in the Company Recommendation made in connection with an Acquisition Proposal or a termination of this Agreement to enter into an Alternative Acquisition Agreement, in the event of any material revisions to the Acquisition Proposal, the Company shall deliver a new written notice to Parent and comply with the requirements of this Section 7.03(d)(ii) with respect to such new written notice; provided, further, that with respect to the new written notice to Parent, the Notice Period shall be deemed to be a three (3) Business-Day period rather than the five (5) Business-Day period first described above;

(iii) following the end of such negotiation period(s), the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee) shall have determined in good faith (after consultation with its independent financial advisor and outside legal counsel), after considering the terms of any proposed amendment or modification to this Agreement and/or the Financing Documents, that (A) with respect to a Change in the Company Recommendation, the failure to effect a Change in the Company Recommendation would still reasonably be expected to be inconsistent with the directors fiduciary duties under applicable Law or (B) with respect to a termination of this Agreement to enter into an Alternative Acquisition Agreement with respect to an Acquisition Proposal, such Acquisition Proposal continues to constitute a Superior Proposal; and

(iv) in the case of the Company terminating this Agreement to enter into an Alternative Acquisition Agreement with respect to a Superior Proposal, the Company shall have paid, or caused the payment of, the Company Termination Fee in accordance with Section 9.03(a).

(e) Nothing contained in this Section 7.03 shall be deemed to prohibit the Company or the Company Board (or any committee thereof) from complying with its disclosure obligations under U.S. federal or state or non-U.S. Law with regard to an Acquisition Proposal, including taking and disclosing to its stockholders a position contemplated by Rule 14e-2(a), Rule 14d-9 or Item 1012(a) of Regulation M-A promulgated under the Exchange Act (or any similar communication to stockholders in connection with the making or amendment of a tender offer or exchange offer); provided that if such disclosure includes a Change in the Company Recommendation or has the substantive effect of withdrawing or adversely modifying the Company Recommendation, such disclosure shall be deemed to be a Change in the Company Recommendation for all purposes under this Agreement, including Section 9.01(c)(ii) (it being understood that a statement that the Company Board or any committee thereof has received and is currently evaluating such Acquisition Proposal and/or describing the operation of this Agreement with respect thereto, or any stop, look and listen communication of the type contemplated by Rule 14d-9(f) under the Exchange Act, in each case, which is consistent with this Section 7.03, shall not be deemed to be a Change in the Company Recommendation).

Table of Contents

(f) The Company agrees that it will promptly (and, in any event, within 48 hours) notify Parent if it or any of its Representatives becomes aware that any Acquisition Proposals are received by, any non-public information is requested from, or any discussions or negotiations are sought to be initiated or continued with, the Company, the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee) or any Representative of the foregoing, indicating, in connection with such notice, the identity of the Person or group of Persons making such Acquisition Proposal and the material terms and conditions of any Acquisition Proposals and thereafter shall keep Parent reasonably informed of the status and terms of any such Acquisition Proposals (including any amendments thereto that are material in any respect) and the status of any such discussions or negotiations. None of the Company, the Company Board or any committee of the Company Board shall enter into any binding agreement or Contract with any person to limit the Company s ability to give prior notice to Parent of its intention to effect a Change in the Company Recommendation or to terminate this Agreement in light of a Superior Proposal.

(g) The Company shall, and shall cause its Subsidiaries and its and their Representatives to cease immediately and cause to be terminated any and all existing activities, discussions or negotiations, if any, with any Person or group of Persons and its or their Representatives conducted prior to the date hereof with respect to any Acquisition Proposal.

Section 7.04 Access to Information; Confidentiality.

(a) Except as otherwise prohibited by applicable Law or the terms of any contract or agreement to which the Company or any of its Subsidiaries is subject (provided that the Company shall use its commercially reasonable efforts to promptly obtain any consent required under such contract or agreement in order that it may comply with the terms of this Section 7.04(a)), from the date of this Agreement until the earlier of the date on which this Agreement is terminated in accordance with its terms or the Effective Time, the Company shall, and shall cause its Subsidiaries to, (i) provide to Parent and Parent s Representatives reasonable access, during normal business hours and upon prior reasonable notice, to the officers, employees, agents, properties, offices and other facilities of the Company and its Subsidiaries and to the books and records thereof; and (ii) furnish Parent and its Representatives with such information concerning its business, properties, contracts, assets, liabilities, personnel and other information as Parent or its Representatives may reasonably request in writing; provided, however, that the Company shall not be required to provide access to or disclose any information if such access or disclosure would jeopardize any attorney-client privilege, work product doctrine or other applicable privilege of the Company or any of its Subsidiaries, violate any Contract, Law or Order, or give a third party the right to terminate or accelerate the rights under a Contract (provided that the Company shall use its commercially reasonable efforts to cause such information to be provided in a manner that would not result in such jeopardy or violation).

Table of Contents

(b) Without limitation of Section 7.04(a), the Company shall, as promptly as practicable but in no event later than 20 Business Days after the date hereof, provide complete, correct and unredacted copies of any Selected Business Contracts, as amended and supplemented, that have not been provided by the Company to Parent prior to the date hereof.

(c) All information obtained by Parent pursuant to this Section 7.04 shall be kept confidential in accordance with the Confidentiality Agreement. Parent shall be responsible for any unauthorized disclosure of any such information provided or made available pursuant to this Section 7.04 by its Representatives.

(d) No investigation pursuant to this Section 7.04 shall affect any representation, warranty, covenant or agreement in this Agreement of any party hereto or any condition to the obligations of the parties hereto.

Section 7.05 Employee Benefits Matters. For the period beginning at the Effective Time and continuing through the second anniversary of the Effective Time, Parent shall cause the Surviving Corporation and its Subsidiaries to provide each employee of the Company as of immediately prior to the Effective Time with (i) a base salary at a level at least equal to such employee s base salary as of immediately prior to the Effective Time, (ii) an opportunity for cash incentive compensation in a manner and with such criteria that is consistent with past practice and (iii) other employee benefits and arrangements that are at least substantially comparable in the aggregate to the employee benefits and arrangements in effect as of immediately prior to the Effective Time (excluding any equity-based plan or arrangement). From and after the Effective Time, Parent shall cause the Surviving Corporation and its Subsidiaries to honor in accordance with their terms, all contractual commitments under the Benefit Plans as in effect immediately prior to the Effective Time that are applicable to any current or former employees or directors of the Company or any Subsidiary of the Company. Employees of the Company or any Subsidiary of the Company shall receive credit for purposes of eligibility to participate and vesting (but not for benefit accruals) under any employee benefit plan, program or arrangement established or maintained by the Surviving Corporation or any of its Subsidiaries for service accrued or deemed accrued prior to the Effective Time with the Company or any Subsidiary of the Company; provided, however, that such crediting of service shall not operate to duplicate any benefit or the funding of any such benefit. In addition, Parent shall use its reasonable best efforts to waive, or cause to be waived, any limitations on benefits relating to any pre-existing conditions to the extent such conditions are covered immediately prior to the Effective Time under the applicable Benefit Plans and to the same extent such limitations are waived under any comparable plan of Parent or its Subsidiaries and use reasonable best efforts to recognize, for purposes of annual deductible and out-of-pocket limits under its medical and dental plans, deductible and out-of-pocket expenses paid by employees of the Company and its Subsidiaries in the calendar year in which the Effective Time occurs. Nothing contained herein, expressed or implied is intended to confer upon any Service Provider any benefits under any employee benefit plans or right to employment or continued employment with Parent or the Surviving Corporation or any of its Subsidiaries for any period by reason of this Agreement.

Table of Contents

The provisions of this Agreement, including this Section 7.05 are solely for the benefit of the parties to this Agreement and no current or former Service Provider or any other individual associated therewith shall be regarded for any purpose as a third party beneficiary of this Agreement, and nothing contained herein shall be construed as an amendment to any employee benefit plan for any purpose.

Section 7.06 Directors and Officers Indemnification and Insurance.

(a) The Surviving Corporation and its Subsidiaries shall (and Parent shall cause the Surviving Corporation and its Subsidiaries to) honor and fulfill the obligations of the Company and its Subsidiaries under (i) any indemnification, advancement of expenses and exculpation provision set forth in any certificate of incorporation or bylaws or comparable organizational documents of the Company or any of its Subsidiaries as in effect on the date of this Agreement and (ii) all indemnification agreements between the Company or any of its Subsidiaries and any of their respective current or former directors and officers and any person who becomes a director or officer of the Company or any of its Subsidiaries prior to the Effective Time (the ***Indemnified Parties***). In addition, during the period commencing at the Effective Time and ending on the sixth anniversary of the Effective Time, the Surviving Corporation and its Subsidiaries shall (and Parent shall cause the Surviving Corporation and its Subsidiaries to) cause the certificate of incorporation and bylaws (and other similar organizational documents) of the Surviving Corporation and its Subsidiaries to contain provisions with respect to exculpation, advancement of expenses and indemnification that are at least as favorable to the Indemnified Parties as those contained in the certificate of incorporation and bylaws (or other similar organizational documents) of the Company and its Subsidiaries as in effect on the date hereof, and during such six year period, such provisions shall not be amended, repealed, or otherwise modified in any manner except as required by applicable Law.

(b) From the Effective Time until the sixth anniversary of the Effective Time, to the fullest extent the Company would have been permitted to do so under applicable Law (for the avoidance of doubt, subject to the limitations on the Company s ability to indemnify its directors and officers under Section 145 of the DGCL), Parent shall indemnify and hold harmless each Indemnified Party from and against any and all costs or expenses (including reasonable attorneys fees and expenses), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of, relating to or in connection with (i) the fact that an Indemnified Party is or was a director or officer of the Company or any of its Subsidiaries, (ii) any acts or omissions occurring or alleged to occur prior to or at the Effective Time in such Indemnified Party s capacity as a director, officer, employee or agent of the Company or any of its Subsidiaries or other Affiliates, or (iii) the Merger, this Agreement or any of the Transactions; provided, however, that if, at any time prior to the sixth anniversary of the Effective Time, any Indemnified Party delivers to Parent a written notice asserting a claim for indemnification under this Section 7.06(b), then the claim asserted in such notice shall survive the sixth anniversary of the Effective Time until such time as such claim is fully and finally resolved.

Table of Contents

In addition, during the period commencing at the Effective Time and ending on the sixth anniversary of the Effective Time, to the fullest extent the Company would have been permitted to do so under applicable Law (for the avoidance of doubt, subject to the limitations on the Company s ability to advance expenses to its directors and officers under Section 145 of the DGCL), Parent shall advance, prior to the final disposition of any claim, proceeding, investigation or inquiry for which indemnification may be sought under this Agreement, promptly following request by an Indemnified Party therefor, all costs, fees and expenses (including reasonable attorneys fees and investigation expenses) incurred by such Indemnified Party in connection with any such claim, proceeding, investigation or inquiry; provided, however, that if, at any time prior to the sixth anniversary of the Effective Time, any Indemnified Party delivers to Parent a written notice asserting a claim for advancement under this Section 7.06(b), then the right to advancement asserted in such notice shall survive the sixth anniversary of the Effective Time until such time as such claim is fully and finally resolved.

(c) Prior to the Effective Time, notwithstanding anything to the contrary set forth in this Agreement, the Company may purchase a six year tail prepaid policy on the D&O Insurance. In the event that the Company elects to purchase such a tail policy prior to the Effective Time, the Surviving Corporation shall (and Parent shall cause the Surviving Corporation to) maintain such tail policy in full force and effect and continue to honor their respective obligations thereunder for so long as such tail policy shall be maintained in full force and effect. In the event that the Company does not elect to purchase such a tail policy prior to the Effective Time, during the period commencing at the Effective Time and ending on the sixth anniversary of the Effective Time, the Surviving Corporation shall (and Parent shall cause the Surviving Corporation to) maintain in effect the Company s current directors and officers liability insurance (***D&O Insurance***) in respect of acts or omissions occurring at or prior to the Effective Time, covering each person covered by the D&O Insurance, on terms with respect to the coverage and amounts that are equivalent to those of the D&O Insurance; provided, however, that the total amount payable for such tail insurance policy shall not exceed two hundred and fifty percent (250%) of the premium amount per annum the Company paid in its last full fiscal year as set forth in Section 7.06(c) of the Company Disclosure Schedule (such two hundred and fifty percent (250%) amount, the ***Maximum Tail Premium***); provided that, if the cost for such tail insurance policy exceeds the Maximum Tail Premium, then the Company or the Surviving Corporation shall be obligated to obtain a substantially similar policy with the greatest coverage available for a cost not exceeding the Maximum Tail Premium.

(d) In the event Parent or the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of their respective properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Parent or the Surviving Corporation, as the case may be, shall assume the obligations set forth in this Section 7.06.

(e) The provisions of this Section 7.06 shall survive the consummation of the Merger and are intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties and their heirs and legal representatives, each of which shall be a third-party beneficiary of the provisions of this Section 7.06.

Table of Contents

(f) The agreements and covenants contained in this Section 7.06 shall not be deemed to be exclusive of any other rights to which any such Indemnified Party is entitled, whether pursuant to Law, Contract or otherwise. Nothing in this Agreement is intended to, shall be construed to or shall release, waive or impair any rights to directors and officers insurance claims under any policy that is or has been in existence with respect to the Company or any of its Subsidiaries or their respective officers, directors and employees.

Section 7.07 Notification of Certain Matters.

(a) From and after the date of this Agreement until the earlier to occur of the Effective Time or termination of this Agreement in accordance with its terms, the Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (i) the occurrence, or non-occurrence, of any event which would reasonably be expected to cause any condition to the obligation of any party to effect the Transactions not to be satisfied, or (ii) any failure of the Company, Parent or Merger Sub, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement which would reasonably be expected to cause any condition to the obligation of any party to effect the Transactions not to be satisfied; provided, however, that the delivery of any notice pursuant to this Section 7.07 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

(b) From and after the date of this Agreement until the earlier to occur of the Effective Time or termination of this Agreement in accordance with its terms, the Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (i) any written notice or other written communication from any Governmental Authority in connection with the Transactions, or from any Person alleging that the consent of such Person is or may be required in connection with the Transactions, or (ii) any Actions commenced or, to its Knowledge, threatened against the Company or any of its Subsidiaries or Parent or any of its Subsidiaries, as the case may be, that, if pending on the date of this Agreement, would have been required to have been disclosed by such Person pursuant to any of such Person s representations and warranties contained herein, or that relate to such Person s ability to consummate the Transactions.

Section 7.08 Reasonable Best Efforts; Further Action.

(a) Each party hereto shall use its reasonable best efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable Law or otherwise to consummate and make effective the Transactions, including using its reasonable best efforts (i) to obtain, or cause to be obtained, all permits, consents, approvals, authorizations, qualifications and Orders of all Governmental Authorities and officials and parties to Contracts with the Company and its Subsidiaries that may be or become necessary for the performance of the obligations of such party hereto pursuant to this Agreement and the consummation of the Transactions and (ii) to consummate the transactions contemplated by the Rollover Agreement and the Additional Rollover Agreements (if any), including execution of the Shareholders Agreement referred to in the Rollover Agreement, and will cooperate fully with the other parties in promptly seeking to obtain all such permits, consents, approvals, authorizations, qualifications and Orders; provided that, for the avoidance of doubt, no action permitted to be taken pursuant to Section 6.01 or Section 7.03 hereof shall be prohibited by this sentence.

Table of Contents

(b) Upon the terms and subject to the conditions of this Agreement, each party hereto agrees to make an appropriate filing, if necessary, pursuant to the PRC Anti-Monopoly Law with respect to the Merger promptly following the date of this Agreement, to supply as promptly as practicable to the appropriate Governmental Authorities any additional information and documentary material that may be requested pursuant to the PRC Anti-Monopoly Law and to use its reasonable best efforts to obtain approval, consent or clearance from appropriate Governmental Authorities under the PRC Anti-Monopoly Law.

(c) Each party hereto shall promptly notify the others of any material communication it receives from any Governmental Authority relating to any filing or submissions under the PRC Anti-Monopoly Law or other applicable antitrust, competition or fair trade Laws. Each party agrees to provide promptly to the other parties all information and assistance reasonably necessary in connection with preparing and submitting such filings and obtaining the relevant approvals, consents or expiration of waiting periods in relation to such filings.

(d) Each of Parent and Merger Sub, on the one hand, and the Company, on the other hand shall, subject to applicable Law, (i) permit counsel for the other party to review in advance and consider in good faith the views of the other party in connection with any proposed written communications with Governmental Authorities concerning the Transactions under the PRC Anti-Monopoly Law or other applicable antitrust, competition or fair trade Laws, and (ii) provide counsel for the other party with copies of all filings made by such party to any antitrust, competition, or fair trade Governmental Authority and all correspondence between such party (and its advisors) and any antitrust, competition, or fair trade Governmental Authority, and any other information supplied by such party and such party s Affiliates to or received from any antitrust, competition, or fair trade Governmental Authority in connection with the proposed Transactions; provided, however, that such materials may be redacted (A) to remove references concerning the valuation of the Company, (B) as necessary to comply with contractual arrangements, and (C) as necessary to address reasonable privilege and confidentiality concerns.

(e) Each of the parties hereto agrees to cooperate and use its reasonable best efforts to contest and resist any Action, including any administrative or judicial Action, and to have vacated, lifted, reversed or overturned any Order (whether temporary, preliminary or permanent) that is in effect and that restricts, prevents or prohibits consummation of the Transactions. Notwithstanding the foregoing or anything else in this Agreement to the contrary, none of the parties hereto nor any of their Affiliates (including, after the Effective Time, the Surviving Corporation) shall be required to propose or agree to accept any undertaking or condition, to enter into any consent decree, to divest, hold separate or otherwise take or commit to take any action that limits its freedom of action with respect to, or its ability to retain, any of its material businesses, services or assets, or pay any material amounts (other than the payment of filing fees and expenses and fees of counsel).

Table of Contents

(f) Immediately after the execution of this Agreement, Parent shall duly approve and adopt this Agreement in its capacity as sole stockholder of Merger Sub in accordance with applicable Law and the certificate of incorporation and bylaws of Merger Sub and deliver to the Company evidence of its vote or action by written consent so approving and adopting this Agreement.

Section 7.09 Obligations of Merger Sub.

(a) Parent shall take all actions necessary to cause Merger Sub to perform its obligations under this Agreement and to consummate the Merger on the terms and subject to the conditions set forth in this Agreement.

(b) At the Company Stockholders Meeting and any other extraordinary meeting of the stockholders of the Company called to seek the Company Stockholder Approval or in any other circumstances upon which a vote, consent or other approval (including by written consent) with respect to this Agreement, the Merger or any other Transaction contemplated herein is sought, Parent shall, and shall cause its direct or indirect stockholders and their respective Affiliates to, vote their beneficially owned Shares in favor of granting the Company Stockholder Approval.

Section 7.10 Public Announcements. The initial press release relating to this Agreement shall be a joint press release the text of which has been agreed to by each of Parent and the Company. Thereafter, unless otherwise required by applicable Law or the requirements of NASDAQ, each of Parent and the Company shall consult with the other before issuing any press release, having any communication with the press (whether or not with attribution), making any other public announcement or scheduling any press conference or conference call with investors or analysts with respect to this Agreement, the Merger or any of the other Transactions (other than any press release or public statement with respect to a Change in the Company Recommendation, Acquisition Proposal, Superior Proposal or any action taken by the Company, the Company Board or any committee thereof permitted under Section 7.03); provided, however, that the restrictions set forth in this Section 7.10 shall not apply to any press release or announcement with respect to a Change in the Company Recommendation.

Section 7.11 Stock Exchange Delisting. Parent shall use commercially reasonable efforts to cause the Shares to be (a) delisted by the Surviving Corporation from NASDAQ as promptly as practicable after the Effective Time, and (b) deregistered under the Exchange Act by the Surviving Corporation as promptly as practicable after such delisting.

Section 7.12 Section 16 Matters. Prior to the Effective Time, the Company shall use reasonable best efforts, including in accordance with the interpretive guidance set forth by the SEC, to cause any dispositions of Company Common Stock (including derivative securities with respect to Company Common Stock) resulting from the Transactions by each officer or director who is or will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company, to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Table of Contents

Section 7.13 Takeover Statute. If the restrictions of any takeover statute are or may become applicable to the Merger or any of the other Transactions, the parties shall use their respective reasonable best efforts (a) to take all action necessary so that no such restriction is or becomes applicable to the Merger or any of the other Transactions and (b) if any such restriction is or becomes applicable to any of the foregoing, to take all action necessary so that the Merger and the other Transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise act to eliminate or lawfully minimize the effects of such statute on the Merger and the other Transactions.

Section 7.14 Resignations. To the extent requested by Parent in writing at least three (3) Business Days prior to the Closing, on the Closing Date, the Company shall use reasonable best efforts to cause to be delivered to Parent duly signed resignations, effective as of the Effective Time, of the directors of the Company and any of its Subsidiaries designated by Parent.

Section 7.15 Participation in Litigation. Prior to the Effective Time, Parent shall give prompt notice to the Company, and the Company shall give prompt notice to Parent, of any Action commenced or, to the Company s Knowledge on the one hand and Parent s Knowledge on the other hand, threatened against such party which relate to this Agreement and the Transactions. The Company shall give Parent reasonable opportunity to participate in the defense or settlement of any stockholder Action against the Company and/or its directors relating to the Transactions.

Section 7.16 Financing.

(a) Each of Parent and Merger Sub shall use their reasonable best efforts to arrange the Financing in a timely manner, including to (i) maintain in effect the Financing Documents, (ii) negotiate and enter into a definitive agreement prior to the Closing with respect to the Debt Financing on the terms and conditions contained in the Debt Commitment Letter (including the flex provisions, if any) or on other terms no less favorable to Parent and Merger Sub (the ***Facility Agreement***), (iii) satisfy, or cause its Representatives to satisfy, on a timely basis all conditions in the Financing Documents and the Facility Agreement that are within its control, (iv) subject to the terms and conditions of the applicable Financing Documents and the Facility Agreement, cause the Lenders and any other Persons providing the Debt Financing to fund the Debt Financing at or prior to the Closing, (v) subject to the terms and conditions of the applicable Financing Documents, cause the Sponsors to fund the Equity Financing at or prior to the Closing, and (vi) subject to the terms and conditions of the Financing Documents and the Facility Agreement, draw upon and consummate the Financing at or prior to the Closing.

Table of Contents

(b) If any portion of the Debt Financing becomes unavailable on the terms and conditions contemplated in the Debt Commitment Letter or the Facility Agreement, (A) Parent shall promptly so notify the Company, and (B) each of Parent and Merger Sub shall use its reasonable best efforts to arrange to obtain alternative debt financing from the same or alternate sources, as promptly as practicable following the occurrence of such event (and in any event no later than ten (10) Business Days prior to the End Date), on terms and conditions (including the flex provisions, if any) not materially less favorable, in the aggregate, to Parent and Merger Sub than those contained in the Debt Commitment Letter or the Facility Agreement and any related fee letter, in an amount sufficient (assuming (1) the Equity Financing is funded in accordance with the Equity Commitment Letters, (2) the contributions contemplated by the Rollover Agreement and the Additional Rollover Agreements (if any) are made in accordance with the terms of such agreements, and (3) the satisfaction of the conditions to the obligation of Parent and Merger Sub to consummate the Merger as set forth in Section 8.01 and Section 8.02 or the waiver of such conditions by Parent) to consummate the Merger and the other Transactions (the ***Alternative Debt Financing***), and to enter into new definitive agreements with respect to such Alternative Debt Financing (the ***Alternative Debt Financing Documents***) and Parent shall deliver to the Company as promptly as practicable (and no later than two (2) Business Days) after such execution, a true and complete copy of each such Alternative Debt Financing Document. In the event that any Alternative Debt Financing Documents are entered into, (A) any reference in this Agreement to the Debt Financing shall mean the debt financing contemplated by the Debt Commitment Letter or the Facility Agreement as modified pursuant to clause (B) below, (B) any reference in this Agreement to the Debt Commitment Letter or the Facility Agreement shall be deemed to include the Debt Commitment Letter or the Facility Agreement to the extent not superseded by the Alternative Debt Financing Documents at the time in question and the Alternative Debt Financing Documents to the extent then in effect and (C) any reference in this Agreement to fee letter shall be deemed to include any fee letter relating to the Debt Commitment Letter or the Facility Agreement to the extent not superseded by the Alternative Debt Financing Documents at the time in question and the Alternative Debt Financing Documents to the extent then in effect. Notwithstanding anything contained in this Section 7.16 or in any other provision of this Agreement, in no event shall Parent or Merger Sub be required to amend or waive any of the terms or conditions herein or in the Financing Documents or the Facility Agreement.

(c) Neither Parent nor Merger Sub shall agree to or permit any amendments or modifications to, or grant any waivers of, any condition or other provision under the Financing Documents, the Facility Agreement or the Alternative Debt Financing Documents, as applicable, without the prior written consent of the Company (which consent shall not be unreasonably withheld, conditioned or delayed) if such amendments, modifications or waivers would (i) reduce the aggregate amount of the Financing or the Alternative Debt Financing, as applicable, or (ii) impose new or additional conditions that would reasonably be expected to (A) prevent or materially delay the ability of Parent or Merger Sub to consummate the Merger and the other Transactions or (B) adversely impact in any material respect the ability of Parent or Merger Sub to enforce its rights against the other parties to the Financing Documents, the Facility Agreement or the Alternative Debt Financing Documents, as applicable. Without limiting the generality of the foregoing, neither Parent nor Merger Sub shall release or consent to the termination of the obligations of the Lender or any Sponsor under the Financing Documents or the Facility Agreement or the comparable parties under the Alternative Debt Financing Documents, as applicable, except as expressly contemplated hereby and thereby.

(d) Parent shall (i) prior to the Closing, give the Company prompt notice (A) upon becoming aware of any breach of any provision of, or termination by any party to, any Financing Document, the Facility Agreement or any Alternative Debt Financing Document, as applicable, or (B) upon the receipt of any written or oral notice or other communication from any Person with respect to any threatened breach or threatened termination by any party to any Financing Document, the Facility Agreement or any Alternative Debt Financing Document, as applicable, and (ii) prior to the Closing, otherwise keep the Company reasonably informed on a reasonably current basis of the status of Parent and Merger Sub s efforts to arrange the Financing or any Alternative Debt Financing.

Table of Contents

Section 7.17 Financing Assistance.

(a) Prior to the Closing, the Company shall, and shall cause each of its Subsidiaries to, and shall use its reasonable best efforts to cause its Representatives to use their reasonable best efforts to, provide such reasonable cooperation as may be requested by Parent in connection with the arrangement of the Financing (provided that such requested cooperation is consistent with applicable Law, does not unreasonably interfere with the operations of the Company and its Subsidiaries and is customary in connection with the arrangement of the Financing), including (i) participation in a reasonable number of meetings, presentations, due diligence sessions, and sessions with rating agencies, (ii) furnishing Merger Sub and the Financing Sources with financial and other pertinent information regarding the Company and its Subsidiaries as may be reasonably requested as promptly as practicable, subject to appropriate confidentiality undertakings, (iii) obtaining any consents, legal opinions, surveys and title insurance as reasonably requested in writing by Parent, (iv) arranging for customary payoff letters, Encumbrance terminations and instruments of discharge to be delivered at the Closing providing for the payoff, discharge and termination on the Closing Date of all Indebtedness and Encumbrances to the extent that such Indebtedness will be required to be paid off, discharged and terminated on the Closing Date, (v) to the extent customary and in accordance with applicable Law, facilitating the pledging of collateral and executing and delivering any pledge and security documents, commitment letters or other definitive financing documents (provided that any collateral or security granted thereunder and any obligations of the Company or any of its Subsidiaries under any such definitive documents shall be contingent upon the occurrence of the Effective Time), and (vi) taking all reasonable corporate actions reasonably requested by such Financing Sources to permit the consummation of the Financing effective as of the Effective Time, including the execution and delivery of such customary instruments and documents as may be reasonably requested by such Financing Sources including a customary solvency certificate signed by the Chief Financial Officer of the Company. Neither the Company nor any of its Subsidiaries shall be required, under the provisions of this Section 7.17(a) or otherwise in connection with any Financing, (x) to pay any commitment or other similar fee prior to the Effective Time, (y) to incur any expense unless such expense is reimbursed by Parent promptly after incurrence thereof in accordance with Section 7.17(c), or (z) to commit to take any action that is not contingent upon the Closing (including the entry into any agreement) or that would be effective prior to the Effective Time or that would otherwise subject it to actual or potential liability in connection with any Financing. Nothing contained in this Section 7.17(a) or otherwise shall require the Company to be an issuer or other obligor with respect to any Financing prior to the Effective Time.

Table of Contents

(b) All non-public or otherwise confidential information regarding the Company obtained by Parent or Merger Sub or any of their respective Representatives pursuant to this Section 7.17 shall be kept confidential in accordance with the Confidentiality Agreement; provided, that the Company agrees that Parent and Merger Sub may share non-public or confidential information with the Financing Sources and that Parent and Merger Sub and such Financing Sources may share such information with potential financing sources in connection with the marketing of the Debt Financing if the recipients of such information agree to customary confidentiality arrangements.

(c) Parent shall, promptly upon request by the Company, reimburse the Company for all reasonable and documented out-of-pocket costs incurred by the Company or its Subsidiaries in connection with any cooperation provided pursuant to Section 7.17(a) and shall indemnify and hold harmless the Company, its Subsidiaries and their respective Representatives for and against any and all liabilities, losses, damages, claims, costs, expenses, interest, awards, judgments and penalties actually suffered or incurred by them in connection with the arrangement of the Debt Financing and any information utilized in connection therewith (other than information provided in writing by the Company or its Subsidiaries specifically for use in connection therewith).

Section 7.18 Bank Consent. The Company shall use commercially reasonable efforts to, prior to the Closing, obtain the consent of Shenzhen Development Bank Beijing Branch with respect to the change of control clause under the Facility Agreement, dated February 20, 2012, between Shenzhen Development Bank Beijing Branch and AsiaInfo-Linkage Technologies (China), Inc.

Section 7.19 No Amendment to Buyer Group Contracts. (a) Without the Company s prior written consent, Parent and Merger Sub shall not, and shall use reasonable best efforts to cause the Buyer Group Parties and their Affiliates not to, enter into or modify any Contract (A) which would, individually or in the aggregate, prevent or materially delay the ability of Parent or Merger Sub to consummate the Merger and the other Transactions or (B) which would prevent or materially impair the ability of any management member, director or stockholder (excluding any of the Persons set forth in Section 7.19 of the Parent Disclosure Schedule) of the Company, or any of their respective Affiliates, with respect to any Acquisition Proposal the Company may receive that did not result from any breach of Section 7.03, taking any of the actions described in Section 7.03(b)(ii), Section 7.03(b)(iii) or Section 7.03(b)(iv) to the extent such actions are permitted to be taken by the Company thereunder. Within two (2) Business Days after the execution thereof, Parent and Merger Sub shall provide the Company with a copy of (x) any Additional Rollover Agreement, (y) any agreement pursuant to which a Rollover Stockholder who is a party thereto agrees to vote such Rollover Stockholder s Shares in favor of the adoption of this Agreement, and (z) any amendment to a Buyer Group Contract.

(b) The parties hereby acknowledge and agree that nothing herein amends, modifies or constitutes any waiver of the Company of any of its rights under the Confidentiality Agreement, which agreement shall remain in full force and effect.

Table of Contents

ARTICLE VIII

CONDITIONS TO THE MERGER

Section 8.01 Conditions to the Obligations of Each Party. The respective obligations of the Company, Parent and Merger Sub to consummate the Merger are subject to the satisfaction or written waiver (where permissible under applicable Law) at or prior to the Effective Time of the following conditions:

(a) Stockholder Approval. The Company Stockholder Approval shall have been obtained.

(b) No Order. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law or Order (whether temporary, preliminary or permanent) which is then in effect and has the effect of enjoining, restraining, prohibiting or otherwise making illegal the consummation of the Transactions (collectively, a ***Restraint***).

(c) Antitrust Approval. The parties shall have made all necessary filings under the PRC Anti-Monopoly Law and shall have received, if necessary, clearance under the PRC Anti-Monopoly Law approving the Merger.

Section 8.02 Conditions to the Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to consummate the Merger are subject to the satisfaction or written waiver (where permissible under applicable Law) at or prior to the Effective Time of the following additional conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Company contained in Section 4.03 shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date as though made on and as of such time, subject to *de minimis* exceptions that do not, individually or in the aggregate, increase the aggregate amount of the Merger Consideration by more than US$250,000, (ii) the representations and warranties of the Company contained in Sections 4.01(a), 4.04, 4.08(a)(ii), 4.17, 4.18 and 4.20 shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date as though made on and as of such time, and (iii) the other representations and warranties of the Company contained in this Agreement shall be true and correct (without giving effect to any limitation as to "materiality" or "Company Material Adverse Effect" set forth therein) as of the date of this Agreement and as of the Closing Date as though made on and as of such time, except (A) in the case of clauses (i)-(iii) above, to the extent such representation or warranty is expressly made as of a specific date, in which case such representations and warranties shall be true and correct as of such specific date only and (B) in the case of clause (iii) above only, where the failure of such representations and warranties of the Company to be so true and correct does not constitute a Company Material Adverse Effect.

(b) Agreements and Covenants. The Company shall have performed or complied in all material respects with all of the agreements and covenants required by this Agreement to be performed or complied with by it at or prior to the Effective Time.

Table of Contents

(c) Officer s Certificate. The Company shall have delivered to Parent a certificate, dated the Closing Date, signed by an executive officer of the Company, certifying as to the satisfaction of the conditions specified in Section 8.02(a) and Section 8.02(b).

(d) No Company Material Adverse Effect. Since the date hereof, there shall not have occurred any Company Material Adverse Effect.

Section 8.03 Conditions to the Obligations of the Company. The obligations of the Company to consummate the Merger are subject to the satisfaction or written waiver (where permissible under applicable Law) at or prior to the Effective Time of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub contained in this Agreement shall be true and correct (without giving effect to any limitation as to materiality set forth therein) as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, in each case, except (i) to the extent such representation or warranty is expressly made as of a specific date, in which case such representations and warranties shall be true and correct as of such specific date only and (ii) where the failure of such representations and warranties of Parent and Merger Sub to be so true and correct has not, individually or in the aggregate, prevented or materially adversely affected the ability of Parent or Merger Sub to consummate the Transactions.

(b) Agreements and Covenants. Parent and Merger Sub shall have performed or complied in all material respects with all of the agreements and covenants required by this Agreement to be performed or complied with by them at or prior to the Effective Time.

(c) Officer s Certificate. Parent shall have delivered to the Company a certificate, dated the Closing Date, signed by an executive officer of Parent, certifying as to the satisfaction of the conditions specified in Section 8.03(a) and Section 8.03(b).

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

Section 9.01 Termination. This Agreement may be terminated and the Transactions may be abandoned at any time prior to the Effective Time, whether before or after receipt of the Company Stockholder Approval (except as set forth in Section 9.01(d)(ii)), by action taken or authorized by (a) in the case of the Company, the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee), and (b) in the case of Parent, the Parent Board, as follows:

(a) by the mutual written consent of Parent and the Company duly authorized by the Parent Board and the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee), respectively; or

Table of Contents

(b) by either Parent or the Company if:

(i) the Effective Time shall not have occurred on or before the End Date; provided, however, that the right to terminate this Agreement under this Section 9.01(b)(i) shall not be available to any party whose failure to fulfill any obligation under this Agreement or other intentional breach has been a material cause of, or resulted in, the failure of the Effective Time to occur on or before the End Date;

(ii) any Restraint having the effect set forth in Section 8.01(b) hereof shall have become final and nonappealable; provided, however, that the right to terminate this Agreement under this Section 9.01(b)(ii) shall not be available to any party whose failure to fulfill any obligation under this Agreement or other intentional breach has been a material cause of, or resulted in, the issuance of such final, non-appealable Restraint; or

(iii) the Company Stockholder Approval shall not have been obtained upon a vote held at the Company Stockholders Meeting or at any adjournment or postponement thereof; or

(c) by Parent:

(i) upon a breach by the Company of any representation, warranty, covenant or agreement set forth in this Agreement, or if any representation or warranty of the Company shall have become untrue, in either case such that the conditions set forth in Section 8.02(a) or Section 8.02(b) would not be satisfied and such breach cannot be cured by the Company by the End Date or, if capable of being cured, shall not have been cured (x) within ten (10) Business Days following receipt by the Company of written notice from Parent of such breach or (y) any shorter period of time that remains between the date Parent provides written notice of such breach and the End Date; provided, however, that Parent shall not have the right to terminate this Agreement pursuant to this Section 9.01(c)(i) if either Parent or Merger Sub is then in material breach of any representations, warranties, covenants or other agreements hereunder such that the conditions set forth in Section 8.03(a) or Section 8.03(b) would not be satisfied; or

(ii) if (x) prior to obtaining the Company Stockholder Approval, there shall have been a Change in the Company Recommendation, (y) a tender or exchange offer for Company Common Stock that constitutes an Acquisition Proposal (whether or not a Superior Proposal) is commenced by a Person unaffiliated with Parent or any Rollover Stockholder and, within five (5) Business Days after the public announcement of the commencement of such Acquisition Proposal, the Company shall not have filed a Schedule 14D-9 pursuant to Rule 14e-2 and Rule 14d-9 promulgated under the Exchange Act recommending that the holders of Shares reject such Acquisition Proposal and not tender any Shares into such tender or exchange offer, or (z) at any time after receipt or public announcement of an Acquisition Proposal, the Company Board shall have failed to reaffirm the Company Recommendation within five (5) Business Days after receipt of any written request to do so from Parent; or

Table of Contents

(iii) there shall have been an intentional and material breach on the part of the Company of Section 7.02 or Section 7.03; or

(d) by the Company:

(i) upon a breach by Parent or Merger Sub of any representation, warranty, covenant or agreement set forth in this Agreement, or if any representation or warranty of Parent and Merger Sub shall have become untrue, in either case such that the conditions set forth in Section 8.03(a) or Section 8.03(b) would not be satisfied and such breach cannot be cured by Parent or Merger Sub by the End Date or, if capable of being cured, shall not have been cured (x) within ten (10) Business Days following receipt by Parent of written notice from the Company of such breach or (y) any shorter period of time that remains between the date the Company provides written notice of such breach and the End Date; provided, however, that the Company shall not have the right to terminate this Agreement pursuant to this Section 9.01(d)(i) if it is then in material breach of any representations, warranties, covenants or other agreements hereunder such that the conditions set forth in Section 8.02(a) or Section 8.02(b) would not be satisfied;

(ii) prior to obtaining the Company Stockholder Approval, in order to enter into an Alternative Acquisition Agreement with respect to a Superior Proposal in accordance with Section 7.03(d); provided, that concurrently with such termination, the Company enters into such Alternative Acquisition Agreement and pays to Parent (or one or more of its designees) the Company Termination Fee in accordance with Section 9.03(a); or

(iii) if (A) all the conditions to the Closing contained in Section 8.01 and Section 8.02 have been satisfied (other than those conditions that by their nature are only capable of being satisfied at the Closing (but subject to their satisfaction or waiver by the party having the benefit thereof)) or waived by Parent and Merger Sub, (B) Parent fails to fund the Exchange Fund within three (3) Business Days following the date on which the Closing was required to have occurred pursuant to Section 2.02, and (C) the Company has irrevocably notified Parent in writing (x) that all of the conditions set forth in Section 8.03 have been satisfied (other than those conditions that by their nature are only capable of being satisfied at the Closing (but subject to their satisfaction or waiver by the party having the benefit thereof)) or waived by the Company and (y) it stands ready, willing and able to consummate the Transactions during such period.

Table of Contents

Section 9.02 Effect of Termination. In the event of the valid termination of this Agreement pursuant to Section 9.01, written notice thereof shall be given to the other party or parties, specifying the provision or provisions hereof pursuant to which such termination shall have been made, and this Agreement shall forthwith become void, and there shall be no liability under this Agreement on the part of any party hereto or their respective Subsidiaries or Representatives, except (a) with respect to this Section 9.02, Section 7.04(c), Section 7.17(c), Section 9.03 and Article X which shall remain in full force and effect and (b) subject to Section 9.03(f), nothing in this Section 9.02 shall relieve any party from liability for any knowing and intentional breach of, or fraud in connection with this Agreement. In addition to the foregoing, no termination of this Agreement shall affect the obligations of the parties hereto set forth in the Confidentiality Agreement, all of which obligations shall survive termination of this Agreement in accordance with their terms.

Section 9.03 Fees and Expenses.

(a) If this Agreement is validly terminated by

(i) Parent, pursuant to Section 9.01(c); or

(ii) the Company, pursuant to Section 9.01(b)(iii) (but only if at the time of such termination, Parent shall have had the right to terminate pursuant to Section 9.01(c)) or Section 9.01(d)(ii),

then in any such event, the Company shall pay to Parent or its designee (A) promptly (but in any event no later than three (3) Business Days after Parent terminates this Agreement pursuant to Section 9.01(c)(i), Section 9.01(c)(ii) or Section 9.01(c)(iii), or (B) on the date the Company terminates this Agreement pursuant to Section 9.01(b)(iii) or Section 9.01(d)(ii), an amount equal to US$18,000,000 (the ***Company Termination Fee***), which amount shall be payable in cash in immediately available funds, by wire transfer to an account or accounts designated in writing by Parent.

(b) In the event that (i) this Agreement is validly terminated by Parent or the Company pursuant to Section 9.01(b)(i) or Section 9.01(b)(iii), (ii) at any time between the date hereof and the time of the termination of this Agreement a third party shall have publicly disclosed (or solely in the case of termination pursuant to Section 9.01(b)(i), otherwise communicated to the Company Board (or any committee thereof composed solely of independent directors, including the Special Committee)) a *bona fide* Acquisition Proposal, and (iii) within nine (9) months following the termination of this Agreement, the Company enters into a definitive agreement with respect to, recommends to its stockholders, or consummates, any Acquisition Proposal, then, in any such case, the Company shall pay to Parent or its designee the Company Termination Fee by wire transfer of immediately available funds to an account or accounts designated in writing by Parent, concurrently with the consummation of the Acquisition Proposal described in clause (iii) above (even if such consummation occurs after the end of such 9-month period).

(c) If this Agreement is terminated by the Company pursuant to Section 9.01(d)(i) or Section 9.01(d)(iii), then in any such event, Parent shall pay or cause to be paid to the Company or its designees promptly (but in any event no later than three (3) Business Days) after the Company validly terminates this Agreement pursuant to Section 9.01(d)(i) or Section 9.01(d)(iii), a termination fee (the ***Parent Termination Fee***), which shall be payable in cash in immediately available funds, by wire transfer to an account or accounts designated in writing by the Company.

Table of Contents

The Parent Termination Fee shall be in an amount equal to (i) US$36,000,000, in the event the Company terminates this Agreement pursuant to (A) Section 9.01(d)(i) for any Willful Breach by Parent or Merger Sub of the representations, warranties, covenants or agreements contained herein, (B) Section 9.01(d)(iii) for Parent s failure to fund the Exchange Fund pursuant to Section 2.02 due to the proceeds of the Debt Financing (including any Alternative Debt Financing, if applicable) not being available, where such unavailability is a result of (1) any Willful Breach by Parent or Merger Sub of the representations, warranties, covenants or agreements contained herein or (2) any breach by the Buyer Group Parties or any of their respective Affiliates (other than the Company and its Subsidiaries) of the Buyer Group Contracts or any Financing Documents, or (C) Section 9.01(d)(iii) for Parent s failure to fund the Exchange Fund pursuant to Section 2.02 when and if the proceeds of the Debt Financing (including any Alternative Debt Financing, if applicable) are available to be drawn down pursuant to the terms of the Facility Agreement (and/or such Alternative Debt Financing Documents, if applicable), or (ii) US$18,000,000, in the event the Company terminates this Agreement pursuant to Section 9.01(d)(i) or Section 9.01(d)(iii) in any other circumstance.

(d) Upon any termination of this Agreement by Parent pursuant to Section 9.01(c), any termination by the Company pursuant to Section 9.01(d)(ii), or any termination by the Company if, at the time of such termination, Parent shall have had the right to terminate pursuant to Section 9.01(c), the Company shall reimburse Parent and its Affiliates (by wire transfer of immediately available funds), no later than three (3) Business Days after submission of reasonable documentation thereof, for 100% of their documented out-of-pocket Expenses (including reasonable fees and expenses of their counsel) up to US$5,000,000 actually incurred by any of them in connection with this Agreement and the Transactions, including the arrangement of, obtaining the commitment to provide or obtaining any financing for such Transactions (the ***Company Expense Reimbursement***), by wire transfer of immediately available funds to an account or accounts designated in writing by Parent. Upon any termination of this Agreement by the Company pursuant to Section 9.01(d)(i) or Section 9.01(d)(iii), or any termination by Parent if, at the time of such termination, the Company shall have had the right to terminate pursuant to Section 9.01(d)(i) or Section 9.01(d)(iii), Parent shall reimburse the Company and its Affiliates (by wire transfer of immediately available funds), no later than three (3) Business Days after submission of reasonable documentation thereof, for 100% of their documented out-of-pocket Expenses (including reasonable fees and expenses of their counsel) up to US$5,000,000 actually incurred by any of them in connection with this Agreement and the Transactions (the ***Parent Expense Reimbursement***), by wire transfer of immediately available funds to an account or accounts designated in writing by the Company. Except as set forth in this Section 9.03, all costs and expenses incurred in connection with this Agreement and the Transactions shall be paid by the party incurring such Expenses, whether or not the Merger or any other Transaction is consummated.

(e) The Company and Parent acknowledge that the agreements contained in this Section 9.03 are an integral part of the Transactions and without the agreements contained in this Section 9.03, the parties would not have entered into this Agreement.

Table of Contents

Accordingly, in the event that the Company or Parent shall fail to pay the Company Termination Fee, Company Expense Reimbursement, Parent Termination Fee or Parent Expense Reimbursement, as applicable, when due, and, in order to obtain the payment, Parent or the Company, as the case may be, commences an Action which results in a judgment against the other party for such payment, such paying party shall pay the other party its reasonably documented costs and expenses (including reasonable legal fees and expenses) in connection with such Action, together with interest on the amount of (i) the Company Termination Fee, Company Expense Reimbursement, Parent Termination Fee or Parent Expense Reimbursement, as applicable, and (ii) such documented costs and expenses at the annual rate of five percent (5%) plus the prime rate as published in the Wall Street Journal in effect on the date such payment was required to be made through the date such payment is actually received.

(f) In no event shall (i) the Company be required to pay the Company Termination Fee or the Company Expense Reimbursement on more than one occasion or (ii) Parent be required to pay the Parent Termination Fee or the Parent Expense Reimbursement on more than one occasion. Notwithstanding anything to the contrary in this Agreement, but subject to Section 9.03(d) and Section 9.03(e), (x) if the Company pays the Company Termination Fee pursuant to Section 9.03(a) or Section 9.03(b) and the Company Expense Reimbursement pursuant to Section 9.03(d), then any such payment shall be the sole and exclusive remedy of Parent and Merger Sub against the Company and its Subsidiaries, and any of their respective former, current or future officers, directors, partners, stockholders, managers, members, Affiliates or successors and none of the Company, any of its Subsidiaries or any of their respective former, current or future officers, directors, partners, stockholders, managers, members, Affiliates or successors shall have any further liability or obligation relating to or arising out of this Agreement or the Transactions, including the failure of the Merger or the Financing to be consummated or for a breach or failure to perform hereunder or under any Financing Document (whether intentionally, unintentionally, knowingly, willfully or otherwise) or otherwise, (y) if Parent pays the Parent Termination Fee pursuant to Section 9.03(c), the Parent Expense Reimbursement pursuant to Section 9.03(d) and any costs payable by it pursuant to Section 7.17(c), then any such payment shall be the sole and exclusive remedy of the Company and its Subsidiaries and stockholders against Parent and Merger Sub and any of their respective former, current or future officers, directors, partners, stockholders, managers, members, Affiliates or successors or the Financing Sources and none of Parent or Merger Sub or any of their respective former, current or future officers, directors, partners, stockholders, managers, members, Affiliates or successors or the Financing Sources shall have any further liability or obligation relating to or arising out of this Agreement or the Transactions, including the failure of the Merger or the Financing to be consummated or for a breach or failure to perform hereunder or under any Financing Document (whether intentionally, unintentionally, knowingly, willfully or otherwise) or otherwise and (z) (A) if Parent or Merger Sub receives any payments from the Company in respect of any breach of this Agreement, and thereafter Parent is entitled to receive the Company Termination Fee under Section 9.03(a) or Section 9.03(b), the amount of such Company Termination Fee shall be reduced by the aggregate amount of any payments made by the Company to Parent or Merger Sub in respect of any such breaches of this Agreement and (B) if the Company receives any payments from Parent or Merger Sub in respect of any breach of this Agreement, and thereafter the Company is entitled to receive the Parent Termination Fee under Section 9.03(c), the amount of such Parent Termination Fee shall be reduced by the aggregate amount of any payments made by Parent or Merger Sub to the Company in respect of any such breaches of this Agreement.

Table of Contents

(g) Notwithstanding anything to the contrary contained herein, no Seller Related Party (other than Parent and Merger Sub) shall have any rights or claims against any Financing Source providing Debt Financing in connection with this Agreement, the Debt Financing or the transactions contemplated hereby or thereby, and no Financing Source providing Debt Financing shall have any rights or claims against any Seller Related Party (other than Parent and Merger Sub) in connection with this Agreement, the Debt Financing or the transactions contemplated hereby or thereby, whether at law, or equity, in contract, in tort or otherwise; provided that, following consummation of the Merger, the foregoing will not limit the rights of the parties to the Debt Financing under any definitive agreement with respect thereto. ***Seller Related Party*** means the Company and each of its Affiliates and their respective stockholders, partners, members, officers, directors, employees, controlling persons, agents and representatives.

Section 9.04 Amendment. This Agreement may be amended by the parties hereto by action taken by or on behalf of their respective boards of directors (or any committees thereof), at any time prior to the Effective Time; provided, however, that, (a) after the Company Stockholder Approval has been obtained, no amendment may be made that under applicable Law requires further approval by the stockholders of the Company without such approval having been obtained; and (b) the prior written consent of the Financing Sources for the Debt Financing shall be required for any amendment, waiver or other modification that is adverse to the Financing Sources of Section 9.03(f), Section 9.03(g), Section 9.04, Section 9.05, Section 10.04(b), Section 10.05, Section 10.07 or Section 10.09. This Agreement may not be amended except by an instrument in writing signed by each of the parties hereto.

Section 9.05 Waiver. At any time prior to the Effective Time, any party hereto may (a) extend the time for the performance of any obligation or other act of any other party hereto, (b) waive any breach of or inaccuracy in the representations and warranties of any other party contained in this Agreement or in any document delivered pursuant hereto and (c) subject to the proviso in the first sentence of Section 9.04 and to the extent permitted by applicable Law, waive compliance with any agreement of any other party or any condition to its own obligations contained in this Agreement. Notwithstanding the foregoing, no failure or delay by the Company or Parent or Merger Sub in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise of any other right hereunder. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby.

ARTICLE X

GENERAL PROVISIONS

Section 10.01 Non-Survival of Representations, Warranties, Covenants and Agreements. The representations, warranties, covenants and agreements in this Agreement and in any instrument delivered pursuant hereto shall terminate at the Effective Time or upon the termination of this Agreement pursuant to Section 9.01, as the case may be, except for those covenants and agreements contained in this Agreement (including Article II, Article III, Section 7.04(b), Section 7.04(c), Section 7.06, Section 9.03 and this Article X) that by their terms are to be performed in whole or in part after the Effective Time (or termination of this Agreement, as applicable).

Table of Contents

Section 10.02 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given (a) when delivered in person, (b) upon confirmation of receipt after transmittal by facsimile (to such number specified below or another number or numbers as such Person may subsequently specify by proper notice under this Agreement), with a confirmatory copy to be sent by overnight courier, and (c) on the next Business Day when sent by national overnight courier, in each case to the respective parties and accompanied by a copy sent by email (which copy shall not constitute notice) at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.02):

if to Parent or Merger Sub:

Skipper Limited

Skipper Acquisition Corporation

28/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

Attention: Vicki Hui, Venus Lam, Zhen Ji

Facsimile No.: +852 2111 9699, +86 21 3218 0303

E-mail: vickihui@citiccapital.com, vlam@citiccapital.com,

zhenji@citiccapital.com

with a copy to:

Davis Polk & Wardwell

Hong Kong Club Building

3A Chater Road

Hong Kong

Attention: Mark J. Lehmkuhler, Esq.

Facsimile: +852 2533 3388

E-mail: mark.lehmkuhler@davispolk.com

if to the Company:

AsiaInfo-Linkage. Inc.

4th Floor, Zhongdian Information Tower,

6 Zhongguancun South Street, Haidian District,

Beijing 10086, China

Attention: Legal Director

Telephone: +86 10 8216 6688

Facsimile: +86 10 8216 6655

Table of Contents

with a copy to:

Shearman & Sterling

12th Floor, Gloucester Tower,

The Landmark, 15 Queen s Road Central,

Hong Kong

Attention: Paul Strecker, Esq.

Telephone: +852 2978 8038

Facsimile: +852 2140 0338

E-mail: paul.strecker@shearman.com

Section 10.03 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by virtue of any rule of Law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the Transactions be consummated as originally contemplated to the fullest extent possible.

Section 10.04 Entire Agreement; Assignment.

(a) This Agreement, the exhibits and schedules hereto (including the Company Disclosure Schedule), the Rollover Agreement, the Voting Agreement, the Equity Commitment Letters, the Limited Guarantees and the Confidentiality Agreement constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof and thereof; provided, however, for the avoidance of doubt, that the Confidentiality Agreement shall not be superseded, shall survive any termination of this Agreement and shall continue in full force and effect until the earlier to occur of (a) the Effective Time and (b) the date on which the Confidentiality Agreement expires in accordance with its terms or is validly terminated by the parties thereto.

(b) No party may assign, delegate or otherwise transfer, by operation of law or otherwise, any of its rights or obligations under this Agreement without the consent of each other party hereto, except that Parent or Merger Sub may transfer or assign its rights and obligations under this Agreement, in whole or from time to time in part, to (i) one or more of its Affiliates or (ii) any Financing Sources for the Debt Financing pursuant to the terms of such Debt Financing (including for purposes of creating a security interest herein or otherwise assigning as collateral in respect of such Debt Financing); provided, that such transfer or assignment shall not relieve Parent or Merger Sub of its obligations hereunder or enlarge, alter or change any obligation of any other party hereto or due to Parent or Merger Sub. Any purported assignment not permitted under this Section 10.04(b) shall be null and void.

Table of Contents

Section 10.05 Parties in Interest. This Agreement shall be binding upon, inure solely to the benefit of, and be enforceable by, only the parties hereto, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, other than as set forth in or contemplated by the terms and provisions of Section 7.06 (which is intended to be for the benefit of the Persons covered thereby) and for the Financing Sources for the Debt Financing and their respective successors, Representatives and permitted assigns with respect to their respective rights and third party benefits under this Section 10.05, Section 9.03(f), Section 9.03(g), Section 9.04, Section 9.05, Section 10.04(b), Section 10.07 and Section 10.09.

Section 10.06 Specific Performance. The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed by the Company in accordance with the terms hereof and that Parent and Merger Sub shall be entitled to an injunction or injunctions to prevent breaches of this Agreement by the Company or to enforce specifically the performance of the terms and provisions hereof by the Company in any state or federal court sitting in the Borough of Manhattan of the City of New York, in addition to any other remedy to which they are entitled at law or in equity. The parties acknowledge that the Company shall not be entitled to an injunction or injunctions to prevent breaches of this Agreement by Parent or Merger Sub or any remedy to enforce specifically the terms and provisions of this Agreement and that the Company s sole and exclusive remedies with respect to any such breach shall be the remedies set forth in Section 9.02 and Section 9.03.

Section 10.07 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York (other than those provisions set forth in this Agreement that are required to be governed by the DGCL). All actions and proceedings arising out of or relating to this Agreement shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan of the City of New York. The parties hereto hereby (a) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of the City of New York for the purpose of any Action arising out of or relating to this Agreement brought by any party hereto, and (b) irrevocably waive, and agree not to assert by way of motion, defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Agreement or the Transactions may not be enforced in or by any of the above-named courts.

Section 10.08 Counterparts. This Agreement may be executed and delivered (including by facsimile transmission or pdf) in two or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

Table of Contents

Section 10.09 Waiver of Jury Trial. Each of the parties hereto hereby irrevocably waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement or the Transactions. Each of the parties hereto (a) certifies that no Representative of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and the Transactions, as applicable, by, among other things, the mutual waivers and certifications in this Section 10.09.

[The remainder of this page has been intentionally left blank;

the next page is the signature page.]

Table of Contents

IN WITNESS WHEREOF, Parent, Merger Sub and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SKIPPER LIMITED

By /s/ Ji Zhen
Name: Ji Zhen
Title: Authorised Signatory

SKIPPER ACQUISITION CORPORATION

By /s/ Ji Zhen
Name: Ji Zhen
Title: Authorised Signatory

ASIAINFO-LINKAGE, INC.

By /s/ Davin Mackenzie
Name: Davin Mackenzie
Title: Director

Table of Contents

Annex B

LIMITED GUARANTEE

LIMITED GUARANTEE dated as of May 12, 2013 (this **Limited Guarantee**), by Power Joy (Cayman) Limited (the **Guarantor**), in favor of AsiaInfo-Linkage, Inc., a Delaware corporation (the **Guaranteed Party**).

Section 1.01. *Limited Guarantee.*

(a) To induce the Guaranteed Party to enter into that certain Agreement and Plan of Merger dated as of the date hereof (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the **Merger Agreement**), by and among the Guaranteed Party, Skipper Limited, a Cayman Islands exempted company with limited liability (**Parent**) and Skipper Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Parent (**Merger Sub**), pursuant to which Merger Sub will merge with and into the Guaranteed Party, the Guarantor, hereby absolutely, unconditionally and irrevocably guarantees to the Guaranteed Party, as a primary obligor and not merely as a surety, the due and punctual performance and discharge of 37.393% (the **Percentage**) of all of the payment obligations of Parent and/or Merger Sub pursuant to Sections 7.17(c), 9.03(c), 9.03(d) and 9.03(e) of the Merger Agreement (collectively, the **Obligations**); *provided* that, notwithstanding anything to the contrary contained in this Limited Guarantee, in no event shall the Guarantor s aggregate liability under this Limited Guarantee exceed 37.393% of the Obligations less any amount actually paid by Parent and/or Merger Sub to the Guaranteed Party in respect of the Obligations multiplied by the Percentage (the **Maximum Amount**). The Guaranteed Party acknowledges that in the event that Parent and/or Merger Sub has any unsatisfied Obligations, payment of the Guarantor s Percentage of such unsatisfied Obligations by the Guarantor (or by any other Person, including Parent and/or Merger Sub, on behalf of the Guarantor) shall constitute satisfaction in full of the Guarantor s obligation with respect thereto. The Guarantor shall not have any obligations or liability to any Person relating to, arising out of or in connection with this Limited Guarantee other than as expressly set forth herein, and the parties hereto hereby acknowledge and agree that this Limited Guarantee may not be enforced without giving effect to the Maximum Amount and Sections 1.08 and 1.09. Concurrently with the delivery of this Limited Guarantee, the parties set forth on Annex A (each an **Other Guarantor**) are also entering into limited guarantees or similar agreements with the Guaranteed Party substantially identical to this Limited Guarantee. Capitalized terms used but not defined in this Limited Guarantee shall have the meanings assigned to such terms in the Merger Agreement (as defined below). All payments hereunder shall be made in lawful money of the U.S., in immediately available funds. The Guarantor shall make all payments hereunder free and clear of any deduction, offset, defense, claim or counterclaim of any kind, except as expressly provided in this Limited Guarantee. The Guarantor acknowledges that the Guaranteed Party is entering into the Transactions in reliance upon the execution of this Limited Guarantee.

(b) Subject to the terms and conditions of this Limited Guarantee, if Parent and/or Merger Sub fails to pay the Obligations when due, then all of the Guarantor s liabilities to the Guaranteed Party hereunder in respect of such Obligations shall become immediately due and payable and the Guaranteed Party may, at the Guaranteed Party s option, take any and all actions available hereunder or under applicable Law to collect such Obligations from the Guarantor (subject to the Maximum Amount).

Table of Contents

In furtherance of the foregoing, the Guarantor acknowledges that the Guaranteed Party may, in its sole discretion, bring and prosecute a separate action or actions against the Guarantor for the full amount of the Guarantor s Percentage of the Obligations (subject to the Maximum Amount), regardless of whether any action is brought against Parent, Merger Sub or any Other Guarantor. The Guarantor agrees to pay on demand its Percentage of all reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by the Guaranteed Party in connection with the enforcement of its rights hereunder, which amounts, if paid, will be in addition to the Obligations and not included within a determination of the Maximum Amount if the Guarantor fails or refuses to make any payment to the Guaranteed Party hereunder when due and payable.

(c) The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Limited Guarantee were not performed in accordance with its specific terms or were otherwise breached and further agree that the Guaranteed Party shall be entitled to an injunction, specific performance and other equitable relief against the Guarantor to prevent breaches of this Limited Guarantee and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which it is entitled at Law or in equity, and shall not be required to provide any bond or other security in connection with any such order or injunction. The Guarantor further agrees not to oppose the granting of any such injunction, specific performance and other equitable relief on the basis that (x) the Guaranteed Party has an adequate remedy at Law or (y) an award of an injunction, specific performance or other equitable relief is not an appropriate remedy for any reason at Law or in equity (collectively, the **Prohibited Defense**).

Section 1.02. *Nature of Guarantee.* The Guaranteed Party shall not be obligated to file any claim relating to the Obligations in the event that Parent and/or Merger Sub becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Guaranteed Party to so file shall not affect the Guarantor s obligations hereunder. In the event that any payment to the Guaranteed Party in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to such Obligations (subject to the Maximum Amount) as if such payment had not been made. This is an unconditional guaranty of payment and not of collectability. The Guarantor reserves the right to assert defenses which Parent and/or Merger Sub may have to payment of any Obligations, other than defenses arising from the bankruptcy or insolvency of Parent and/or Merger Sub and other defenses expressly waived hereby. The Guaranteed Party shall not be required to proceed against Parent, Merger Sub or any Other Guarantor first before proceeding against the Guarantor.

Table of Contents

Section 1.03. *Certain Waivers.*

(a) The Guarantor agrees that, subject to Section 1.03(d)(i), the Guaranteed Party may at any time and from time to time, without notice to or further consent of the Guarantor, extend the time of payment of any of the Obligations, and may also make any agreement with Parent, Merger Sub and/or any other Person interested in the Transactions for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Guaranteed Party, Parent, Merger Sub and/or any other Person interested in the Transactions without in any way impairing or affecting the Guarantor s obligations under this Limited Guarantee. The Guarantor agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (i) any failure or delay of the Guaranteed Party to assert any claim or demand or to enforce any right or remedy against Parent, Merger Sub and/or any other Person interested in the Transactions; (ii) any change in the time, place or manner of payment of the Obligations or any rescission, waiver, compromise, consolidation or other amendment or modification of any of the terms of the Merger Agreement or any other agreement evidencing, securing or otherwise executed by Parent, Merger Sub and the Guaranteed Party in connection with the Obligations; (iii) any legal or equitable discharge or release (other than as a result of payment in full of the Percentage of the Obligations in accordance with their terms, a discharge or release of Parent and/or Merger Sub with respect to the Obligations under the Merger Agreement, or defenses to the payment of the Obligations that would be available to Parent and/or Merger Sub under the Merger Agreement) of the Guarantor or any Person interested in the Transactions; (iv) any change in the corporate existence, structure or ownership of Parent, Merger Sub and/or any other Person interested in the Transactions; (v) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Parent, Merger Sub and/or any other Person interested in the Transactions; (vi) any existence of any claim, set-off or other right which the Guarantor may have at any time against Parent, Merger Sub, any other Person interested in the Transactions and/or the Guaranteed Party, whether in connection with the Obligations or otherwise; or (vii) the adequacy of any other means the Guaranteed Party may have of obtaining repayment of any of the Obligations. To the fullest extent permitted by Law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of any Law which would otherwise require any election of remedies by the Guaranteed Party. The Guarantor waives promptness, diligence, notice of the acceptance of this Limited Guarantee and of the Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of the incurrence of any Obligations and all other notices of any kind (other than notices to Parent and/or Merger Sub pursuant to the Merger Agreement or notices expressly required to be provided pursuant to this Limited Guarantee), all defenses which may be available by virtue of any valuation, stay, moratorium Law or other similar Law now or hereafter in effect, any right to require the marshaling of assets of any other Person interested in the Transactions, and all suretyship defenses generally, including, without limitation, any event, condition or circumstance that might be construed to constitute, an equitable or legal discharge of the Guarantor s obligations hereunder (other than defenses to the payment of the Obligations that are available to Parent and/or Merger Sub under the Merger Agreement or breach by the Guaranteed Party of this Limited Guarantee). The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the Transactions and that the waivers set forth in this Limited Guarantee are knowingly made in contemplation of such benefits.

Table of Contents

(b) The Guarantor hereby covenants and agrees that it shall not institute, and shall cause its controlled Affiliates and use its reasonable best efforts to cause its other Affiliates, not to institute, any proceeding asserting (i) the Prohibited Defense or (ii) that this Limited Guarantee is illegal, invalid or unenforceable in accordance with its terms, subject to (A) the effects of insolvency, bankruptcy, reorganization or other similar proceedings and (B) general equitable principles (whether considered in a proceeding in equity or at Law).

(c) The Guaranteed Party hereby covenants and agrees that it shall not institute, directly or indirectly, and shall cause all of its Related Persons (as defined below) not to institute, any proceeding or bring any other claim (whether in tort, contract or otherwise) arising under, or in connection with, the Merger Agreement, the Equity Commitment Letters or the transactions contemplated thereby against the Guarantor or any Non-Recourse Party (as defined below), except for claims (i) against Parent and/or Merger Sub under the Merger Agreement pursuant to the terms thereof (and subject to the limitations therein) and (ii) against the Guarantor and its permitted assignees under this Limited Guarantee pursuant to the terms hereof (and subject to the limitations herein).

(d) Notwithstanding anything to the contrary contained in this Limited Guarantee, the Guaranteed Party hereby agrees that: (i) to the extent Parent and/or Merger Sub are relieved of any of the Obligations or any breach by Parent and/or Merger Sub of the Merger Agreement, (other than by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratium or other similar Laws affecting creditors rights generally, or general equity principles (whether considered in a proceeding in equity or at Law)), the Guarantor shall be similarly relieved of its obligations under this Limited Guarantee, and (ii) the Guarantor shall have all defenses to the payment of its obligations under this Limited Guarantee (which in any event shall be subject to the Maximum Amount) that would be available to Parent and/or Merger Sub under the Merger Agreement with respect to the Obligations, as well as any defenses in respect of any fraud of the Guaranteed Party hereunder or any breach by the Guaranteed Party of any of the terms or provisions of this Limited Guarantee.

Section 1.04. *No Waiver; Cumulative Rights.* No failure on the part of the Guaranteed Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Guaranteed Party of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power hereunder. Each and every right, remedy and power hereby granted to the Guaranteed Party or allowed it by Law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Guaranteed Party at any time or from time to time.

Table of Contents

Section 1.05. *Representations and Warranties.* The Guarantor hereby represents and warrants to the Guaranteed Party that:

(a) the Guarantor is a legal entity duly organized and validly existing under the Laws of its jurisdiction of organization;

(b) the execution, delivery and performance of this Limited Guarantee have been duly authorized by all necessary action and do not contravene (i) any provision of the Guarantor s charter documents, partnership agreement, operating agreement or similar organizational documents or (ii) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, any Law, regulation, rule, decree, order, judgment or contractual restriction binding on the Guarantor or its assets;

(c) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, (i) all consents, approvals, authorizations and permits of, filings with and notifications to, any governmental authority necessary for the due execution, delivery and performance of this Limited Guarantee by the Guarantor have been obtained or made and all conditions thereof have been duly complied with, and no other action by and (ii) no notice to or filing with, any governmental authority or regulatory body is required from the Guarantor in connection with the execution, delivery or performance of this Limited Guarantee;

(d) assuming due execution and delivery of this Limited Guarantee by the Guaranteed Party, this Limited Guarantee constitutes a legal, valid and binding obligations of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws affecting creditors rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at Law); and

(e) the Guarantor has the financial capacity to pay and perform its obligations under this Limited Guarantee, and all funds necessary for the Guarantor to fulfill its obligations under this Limited Guarantee shall be available to the Guarantor for so long as this Limited Guarantee shall remain in effect in accordance with Section 1.08 hereof.

Section 1.06. *No Assignment.* Neither the Guarantor nor the Guaranteed Party may assign its rights, interests or obligations hereunder to any other Person (including by operation of Law) without the prior written consent of the other party hereto; *provided*, *however*, that the Guarantor may assign all or a portion of its obligations hereunder, without the prior written consent of the Guaranteed Party, to (i) to any Other Guarantor, or (ii) any Affiliate of the Guarantor or one or more private equity funds sponsored or managed by any such Affiliate, *provided* that such assignment shall not relieve the Guarantor of any liability or obligations hereunder except to the extent actually performed or satisfied by such assignee. Any attempted assignment in violation of this Section 1.06 shall be null and void.

Table of Contents

Section 1.07. *Notices.* All notices, requests and other communications to any party hereunder shall be given in the manner specified in the Merger Agreement (and shall be deemed given as specified therein) as follows:

If to Power Joy (Cayman) Limited, to:

28/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

Attention: Eric Chan, Dixon Ng, Zhen Ji

Fax: +852 2104 6977

Email: echan@citiccapital.com, dixonng@citiccapital.com,

zhenji@citiccapital.com

with a copy to:

28/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

Legal & Compliance Department

Attention: Yong Kai Wong, Janet Zhou

Fax: +852 2104 6623

Email: yongkaiwong@citiccapital.com, janetzhou@citiccapital.com

or to such other address or facsimile number as the Guarantor shall have notified the Guaranteed Party in a written notice delivered to the Guaranteed Party in accordance with the Merger Agreement. All notices to the Guaranteed Party hereunder shall be given as set forth in the Merger Agreement.

Section 1.08. *Continuing Guarantee.* This Limited Guarantee shall remain in full force and effect and shall be binding on the Guarantor, its successors and assigns until the Obligations have been satisfied in full. Notwithstanding the foregoing, this Limited Guarantee will terminate, and be of no further force or effect, immediately following the earliest of (i) the Closing, (ii) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or under circumstances in which Parent and Merger Sub do not have any unpaid Obligations, (iii) 30 days following the termination of the Merger Agreement in accordance with its terms under circumstances in which Parent or Merger Sub have any unpaid Obligations unless a claim for such a payment has been made in writing prior thereto and (iv) the date that is twelve (12) months after the date hereof. Notwithstanding the foregoing, (1) the parties hereto acknowledge and agree that this Limited Guarantee shall not terminate for so long as a claim made in accordance with clause (iii) above remains unresolved, and (2) in the event that the Guaranteed Party or any of its controlled Affiliates asserts in any litigation or other proceeding that the provisions of this Limited Guarantee limiting the Guarantor s liability to the Maximum Amount are illegal, invalid or unenforceable in whole or in part, or asserts any theory of liability against any Non-Recourse Party or, other than its rights to recover from the Guarantor with respect to the Obligations, any Guarantor, Parent and/or Merger Sub with respect to the transactions contemplated by the Merger Agreement, then (x) the obligations of the Guarantor under this Limited Guarantee shall terminate *ab initio* and be null and void, (y) if the Guarantor has previously made any payments under this Limited Guarantee, the Guarantor shall be entitled to recover such payment(s) and (z) neither Guarantor nor any Non-Recourse Party shall have any liability to the Guaranteed Party with respect to the Merger Agreement and the transactions contemplated thereby, the Financing or under

this Limited Guarantee.

Table of Contents

Section 1.09. *No Recourse*.

(a) The Guaranteed Party acknowledges that the sole assets of Parent and Merger Sub are its rights under the Merger Agreement, the Financing Documents and the Facility Agreement, and that no funds are expected to be contributed to either Parent or Merger Sub unless and until the Closing occurs. Notwithstanding anything that may be expressed or implied in this Limited Guarantee or any document or instrument delivered in connection herewith, by its acceptance of the benefits of this Limited Guarantee, the Guaranteed Party covenants, agrees and acknowledges that no Person (other than the Guarantor and any permitted assignees thereof) have any obligations under this Limited Guarantee and that, notwithstanding that the Guarantor may be a partnership or limited liability company, the Guaranteed Party has no right of recovery under this Limited Guarantee, or any claim based on such obligations against, and no personal liability shall attach under this Limited Guarantee to, the former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of the Guarantor, any Other Guarantor, Parent or Merger Sub, or any former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of any of the foregoing, excluding however the Guarantor itself or any permitted assignee thereof under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein (collectively, each of the non-excluded parties, a **Non-Recourse Party**), through Parent and/or Merger Sub or otherwise, whether by or through attempted piercing of the corporate (or limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent and/or Merger Sub against any Non-Recourse Party, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any applicable Law, or otherwise, except in each case for its right to recover from the Guarantor and any permitted assignees under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein. The Guaranteed Party acknowledges and agrees that Parent and Merger Sub have no assets other than certain contract rights and cash in a *de minimis* amount and that no additional funds are expected to be contributed to Parent or Merger Sub unless and until the Closing occurs.

(b) Recourse against the Guarantor and its permitted assignees under and pursuant to the terms of this Limited Guarantee shall be the sole and exclusive remedy of the Guaranteed Party and all of its Related Persons against the Guarantor and the Non-Recourse Parties in respect of any liabilities or obligations arising under, or in connection with, the Merger Agreement, the Financing Documents, the Facility Agreement or the transactions contemplated thereby. Nothing set forth in this Limited Guarantee shall affect or be construed to affect any liability of Parent and/or Merger Sub to the Guaranteed Party under the Merger Agreement or otherwise or give or shall be construed to confer or give to any Person other than the Guaranteed Party any rights or remedies against any Person, except as expressly set forth in this Limited Guarantee.

Table of Contents

(c) For the purposes of this Limited Guarantee, pursuit of a claim against a Person by the Guaranteed Party or any Related Person of the Guaranteed Party shall be deemed to be pursuit of a claim by the Guaranteed Party. A Person shall be deemed to have pursued a claim against another Person if such first Person brings a legal action against such second Person, adds such second Person to an existing legal proceeding or otherwise asserts a legal claim of any nature against such second Person.

(d) For the purposes of this Limited Guarantee, the term **Related Person** shall mean, with respect to any Person, any controlled Affiliate of such Person, but shall not include Parent, Merger Sub or any of their controlled Affiliates.

Section 1.10 *Release*. By its execution of this Limited Guarantee, the Guaranteed Party hereby covenants and agrees that (a) neither the Guaranteed Party nor any of its Related Persons, and the Guaranteed Party agrees to the maximum extent permitted by Law, none of its officers, directors, security holders or representatives, has or shall have any right of recovery against the Guarantor or any Non-Recourse Party under the Merger Agreement, or the transactions contemplated thereby or otherwise relating thereto, and to the extent that it has or obtains any such right it, to the maximum extent permitted by law, hereby waives (on its own behalf and on behalf of each of the aforementioned Persons) each and every such right against, and hereby releases, the Guarantor and each Non-Recourse Party from and with respect to any claim, known or unknown, now existing or hereafter arising, in connection with any transaction contemplated by or otherwise relating to the Merger Agreement, this Limited Guarantee or the transactions contemplated thereby or hereby, whether by or through attempted piercing of the corporate (limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent, Merger Sub or any other Person against any Non-Recourse Party, or otherwise under any theory of law or equity (the **Released Claims**), other than (i) claims against Parent and/or Merger Sub and (ii) claims against the Guarantor and its permitted assignees pursuant to this Limited Guarantee (subject to the limitations set forth herein) and (b) recourse against the Guarantor and its permitted assignees under this Limited Guarantee (subject to the limitations set forth herein) shall be the sole and exclusive remedy of the Guaranteed Party against the Guarantor or any Non-Recourse Party (other than Parent and/or Merger Sub) with respect to the Released Claims.

Section 1.11. *Amendments and Waivers.* No amendment or waiver of any provision of this Limited Guarantee will be valid and binding unless it is in writing and signed, in the case of an amendment, by the Guarantor and the Guaranteed Party, or in the case of waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation of, or default under, this Limited Guarantee, whether intentional or not, will be deemed to extend to any prior or subsequent breach, violation or default hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 1.12. *Entire Agreement.* This Limited Guarantee constitutes the entire agreement with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, among Parent, Merger Sub and the Guarantor or any of their respective Affiliates on the one hand, and the Guaranteed Party or any of its Affiliates on the other hand.

Table of Contents

Section 1.13. *Governing Law; Submission to Jurisdiction.* This Limited Guarantee shall be governed by and construed in accordance with the Laws of the State of New York, excluding (to the greatest extent a New York court would permit) any rule of Law that would cause the application of the Laws of any jurisdiction other than the State of New York. All Actions arising out of or relating to this Limited Guarantee shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan of the City of New York. The parties hereto hereby (i) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of the City of New York for the purpose of any Action arising out of or relating to this Limited Guarantee brought by any party hereto, and (ii) irrevocably waive, and agree not to assert by way of motion, defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Limited Guarantee may not be enforced in or by any of the above-named courts.

Section 1.14. *Waiver of Jury Trial*. Each of the parties hereto hereby irrevocably waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Limited Guarantee. Each of the parties hereto (i) certifies that no Representative of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Limited Guarantee, as applicable, by, among other things, the mutual waivers and certifications in this Section 1.14.

Section 1.15. *No Third Party Beneficiaries.* Except for the rights of Non-Recourse Parties provided hereunder, the parties hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other parties hereto, in accordance with and subject to the terms of this Limited Guarantee and the Merger Agreement, and this Limited Guarantee is not intended to, and does not, confer upon any Person other than the parties hereto any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein.

Section 1.16. *Counterparts.* This Limited Guarantee may be signed in any number of counterparts and may be executed and delivered by facsimile, email or electronic transmission in PDF format, and each counterpart shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Limited Guarantee shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Limited Guarantee shall have no effect and no party shall have any right or obligations hereunder (whether by virtue of any other oral or written agreement or other communication).

Table of Contents

Section 1.17. *Severability.* If any term or other provision of this Limited Guarantee is invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Limited Guarantee shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party; *provided*, *however*, that this Limited Guarantee may not be enforced against any Guarantor without giving effect to the Maximum Amount or the provisions set forth in Section 1.03, Section 1.09 and Section 1.10. No party hereto shall assert, and each party shall cause its respective Related Persons not to assert, that this Limited Guarantee or any part hereof is invalid, illegal or unenforceable. Upon a determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Limited Guarantee so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 1.18. *Headings.* Headings are used for reference purposes only and do not affect the meaning or interpretation of this Limited Guarantee.

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the next page is the signature page.]

Table of Contents

IN WITNESS WHEREOF, the Guarantor has caused this Limited Guarantee to be executed and delivered as of the date first written above by its officer thereunto duly authorized.

POWER JOY (CAYMAN) LIMITED

By: /s/ Ji Zhen
Name: Ji Zhen
Title: Authorised Signatory

Acknowledged and agreed as of the date first above written:

ASIAINFO-LINKAGE, INC.

By: /s/ Davin Mackenzie
Name: Davin Mackenzie
Title: Director

[Signature Page to Limited Guarantee]

Table of Contents

Annex A

Other Guarantors

CITIC Capital MB Investment Limited

CPEChina Fund, L.P.

Ellington Investments Pte. Ltd.

CBC TMT III Limited

InnoValue Capital Ltd.

Table of Contents

Annex C

LIMITED GUARANTEE

LIMITED GUARANTEE dated as of May 12, 2013 (this **Limited Guarantee**), by CITIC Capital MB Investment Limited (the **Guarantor**), in favor of AsiaInfo-Linkage, Inc., a Delaware corporation (the **Guaranteed Party**).

Section 1.01. *Limited Guarantee.*

(a) To induce the Guaranteed Party to enter into that certain Agreement and Plan of Merger dated as of the date hereof (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the **Merger Agreement**), by and among the Guaranteed Party, Skipper Limited, a Cayman Islands exempted company with limited liability (**Parent**) and Skipper Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Parent (**Merger Sub**), pursuant to which Merger Sub will merge with and into the Guaranteed Party, the Guarantor, hereby absolutely, unconditionally and irrevocably guarantees to the Guaranteed Party, as a primary obligor and not merely as a surety, the due and punctual performance and discharge of 17.490% (the **Percentage**) of all of the payment obligations of Parent and/or Merger Sub pursuant to Sections 7.17(c), 9.03(c), 9.03(d) and 9.03(e) of the Merger Agreement (collectively, the **Obligations**); *provided* that, notwithstanding anything to the contrary contained in this Limited Guarantee, in no event shall the Guarantor s aggregate liability under this Limited Guarantee exceed 17.490% of the Obligations less any amount actually paid by Parent and/or Merger Sub to the Guaranteed Party in respect of the Obligations multiplied by the Percentage (the **Maximum Amount**). The Guaranteed Party acknowledges that in the event that Parent and/or Merger Sub has any unsatisfied Obligations, payment of the Guarantor s Percentage of such unsatisfied Obligations by the Guarantor (or by any other Person, including Parent and/or Merger Sub, on behalf of the Guarantor) shall constitute satisfaction in full of the Guarantor s obligation with respect thereto. The Guarantor shall not have any obligations or liability to any Person relating to, arising out of or in connection with this Limited Guarantee other than as expressly set forth herein, and the parties hereto hereby acknowledge and agree that this Limited Guarantee may not be enforced without giving effect to the Maximum Amount and Sections 1.08 and 1.09. Concurrently with the delivery of this Limited Guarantee, the parties set forth on Annex A (each an **Other Guarantor**) are also entering into limited guarantees or similar agreements with the Guaranteed Party substantially identical to this Limited Guarantee. Capitalized terms used but not defined in this Limited Guarantee shall have the meanings assigned to such terms in the Merger Agreement (as defined below). All payments hereunder shall be made in lawful money of the U.S., in immediately available funds. The Guarantor shall make all payments hereunder free and clear of any deduction, offset, defense, claim or counterclaim of any kind, except as expressly provided in this Limited Guarantee. The Guarantor acknowledges that the Guaranteed Party is entering into the Transactions in reliance upon the execution of this Limited Guarantee.

Table of Contents

(b) Subject to the terms and conditions of this Limited Guarantee, if Parent and/or Merger Sub fails to pay the Obligations when due, then all of the Guarantor s liabilities to the Guaranteed Party hereunder in respect of such Obligations shall become immediately due and payable and the Guaranteed Party may, at the Guaranteed Party s option, take any and all actions available hereunder or under applicable Law to collect such Obligations from the Guarantor (subject to the Maximum Amount). In furtherance of the foregoing, the Guarantor acknowledges that the Guaranteed Party may, in its sole discretion, bring and prosecute a separate action or actions against the Guarantor for the full amount of the Guarantor s Percentage of the Obligations (subject to the Maximum Amount), regardless of whether any action is brought against Parent, Merger Sub or any Other Guarantor. The Guarantor agrees to pay on demand its Percentage of all reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by the Guaranteed Party in connection with the enforcement of its rights hereunder, which amounts, if paid, will be in addition to the Obligations and not included within a determination of the Maximum Amount if the Guarantor fails or refuses to make any payment to the Guaranteed Party hereunder when due and payable.

(c) The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Limited Guarantee were not performed in accordance with its specific terms or were otherwise breached and further agree that the Guaranteed Party shall be entitled to an injunction, specific performance and other equitable relief against the Guarantor to prevent breaches of this Limited Guarantee and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which it is entitled at Law or in equity, and shall not be required to provide any bond or other security in connection with any such order or injunction. The Guarantor further agrees not to oppose the granting of any such injunction, specific performance and other equitable relief on the basis that (x) the Guaranteed Party has an adequate remedy at Law or (y) an award of an injunction, specific performance or other equitable relief is not an appropriate remedy for any reason at Law or in equity (collectively, the **Prohibited Defense**).

Section 1.02. *Nature of Guarantee.* The Guaranteed Party shall not be obligated to file any claim relating to the Obligations in the event that Parent and/or Merger Sub becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Guaranteed Party to so file shall not affect the Guarantor s obligations hereunder. In the event that any payment to the Guaranteed Party in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to such Obligations (subject to the Maximum Amount) as if such payment had not been made. This is an unconditional guaranty of payment and not of collectability. The Guarantor reserves the right to assert defenses which Parent and/or Merger Sub may have to payment of any Obligations, other than defenses arising from the bankruptcy or insolvency of Parent and/or Merger Sub and other defenses expressly waived hereby. The Guaranteed Party shall not be required to proceed against Parent, Merger Sub or any Other Guarantor first before proceeding against the Guarantor.

Table of Contents

Section 1.03. *Certain Waivers.*

(a) The Guarantor agrees that, subject to Section 1.03(d)(i), the Guaranteed Party may at any time and from time to time, without notice to or further consent of the Guarantor, extend the time of payment of any of the Obligations, and may also make any agreement with Parent, Merger Sub and/or any other Person interested in the Transactions for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Guaranteed Party, Parent, Merger Sub and/or any other Person interested in the Transactions without in any way impairing or affecting the Guarantor s obligations under this Limited Guarantee. The Guarantor agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (i) any failure or delay of the Guaranteed Party to assert any claim or demand or to enforce any right or remedy against Parent, Merger Sub and/or any other Person interested in the Transactions; (ii) any change in the time, place or manner of payment of the Obligations or any rescission, waiver, compromise, consolidation or other amendment or modification of any of the terms of the Merger Agreement or any other agreement evidencing, securing or otherwise executed by Parent, Merger Sub and the Guaranteed Party in connection with the Obligations; (iii) any legal or equitable discharge or release (other than as a result of payment in full of the Percentage of the Obligations in accordance with their terms, a discharge or release of Parent and/or Merger Sub with respect to the Obligations under the Merger Agreement, or defenses to the payment of the Obligations that would be available to Parent and/or Merger Sub under the Merger Agreement) of the Guarantor or any Person interested in the Transactions; (iv) any change in the corporate existence, structure or ownership of Parent, Merger Sub and/or any other Person interested in the Transactions; (v) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Parent, Merger Sub and/or any other Person interested in the Transactions; (vi) any existence of any claim, set-off or other right which the Guarantor may have at any time against Parent, Merger Sub, any other Person interested in the Transactions and/or the Guaranteed Party, whether in connection with the Obligations or otherwise; or (vii) the adequacy of any other means the Guaranteed Party may have of obtaining repayment of any of the Obligations. To the fullest extent permitted by Law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of any Law which would otherwise require any election of remedies by the Guaranteed Party. The Guarantor waives promptness, diligence, notice of the acceptance of this Limited Guarantee and of the Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of the incurrence of any Obligations and all other notices of any kind (other than notices to Parent and/or Merger Sub pursuant to the Merger Agreement or notices expressly required to be provided pursuant to this Limited Guarantee), all defenses which may be available by virtue of any valuation, stay, moratorium Law or other similar Law now or hereafter in effect, any right to require the marshaling of assets of any other Person interested in the Transactions, and all suretyship defenses generally, including, without limitation, any event, condition or circumstance that might be construed to constitute, an equitable or legal discharge of the Guarantor s obligations hereunder (other than defenses to the payment of the Obligations that are available to Parent and/or Merger Sub under the Merger Agreement or breach by the Guaranteed Party of this Limited Guarantee). The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the Transactions and that the waivers set forth in this Limited Guarantee are knowingly made in contemplation of such benefits.

Table of Contents

(b) The Guarantor hereby covenants and agrees that it shall not institute, and shall cause its controlled Affiliates and use its reasonable best efforts to cause its other Affiliates, not to institute, any proceeding asserting (i) the Prohibited Defense or (ii) that this Limited Guarantee is illegal, invalid or unenforceable in accordance with its terms, subject to (A) the effects of insolvency, bankruptcy, reorganization or other similar proceedings and (B) general equitable principles (whether considered in a proceeding in equity or at Law).

(c) The Guaranteed Party hereby covenants and agrees that it shall not institute, directly or indirectly, and shall cause all of its Related Persons (as defined below) not to institute, any proceeding or bring any other claim (whether in tort, contract or otherwise) arising under, or in connection with, the Merger Agreement, the Equity Commitment Letters or the transactions contemplated thereby against the Guarantor or any Non-Recourse Party (as defined below), except for claims (i) against Parent and/or Merger Sub under the Merger Agreement pursuant to the terms thereof (and subject to the limitations therein) and (ii) against the Guarantor and its permitted assignees under this Limited Guarantee pursuant to the terms hereof (and subject to the limitations herein).

(d) Notwithstanding anything to the contrary contained in this Limited Guarantee, the Guaranteed Party hereby agrees that: (i) to the extent Parent and/or Merger Sub are relieved of any of the Obligations or any breach by Parent and/or Merger Sub of the Merger Agreement, (other than by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratium or other similar Laws affecting creditors rights generally, or general equity principles (whether considered in a proceeding in equity or at Law)), the Guarantor shall be similarly relieved of its obligations under this Limited Guarantee, and (ii) the Guarantor shall have all defenses to the payment of its obligations under this Limited Guarantee (which in any event shall be subject to the Maximum Amount) that would be available to Parent and/or Merger Sub under the Merger Agreement with respect to the Obligations, as well as any defenses in respect of any fraud of the Guaranteed Party hereunder or any breach by the Guaranteed Party of any of the terms or provisions of this Limited Guarantee.

Section 1.04. *No Waiver; Cumulative Rights.* No failure on the part of the Guaranteed Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Guaranteed Party of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power hereunder. Each and every right, remedy and power hereby granted to the Guaranteed Party or allowed it by Law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Guaranteed Party at any time or from time to time.

Table of Contents

Section 1.05. *Representations and Warranties.* The Guarantor hereby represents and warrants to the Guaranteed Party that:

(a) the Guarantor is a legal entity duly organized and validly existing under the Laws of its jurisdiction of organization;

(b) the execution, delivery and performance of this Limited Guarantee have been duly authorized by all necessary action and do not contravene (i) any provision of the Guarantor s charter documents, partnership agreement, operating agreement or similar organizational documents or (ii) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, any Law, regulation, rule, decree, order, judgment or contractual restriction binding on the Guarantor or its assets;

(c) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, (i) all consents, approvals, authorizations and permits of, filings with and notifications to, any governmental authority necessary for the due execution, delivery and performance of this Limited Guarantee by the Guarantor have been obtained or made and all conditions thereof have been duly complied with, and no other action by and (ii) no notice to or filing with, any governmental authority or regulatory body is required from the Guarantor in connection with the execution, delivery or performance of this Limited Guarantee;

(d) assuming due execution and delivery of this Limited Guarantee by the Guaranteed Party, this Limited Guarantee constitutes a legal, valid and binding obligations of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws affecting creditors rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at Law); and

(e) the Guarantor has the financial capacity to pay and perform its obligations under this Limited Guarantee, and all funds necessary for the Guarantor to fulfill its obligations under this Limited Guarantee shall be available to the Guarantor for so long as this Limited Guarantee shall remain in effect in accordance with Section 1.08 hereof.

Section 1.06. *No Assignment.* Neither the Guarantor nor the Guaranteed Party may assign its rights, interests or obligations hereunder to any other Person (including by operation of Law) without the prior written consent of the other party hereto; *provided*, *however*, that the Guarantor may assign all or a portion of its obligations hereunder, without the prior written consent of the Guaranteed Party, to (i) to any Other Guarantor, or (ii) any Affiliate of the Guarantor or one or more private equity funds sponsored or managed by any such Affiliate, *provided* that such assignment shall not relieve the Guarantor of any liability or obligations hereunder except to the extent actually performed or satisfied by such assignee. Any attempted assignment in violation of this Section 1.06 shall be null and void.

Table of Contents

Section 1.07. *Notices.* All notices, requests and other communications to any party hereunder shall be given in the manner specified in the Merger Agreement (and shall be deemed given as specified therein) as follows:

If to CITIC Capital MB Investment Limited, to:

28/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

Attention: Eric Chan, Dixon Ng, Zhen Ji

Fax: +852 2104 6977

Email: echan@citiccapital.com, dixonng@citiccapital.com,

zhenji@citiccapital.com

with a copy to:

28/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

Legal & Compliance Department

Attention: Yong Kai Wong, Janet Zhou

Fax: +852 2104 6623

Email: yongkaiwong@citiccapital.com, janetzhou@citiccapital.com

or to such other address or facsimile number as the Guarantor shall have notified the Guaranteed Party in a written notice delivered to the Guaranteed Party in accordance with the Merger Agreement. All notices to the Guaranteed Party hereunder shall be given as set forth in the Merger Agreement.

Section 1.08. *Continuing Guarantee.* This Limited Guarantee shall remain in full force and effect and shall be binding on the Guarantor, its successors and assigns until the Obligations have been satisfied in full. Notwithstanding the foregoing, this Limited Guarantee will terminate, and be of no further force or effect, immediately following the earliest of (i) the Closing, (ii) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or under circumstances in which Parent and Merger Sub do not have any unpaid Obligations, (iii) 30 days following the termination of the Merger Agreement in accordance with its terms under circumstances in which Parent or Merger Sub have any unpaid Obligations unless a claim for such a payment has been made in writing prior thereto and (iv) the date that is twelve (12) months after the date hereof. Notwithstanding the foregoing, (1) the parties hereto acknowledge and agree that this Limited Guarantee shall not terminate for so long as a claim made in accordance with clause (iii) above remains unresolved, and (2) in the event that the Guaranteed Party or any of its controlled Affiliates asserts in any litigation or other proceeding that the provisions of this Limited Guarantee limiting the Guarantor s liability to the Maximum Amount are illegal, invalid or unenforceable in whole or in part, or asserts any theory of liability against any Non-Recourse Party or, other than its rights to recover from the Guarantor with respect to the Obligations, any Guarantor, Parent and/or Merger Sub with respect to the transactions contemplated by the Merger Agreement, then (x) the obligations of the Guarantor under this Limited Guarantee shall terminate *ab initio* and be null and void, (y) if the Guarantor has previously made any payments under this Limited Guarantee, the Guarantor shall be entitled to recover such payment(s) and (z) neither Guarantor nor any Non-Recourse Party shall have any liability to the Guaranteed Party with respect to the Merger Agreement and the transactions contemplated thereby, the Financing or under

this Limited Guarantee.

Table of Contents

Section 1.09. *No Recourse*.

(a) The Guaranteed Party acknowledges that the sole assets of Parent and Merger Sub are its rights under the Merger Agreement, the Financing Documents and the Facility Agreement, and that no funds are expected to be contributed to either Parent or Merger Sub unless and until the Closing occurs. Notwithstanding anything that may be expressed or implied in this Limited Guarantee or any document or instrument delivered in connection herewith, by its acceptance of the benefits of this Limited Guarantee, the Guaranteed Party covenants, agrees and acknowledges that no Person (other than the Guarantor and any permitted assignees thereof) have any obligations under this Limited Guarantee and that, notwithstanding that the Guarantor may be a partnership or limited liability company, the Guaranteed Party has no right of recovery under this Limited Guarantee, or any claim based on such obligations against, and no personal liability shall attach under this Limited Guarantee to, the former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of the Guarantor, any Other Guarantor, Parent or Merger Sub, or any former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of any of the foregoing, excluding however the Guarantor itself or any permitted assignee thereof under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein (collectively, each of the non-excluded parties, a **Non-Recourse Party**), through Parent and/or Merger Sub or otherwise, whether by or through attempted piercing of the corporate (or limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent and/or Merger Sub against any Non-Recourse Party, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any applicable Law, or otherwise, except in each case for its right to recover from the Guarantor and any permitted assignees under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein. The Guaranteed Party acknowledges and agrees that Parent and Merger Sub have no assets other than certain contract rights and cash in a *de minimis* amount and that no additional funds are expected to be contributed to Parent or Merger Sub unless and until the Closing occurs.

(b) Recourse against the Guarantor and its permitted assignees under and pursuant to the terms of this Limited Guarantee shall be the sole and exclusive remedy of the Guaranteed Party and all of its Related Persons against the Guarantor and the Non-Recourse Parties in respect of any liabilities or obligations arising under, or in connection with, the Merger Agreement, the Financing Documents, the Facility Agreement or the transactions contemplated thereby. Nothing set forth in this Limited Guarantee shall affect or be construed to affect any liability of Parent and/or Merger Sub to the Guaranteed Party under the Merger Agreement or otherwise or give or shall be construed to confer or give to any Person other than the Guaranteed Party any rights or remedies against any Person, except as expressly set forth in this Limited Guarantee.

Table of Contents

(c) For the purposes of this Limited Guarantee, pursuit of a claim against a Person by the Guaranteed Party or any Related Person of the Guaranteed Party shall be deemed to be pursuit of a claim by the Guaranteed Party. A Person shall be deemed to have pursued a claim against another Person if such first Person brings a legal action against such second Person, adds such second Person to an existing legal proceeding or otherwise asserts a legal claim of any nature against such second Person.

(d) For the purposes of this Limited Guarantee, the term **Related Person** shall mean, with respect to any Person, any controlled Affiliate of such Person, but shall not include Parent, Merger Sub or any of their controlled Affiliates.

Section 1.10 *Release*. By its execution of this Limited Guarantee, the Guaranteed Party hereby covenants and agrees that (a) neither the Guaranteed Party nor any of its Related Persons, and the Guaranteed Party agrees to the maximum extent permitted by Law, none of its officers, directors, security holders or representatives, has or shall have any right of recovery against the Guarantor or any Non-Recourse Party under the Merger Agreement, or the transactions contemplated thereby or otherwise relating thereto, and to the extent that it has or obtains any such right it, to the maximum extent permitted by law, hereby waives (on its own behalf and on behalf of each of the aforementioned Persons) each and every such right against, and hereby releases, the Guarantor and each Non-Recourse Party from and with respect to any claim, known or unknown, now existing or hereafter arising, in connection with any transaction contemplated by or otherwise relating to the Merger Agreement, this Limited Guarantee or the transactions contemplated thereby or hereby, whether by or through attempted piercing of the corporate (limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent, Merger Sub or any other Person against any Non-Recourse Party, or otherwise under any theory of law or equity (the **Released Claims**), other than (i) claims against Parent and/or Merger Sub and (ii) claims against the Guarantor and its permitted assignees pursuant to this Limited Guarantee (subject to the limitations set forth herein) and (b) recourse against the Guarantor and its permitted assignees under this Limited Guarantee (subject to the limitations set forth herein) shall be the sole and exclusive remedy of the Guaranteed Party against the Guarantor or any Non-Recourse Party (other than Parent and/or Merger Sub) with respect to the Released Claims.

Section 1.11. *Amendments and Waivers.* No amendment or waiver of any provision of this Limited Guarantee will be valid and binding unless it is in writing and signed, in the case of an amendment, by the Guarantor and the Guaranteed Party, or in the case of waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation of, or default under, this Limited Guarantee, whether intentional or not, will be deemed to extend to any prior or subsequent breach, violation or default hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 1.12. *Entire Agreement.* This Limited Guarantee constitutes the entire agreement with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, among Parent, Merger Sub and the Guarantor or any of their respective Affiliates on the one hand, and the Guaranteed Party or any of its Affiliates on the other hand.

Table of Contents

Section 1.13. *Governing Law; Submission to Jurisdiction.* This Limited Guarantee shall be governed by and construed in accordance with the Laws of the State of New York, excluding (to the greatest extent a New York court would permit) any rule of Law that would cause the application of the Laws of any jurisdiction other than the State of New York. All Actions arising out of or relating to this Limited Guarantee shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan of the City of New York. The parties hereto hereby (i) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of the City of New York for the purpose of any Action arising out of or relating to this Limited Guarantee brought by any party hereto, and (ii) irrevocably waive, and agree not to assert by way of motion, defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Limited Guarantee may not be enforced in or by any of the above-named courts.

Section 1.14. *Waiver of Jury Trial*. Each of the parties hereto hereby irrevocably waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Limited Guarantee. Each of the parties hereto (i) certifies that no Representative of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Limited Guarantee, as applicable, by, among other things, the mutual waivers and certifications in this Section 1.14.

Section 1.15. *No Third Party Beneficiaries* . Except for the rights of Non-Recourse Parties provided hereunder, the parties hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other parties hereto, in accordance with and subject to the terms of this Limited Guarantee and the Merger Agreement, and this Limited Guarantee is not intended to, and does not, confer upon any Person other than the parties hereto any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein.

Section 1.16. *Counterparts.* This Limited Guarantee may be signed in any number of counterparts and may be executed and delivered by facsimile, email or electronic transmission in PDF format, and each counterpart shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Limited Guarantee shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Limited Guarantee shall have no effect and no party shall have any right or obligations hereunder (whether by virtue of any other oral or written agreement or other communication).

Table of Contents

Section 1.17. *Severability.* If any term or other provision of this Limited Guarantee is invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Limited Guarantee shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party; *provided*, *however*, that this Limited Guarantee may not be enforced against any Guarantor without giving effect to the Maximum Amount or the provisions set forth in Section 1.03, Section 1.09 and Section 1.10. No party hereto shall assert, and each party shall cause its respective Related Persons not to assert, that this Limited Guarantee or any part hereof is invalid, illegal or unenforceable. Upon a determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Limited Guarantee so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 1.18. *Headings.* Headings are used for reference purposes only and do not affect the meaning or interpretation of this Limited Guarantee.

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the next page is the signature page.]

Table of Contents

IN WITNESS WHEREOF, the Guarantor has caused this Limited Guarantee to be executed and delivered as of the date first written above by its officer thereunto duly authorized.

CITIC CAPITAL MB INVESTMENT LIMITED

By: /s/ Ji Zhen
Name: Ji Zhen
Title: Authorised Signatory

Acknowledged and agreed as of the date first above written:

ASIAINFO-LINKAGE, INC.

By: /s/ Davin Mackenzie
Name: Davin Mackenzie
Title: Director

[Signature Page to Limited Guarantee]

Table of Contents

Annex A

Other Guarantors

Power Joy (Cayman) Limited

CPEChina Fund, L.P.

Ellington Investments Pte. Ltd.

CBC TMT III Limited

InnoValue Capital Ltd.

Table of Contents

Annex D

LIMITED GUARANTEE

LIMITED GUARANTEE dated as of May 12, 2013 (this **Limited Guarantee**), by CPEChina Fund, L.P. (the **Guarantor**), in favor of AsiaInfo-Linkage, Inc., a Delaware corporation (the **Guaranteed Party**).

Section 1.01. *Limited Guarantee.*

(a) To induce the Guaranteed Party to enter into that certain Agreement and Plan of Merger dated as of the date hereof (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the **Merger Agreement**), by and among the Guaranteed Party, Skipper Limited, a Cayman Islands exempted company with limited liability (**Parent**) and Skipper Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Parent (**Merger Sub**), pursuant to which Merger Sub will merge with and into the Guaranteed Party, the Guarantor, hereby absolutely, unconditionally and irrevocably guarantees to the Guaranteed Party, as a primary obligor and not merely as a surety, the due and punctual performance and discharge of 13.205% (the **Percentage**) of all of the payment obligations of Parent and/or Merger Sub pursuant to Sections 7.17(c), 9.03(c), 9.03(d) and 9.03(e) of the Merger Agreement (collectively, the **Obligations**); *provided* that, notwithstanding anything to the contrary contained in this Limited Guarantee, in no event shall the Guarantor s aggregate liability under this Limited Guarantee exceed 13.205% of the Obligations less any amount actually paid by Parent and/or Merger Sub to the Guaranteed Party in respect of the Obligations multiplied by the Percentage (the **Maximum Amount**). The Guaranteed Party acknowledges that in the event that Parent and/or Merger Sub has any unsatisfied Obligations, payment of the Guarantor s Percentage of such unsatisfied Obligations by the Guarantor (or by any other Person, including Parent and/or Merger Sub, on behalf of the Guarantor) shall constitute satisfaction in full of the Guarantor s obligation with respect thereto. The Guarantor shall not have any obligations or liability to any Person relating to, arising out of or in connection with this Limited Guarantee other than as expressly set forth herein, and the parties hereto hereby acknowledge and agree that this Limited Guarantee may not be enforced without giving effect to the Maximum Amount and Sections 1.08 and 1.09. Concurrently with the delivery of this Limited Guarantee, the parties set forth on Annex A (each an **Other Guarantor**) are also entering into limited guarantees or similar agreements with the Guaranteed Party substantially identical to this Limited Guarantee. Capitalized terms used but not defined in this Limited Guarantee shall have the meanings assigned to such terms in the Merger Agreement (as defined below). All payments hereunder shall be made in lawful money of the U.S., in immediately available funds. The Guarantor shall make all payments hereunder free and clear of any deduction, offset, defense, claim or counterclaim of any kind, except as expressly provided in this Limited Guarantee. The Guarantor acknowledges that the Guaranteed Party is entering into the Transactions in reliance upon the execution of this Limited Guarantee.

Table of Contents

(b) Subject to the terms and conditions of this Limited Guarantee, if Parent and/or Merger Sub fails to pay the Obligations when due, then all of the Guarantor s liabilities to the Guaranteed Party hereunder in respect of such Obligations shall become immediately due and payable and the Guaranteed Party may, at the Guaranteed Party s option, take any and all actions available hereunder or under applicable Law to collect such Obligations from the Guarantor (subject to the Maximum Amount). In furtherance of the foregoing, the Guarantor acknowledges that the Guaranteed Party may, in its sole discretion, bring and prosecute a separate action or actions against the Guarantor for the full amount of the Guarantor s Percentage of the Obligations (subject to the Maximum Amount), regardless of whether any action is brought against Parent, Merger Sub or any Other Guarantor. The Guarantor agrees to pay on demand its Percentage of all reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by the Guaranteed Party in connection with the enforcement of its rights hereunder, which amounts, if paid, will be in addition to the Obligations and not included within a determination of the Maximum Amount if the Guarantor fails or refuses to make any payment to the Guaranteed Party hereunder when due and payable.

(c) The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Limited Guarantee were not performed in accordance with its specific terms or were otherwise breached and further agree that the Guaranteed Party shall be entitled to an injunction, specific performance and other equitable relief against the Guarantor to prevent breaches of this Limited Guarantee and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which it is entitled at Law or in equity, and shall not be required to provide any bond or other security in connection with any such order or injunction. The Guarantor further agrees not to oppose the granting of any such injunction, specific performance and other equitable relief on the basis that (x) the Guaranteed Party has an adequate remedy at Law or (y) an award of an injunction, specific performance or other equitable relief is not an appropriate remedy for any reason at Law or in equity (collectively, the **Prohibited Defense**).

Section 1.02. *Nature of Guarantee.* The Guaranteed Party shall not be obligated to file any claim relating to the Obligations in the event that Parent and/or Merger Sub becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Guaranteed Party to so file shall not affect the Guarantor s obligations hereunder. In the event that any payment to the Guaranteed Party in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to such Obligations (subject to the Maximum Amount) as if such payment had not been made. This is an unconditional guaranty of payment and not of collectability. The Guarantor reserves the right to assert defenses which Parent and/or Merger Sub may have to payment of any Obligations, other than defenses arising from the bankruptcy or insolvency of Parent and/or Merger Sub and other defenses expressly waived hereby. The Guaranteed Party shall not be required to proceed against Parent, Merger Sub or any Other Guarantor first before proceeding against the Guarantor.

Table of Contents

Section 1.03. *Certain Waivers.*

(a) The Guarantor agrees that, subject to Section 1.03(d)(i), the Guaranteed Party may at any time and from time to time, without notice to or further consent of the Guarantor, extend the time of payment of any of the Obligations, and may also make any agreement with Parent, Merger Sub and/or any other Person interested in the Transactions for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Guaranteed Party, Parent, Merger Sub and/or any other Person interested in the Transactions without in any way impairing or affecting the Guarantor s obligations under this Limited Guarantee. The Guarantor agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (i) any failure or delay of the Guaranteed Party to assert any claim or demand or to enforce any right or remedy against Parent, Merger Sub and/or any other Person interested in the Transactions; (ii) any change in the time, place or manner of payment of the Obligations or any rescission, waiver, compromise, consolidation or other amendment or modification of any of the terms of the Merger Agreement or any other agreement evidencing, securing or otherwise executed by Parent, Merger Sub and the Guaranteed Party in connection with the Obligations; (iii) any legal or equitable discharge or release (other than as a result of payment in full of the Percentage of the Obligations in accordance with their terms, a discharge or release of Parent and/or Merger Sub with respect to the Obligations under the Merger Agreement, or defenses to the payment of the Obligations that would be available to Parent and/or Merger Sub under the Merger Agreement) of the Guarantor or any Person interested in the Transactions; (iv) any change in the corporate existence, structure or ownership of Parent, Merger Sub and/or any other Person interested in the Transactions; (v) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Parent, Merger Sub and/or any other Person interested in the Transactions; (vi) any existence of any claim, set-off or other right which the Guarantor may have at any time against Parent, Merger Sub, any other Person interested in the Transactions and/or the Guaranteed Party, whether in connection with the Obligations or otherwise; or (vii) the adequacy of any other means the Guaranteed Party may have of obtaining repayment of any of the Obligations. To the fullest extent permitted by Law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of any Law which would otherwise require any election of remedies by the Guaranteed Party. The Guarantor waives promptness, diligence, notice of the acceptance of this Limited Guarantee and of the Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of the incurrence of any Obligations and all other notices of any kind (other than notices to Parent and/or Merger Sub pursuant to the Merger Agreement or notices expressly required to be provided pursuant to this Limited Guarantee), all defenses which may be available by virtue of any valuation, stay, moratorium Law or other similar Law now or hereafter in effect, any right to require the marshaling of assets of any other Person interested in the Transactions, and all suretyship defenses generally, including, without limitation, any event, condition or circumstance that might be construed to constitute, an equitable or legal discharge of the Guarantor s obligations hereunder (other than defenses to the payment of the Obligations that are available to Parent and/or Merger Sub under the Merger Agreement or breach by the Guaranteed Party of this Limited Guarantee). The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the Transactions and that the waivers set forth in this Limited Guarantee are knowingly made in contemplation of such benefits.

Table of Contents

(b) The Guarantor hereby covenants and agrees that it shall not institute, and shall cause its controlled Affiliates and use its reasonable best efforts to cause its other Affiliates, not to institute, any proceeding asserting (i) the Prohibited Defense or (ii) that this Limited Guarantee is illegal, invalid or unenforceable in accordance with its terms, subject to (A) the effects of insolvency, bankruptcy, reorganization or other similar proceedings and (B) general equitable principles (whether considered in a proceeding in equity or at Law).

(c) The Guaranteed Party hereby covenants and agrees that it shall not institute, directly or indirectly, and shall cause all of its Related Persons (as defined below) not to institute, any proceeding or bring any other claim (whether in tort, contract or otherwise) arising under, or in connection with, the Merger Agreement, the Equity Commitment Letters or the transactions contemplated thereby against the Guarantor or any Non-Recourse Party (as defined below), except for claims (i) against Parent and/or Merger Sub under the Merger Agreement pursuant to the terms thereof (and subject to the limitations therein) and (ii) against the Guarantor and its permitted assignees under this Limited Guarantee pursuant to the terms hereof (and subject to the limitations herein).

(d) Notwithstanding anything to the contrary contained in this Limited Guarantee, the Guaranteed Party hereby agrees that: (i) to the extent Parent and/or Merger Sub are relieved of any of the Obligations or any breach by Parent and/or Merger Sub of the Merger Agreement, (other than by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratium or other similar Laws affecting creditors rights generally, or general equity principles (whether considered in a proceeding in equity or at Law)), the Guarantor shall be similarly relieved of its obligations under this Limited Guarantee, and (ii) the Guarantor shall have all defenses to the payment of its obligations under this Limited Guarantee (which in any event shall be subject to the Maximum Amount) that would be available to Parent and/or Merger Sub under the Merger Agreement with respect to the Obligations, as well as any defenses in respect of any fraud of the Guaranteed Party hereunder or any breach by the Guaranteed Party of any of the terms or provisions of this Limited Guarantee.

Section 1.04. *No Waiver; Cumulative Rights.* No failure on the part of the Guaranteed Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Guaranteed Party of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power hereunder. Each and every right, remedy and power hereby granted to the Guaranteed Party or allowed it by Law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Guaranteed Party at any time or from time to time.

Table of Contents

Section 1.05. *Representations and Warranties.* The Guarantor hereby represents and warrants to the Guaranteed Party that:

(a) the Guarantor is a legal entity duly organized and validly existing under the Laws of its jurisdiction of organization;

(b) the execution, delivery and performance of this Limited Guarantee have been duly authorized by all necessary action and do not contravene (i) any provision of the Guarantor s charter documents, partnership agreement, operating agreement or similar organizational documents or (ii) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, any Law, regulation, rule, decree, order, judgment or contractual restriction binding on the Guarantor or its assets;

(c) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, (i) all consents, approvals, authorizations and permits of, filings with and notifications to, any governmental authority necessary for the due execution, delivery and performance of this Limited Guarantee by the Guarantor have been obtained or made and all conditions thereof have been duly complied with, and no other action by and (ii) no notice to or filing with, any governmental authority or regulatory body is required from the Guarantor in connection with the execution, delivery or performance of this Limited Guarantee;

(d) assuming due execution and delivery of this Limited Guarantee by the Guaranteed Party, this Limited Guarantee constitutes a legal, valid and binding obligations of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws affecting creditors rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at Law); and

(e) the Guarantor has the financial capacity to pay and perform its obligations under this Limited Guarantee, and all funds necessary for the Guarantor to fulfill its obligations under this Limited Guarantee shall be available to the Guarantor for so long as this Limited Guarantee shall remain in effect in accordance with Section 1.08 hereof.

Section 1.06. *No Assignment.* Neither the Guarantor nor the Guaranteed Party may assign its rights, interests or obligations hereunder to any other Person (including by operation of Law) without the prior written consent of the other party hereto; *provided*, *however*, that the Guarantor may assign all or a portion of its obligations hereunder, without the prior written consent of the Guaranteed Party, to (i) to any Other Guarantor, or (ii) any Affiliate of the Guarantor or one or more private equity funds sponsored or managed by any such Affiliate, *provided* that such assignment shall not relieve the Guarantor of any liability or obligations hereunder except to the extent actually performed or satisfied by such assignee. Any attempted assignment in violation of this Section 1.06 shall be null and void.

Table of Contents

Section 1.07. *Notices.* All notices, requests and other communications to any party hereunder shall be given in the manner specified in the Merger Agreement (and shall be deemed given as specified therein) as follows:

If to CPEChina Fund, L.P., to:

CPEChina Fund, L.P.

c/o CITIC PE Advisors (Hong Kong) Limited

Suite 606, 6/F

One Pacific Place

88 Queensway

Hong Kong

Attention: Jingyang Wu

Facsimile: +86-10-8522- 1872

Email: WuJingyang@citicpe.com

with a copy to:

Akin Gump Strauss Hauer & Feld LLP

Unit 05-07, 36th Floor

Edinburgh Tower, The Landmark

15 Queen s Road Central Hong Kong

Attention: Gregory D. Puff

Facsimile: +852-3694-3001

Email: gpuff@akingump.com

or to such other address or facsimile number as the Guarantor shall have notified the Guaranteed Party in a written notice delivered to the Guaranteed Party in accordance with the Merger Agreement. All notices to the Guaranteed Party hereunder shall be given as set forth in the Merger Agreement.

Section 1.08. *Continuing Guarantee.* This Limited Guarantee shall remain in full force and effect and shall be binding on the Guarantor, its successors and assigns until the Obligations have been satisfied in full. Notwithstanding the foregoing, this Limited Guarantee will terminate, and be of no further force or effect, immediately following the earliest of (i) the Closing, (ii) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or under circumstances in which Parent and Merger Sub do not have any unpaid Obligations, (iii) 30 days following the termination of the Merger Agreement in accordance with its terms under circumstances in which Parent or Merger Sub have any unpaid Obligations unless a claim for such a payment has been made in writing prior thereto and (iv) the date that is twelve (12) months after the date hereof. Notwithstanding the foregoing, (1) the parties hereto acknowledge and agree that this Limited Guarantee shall not terminate for so long as a claim made in accordance with clause (iii) above remains unresolved, and (2) in the event that the Guaranteed Party or any of its controlled Affiliates asserts in any litigation or other proceeding that the provisions of this Limited Guarantee limiting the Guarantor s liability to the Maximum Amount are illegal, invalid or unenforceable in whole or in part, or asserts any theory of liability against any Non-Recourse Party or, other than its rights to recover from the Guarantor with respect to the Obligations, any Guarantor,

Parent and/or Merger Sub with respect to the transactions contemplated by the Merger Agreement, then (x) the obligations of the Guarantor under this Limited Guarantee shall terminate *ab initio* and be null and void, (y) if the Guarantor has previously made any payments under this Limited Guarantee, the Guarantor shall be entitled to recover such payment(s) and (z) neither Guarantor nor any Non-Recourse Party shall have any liability to the Guaranteed Party with respect to the Merger Agreement and the transactions contemplated thereby, the Financing or under this Limited Guarantee.

Table of Contents

Section 1.09. *No Recourse*.

(a) The Guaranteed Party acknowledges that the sole assets of Parent and Merger Sub are its rights under the Merger Agreement, the Financing Documents and the Facility Agreement, and that no funds are expected to be contributed to either Parent or Merger Sub unless and until the Closing occurs. Notwithstanding anything that may be expressed or implied in this Limited Guarantee or any document or instrument delivered in connection herewith, by its acceptance of the benefits of this Limited Guarantee, the Guaranteed Party covenants, agrees and acknowledges that no Person (other than the Guarantor and any permitted assignees thereof) have any obligations under this Limited Guarantee and that, notwithstanding that the Guarantor may be a partnership or limited liability company, the Guaranteed Party has no right of recovery under this Limited Guarantee, or any claim based on such obligations against, and no personal liability shall attach under this Limited Guarantee to, the former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of the Guarantor, any Other Guarantor, Parent or Merger Sub, or any former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of any of the foregoing, excluding however the Guarantor itself or any permitted assignee thereof under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein (collectively, each of the non-excluded parties, a **Non-Recourse Party**), through Parent and/or Merger Sub or otherwise, whether by or through attempted piercing of the corporate (or limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent and/or Merger Sub against any Non-Recourse Party, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any applicable Law, or otherwise, except in each case for its right to recover from the Guarantor and any permitted assignees under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein. The Guaranteed Party acknowledges and agrees that Parent and Merger Sub have no assets other than certain contract rights and cash in a *de minimis* amount and that no additional funds are expected to be contributed to Parent or Merger Sub unless and until the Closing occurs.

(b) Recourse against the Guarantor and its permitted assignees under and pursuant to the terms of this Limited Guarantee shall be the sole and exclusive remedy of the Guaranteed Party and all of its Related Persons against the Guarantor and the Non-Recourse Parties in respect of any liabilities or obligations arising under, or in connection with, the Merger Agreement, the Financing Documents, the Facility Agreement or the transactions contemplated thereby. Nothing set forth in this Limited Guarantee shall affect or be construed to affect any liability of Parent and/or Merger Sub to the Guaranteed Party under the Merger Agreement or otherwise or give or shall be construed to confer or give to any Person other than the Guaranteed Party any rights or remedies against any Person, except as expressly set forth in this Limited Guarantee.

Table of Contents

(c) For the purposes of this Limited Guarantee, pursuit of a claim against a Person by the Guaranteed Party or any Related Person of the Guaranteed Party shall be deemed to be pursuit of a claim by the Guaranteed Party. A Person shall be deemed to have pursued a claim against another Person if such first Person brings a legal action against such second Person, adds such second Person to an existing legal proceeding or otherwise asserts a legal claim of any nature against such second Person.

(d) For the purposes of this Limited Guarantee, the term **Related Person** shall mean, with respect to any Person, any controlled Affiliate of such Person, but shall not include Parent, Merger Sub or any of their controlled Affiliates.

Section 1.10 *Release*. By its execution of this Limited Guarantee, the Guaranteed Party hereby covenants and agrees that (a) neither the Guaranteed Party nor any of its Related Persons, and the Guaranteed Party agrees to the maximum extent permitted by Law, none of its officers, directors, security holders or representatives, has or shall have any right of recovery against the Guarantor or any Non-Recourse Party under the Merger Agreement, or the transactions contemplated thereby or otherwise relating thereto, and to the extent that it has or obtains any such right it, to the maximum extent permitted by law, hereby waives (on its own behalf and on behalf of each of the aforementioned Persons) each and every such right against, and hereby releases, the Guarantor and each Non-Recourse Party from and with respect to any claim, known or unknown, now existing or hereafter arising, in connection with any transaction contemplated by or otherwise relating to the Merger Agreement, this Limited Guarantee or the transactions contemplated thereby or hereby, whether by or through attempted piercing of the corporate (limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent, Merger Sub or any other Person against any Non-Recourse Party, or otherwise under any theory of law or equity (the **Released Claims**), other than (i) claims against Parent and/or Merger Sub and (ii) claims against the Guarantor and its permitted assignees pursuant to this Limited Guarantee (subject to the limitations set forth herein) and (b) recourse against the Guarantor and its permitted assignees under this Limited Guarantee (subject to the limitations set forth herein) shall be the sole and exclusive remedy of the Guaranteed Party against the Guarantor or any Non-Recourse Party (other than Parent and/or Merger Sub) with respect to the Released Claims.

Section 1.11. *Amendments and Waivers.* No amendment or waiver of any provision of this Limited Guarantee will be valid and binding unless it is in writing and signed, in the case of an amendment, by the Guarantor and the Guaranteed Party, or in the case of waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation of, or default under, this Limited Guarantee, whether intentional or not, will be deemed to extend to any prior or subsequent breach, violation or default hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Table of Contents

Section 1.12. *Entire Agreement.* This Limited Guarantee constitutes the entire agreement with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, among Parent, Merger Sub and the Guarantor or any of their respective Affiliates on the one hand, and the Guaranteed Party or any of its Affiliates on the other hand.

Section 1.13. *Governing Law; Submission to Jurisdiction.* This Limited Guarantee shall be governed by and construed in accordance with the Laws of the State of New York, excluding (to the greatest extent a New York court would permit) any rule of Law that would cause the application of the Laws of any jurisdiction other than the State of New York. All Actions arising out of or relating to this Limited Guarantee shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan of the City of New York. The parties hereto hereby (i) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of the City of New York for the purpose of any Action arising out of or relating to this Limited Guarantee brought by any party hereto, and (ii) irrevocably waive, and agree not to assert by way of motion, defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Limited Guarantee may not be enforced in or by any of the above-named courts.

Section 1.14. *Waiver of Jury Trial*. Each of the parties hereto hereby irrevocably waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Limited Guarantee. Each of the parties hereto (i) certifies that no Representative of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Limited Guarantee, as applicable, by, among other things, the mutual waivers and certifications in this Section 1.14.

Section 1.15. *No Third Party Beneficiaries.* Except for the rights of Non-Recourse Parties provided hereunder, the parties hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other parties hereto, in accordance with and subject to the terms of this Limited Guarantee and the Merger Agreement, and this Limited Guarantee is not intended to, and does not, confer upon any Person other than the parties hereto any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein.

Section 1.16. *Counterparts.* This Limited Guarantee may be signed in any number of counterparts and may be executed and delivered by facsimile, email or electronic transmission in PDF format, and each counterpart shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Limited Guarantee shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Limited Guarantee shall have no effect and no party shall have any right or obligations hereunder (whether by virtue of any other oral or written agreement or other communication).

Table of Contents

Section 1.17. *Severability.* If any term or other provision of this Limited Guarantee is invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Limited Guarantee shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party; *provided*, *however*, that this Limited Guarantee may not be enforced against any Guarantor without giving effect to the Maximum Amount or the provisions set forth in Section 1.03, Section 1.09 and Section 1.10. No party hereto shall assert, and each party shall cause its respective Related Persons not to assert, that this Limited Guarantee or any part hereof is invalid, illegal or unenforceable. Upon a determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Limited Guarantee so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 1.18. *Headings.* Headings are used for reference purposes only and do not affect the meaning or interpretation of this Limited Guarantee.

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the next page is the signature page.]

Table of Contents

IN WITNESS WHEREOF, the Guarantor has caused this Limited Guarantee to be executed and delivered as of the date first written above by its officer thereunto duly authorized.

CPECHINA FUND, L.P.

BY: CITIC PE ASSOCIATES, L.P.

BY: CITIC PE FUNDS LIMITED

By: /s/ Ching Nar Cindy Chan
Name: Ching Nar Cindy Chan
Title: Director

Acknowledged and agreed as of the date first above written:

ASIAINFO-LINKAGE, INC.

By: /s/ Davin Mackenzie
Name: Davin Mackenzie
Title: Director

[Signature Page to Limited Guarantee]

Table of Contents

Annex A

Other Guarantors

Power Joy (Cayman) Limited

CITIC Capital MB Investment Limited

Ellington Investments Pte. Ltd.

CBC TMT III Limited

InnoValue Capital Ltd.

Table of Contents

Annex E

LIMITED GUARANTEE

LIMITED GUARANTEE dated as of May 12, 2013 (this **Limited Guarantee**), by CBC TMT III Limited (the **Guarantor**), in favor of AsiaInfo-Linkage, Inc., a Delaware corporation (the **Guaranteed Party**).

Section 1.01. *Limited Guarantee.*

(a) To induce the Guaranteed Party to enter into that certain Agreement and Plan of Merger dated as of the date hereof (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the **Merger Agreement**), by and among the Guaranteed Party, Skipper Limited, a Cayman Islands exempted company with limited liability (**Parent**) and Skipper Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Parent (**Merger Sub**), pursuant to which Merger Sub will merge with and into the Guaranteed Party, the Guarantor, hereby absolutely, unconditionally and irrevocably guarantees to the Guaranteed Party, as a primary obligor and not merely as a surety, the due and punctual performance and discharge of 9.904% (the **Percentage**) of all of the payment obligations of Parent and/or Merger Sub pursuant to Sections 7.17(c), 9.03(c), 9.03(d) and 9.03(e) of the Merger Agreement (collectively, the **Obligations**); *provided* that, notwithstanding anything to the contrary contained in this Limited Guarantee, in no event shall the Guarantor s aggregate liability under this Limited Guarantee exceed 9.904% of the Obligations less any amount actually paid by Parent and/or Merger Sub to the Guaranteed Party in respect of the Obligations multiplied by the Percentage (the **Maximum Amount**). The Guaranteed Party acknowledges that in the event that Parent and/or Merger Sub has any unsatisfied Obligations, payment of the Guarantor s Percentage of such unsatisfied Obligations by the Guarantor (or by any other Person, including Parent and/or Merger Sub, on behalf of the Guarantor) shall constitute satisfaction in full of the Guarantor s obligation with respect thereto. The Guarantor shall not have any obligations or liability to any Person relating to, arising out of or in connection with this Limited Guarantee other than as expressly set forth herein, and the parties hereto hereby acknowledge and agree that this Limited Guarantee may not be enforced without giving effect to the Maximum Amount and Sections 1.08 and 1.09. Concurrently with the delivery of this Limited Guarantee, the parties set forth on Annex A (each an **Other Guarantor**) are also entering into limited guarantees or similar agreements with the Guaranteed Party substantially identical to this Limited Guarantee. Capitalized terms used but not defined in this Limited Guarantee shall have the meanings assigned to such terms in the Merger Agreement (as defined below). All payments hereunder shall be made in lawful money of the U.S., in immediately available funds. The Guarantor shall make all payments hereunder free and clear of any deduction, offset, defense, claim or counterclaim of any kind, except as expressly provided in this Limited Guarantee. The Guarantor acknowledges that the Guaranteed Party is entering into the Transactions in reliance upon the execution of this Limited Guarantee.

(b) Subject to the terms and conditions of this Limited Guarantee, if Parent and/or Merger Sub fails to pay the Obligations when due, then all of the Guarantor s liabilities to the Guaranteed Party hereunder in respect of such Obligations shall become immediately due and payable and the Guaranteed Party may, at the Guaranteed Party s option, take any and all actions available hereunder or under applicable Law to collect such Obligations from the Guarantor (subject to the Maximum Amount).

Table of Contents

In furtherance of the foregoing, the Guarantor acknowledges that the Guaranteed Party may, in its sole discretion, bring and prosecute a separate action or actions against the Guarantor for the full amount of the Guarantor s Percentage of the Obligations (subject to the Maximum Amount), regardless of whether any action is brought against Parent, Merger Sub or any Other Guarantor. The Guarantor agrees to pay on demand its Percentage of all reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by the Guaranteed Party in connection with the enforcement of its rights hereunder, which amounts, if paid, will be in addition to the Obligations and not included within a determination of the Maximum Amount if the Guarantor fails or refuses to make any payment to the Guaranteed Party hereunder when due and payable.

(c) The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Limited Guarantee were not performed in accordance with its specific terms or were otherwise breached and further agree that the Guaranteed Party shall be entitled to an injunction, specific performance and other equitable relief against the Guarantor to prevent breaches of this Limited Guarantee and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which it is entitled at Law or in equity, and shall not be required to provide any bond or other security in connection with any such order or injunction. The Guarantor further agrees not to oppose the granting of any such injunction, specific performance and other equitable relief on the basis that (x) the Guaranteed Party has an adequate remedy at Law or (y) an award of an injunction, specific performance or other equitable relief is not an appropriate remedy for any reason at Law or in equity (collectively, the **Prohibited Defense**).

Section 1.02. *Nature of Guarantee.* The Guaranteed Party shall not be obligated to file any claim relating to the Obligations in the event that Parent and/or Merger Sub becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Guaranteed Party to so file shall not affect the Guarantor s obligations hereunder. In the event that any payment to the Guaranteed Party in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to such Obligations (subject to the Maximum Amount) as if such payment had not been made. This is an unconditional guaranty of payment and not of collectability. The Guarantor reserves the right to assert defenses which Parent and/or Merger Sub may have to payment of any Obligations, other than defenses arising from the bankruptcy or insolvency of Parent and/or Merger Sub and other defenses expressly waived hereby. The Guaranteed Party shall not be required to proceed against Parent, Merger Sub or any Other Guarantor first before proceeding against the Guarantor.

Table of Contents

Section 1.03. *Certain Waivers.*

(a) The Guarantor agrees that, subject to Section 1.03(d)(i), the Guaranteed Party may at any time and from time to time, without notice to or further consent of the Guarantor, extend the time of payment of any of the Obligations, and may also make any agreement with Parent, Merger Sub and/or any other Person interested in the Transactions for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Guaranteed Party, Parent, Merger Sub and/or any other Person interested in the Transactions without in any way impairing or affecting the Guarantor s obligations under this Limited Guarantee. The Guarantor agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (i) any failure or delay of the Guaranteed Party to assert any claim or demand or to enforce any right or remedy against Parent, Merger Sub and/or any other Person interested in the Transactions; (ii) any change in the time, place or manner of payment of the Obligations or any rescission, waiver, compromise, consolidation or other amendment or modification of any of the terms of the Merger Agreement or any other agreement evidencing, securing or otherwise executed by Parent, Merger Sub and the Guaranteed Party in connection with the Obligations; (iii) any legal or equitable discharge or release (other than as a result of payment in full of the Percentage of the Obligations in accordance with their terms, a discharge or release of Parent and/or Merger Sub with respect to the Obligations under the Merger Agreement, or defenses to the payment of the Obligations that would be available to Parent and/or Merger Sub under the Merger Agreement) of the Guarantor or any Person interested in the Transactions; (iv) any change in the corporate existence, structure or ownership of Parent, Merger Sub and/or any other Person interested in the Transactions; (v) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Parent, Merger Sub and/or any other Person interested in the Transactions; (vi) any existence of any claim, set-off or other right which the Guarantor may have at any time against Parent, Merger Sub, any other Person interested in the Transactions and/or the Guaranteed Party, whether in connection with the Obligations or otherwise; or (vii) the adequacy of any other means the Guaranteed Party may have of obtaining repayment of any of the Obligations. To the fullest extent permitted by Law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of any Law which would otherwise require any election of remedies by the Guaranteed Party. The Guarantor waives promptness, diligence, notice of the acceptance of this Limited Guarantee and of the Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of the incurrence of any Obligations and all other notices of any kind (other than notices to Parent and/or Merger Sub pursuant to the Merger Agreement or notices expressly required to be provided pursuant to this Limited Guarantee), all defenses which may be available by virtue of any valuation, stay, moratorium Law or other similar Law now or hereafter in effect, any right to require the marshaling of assets of any other Person interested in the Transactions, and all suretyship defenses generally, including, without limitation, any event, condition or circumstance that might be construed to constitute, an equitable or legal discharge of the Guarantor s obligations hereunder (other than defenses to the payment of the Obligations that are available to Parent and/or Merger Sub under the Merger Agreement or breach by the Guaranteed Party of this Limited Guarantee). The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the Transactions and that the waivers set forth in this Limited Guarantee are knowingly made in contemplation of such benefits.

Table of Contents

(b) The Guarantor hereby covenants and agrees that it shall not institute, and shall cause its controlled Affiliates and use its reasonable best efforts to cause its other Affiliates, not to institute, any proceeding asserting (i) the Prohibited Defense or (ii) that this Limited Guarantee is illegal, invalid or unenforceable in accordance with its terms, subject to (A) the effects of insolvency, bankruptcy, reorganization or other similar proceedings and (B) general equitable principles (whether considered in a proceeding in equity or at Law).

(c) The Guaranteed Party hereby covenants and agrees that it shall not institute, directly or indirectly, and shall cause all of its Related Persons (as defined below) not to institute, any proceeding or bring any other claim (whether in tort, contract or otherwise) arising under, or in connection with, the Merger Agreement, the Equity Commitment Letters or the transactions contemplated thereby against the Guarantor or any Non-Recourse Party (as defined below), except for claims (i) against Parent and/or Merger Sub under the Merger Agreement pursuant to the terms thereof (and subject to the limitations therein) and (ii) against the Guarantor and its permitted assignees under this Limited Guarantee pursuant to the terms hereof (and subject to the limitations herein).

(d) Notwithstanding anything to the contrary contained in this Limited Guarantee, the Guaranteed Party hereby agrees that: (i) to the extent Parent and/or Merger Sub are relieved of any of the Obligations or any breach by Parent and/or Merger Sub of the Merger Agreement, (other than by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratium or other similar Laws affecting creditors rights generally, or general equity principles (whether considered in a proceeding in equity or at Law)), the Guarantor shall be similarly relieved of its obligations under this Limited Guarantee, and (ii) the Guarantor shall have all defenses to the payment of its obligations under this Limited Guarantee (which in any event shall be subject to the Maximum Amount) that would be available to Parent and/or Merger Sub under the Merger Agreement with respect to the Obligations, as well as any defenses in respect of any fraud of the Guaranteed Party hereunder or any breach by the Guaranteed Party of any of the terms or provisions of this Limited Guarantee.

Section 1.04. *No Waiver; Cumulative Rights.* No failure on the part of the Guaranteed Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Guaranteed Party of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power hereunder. Each and every right, remedy and power hereby granted to the Guaranteed Party or allowed it by Law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Guaranteed Party at any time or from time to time.

Table of Contents

Section 1.05. *Representations and Warranties.* The Guarantor hereby represents and warrants to the Guaranteed Party that:

(a) the Guarantor is a legal entity duly organized and validly existing under the Laws of its jurisdiction of organization;

(b) the execution, delivery and performance of this Limited Guarantee have been duly authorized by all necessary action and do not contravene (i) any provision of the Guarantor s charter documents, partnership agreement, operating agreement or similar organizational documents or (ii) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, any Law, regulation, rule, decree, order, judgment or contractual restriction binding on the Guarantor or its assets;

(c) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, (i) all consents, approvals, authorizations and permits of, filings with and notifications to, any governmental authority necessary for the due execution, delivery and performance of this Limited Guarantee by the Guarantor have been obtained or made and all conditions thereof have been duly complied with, and no other action by and (ii) no notice to or filing with, any governmental authority or regulatory body is required from the Guarantor in connection with the execution, delivery or performance of this Limited Guarantee;

(d) assuming due execution and delivery of this Limited Guarantee by the Guaranteed Party, this Limited Guarantee constitutes a legal, valid and binding obligations of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws affecting creditors rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at Law); and

(e) the Guarantor has the financial capacity to pay and perform its obligations under this Limited Guarantee, and all funds necessary for the Guarantor to fulfill its obligations under this Limited Guarantee shall be available to the Guarantor for so long as this Limited Guarantee shall remain in effect in accordance with Section 1.08 hereof.

Section 1.06. *No Assignment.* Neither the Guarantor nor the Guaranteed Party may assign its rights, interests or obligations hereunder to any other Person (including by operation of Law) without the prior written consent of the other party hereto; *provided*, *however*, that the Guarantor may assign all or a portion of its obligations hereunder, without the prior written consent of the Guaranteed Party, to (i) to any Other Guarantor, or (ii) any Affiliate of the Guarantor or one or more private equity funds sponsored or managed by any such Affiliate, *provided* that such assignment shall not relieve the Guarantor of any liability or obligations hereunder except to the extent actually performed or satisfied by such assignee. Any attempted assignment in violation of this Section 1.06 shall be null and void.

Table of Contents

Section 1.07. *Notices.* All notices, requests and other communications to any party hereunder shall be given in the manner specified in the Merger Agreement (and shall be deemed given as specified therein) as follows:

If to CBC TMT III Limited, to:

China Broadband Capital Partners, L.P.

Unit 906, Level 9, Cyberport 2

100 Cyberport Road, Hong Kong

Attention: Jian Jiang

Fax: +852 2122 8410

with a copy to:

Peter X. Huang

Skadden, Arps, Slate, Meagher & Flom LLP

30th Floor, China World Office 2

No. 1, Jianguomenwai Avenue

Beijing 100004, People s Republic of China

Fax: +86 10 6535 5577

Email: peter.huang@skadden.com

or to such other address or facsimile number as the Guarantor shall have notified the Guaranteed Party in a written notice delivered to the Guaranteed Party in accordance with the Merger Agreement. All notices to the Guaranteed Party hereunder shall be given as set forth in the Merger Agreement.

Section 1.08. *Continuing Guarantee.* This Limited Guarantee shall remain in full force and effect and shall be binding on the Guarantor, its successors and assigns until the Obligations have been satisfied in full. Notwithstanding the foregoing, this Limited Guarantee will terminate, and be of no further force or effect, immediately following the earliest of (i) the Closing, (ii) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or under circumstances in which Parent and Merger Sub do not have any unpaid Obligations, (iii) 30 days following the termination of the Merger Agreement in accordance with its terms under circumstances in which Parent or Merger Sub have any unpaid Obligations unless a claim for such a payment has been made in writing prior thereto and (iv) the date that is twelve (12) months after the date hereof. Notwithstanding the foregoing, (1) the parties hereto acknowledge and agree that this Limited Guarantee shall not terminate for so long as a claim made in accordance with clause (iii) above remains unresolved, and (2) in the event that the Guaranteed Party or any of its controlled Affiliates asserts in any litigation or other proceeding that the provisions of this Limited Guarantee limiting the Guarantor s liability to the Maximum Amount are illegal, invalid or unenforceable in whole or in part, or asserts any theory of liability against any Non-Recourse Party or, other than its rights to recover from the Guarantor with respect to the Obligations, any Guarantor, Parent and/or Merger Sub with respect to the transactions contemplated by the Merger Agreement, then (x) the obligations of the Guarantor under this Limited Guarantee shall terminate *ab initio* and be null and void, (y) if the Guarantor has previously made any payments under this Limited Guarantee, the Guarantor shall be entitled to recover such payment(s) and (z) neither Guarantor nor any Non-Recourse Party shall have any liability to the Guaranteed Party with respect to the Merger Agreement and the transactions contemplated thereby, the Financing or under this Limited Guarantee.

Table of Contents

Section 1.09. *No Recourse*.

(a) The Guaranteed Party acknowledges that the sole assets of Parent and Merger Sub are its rights under the Merger Agreement, the Financing Documents and the Facility Agreement, and that no funds are expected to be contributed to either Parent or Merger Sub unless and until the Closing occurs. Notwithstanding anything that may be expressed or implied in this Limited Guarantee or any document or instrument delivered in connection herewith, by its acceptance of the benefits of this Limited Guarantee, the Guaranteed Party covenants, agrees and acknowledges that no Person (other than the Guarantor and any permitted assignees thereof) have any obligations under this Limited Guarantee and that, notwithstanding that the Guarantor may be a partnership or limited liability company, the Guaranteed Party has no right of recovery under this Limited Guarantee, or any claim based on such obligations against, and no personal liability shall attach under this Limited Guarantee to, the former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of the Guarantor, any Other Guarantor, Parent or Merger Sub, or any former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of any of the foregoing, excluding however the Guarantor itself or any permitted assignee thereof under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein (collectively, each of the non-excluded parties, a **Non-Recourse Party**), through Parent and/or Merger Sub or otherwise, whether by or through attempted piercing of the corporate (or limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent and/or Merger Sub against any Non-Recourse Party, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any applicable Law, or otherwise, except in each case for its right to recover from the Guarantor and any permitted assignees under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein. The Guaranteed Party acknowledges and agrees that Parent and Merger Sub have no assets other than certain contract rights and cash in a *de minimis* amount and that no additional funds are expected to be contributed to Parent or Merger Sub unless and until the Closing occurs.

(b) Recourse against the Guarantor and its permitted assignees under and pursuant to the terms of this Limited Guarantee shall be the sole and exclusive remedy of the Guaranteed Party and all of its Related Persons against the Guarantor and the Non-Recourse Parties in respect of any liabilities or obligations arising under, or in connection with, the Merger Agreement, the Financing Documents, the Facility Agreement or the transactions contemplated thereby. Nothing set forth in this Limited Guarantee shall affect or be construed to affect any liability of Parent and/or Merger Sub to the Guaranteed Party under the Merger Agreement or otherwise or give or shall be construed to confer or give to any Person other than the Guaranteed Party any rights or remedies against any Person, except as expressly set forth in this Limited Guarantee.

Table of Contents

(c) For the purposes of this Limited Guarantee, pursuit of a claim against a Person by the Guaranteed Party or any Related Person of the Guaranteed Party shall be deemed to be pursuit of a claim by the Guaranteed Party. A Person shall be deemed to have pursued a claim against another Person if such first Person brings a legal action against such second Person, adds such second Person to an existing legal proceeding or otherwise asserts a legal claim of any nature against such second Person.

(d) For the purposes of this Limited Guarantee, the term **Related Person** shall mean, with respect to any Person, any controlled Affiliate of such Person, but shall not include Parent, Merger Sub or any of their controlled Affiliates.

Section 1.10 *Release*. By its execution of this Limited Guarantee, the Guaranteed Party hereby covenants and agrees that (a) neither the Guaranteed Party nor any of its Related Persons, and the Guaranteed Party agrees to the maximum extent permitted by Law, none of its officers, directors, security holders or representatives, has or shall have any right of recovery against the Guarantor or any Non-Recourse Party under the Merger Agreement, or the transactions contemplated thereby or otherwise relating thereto, and to the extent that it has or obtains any such right it, to the maximum extent permitted by law, hereby waives (on its own behalf and on behalf of each of the aforementioned Persons) each and every such right against, and hereby releases, the Guarantor and each Non-Recourse Party from and with respect to any claim, known or unknown, now existing or hereafter arising, in connection with any transaction contemplated by or otherwise relating to the Merger Agreement, this Limited Guarantee or the transactions contemplated thereby or hereby, whether by or through attempted piercing of the corporate (limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent, Merger Sub or any other Person against any Non-Recourse Party, or otherwise under any theory of law or equity (the **Released Claims**), other than (i) claims against Parent and/or Merger Sub and (ii) claims against the Guarantor and its permitted assignees pursuant to this Limited Guarantee (subject to the limitations set forth herein) and (b) recourse against the Guarantor and its permitted assignees under this Limited Guarantee (subject to the limitations set forth herein) shall be the sole and exclusive remedy of the Guaranteed Party against the Guarantor or any Non-Recourse Party (other than Parent and/or Merger Sub) with respect to the Released Claims.

Section 1.11. *Amendments and Waivers.* No amendment or waiver of any provision of this Limited Guarantee will be valid and binding unless it is in writing and signed, in the case of an amendment, by the Guarantor and the Guaranteed Party, or in the case of waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation of, or default under, this Limited Guarantee, whether intentional or not, will be deemed to extend to any prior or subsequent breach, violation or default hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 1.12. *Entire Agreement.* This Limited Guarantee constitutes the entire agreement with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, among Parent, Merger Sub and the Guarantor or any of their respective Affiliates on the one hand, and the Guaranteed Party or any of its Affiliates on the other hand.

Table of Contents

Section 1.13. *Governing Law; Submission to Jurisdiction.* This Limited Guarantee shall be governed by and construed in accordance with the Laws of the State of New York, excluding (to the greatest extent a New York court would permit) any rule of Law that would cause the application of the Laws of any jurisdiction other than the State of New York. All Actions arising out of or relating to this Limited Guarantee shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan of the City of New York. The parties hereto hereby (i) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of the City of New York for the purpose of any Action arising out of or relating to this Limited Guarantee brought by any party hereto, and (ii) irrevocably waive, and agree not to assert by way of motion, defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Limited Guarantee may not be enforced in or by any of the above-named courts.

Section 1.14. *Waiver of Jury Trial*. Each of the parties hereto hereby irrevocably waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Limited Guarantee. Each of the parties hereto (i) certifies that no Representative of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Limited Guarantee, as applicable, by, among other things, the mutual waivers and certifications in this Section 1.14.

Section 1.15. *No Third Party Beneficiaries.* Except for the rights of Non-Recourse Parties provided hereunder, the parties hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other parties hereto, in accordance with and subject to the terms of this Limited Guarantee and the Merger Agreement, and this Limited Guarantee is not intended to, and does not, confer upon any Person other than the parties hereto any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein.

Section 1.16. *Counterparts.* This Limited Guarantee may be signed in any number of counterparts and may be executed and delivered by facsimile, email or electronic transmission in PDF format, and each counterpart shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Limited Guarantee shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Limited Guarantee shall have no effect and no party shall have any right or obligations hereunder (whether by virtue of any other oral or written agreement or other communication).

Table of Contents

Section 1.17. *Severability.* If any term or other provision of this Limited Guarantee is invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Limited Guarantee shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party; *provided*, *however*, that this Limited Guarantee may not be enforced against any Guarantor without giving effect to the Maximum Amount or the provisions set forth in Section 1.03, Section 1.09 and Section 1.10. No party hereto shall assert, and each party shall cause its respective Related Persons not to assert, that this Limited Guarantee or any part hereof is invalid, illegal or unenforceable. Upon a determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Limited Guarantee so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 1.18. *Headings.* Headings are used for reference purposes only and do not affect the meaning or interpretation of this Limited Guarantee.

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the next page is the signature page.]

Table of Contents

IN WITNESS WHEREOF, the Guarantor has caused this Limited Guarantee to be executed and delivered as of the date first written above by its officer thereunto duly authorized.

CBC TMT III LIMITED

By: /s/ Edward Tian
Name: Edward Tian
Title: Director

Acknowledged and agreed as of the date first above written:

ASIAINFO-LINKAGE, INC.

By: /s/ Davin Mackenzie
Name: Davin Mackenzie
Title: Director

[Signature Page to Limited Guarantee]

Table of Contents

Annex A

Other Guarantors

Power Joy (Cayman) Limited

CITIC Capital MB Investment Limited

CPEChina Fund, L.P.

Ellington Investments Pte. Ltd.

InnoValue Capital Ltd.

Table of Contents

Annex F

LIMITED GUARANTEE

LIMITED GUARANTEE dated as of May 12, 2013 (this **Limited Guarantee**), by InnoValue Capital Ltd. (the **Guarantor**), in favor of AsiaInfo-Linkage, Inc., a Delaware corporation (the **Guaranteed Party**).

Section 1.01. *Limited Guarantee.*

(a) To induce the Guaranteed Party to enter into that certain Agreement and Plan of Merger dated as of the date hereof (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the **Merger Agreement**), by and among the Guaranteed Party, Skipper Limited, a Cayman Islands exempted company with limited liability (**Parent**) and Skipper Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Parent (**Merger Sub**), pursuant to which Merger Sub will merge with and into the Guaranteed Party, the Guarantor, hereby absolutely, unconditionally and irrevocably guarantees to the Guaranteed Party, as a primary obligor and not merely as a surety, the due and punctual performance and discharge of 11.004% (the **Percentage**) of all of the payment obligations of Parent and/or Merger Sub pursuant to Sections 7.17(c), 9.03(c), 9.03(d) and 9.03(e) of the Merger Agreement (collectively, the **Obligations**); *provided* that, notwithstanding anything to the contrary contained in this Limited Guarantee, in no event shall the Guarantor s aggregate liability under this Limited Guarantee exceed 11.004% of the Obligations less any amount actually paid by Parent and/or Merger Sub to the Guaranteed Party in respect of the Obligations multiplied by the Percentage (the **Maximum Amount**). The Guaranteed Party acknowledges that in the event that Parent and/or Merger Sub has any unsatisfied Obligations, payment of the Guarantor s Percentage of such unsatisfied Obligations by the Guarantor (or by any other Person, including Parent and/or Merger Sub, on behalf of the Guarantor) shall constitute satisfaction in full of the Guarantor s obligation with respect thereto. The Guarantor shall not have any obligations or liability to any Person relating to, arising out of or in connection with this Limited Guarantee other than as expressly set forth herein, and the parties hereto hereby acknowledge and agree that this Limited Guarantee may not be enforced without giving effect to the Maximum Amount and Sections 1.08 and 1.09. Concurrently with the delivery of this Limited Guarantee, the parties set forth on Annex A (each an **Other Guarantor**) are also entering into limited guarantees or similar agreements with the Guaranteed Party substantially identical to this Limited Guarantee. Capitalized terms used but not defined in this Limited Guarantee shall have the meanings assigned to such terms in the Merger Agreement (as defined below). All payments hereunder shall be made in lawful money of the U.S., in immediately available funds. The Guarantor shall make all payments hereunder free and clear of any deduction, offset, defense, claim or counterclaim of any kind, except as expressly provided in this Limited Guarantee. The Guarantor acknowledges that the Guaranteed Party is entering into the Transactions in reliance upon the execution of this Limited Guarantee.

Table of Contents

(b) Subject to the terms and conditions of this Limited Guarantee, if Parent and/or Merger Sub fails to pay the Obligations when due, then all of the Guarantor s liabilities to the Guaranteed Party hereunder in respect of such Obligations shall become immediately due and payable and the Guaranteed Party may, at the Guaranteed Party s option, take any and all actions available hereunder or under applicable Law to collect such Obligations from the Guarantor (subject to the Maximum Amount). In furtherance of the foregoing, the Guarantor acknowledges that the Guaranteed Party may, in its sole discretion, bring and prosecute a separate action or actions against the Guarantor for the full amount of the Guarantor s Percentage of the Obligations (subject to the Maximum Amount), regardless of whether any action is brought against Parent, Merger Sub or any Other Guarantor. The Guarantor agrees to pay on demand its Percentage of all reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by the Guaranteed Party in connection with the enforcement of its rights hereunder, which amounts, if paid, will be in addition to the Obligations and not included within a determination of the Maximum Amount if the Guarantor fails or refuses to make any payment to the Guaranteed Party hereunder when due and payable.

(c) The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Limited Guarantee were not performed in accordance with its specific terms or were otherwise breached and further agree that the Guaranteed Party shall be entitled to an injunction, specific performance and other equitable relief against the Guarantor to prevent breaches of this Limited Guarantee and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which it is entitled at Law or in equity, and shall not be required to provide any bond or other security in connection with any such order or injunction. The Guarantor further agrees not to oppose the granting of any such injunction, specific performance and other equitable relief on the basis that (x) the Guaranteed Party has an adequate remedy at Law or (y) an award of an injunction, specific performance or other equitable relief is not an appropriate remedy for any reason at Law or in equity (collectively, the **Prohibited Defense**).

Section 1.02. *Nature of Guarantee*. The Guaranteed Party shall not be obligated to file any claim relating to the Obligations in the event that Parent and/or Merger Sub becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Guaranteed Party to so file shall not affect the Guarantor s obligations hereunder. In the event that any payment to the Guaranteed Party in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder with respect to such Obligations (subject to the Maximum Amount) as if such payment had not been made. This is an unconditional guaranty of payment and not of collectability. The Guarantor reserves the right to assert defenses which Parent and/or Merger Sub may have to payment of any Obligations, other than defenses arising from the bankruptcy or insolvency of Parent and/or Merger Sub and other defenses expressly waived hereby. The Guaranteed Party shall not be required to proceed against Parent, Merger Sub or any Other Guarantor first before proceeding against the Guarantor.

Table of Contents

Section 1.03. *Certain Waivers.*

(a) The Guarantor agrees that, subject to Section 1.03(d)(i), the Guaranteed Party may at any time and from time to time, without notice to or further consent of the Guarantor, extend the time of payment of any of the Obligations, and may also make any agreement with Parent, Merger Sub and/or any other Person interested in the Transactions for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Guaranteed Party, Parent, Merger Sub and/or any other Person interested in the Transactions without in any way impairing or affecting the Guarantor s obligations under this Limited Guarantee. The Guarantor agrees that the obligations of the Guarantor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (i) any failure or delay of the Guaranteed Party to assert any claim or demand or to enforce any right or remedy against Parent, Merger Sub and/or any other Person interested in the Transactions; (ii) any change in the time, place or manner of payment of the Obligations or any rescission, waiver, compromise, consolidation or other amendment or modification of any of the terms of the Merger Agreement or any other agreement evidencing, securing or otherwise executed by Parent, Merger Sub and the Guaranteed Party in connection with the Obligations; (iii) any legal or equitable discharge or release (other than as a result of payment in full of the Percentage of the Obligations in accordance with their terms, a discharge or release of Parent and/or Merger Sub with respect to the Obligations under the Merger Agreement, or defenses to the payment of the Obligations that would be available to Parent and/or Merger Sub under the Merger Agreement) of the Guarantor or any Person interested in the Transactions; (iv) any change in the corporate existence, structure or ownership of Parent, Merger Sub and/or any other Person interested in the Transactions; (v) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Parent, Merger Sub and/or any other Person interested in the Transactions; (vi) any existence of any claim, set-off or other right which the Guarantor may have at any time against Parent, Merger Sub, any other Person interested in the Transactions and/or the Guaranteed Party, whether in connection with the Obligations or otherwise; or (vii) the adequacy of any other means the Guaranteed Party may have of obtaining repayment of any of the Obligations. To the fullest extent permitted by Law, the Guarantor hereby expressly waives any and all rights or defenses arising by reason of any Law which would otherwise require any election of remedies by the Guaranteed Party. The Guarantor waives promptness, diligence, notice of the acceptance of this Limited Guarantee and of the Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of the incurrence of any Obligations and all other notices of any kind (other than notices to Parent and/or Merger Sub pursuant to the Merger Agreement or notices expressly required to be provided pursuant to this Limited Guarantee), all defenses which may be available by virtue of any valuation, stay, moratorium Law or other similar Law now or hereafter in effect, any right to require the marshaling of assets of any other Person interested in the Transactions, and all suretyship defenses generally, including, without limitation, any event, condition or circumstance that might be construed to constitute, an equitable or legal discharge of the Guarantor s obligations hereunder (other than defenses to the payment of the Obligations that are available to Parent and/or Merger Sub under the Merger Agreement or breach by the Guaranteed Party of this Limited Guarantee). The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the Transactions and that the waivers set forth in this Limited Guarantee are knowingly made in contemplation of such benefits.

Table of Contents

(b) The Guarantor hereby covenants and agrees that it shall not institute, and shall cause its controlled Affiliates and use its reasonable best efforts to cause its other Affiliates, not to institute, any proceeding asserting (i) the Prohibited Defense or (ii) that this Limited Guarantee is illegal, invalid or unenforceable in accordance with its terms, subject to (A) the effects of insolvency, bankruptcy, reorganization or other similar proceedings and (B) general equitable principles (whether considered in a proceeding in equity or at Law).

(c) The Guaranteed Party hereby covenants and agrees that it shall not institute, directly or indirectly, and shall cause all of its Related Persons (as defined below) not to institute, any proceeding or bring any other claim (whether in tort, contract or otherwise) arising under, or in connection with, the Merger Agreement, the Equity Commitment Letters or the transactions contemplated thereby against the Guarantor or any Non-Recourse Party (as defined below), except for claims (i) against Parent and/or Merger Sub under the Merger Agreement pursuant to the terms thereof (and subject to the limitations therein) and (ii) against the Guarantor and its permitted assignees under this Limited Guarantee pursuant to the terms hereof (and subject to the limitations herein).

(d) Notwithstanding anything to the contrary contained in this Limited Guarantee, the Guaranteed Party hereby agrees that: (i) to the extent Parent and/or Merger Sub are relieved of any of the Obligations or any breach by Parent and/or Merger Sub of the Merger Agreement, (other than by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratium or other similar Laws affecting creditors rights generally, or general equity principles (whether considered in a proceeding in equity or at Law)), the Guarantor shall be similarly relieved of its obligations under this Limited Guarantee, and (ii) the Guarantor shall have all defenses to the payment of its obligations under this Limited Guarantee (which in any event shall be subject to the Maximum Amount) that would be available to Parent and/or Merger Sub under the Merger Agreement with respect to the Obligations, as well as any defenses in respect of any fraud of the Guaranteed Party hereunder or any breach by the Guaranteed Party of any of the terms or provisions of this Limited Guarantee.

Section 1.04. *No Waiver; Cumulative Rights.* No failure on the part of the Guaranteed Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Guaranteed Party of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power hereunder. Each and every right, remedy and power hereby granted to the Guaranteed Party or allowed it by Law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Guaranteed Party at any time or from time to time.

Section 1.05. *Representations and Warranties*. The Guarantor hereby represents and warrants to the Guaranteed Party that:

(a) the Guarantor is a legal entity duly organized and validly existing under the Laws of its jurisdiction of organization;

Table of Contents

(b) the execution, delivery and performance of this Limited Guarantee have been duly authorized by all necessary action and do not contravene (i) any provision of the Guarantor s charter documents, partnership agreement, operating agreement or similar organizational documents or (ii) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, any Law, regulation, rule, decree, order, judgment or contractual restriction binding on the Guarantor or its assets;

(c) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Guarantor to perform its obligations hereunder, (i) all consents, approvals, authorizations and permits of, filings with and notifications to, any governmental authority necessary for the due execution, delivery and performance of this Limited Guarantee by the Guarantor have been obtained or made and all conditions thereof have been duly complied with, and no other action by and (ii) no notice to or filing with, any governmental authority or regulatory body is required from the Guarantor in connection with the execution, delivery or performance of this Limited Guarantee;

(d) assuming due execution and delivery of this Limited Guarantee by the Guaranteed Party, this Limited Guarantee constitutes a legal, valid and binding obligations of the Guarantor enforceable against the Guarantor in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws affecting creditors rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at Law); and

(e) the Guarantor has the financial capacity to pay and perform its obligations under this Limited Guarantee, and all funds necessary for the Guarantor to fulfill its obligations under this Limited Guarantee shall be available to the Guarantor for so long as this Limited Guarantee shall remain in effect in accordance with Section 1.08 hereof.

Section 1.06. *No Assignment*. Neither the Guarantor nor the Guaranteed Party may assign its rights, interests or obligations hereunder to any other Person (including by operation of Law) without the prior written consent of the other party hereto; *provided*, *however*, that the Guarantor may assign all or a portion of its obligations hereunder, without the prior written consent of the Guaranteed Party, to (i) to any Other Guarantor, or (ii) any Affiliate of the Guarantor or one or more private equity funds sponsored or managed by any such Affiliate, *provided* that such assignment shall not relieve the Guarantor of any liability or obligations hereunder except to the extent actually performed or satisfied by such assignee. Any attempted assignment in violation of this Section 1.06 shall be null and void.

Table of Contents

Section 1.07. *Notices*. All notices, requests and other communications to any party hereunder shall be given in the manner specified in the Merger Agreement (and shall be deemed given as specified therein) as follows:

If to InnoValue Capital Ltd., to:

InnoValue Capital Ltd.

No. 113-3, Sec. 1 An-Ho Road, Taipei 106, Taiwan

Attention: Pei-Chen Tsai

Fax: +886 2 2700 6932

Email: meg@flow.org.tw

with a copy to:

Baker & McKenzie

15th Floor, 168 Tun Hwa North Road

Taipei 10548, Taiwan

Fax: +886 2 2712 8292

Attention: Alex Chiang / Mark Tu

or to such other address or facsimile number as the Guarantor shall have notified the Guaranteed Party in a written notice delivered to the Guaranteed Party in accordance with the Merger Agreement. All notices to the Guaranteed Party hereunder shall be given as set forth in the Merger Agreement.

Section 1.08. *Continuing Guarantee*. This Limited Guarantee shall remain in full force and effect and shall be binding on the Guarantor, its successors and assigns until the Obligations have been satisfied in full. Notwithstanding the foregoing, this Limited Guarantee will terminate, and be of no further force or effect, immediately following the earliest of (i) the Closing, (ii) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or under circumstances in which Parent and Merger Sub do not have any unpaid Obligations, (iii) 30 days following the termination of the Merger Agreement in accordance with its terms under circumstances in which Parent or Merger Sub have any unpaid Obligations unless a claim for such a payment has been made in writing prior thereto and (iv) the date that is twelve (12) months after the date hereof. Notwithstanding the foregoing, (1) the parties hereto acknowledge and agree that this Limited Guarantee shall not terminate for so long as a claim made in accordance with clause (iii) above remains unresolved, and (2) in the event that the Guaranteed Party or any of its controlled Affiliates asserts in any litigation or other proceeding that the provisions of this Limited Guarantee limiting the Guarantor s liability to the Maximum Amount are illegal, invalid or unenforceable in whole or in part, or asserts any theory of liability against any Non-Recourse Party or, other than its rights to recover from the Guarantor with respect to the Obligations, any Guarantor, Parent and/or Merger Sub with respect to the transactions contemplated by the Merger Agreement, then (x) the obligations of the Guarantor under this Limited Guarantee shall terminate *ab initio* and be null and void, (y) if the Guarantor has previously made any payments under this Limited Guarantee, the Guarantor shall be entitled to recover such payment(s) and (z) neither Guarantor nor any Non-Recourse Party shall have any liability to the Guaranteed Party with respect to the Merger Agreement and the transactions contemplated thereby, the Financing or under this Limited Guarantee.

Table of Contents

Section 1.09. *No Recourse*.

(a) The Guaranteed Party acknowledges that the sole assets of Parent and Merger Sub are its rights under the Merger Agreement, the Financing Documents and the Facility Agreement, and that no funds are expected to be contributed to either Parent or Merger Sub unless and until the Closing occurs. Notwithstanding anything that may be expressed or implied in this Limited Guarantee or any document or instrument delivered in connection herewith, by its acceptance of the benefits of this Limited Guarantee, the Guaranteed Party covenants, agrees and acknowledges that no Person (other than the Guarantor and any permitted assignees thereof) have any obligations under this Limited Guarantee and that, notwithstanding that the Guarantor may be a partnership or limited liability company, the Guaranteed Party has no right of recovery under this Limited Guarantee, or any claim based on such obligations against, and no personal liability shall attach under this Limited Guarantee to, the former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of the Guarantor, any Other Guarantor, Parent or Merger Sub, or any former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of any of the foregoing, excluding however the Guarantor itself or any permitted assignee thereof under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein (collectively, each of the non-excluded parties, a **Non-Recourse Party**), through Parent and/or Merger Sub or otherwise, whether by or through attempted piercing of the corporate (or limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent and/or Merger Sub against any Non-Recourse Party, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any applicable Law, or otherwise, except in each case for its right to recover from the Guarantor and any permitted assignees under and to the extent provided in this Limited Guarantee and subject to the limitations set forth herein. The Guaranteed Party acknowledges and agrees that Parent and Merger Sub have no assets other than certain contract rights and cash in a *de minimis* amount and that no additional funds are expected to be contributed to Parent or Merger Sub unless and until the Closing occurs.

(b) Recourse against the Guarantor and its permitted assignees under and pursuant to the terms of this Limited Guarantee shall be the sole and exclusive remedy of the Guaranteed Party and all of its Related Persons against the Guarantor and the Non-Recourse Parties in respect of any liabilities or obligations arising under, or in connection with, the Merger Agreement, the Financing Documents, the Facility Agreement or the transactions contemplated thereby. Nothing set forth in this Limited Guarantee shall affect or be construed to affect any liability of Parent and/or Merger Sub to the Guaranteed Party under the Merger Agreement or otherwise or give or shall be construed to confer or give to any Person other than the Guaranteed Party any rights or remedies against any Person, except as expressly set forth in this Limited Guarantee.

(c) For the purposes of this Limited Guarantee, pursuit of a claim against a Person by the Guaranteed Party or any Related Person of the Guaranteed Party shall be deemed to be pursuit of a claim by the Guaranteed Party. A Person shall be deemed to have pursued a claim against another Person if such first Person brings a legal action against such second Person, adds such second Person to an existing legal proceeding or otherwise asserts a legal claim of any nature against such second Person.

Table of Contents

(d) For the purposes of this Limited Guarantee, the term **Related Person** shall mean, with respect to any Person, any controlled Affiliate of such Person, but shall not include Parent, Merger Sub or any of their controlled Affiliates.

Section 1.10 *Release*. By its execution of this Limited Guarantee, the Guaranteed Party hereby covenants and agrees that (a) neither the Guaranteed Party nor any of its Related Persons, and the Guaranteed Party agrees to the maximum extent permitted by Law, none of its officers, directors, security holders or representatives, has or shall have any right of recovery against the Guarantor or any Non-Recourse Party under the Merger Agreement, or the transactions contemplated thereby or otherwise relating thereto, and to the extent that it has or obtains any such right it, to the maximum extent permitted by law, hereby waives (on its own behalf and on behalf of each of the aforementioned Persons) each and every such right against, and hereby releases, the Guarantor and each Non-Recourse Party from and with respect to any claim, known or unknown, now existing or hereafter arising, in connection with any transaction contemplated by or otherwise relating to the Merger Agreement, this Limited Guarantee or the transactions contemplated thereby or hereby, whether by or through attempted piercing of the corporate (limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent, Merger Sub or any other Person against any Non-Recourse Party, or otherwise under any theory of law or equity (the **Released Claims**), other than (i) claims against Parent and/or Merger Sub and (ii) claims against the Guarantor and its permitted assignees pursuant to this Limited Guarantee (subject to the limitations set forth herein) and (b) recourse against the Guarantor and its permitted assignees under this Limited Guarantee (subject to the limitations set forth herein) shall be the sole and exclusive remedy of the Guaranteed Party against the Guarantor or any Non-Recourse Party (other than Parent and/or Merger Sub) with respect to the Released Claims.

Section 1.11. *Amendments and Waivers*. No amendment or waiver of any provision of this Limited Guarantee will be valid and binding unless it is in writing and signed, in the case of an amendment, by the Guarantor and the Guaranteed Party, or in the case of waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation of, or default under, this Limited Guarantee, whether intentional or not, will be deemed to extend to any prior or subsequent breach, violation or default hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 1.12. *Entire Agreement*. This Limited Guarantee constitutes the entire agreement with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, among Parent, Merger Sub and the Guarantor or any of their respective Affiliates on the one hand, and the Guaranteed Party or any of its Affiliates on the other hand.

Table of Contents

Section 1.13. *Governing Law; Submission to Jurisdiction*. This Limited Guarantee shall be governed by and construed in accordance with the Laws of the State of New York, excluding (to the greatest extent a New York court would permit) any rule of Law that would cause the application of the Laws of any jurisdiction other than the State of New York. All Actions arising out of or relating to this Limited Guarantee shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan of the City of New York. The parties hereto hereby (i) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of the City of New York for the purpose of any Action arising out of or relating to this Limited Guarantee brought by any party hereto, and (ii) irrevocably waive, and agree not to assert by way of motion, defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Limited Guarantee may not be enforced in or by any of the above-named courts.

Section 1.14. *Waiver of Jury Trial*. Each of the parties hereto hereby irrevocably waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Limited Guarantee. Each of the parties hereto (i) certifies that no Representative of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Limited Guarantee, as applicable, by, among other things, the mutual waivers and certifications in this Section 1.14.

Section 1.15. *No Third Party Beneficiaries*. Except for the rights of Non-Recourse Parties provided hereunder, the parties hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other parties hereto, in accordance with and subject to the terms of this Limited Guarantee and the Merger Agreement, and this Limited Guarantee is not intended to, and does not, confer upon any Person other than the parties hereto any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein.

Section 1.16. *Counterparts*. This Limited Guarantee may be signed in any number of counterparts and may be executed and delivered by facsimile, email or electronic transmission in PDF format, and each counterpart shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Limited Guarantee shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Limited Guarantee shall have no effect and no party shall have any right or obligations hereunder (whether by virtue of any other oral or written agreement or other communication).

Table of Contents

Section 1.17. *Severability*. If any term or other provision of this Limited Guarantee is invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Limited Guarantee shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party; *provided*, *however*, that this Limited Guarantee may not be enforced against any Guarantor without giving effect to the Maximum Amount or the provisions set forth in Section 1.03, Section 1.09 and Section 1.10. No party hereto shall assert, and each party shall cause its respective Related Persons not to assert, that this Limited Guarantee or any part hereof is invalid, illegal or unenforceable. Upon a determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Limited Guarantee so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 1.18. *Headings*. Headings are used for reference purposes only and do not affect the meaning or interpretation of this Limited Guarantee.

[The remainder of this page has been intentionally left blank;

the next page is the signature page.]

Table of Contents

IN WITNESS WHEREOF, the Guarantor has caused this Limited Guarantee to be executed and delivered as of the date first written above by its officer thereunto duly authorized.

INNOVALUE CAPITAL LTD.

By: /s/ Liu, Tzu-Lien
Name: Liu, Tzu-Lien
Title: Director

Acknowledged and agreed as of the date first above written:

ASIAINFO-LINKAGE, INC.

By: /s/ Davin Mackenzie
Name: Davin Mackenzie
Title: Director

[Signature Page to Limited Guarantee]

Table of Contents

Annex A

Other Guarantors

Power Joy (Cayman) Limited

CITIC Capital MB Investment Limited

CPEChina Fund, L.P.

Ellington Investments Pte. Ltd.

CBC TMT III Limited

Table of Contents

Annex G

PAYMENT AGREEMENT

PAYMENT AGREEMENT dated as of May 12, 2013 (this **Payment Agreement**), by Ellington Investments Pte. Ltd. (the **Obligor**), in favor of AsiaInfo-Linkage, Inc., a Delaware corporation (the **Obligee Party**).

Section 1.01. *Payment Agreement.*

(a) To induce the Obligee Party to enter into that certain Agreement and Plan of Merger dated as of the date hereof (as amended, supplemented or otherwise modified from time to time in accordance with its terms, the **Merger Agreement**), by and among the Obligee Party, Skipper Limited, a Cayman Islands exempted company with limited liability (**Parent**) and Skipper Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of Parent (**Merger Sub**), pursuant to which Merger Sub will merge with and into the Obligee Party, the Obligor hereby absolutely, unconditionally and irrevocably covenants and agrees with the Obligee Party to pay an amount equivalent to 11.004% (the **Percentage**) of all of the payment obligations of Parent and/or Merger Sub pursuant to Sections 7.17(c), 9.03(c), 9.03(d) and 9.03(e) of the Merger Agreement (collectively, the **Obligations**) in the event that Parent and Merger Sub fail to fulfill their payment obligations of such amount under the Merger Agreement; *provided* that, notwithstanding anything to the contrary contained in this Payment Agreement, in no event shall the Obligor s aggregate liability under this Payment Agreement exceed 11.004% of the Obligations less any amount actually paid by Parent or Merger Sub to the Obligee Party in respect of the Obligations multiplied by the Percentage (the **Maximum Amount**). The Obligee Party acknowledges that in the event that Parent and/or Merger Sub has any unsatisfied Obligations, payment of the Obligor s Percentage of such unsatisfied Obligations by the Obligor (or by any other Person, including Parent and/or Merger Sub, on behalf of the Obligor) whether pursuant to this Payment Agreement or otherwise shall constitute satisfaction in full of the Obligor s obligation with respect thereto. The Obligor shall not have any obligations or liability to any Person relating to, arising out of or in connection with this Payment Agreement other than as expressly set forth herein, and the parties hereto hereby acknowledge and agree that this Payment Agreement may not be enforced without giving effect to the Maximum Amount and Sections 1.08 and 1.09. Concurrently with the delivery of this Payment Agreement, the parties set forth on Annex A (each an **Other Obligor**) are also entering into payment agreements or similar agreements substantially identical to this Payment Agreement with the Obligee Party. Capitalized terms used but not defined in this Payment Agreement shall have the meanings assigned to such terms in the Merger Agreement. All payments hereunder shall be made in lawful money of the U.S., in immediately available funds. The Obligor shall make all payments hereunder free and clear of any deduction, offset, defense, claim or counterclaim of any kind, except as expressly provided in this Payment Agreement. The Obligor acknowledges that the Obligee Party is entering into the Transactions in reliance upon the execution of this Payment Agreement.

Table of Contents

(b) Subject to the terms and conditions of this Payment Agreement, if Parent and/or Merger Sub fails to pay the Obligations when due, then all of the Obligor s liabilities to the Obligee Party hereunder in respect of such Obligations shall become immediately due and payable and the Obligee Party may, at the Obligee Party s option, take any and all actions available hereunder or under applicable Law to collect such Obligations from the Obligor (subject to the Maximum Amount). In furtherance of the foregoing, the Obligor acknowledges that the Obligee Party may, in its sole discretion, bring and prosecute a separate action or actions against the Obligor for the full amount of the Obligor s Percentage of the Obligations (subject to the Maximum Amount), regardless of whether any action is brought against Parent, Merger Sub or any Other Obligor. The Obligor agrees to pay on demand its Percentage of all reasonable and documented out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred by the Obligee Party in connection with the enforcement of its rights hereunder, which amounts, if paid, will be in addition to the Obligations and not included within a determination of the Maximum Amount if the Obligor fails or refuses to make any payment to the Obligee Party hereunder when due and payable.

(c) The parties hereto acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Payment Agreement were not performed in accordance with its specific terms or were otherwise breached and further agree that the Obligee Party shall be entitled to an injunction, specific performance and other equitable relief against the Obligor to prevent breaches of this Payment Agreement and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which it is entitled at Law or in equity, and shall not be required to provide any bond or other security in connection with any such order or injunction. The Obligor further agrees not to oppose the granting of any such injunction, specific performance and other equitable relief on the basis that (x) the Obligee Party has an adequate remedy at Law or (y) an award of an injunction, specific performance or other equitable relief is not an appropriate remedy for any reason at Law or in equity (collectively, the **Prohibited Defense**).

Section 1.02 *Nature of Obligation.* The Obligee Party shall not be obligated to file any claim relating to the Obligations in the event that Parent and/or Merger Sub becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Obligee Party to so file shall not affect the Obligor s obligations hereunder. In the event that any payment to the Obligee Party in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Obligor shall remain liable hereunder with respect to such Obligations (subject to the Maximum Amount) as if such payment had not been made. This is an unconditional obligation of payment and not of collectability. The Obligor reserves the right to assert defenses which Parent and/or Merger Sub may have to payment of any Obligations, other than defenses arising from the bankruptcy or insolvency of Parent or Merger Sub and other defenses expressly waived hereby. The Obligee Party shall not be required to proceed against Parent, Merger Sub or any Other Obligor first before proceeding against the Obligor.

Table of Contents

Section 1.03. *Certain Waivers.*

(a) The Obligor agrees that, subject to Section 1.03(d)(i), the Obligee Party may at any time and from time to time, without notice to or further consent of the Obligor, extend the time of payment of any of the Obligations, and may also make any agreement with Parent, Merger Sub and/or any other Person interested in the Transactions for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Obligee Party, Parent, Merger Sub and/or any other Person interested in the Transactions without in any way impairing or affecting the Obligor s obligations under this Payment Agreement. The Obligor agrees that the obligations of the Obligor hereunder shall not be released or discharged, in whole or in part, or otherwise affected by (i) any failure or delay of the Obligee Party to assert any claim or demand or to enforce any right or remedy against Parent, Merger Sub and/or any other Person interested in the Transactions; (ii) any change in the time, place or manner of payment of the Obligations or any rescission, waiver, compromise, consolidation or other amendment or modification of any of the terms of the Merger Agreement or any other agreement evidencing, securing or otherwise executed by Parent, Merger Sub and the Obligee Party in connection with the Obligations; (iii) any legal or equitable discharge or release (other than as a result of payment in full of the Percentage of the Obligations in accordance with their terms, a discharge or release of Parent and/or Merger Sub with respect to the Obligations under the Merger Agreement, or defenses to the payment of the Obligations that would be available to Parent and/or Merger Sub under the Merger Agreement) of the Obligor or any Person interested in the Transactions; (iv) any change in the corporate existence, structure or ownership of Parent, Merger Sub and/or any other Person interested in the Transactions; (v) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Parent, Merger Sub and/or any other Person interested in the Transactions; (vi) any existence of any claim, set-off or other right which the Obligor may have at any time against Parent, Merger Sub, any other Person interested in the Transactions and/or the Obligee Party, whether in connection with the Obligations or otherwise; or (vii) the adequacy of any other means the Obligee Party may have of obtaining repayment of any of the Obligations. To the fullest extent permitted by Law, the Obligor hereby expressly waives any and all rights or defenses arising by reason of any Law which would otherwise require any election of remedies by the Obligee Party. The Obligor waives promptness, diligence, notice of the acceptance of this Payment Agreement and of the Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of the incurrence of any Obligations and all other notices of any kind (other than notices to Parent and/or Merger Sub pursuant to the Merger Agreement or notices expressly required to be provided pursuant to this Payment Agreement), all defenses which may be available by virtue of any valuation, stay, moratorium Law or other similar Law now or hereafter in effect, any right to require the marshaling of assets of any other Person interested in the Transactions, and all suretyship defenses generally, including, without limitation, any event, condition or circumstance that might be construed to constitute, an equitable or legal discharge of the Obligor s obligations hereunder (other than defenses to the payment of the Obligations that are available to Parent and/or Merger Sub under the Merger Agreement or breach by the Obligee Party of this Payment Agreement). The Obligor acknowledges that it will receive substantial direct and indirect benefits from the Transactions and that the waivers set forth in this Payment Agreement are knowingly made in contemplation of such benefits.

Table of Contents

(b) The Obligor hereby covenants and agrees that it shall not institute, and shall cause its controlled Affiliates and use its reasonable best efforts to cause its other Affiliates, not to institute, any proceeding asserting (i) the Prohibited Defense or (ii) that this Payment Agreement is illegal, invalid or unenforceable in accordance with its terms, subject to (A) the effects of insolvency, bankruptcy, reorganization or other similar proceedings and (B) general equitable principles (whether considered in a proceeding in equity or at Law).

(c) The Obligee Party hereby covenants and agrees that it shall not institute, directly or indirectly, and shall cause all of its Related Persons (as defined below) not to institute, any proceeding or bring any other claim (whether in tort, contract or otherwise) arising under, or in connection with, the Merger Agreement, the Equity Commitment Letters or the transactions contemplated thereby against the Obligor or any Non-Recourse Party (as defined below), except for claims (i) against Parent and/or Merger Sub under the Merger Agreement pursuant to the terms thereof (and subject to the limitations therein) and (ii) against the Obligor and its permitted assignees under this Payment Agreement pursuant to the terms hereof (and subject to the limitations herein).

(d) Notwithstanding anything to the contrary contained in this Payment Agreement, the Obligee Party hereby agrees that: (i) to the extent Parent and/or Merger Sub are relieved of any of the Obligations or any breach by Parent and/or Merger Sub of the Merger Agreement, (other than by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratium or other similar Laws affecting creditors rights generally, or general equity principles (whether considered in a proceeding in equity or at Law)), the Obligor shall be similarly relieved of its obligations under this Payment Agreement, and (ii) the Obligor shall have all defenses to the payment of its obligations under this Payment Agreement (which in any event shall be subject to the Maximum Amount) that would be available to Parent and/or Merger Sub under the Merger Agreement with respect to the Obligations, as well as any defenses in respect of any fraud of the Obligee Party hereunder or any breach by the Obligee Party of any of the terms or provisions of this Payment Agreement.

Section 1.04. *No Waiver; Cumulative Rights.* No failure on the part of the Obligee Party to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Obligee Party of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power hereunder. Each and every right, remedy and power hereby granted to the Obligee Party or allowed it by Law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Obligee Party at any time or from time to time.

Table of Contents

Section 1.05. *Representations and Warranties.* The Obligor hereby represents and warrants to the Obligee Party that:

(a) the Obligor is a legal entity duly organized and validly existing under the Laws of its jurisdiction of organization;

(b) the execution, delivery and performance of this Payment Agreement have been duly authorized by all necessary action and do not contravene (i) any provision of the Obligor s charter documents, partnership agreement, operating agreement or similar organizational documents or (ii) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Obligor to perform its obligations hereunder, any Law, regulation, rule, decree, order, judgment or contractual restriction binding on the Obligor or its assets;

(c) except as would not reasonably be expected to prevent or adversely affect in any material respect the ability of the Obligor to perform its obligations hereunder, (i) all consents, approvals, authorizations and permits of, filings with and notifications to, any governmental authority necessary for the due execution, delivery and performance of this Payment Agreement by the Obligor have been obtained or made and all conditions thereof have been duly complied with, and no other action by and (ii) no notice to or filing with, any governmental authority or regulatory body is required from the Obligor in connection with the execution, delivery or performance of this Payment Agreement;

(d) assuming due execution and delivery of this Payment Agreement by the Obligee Party, this Payment Agreement constitutes a legal, valid and binding obligations of the Obligor enforceable against the Obligor in accordance with its terms, subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar Laws affecting creditors rights generally and (ii) general equitable principles (whether considered in a proceeding in equity or at Law); and

(e) the Obligor has the financial capacity to pay and perform its obligations under this Payment Agreement, and all funds necessary for the Obligor to fulfill its obligations under this Payment Agreement shall be available to the Obligor for so long as this Payment Agreement shall remain in effect in accordance with Section 1.08 hereof.

Section 1.06 *No Assignment.* Neither the Obligor nor the Obligee Party may assign its rights, interests or obligations hereunder to any other Person (including by operation of Law) without the prior written consent of the other party hereto; *provided*, *however*, that the Obligor may assign all or a portion of its obligations hereunder, without the prior written consent of the Obligee Party, to (i) to any Other Obligor, or (ii) any Affiliate of the Obligor or one or more private equity funds sponsored, managed or advised by any such Affiliate, provided that such assignment shall not relieve the Obligor of any liability or obligations hereunder except to the extent actually performed or satisfied by such assignee. Any attempted assignment in violation of this Section 1.06 shall be null and void.

Table of Contents

Section 1.07. *Notices.* All notices, requests and other communications to any party hereunder shall be given in the manner specified in the Merger Agreement (and shall be deemed given as specified therein) as follows:

If to Ellington Investments Pte. Ltd., to:

Ellington Investments Pte Ltd.

60b Orchard Road, #06-18, Tower 2, The Atrium@Orchard

Singapore 238891

Attention: Mukul Chawla; Yiran Liu

Fax: +65-6828-8961; +86-10-6655-3597

Email: mukul@temasek.com.sg; yiran@temasek.com.sg

with a copy to:

Simpson Thacher & Bartlett

ICBC Tower, 35/F

3 Garden Road

Hong Kong

Attention: Kathryn King Sudol

Facsimile: +1-212-455-2502

or to such other address or facsimile number as the Obligor shall have notified the Obligee Party in a written notice delivered to the Obligee Party in accordance with the Merger Agreement. All notices to the Obligee Party hereunder shall be given as set forth in the Merger Agreement.

Section 1.08. *Continuing Obligation.* This Payment Agreement shall remain in full force and effect and shall be binding on the Obligor, its successors and assigns until the Obligations have been satisfied in full. Notwithstanding the foregoing, this Payment Agreement will terminate, and be of no further force or effect, immediately following the earliest of (i) the Closing, (ii) the termination of the Merger Agreement in accordance with its terms by mutual consent of the parties thereto or under circumstances in which Parent and Merger Sub do not have any unpaid Obligations, (iii) 30 days following the termination of the Merger Agreement in accordance with its terms under circumstances in which Parent or Merger Sub have any unpaid Obligations unless a claim for such a payment has been made in writing prior thereto and (iv) the date that is twelve (12) months after the date hereof. Notwithstanding the foregoing, (1) the parties hereto acknowledge and agree that this Payment Agreement shall not terminate for so long as a claim made in accordance with clause (iii) above remains unresolved, and (2) in the event that the Obligee Party or any of its controlled Affiliates asserts in any litigation or other proceeding that the provisions of this Payment Agreement limiting the Obligor s liability to the Maximum Amount are illegal, invalid or unenforceable in whole or in part, or asserts any theory of liability against any Non-Recourse Party or, other than its rights to recover from the Obligor with respect to the Obligations, any Obligor, Parent and/or Merger Sub with respect to the transactions contemplated by the Merger Agreement, then (x) the obligations of the Obligor under this Payment Agreement shall terminate *ab initio* and be null and void, (y) if the Obligor has previously made any payments under this Payment Agreement, the Obligor shall be entitled to recover such payment(s) and (z) neither Obligor nor any Non-Recourse Party shall have any liability to the Obligee Party with respect to the Merger Agreement and the transactions contemplated thereby, the Financing or under this Payment Agreement.

Table of Contents

Section 1.09. *No Recourse*.

(a) The Obligee Party acknowledges that the sole assets of Parent and Merger Sub are its rights under the Merger Agreement, the Financing Documents and the Facility Agreement, and that no funds are expected to be contributed to either Parent or Merger Sub unless and until the Closing occurs. Notwithstanding anything that may be expressed or implied in this Payment Agreement or any document or instrument delivered in connection herewith, by its acceptance of the benefits of this Payment Agreement, the Obligee Party covenants, agrees and acknowledges that no Person (other than the Obligor and any permitted assignees thereof) have any obligations under this Payment Agreement and that, notwithstanding that the Obligor may be a partnership or limited liability company, the Obligee Party has no right of recovery under this Payment Agreement, or any claim based on such obligations against, and no personal liability shall attach under this Payment Agreement to, the former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of the Obligor, any Other Obligor, Parent or Merger Sub, or any former, current or future equity holders, controlling Persons, directors, officers, employees, agents, general or limited partners, managers, members, or Affiliates of any of the foregoing, excluding however the Obligor itself or any permitted assignee thereof under and to the extent provided in this Payment Agreement and subject to the limitations set forth herein (collectively, each of the non-excluded parties, a **Non-Recourse Party**), through Parent and/or Merger Sub or otherwise, whether by or through attempted piercing of the corporate (or limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent and/or Merger Sub against any Non-Recourse Party, by the enforcement of any assessment or by any legal or equitable proceeding, by virtue of any applicable Law, or otherwise, except in each case for its right to recover from the Obligor and any permitted assignees under and to the extent provided in this Payment Agreement and subject to the limitations set forth herein. The Obligee Party acknowledges and agrees that Parent and Merger Sub have no assets other than certain contract rights and cash in a *de minimis* amount and that no additional funds are expected to be contributed to Parent or Merger Sub unless and until the Closing occurs.

(b) Recourse against the Obligor and its permitted assignees under and pursuant to the terms of this Payment Agreement shall be the sole and exclusive remedy of the Obligee Party and all of its Related Persons against the Obligor and the Non-Recourse Parties in respect of any liabilities or obligations arising under, or in connection with, the Merger Agreement, the Financing Documents, the Facility Agreement or the transactions contemplated thereby. Nothing set forth in this Payment Agreement shall affect or be construed to affect any liability of Parent and/or Merger Sub to the Obligee Party under the Merger Agreement or otherwise or give or shall be construed to confer or give to any Person other than the Obligee Party any rights or remedies against any Person, except as expressly set forth in this Payment Agreement.

(c) For the purposes of this Payment Agreement, pursuit of a claim against a Person by the Obligee Party or any Related Person of the Obligee Party shall be deemed to be pursuit of a claim by the Obligee Party. A Person shall be deemed to have pursued a claim against another Person if such first Person brings a legal action against such second Person, adds such second Person to an existing legal proceeding or otherwise asserts a legal claim of any nature against such second Person.

Table of Contents

(d) For the purposes of this Payment Agreement, the term **Related Person** shall mean, with respect to any Person, any controlled Affiliate of such Person, but shall not include Parent, Merger Sub or any of their controlled Affiliates.

Section 1.10. *Release.* By its execution of this Payment Agreement, the Obligee Party hereby covenants and agrees that (a) neither the Obligee Party nor any of its Related Persons, and the Obligee Party agrees to the maximum extent permitted by Law, none of its officers, directors, security holders or representatives, has or shall have any right of recovery against the Obligor or any Non-Recourse Party under the Merger Agreement, or the transactions contemplated thereby or otherwise relating thereto, and to the extent that it has or obtains any such right it, to the maximum extent permitted by law, hereby waives (on its own behalf and on behalf of each of the aforementioned Persons) each and every such right against, and hereby releases, the Obligor and each Non-Recourse Party from and with respect to any claim, known or unknown, now existing or hereafter arising, in connection with any transaction contemplated by or otherwise relating to the Merger Agreement, this Payment Agreement or the transactions contemplated thereby or hereby, whether by or through attempted piercing of the corporate (limited partnership or limited liability company) veil, by or through a claim by or on behalf of Parent, Merger Sub or any other Person against any Non-Recourse Party, or otherwise under any theory of law or equity (the **Released Claims**), other than (i) claims against Parent and/or Merger Sub and (ii) claims against the Obligor and its permitted assignees pursuant to this Payment Agreement (subject to the limitations set forth herein) and (b) recourse against the Obligor and its permitted assignees under this Payment Agreement (subject to the limitations set forth herein) shall be the sole and exclusive remedy of the Obligee Party against the Obligor or any Non-Recourse Party (other than Parent and/or Merger Sub) with respect to the Released Claims.

Section 1.11. *Amendments and Waivers.* No amendment or waiver of any provision of this Payment Agreement will be valid and binding unless it is in writing and signed, in the case of an amendment, by the Obligor and the Obligee Party, or in the case of waiver, by the party against whom the waiver is to be effective. No waiver by any party of any breach or violation of, or default under, this Payment Agreement, whether intentional or not, will be deemed to extend to any prior or subsequent breach, violation or default hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 1.12. *Entire Agreement.* This Payment Agreement constitutes the entire agreement with respect to the subject matter hereof and supersedes any and all prior discussions, negotiations, proposals, undertakings, understandings and agreements, whether written or oral, among Parent, Merger Sub and the Obligor or any of their respective Affiliates on the one hand, and the Obligee Party or any of its Affiliates on the other hand.

Table of Contents

Section 1.13. *Governing Law; Submission to Jurisdiction.* This Payment Agreement shall be governed by and construed in accordance with the Laws of the State of New York, excluding (to the greatest extent a New York court would permit) any rule of Law that would cause the application of the Laws of any jurisdiction other than the State of New York. All Actions arising out of or relating to this Payment Agreement shall be heard and determined exclusively in any New York state or federal court sitting in the Borough of Manhattan of the City of New York. The parties hereto hereby (i) submit to the exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan of the City of New York for the purpose of any Action arising out of or relating to this Payment Agreement brought by any party hereto, and (ii) irrevocably waive, and agree not to assert by way of motion, defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Payment Agreement may not be enforced in or by any of the above-named courts.

Section 1.14. *Waiver of Jury Trial*. Each of the parties hereto hereby irrevocably waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Payment Agreement. Each of the parties hereto (i) certifies that no Representative of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Payment Agreement, as applicable, by, among other things, the mutual waivers and certifications in this Section 1.14.

Section 1.15. *No Third Party Beneficiaries.* Except for the rights of Non-Recourse Parties provided hereunder, the parties hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other parties hereto, in accordance with and subject to the terms of this Payment Agreement and the Merger Agreement, and this Payment Agreement is not intended to, and does not, confer upon any Person other than the parties hereto any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein.

Section 1.16. *Counterparts.* This Payment Agreement may be signed in any number of counterparts and may be executed and delivered by facsimile, email or electronic transmission in PDF format, and each counterpart shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Payment Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Payment Agreement shall have no effect and no party shall have any right or obligations hereunder (whether by virtue of any other oral or written agreement or other communication).

Table of Contents

Section 1.17. *Severability.* If any term or other provision of this Payment Agreement is invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Payment Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party; *provided*, *however*, that this Payment Agreement may not be enforced against any Obligor without giving effect to the Maximum Amount or the provisions set forth in Section 1.03, Section 1.09 and Section 1.10. No party hereto shall assert, and each party shall cause its respective Related Persons not to assert, that this Payment Agreement or any part hereof is invalid, illegal or unenforceable. Upon a determination that any term or provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Payment Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 1.18. *Headings.* Headings are used for reference purposes only and do not affect the meaning or interpretation of this Payment Agreement.

[The remainder of this page has been intentionally left blank;

the next page is the signature page.]

Table of Contents

IN WITNESS WHEREOF, the Obligor has caused this Payment Agreement to be executed and delivered as of the date first written above by its officer thereunto duly authorized.

ELLINGTON INVESTMENTS PTE. LTD.

By: /s/ Ravi Lambah
Name: Ravi Lambah
Title: Authorised Signatory

Acknowledged and agreed as of the date first above written:

ASIAINFO-LINKAGE, INC.

By: /s/ Davin Mackenzie
Name: Davin Mackenzie
Title: Director

[Signature Page to Payment Agreement]

Table of Contents

Annex A

Other Obligors

Power Joy (Cayman) Limited

CPEChina Fund, L.P.

CITIC Capital MB Investment Limited

CBC TMT III Limited

InnoValue Capital Ltd.

Table of Contents

Annex H

FINANCIAL ADVISOR OPINION

Goldman Sachs (Asia) L.L.C. (a Delaware, USA limited liability company)

68th Floor | Cheung Kong Center | 2 Queen s Road Central | Hong Kong

Tel: (852) 2978-1000 | Fax: (852) 2978-0440

PERSONAL AND CONFIDENTIAL

May 12, 2013

Special Committee of the Board of Directors

Asialnfo-Linkage, Inc.

4/F, Zhongdian Information Tower No.6

Zhongguancun South Street

Haidian District, Beijing, China 100086

Gentlemen:

You have requested our opinion as to the fairness from a financial point of view to the holders (other than Skipper Limited (Skipper), the Rollover Stockholders (as defined in the Agreement (as defined below)), the Sponsors (as defined below) and their respective affiliates, collectively, the Excluded Persons) of the outstanding shares of common stock, par value $0.01 per share (the Shares), of Asialnfo-Linkage, Inc. (the Company) of the $12.00 per Share in cash to be paid to such holders pursuant to the Agreement and Plan of Merger, dated as of May 12, 2013 (the Agreement), by and among Skipper, Skipper Acquisition Corporation, a wholly-owned subsidiary of Skipper (Acquisition Sub) and the Company.

Goldman Sachs (Asia) L.L.C. and its affiliates (collectively, Goldman Sachs) are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. Goldman Sachs (Asia) L.L.C. and its affiliates and employees, and funds or other entities in which they invest or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of the Company, Skipper, any of their respective affiliates or any of the respective affiliates and portfolio companies of Power Joy (Cayman) Limited, CITIC Capital (Tianjing) Equity Investment Limited Partnership, CPEChina Fund, L.P., Ellington Investments Pte. Ltd. (Temasek), Al Gharrafa Investment Company (Qatar Investment), AlpInvest Partners Co-Investments 2011 II C.V., AlpInvest Partners Co-Investments 2012 I C.V., AlpInvest Partners Co-Investments 2012 II C.V. (collectively, AlpInvest), CBC TMT III Limited, InnoValue Capital Ltd. (each a Sponsor), each of which is a party to an Equity Commitment Letter (as defined in the Agreement), or any currency or commodity that may be involved in the transaction contemplated by the Agreement (the Transaction) for the accounts of Goldman Sachs (Asia) L.L.C. and its affiliates and employees and their customers. We have acted as financial advisor to the Special Committee of the Board of Directors of the Company (the Special Committee) in connection with, and have participated in certain of the negotiations leading to, the Transaction. We expect to receive fees for our services in connection with the Transaction, the principal portion of which is contingent upon consummation of the Transaction, and the Company has agreed to reimburse our expenses arising, and indemnify us against certain liabilities that may arise, out of our engagement. We also have

H-1

Table of Contents

Goldman Sachs (Asia) L.L.C. (a Delaware, USA limited liability company)

68th Floor | Cheung Kong Center | 2 Queen s Road Central | Hong Kong

Tel: (852) 2978-1000 | Fax: (852) 2978-0440

Special Committee of the Board of Directors

Asiainfo-Linkage, Inc.

May 12, 2013

Page 2

provided certain investment banking services to Temasek and its affiliates and portfolio companies from time to time for which our Investment Banking Division has received, and may receive, compensation, including having acted as joint bookrunning manager with respect to a public offering of 538,962,054 shares of CitySpring Infrastructure Trust, a portfolio company of affiliates of Temasek, pursuant to a rights issuance in September 2011; as financial advisor to Global Crossing Limited, which at the time was a portfolio company of an affiliate of Temasek, in connection with its sale in October 2011; and as joint bookrunning manager with respect to the public offering of 2.375% Notes due 2023 (aggregate principal amount of $1,200,000,000) and 3.375% Notes due 2042 (aggregate principal amount of $500,000,000) by Temasek Financial (I) Limited and guaranteed by Temasek in July 2012. We also have provided certain investment banking services to AlpInvest and its affiliates and portfolio companies from time to time for which our Investment Banking Division has received, and may receive, compensation, including having acted as joint bookrunning manager with respect to a public offering of 34,500,000 shares of common stock of Nielsen Holdings N.V., a portfolio company of AlpInvest, in March 2012. We also have provided certain investment banking services to affiliates of Qatar Investment and their portfolio companies from time to time for which our Investment Banking Division has received, and may receive, compensation. We may also in the future provide investment banking services to the Company, Skipper, the Sponsors and their respective affiliates and portfolio companies for which our Investment Banking Division may receive compensation. Affiliates of Goldman Sachs (Asia) L.L.C. also may have co-invested with certain of the Sponsors and their respective affiliates from time to time and may have invested in limited partnership units of affiliates of certain of the Sponsors from time to time and may do so in the future.

In connection with this opinion, we have reviewed, among other things, the Agreement; annual reports to stockholders and Annual Reports on Form 10-K of the Company for the five fiscal years ended December 31, 2011, certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company; certain other communications from the Company to its stockholders; certain publicly available research analyst reports for the Company; and certain internal financial analyses and forecasts for the Company prepared by its management as approved for our use by the Special Committee (the Forecasts). We have also held discussions with members of the senior management of the Company regarding their assessment of the past and current business operations, financial condition and future prospects of the Company; reviewed the reported price and trading activity for the Shares; compared certain financial and stock market information for the Company with similar information for certain other companies of which the securities are publicly traded; reviewed the financial terms of certain recent business combinations in the Chinese telecom service industry and in other industries; and performed such other studies and analyses, and considered such other factors, as we deemed appropriate.

Table of Contents

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Special Committee of the Board of Directors

Asiainfo-Linkage, Inc.

May 12, 2013

Page 3

For purposes of rendering this opinion, we have, with your consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, us, without assuming any responsibility for independent verification thereof. In that regard, we have assumed with your consent that the Forecasts have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company. We have not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of the Company or any of its subsidiaries and we have not been furnished with any such evaluation or appraisal. We have assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Company or on the expected benefits of the Transaction in any way meaningful to our analysis. We have assumed that the Transaction will be consummated on the terms set forth in the Agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to our analysis.

Our opinion does not address the underlying business decision of the Company to engage in the Transaction, or the relative merits of the Transaction as compared to any strategic alternatives that may be available to the Company; nor does it address any legal, regulatory, tax or accounting matters. This opinion addresses only the fairness from a financial point of view to the holders (other than the Excluded Persons) of Shares, as of the date hereof, of the $12.00 per share to be paid to such holders pursuant to the Agreement. We do not express any view on, and our opinion does not address, any other term or aspect of the Agreement or Transaction or any term or aspect of any other agreement or instrument contemplated by the Agreement or entered into or amended in connection with the Transaction, including, the fairness of the Transaction to, or any consideration received in connection therewith by, the holders of any class of securities, creditors, or other constituencies of the Company; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company, or class of such persons, in connection with the Transaction, whether relative to the $12.00 per share to be paid to the holders of Shares pursuant to the Agreement or otherwise. We are not expressing any opinion as to the impact of the Transaction on the solvency or viability of the Company or Skipper or the ability of the Company or Skipper to pay their respective obligations when they come due. Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof and we assume no responsibility for updating, revising or reaffirming this opinion based on circumstances, developments or events occurring after the date hereof. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Special Committee in connection with its consideration of the Transaction and such opinion does not constitute a recommendation as to how any holder of Shares should vote with respect to such Transaction or any other matter. This opinion has been approved by a fairness committee of Goldman Sachs.

Table of Contents

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Special Committee of the Board of Directors

Asiainfo-Linkage, Inc.

May 12, 2013

Page 4

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the $12.00 per Share in cash to be paid to the holders (other than the Excluded Persons) of Shares pursuant to the Agreement is fair from a financial point of view to such holders.

Very truly yours,

GOLDMAN SACHS (ASIA) L.L.C.

By: /s/ Raghav Maliah
Name: Raghav Maliah
Title: Managing Director

Table of Contents

ANNEX I

DELAWARE GENERAL CORPORATION LAW SECTION 262

Appraisal rights

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder s shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word stockholder means a holder of record of stock in a corporation; the words stock and share mean and include what is ordinarily meant by those words; and the words depository receipt mean a receipt or other instrument issued by a depository representing an interest in 1 or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 255, § 256, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (b)(1) of this section, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 255, 256, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a. and b. of this section; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a., b. and c. of this section.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 or § 267 of this title is not owned by the parent immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

Table of Contents

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting (or such members who received notice in accordance with § 255(c) of this title) with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) of this section that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Each stockholder electing to demand the appraisal of such stockholder s shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder s shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228, § 253, or § 267 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstock corporation, a copy of § 114 of this title. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder s shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder s shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder s shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder s demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder s written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person s own name, file a petition or request from the corporation the statement described in this subsection.

Table of Contents

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder s certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court s decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney s fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder s demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder s demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

Table of Contents

ANNEX J

DIRECTORS AND EXECUTIVE OFFICERS OF EACH FILING PERSON

AsiaInfo-Linkage, Inc.: Set forth below for each director and executive officer of the Company is his respective present principal occupation or employment, the name of the corporation or other organization in which such occupation or employment is conducted and the five-year employment history of each such director and executive officer. None of the Company or any of the Company s directors or executive officers has, during the past five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). None of the Company nor any of the Company s directors or executive officers listed below has, during the past five years, been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Directors of AsiaInfo-Linkage, Inc.

Jian (James) Ding. Mr. Ding served as the Chairman of our Board between April 2003 and July 2010, has served as a Co-Chairman of our Board since July 2010, and has served as a member of our Board since our inception. Mr. Ding is currently a general partner of GSR Ventures, a venture capital fund, a role in which he has served since June 2005. He has served as an independent director of Baidu.com, Inc., a Chinese Internet search company, since August 2005, a director of NetQin Mobile Inc., an NYSE-listed software-as-a-service provider of consumer-centric mobile Internet services, since June 2007, and an independent director of Huayi Brothers Media Corporation, a ChiNext Shenzhen-listed company, since March 2011. He has also served as Chairman of the Board of United ITV, Inc., a provider of distribution and marketing channels in China, from September 2004 to December 2012. He served as our Chief Executive Officer from May 1999 until April 2003, as our Senior Vice President for Business Development and Chief Technology Officer from 1997 to 1999, and as our Senior Vice President and Chief Technology Officer from 1993 to 1997. Mr. Ding received an M.S. in Information Science from the University of California, Los Angeles and is a graduate from the Executive Program of Haas Business School at University of California, Berkeley. Mr. Ding is a citizen of the Hong Kong SAR.

Yungang Lu. Mr. Lu has served as a member of our Board since July 2004. Mr. Lu is now Managing Director of Seres Asset Management Limited, an investment manager based in Hong Kong, where he has served since August 2009. Mr. Lu also serves as a board director of the following listed companies: China Techfaith Wireless Communication Technology Ltd., a handheld device company in China, China Biologic Products Inc., a biopharmaceutical company, and China Cord Blood Corporation, a provider of cord blood storage services in China. From 2004 to July 2009, Mr. Lu was a Managing Director of APAC Capital Advisors Limited, a Hong Kong-based investment manager specializing in Greater China equities. Mr. Lu was a research analyst with Credit Suisse First Boston (Hong Kong), a financial services company, from 1998 to 2004, where his last position was the head of China Research. Before moving to Credit Suisse, he worked as an equity analyst focused on regional infrastructure at JP Morgan Securities Asia, a financial services company, in Hong Kong. Mr. Lu received a B.S. in Biology from Beijing University, an M.S. in Biochemistry from Brigham Young University and a Ph.D. in Finance from the University of California, Los Angeles. Mr. Lu is a citizen of the PRC.

Libin Sun. Mr. Sun has been our Executive Co-Chairman and a member of our Board since July 2010. Mr. Sun founded and served as the Chairman of the Board of Linkage Technologies International Holdings Limited, or Linkage, a telecommunications software company in China, where he also served as its Chief Executive Officer from January 2009 to July 2010 and its President from 1997 to January 2007. Mr. Sun has over 20 years of experience in the software and electronics industries and has been a member of the Standing Committee of Jiangsu Software Industry Association since 2005 and the Director General of the Nanjing Software Export Association since 2003. Mr. Sun received a B.S. in precision electron-machinery engineering from Northwest Telecommunication Engineering College and an M.B.A. from China Europe International Business School. Mr. Sun is a citizen of the PRC.

Sean Shao. Mr. Shao has been a member of our Board since July 2010. Mr. Shao currently serves as (i) independent director and chairman of the audit committee of: UTStarcom Holdings Corp., a provider of broadband equipment and solutions listed on The NASDAQ Stock Market, or Nasdaq, since October 2012; Xueda Education Group, a Chinese personalized tutoring services company listed on the NYSE, since March 2010; China Biologic Products, Inc., a biopharmaceutical company listed on Nasdaq, since July 2008 and Yongye International, Inc., a Chinese agricultural company listed on Nasdaq, since April 2009; and (ii) independent director and chairman of the nominating committee of Agria Corporation, a Chinese agricultural company listed on the NYSE since November 2008. He served as the chief financial officer of Trina Solar Limited from 2006 to 2008. In addition, Mr. Shao served from 2004 to 2006 as the chief financial officer of ChinaEdu Corporation, an educational service provider, and of Watchdata Technologies Ltd., a Chinese security software company. Prior to that, Mr. Shao worked at Deloitte Touche Tohmatsu CPA Ltd. (now Deloitte Touche Tohmatsu Certified Public Accountants LLP) for approximately a decade. Mr. Shao received his master s degree in health care administration from the University of California at Los Angeles in 1988 and his bachelor s degree in art from East China Normal University in 1982. Mr. Shao is a member of the American Institute of Certified Public Accountants. Mr. Shao is a

citizen of Canada.

Table of Contents

Davin A. Mackenzie. Mr. Mackenzie has served as a member of our Board since August 2004. Mr. Mackenzie has served as a consultant for Greater China in the Beijing office of Spencer Stuart, an executive search consulting firm, since February 2012. Mr. Mackenzie has served as a director and a member of the Audit Committee of Mecox Lane Limited, an online platform for apparel and accessories in China, since October 2011. He has served as a director and a member of the Audit Committee of The9 Limited, an online gaming company, since September 2005. He previously founded and served as the Managing Director of Telopea Capital Limited, an investment advisory firm, from December 2009 to February 2012. From April 2008 to December 2009, Mr. Mackenzie was the Managing Director and Beijing Office Chief Representative of Arctic Capital Limited, a private equity firm focused on Asian growth capital and mid-market buyout investments. From September 2000 to March 2008, he was a Managing Director of Peak Capital, a boutique private equity firm focused on Greater China. Prior to Peak Capital, Mr. Mackenzie served for seven years with the International Finance Corporation, the private investment arm of the World Bank, including four years as the Country Manager for China and Mongolia. Prior to the IFC, Mr. Mackenzie served as a senior associate at Mercer Management Consulting, a business consulting firm, in Washington, D.C., and as a manager in the First National Bank of Boston, an international bank, in Taipei, Taiwan. Mr. Mackenzie received a B.A. in Government from Dartmouth College, an M.A. in International Studies from the University of Pennsylvania, and an M.B.A. from the Wharton School at the University of Pennsylvania. He has also completed the World Bank Executive Development Program at the Harvard Business School. Mr. Mackenzie is a citizen of the United States.

Thomas J. Manning. Mr. Manning has been a member of our Board since October 2005. Mr. Manning is a Lecturer in Law at the University of Chicago Law School, where he teaches courses on corporate governance, private equity and U.S.-China policy. He also acts as a corporate board director and advisor and currently serves as an independent non-executive director of three public companies: iSoftStone Information Technology (Group) Co., Ltd., an IT outsourcing company in China, which is listed on the NYSE (since December 2010); Clear Media Limited (HKSE), a leading outdoor media company in China (since October 2012); and Dun & Bradstreet (NYSE), the global leader in corporate information (since June 2013). He has also served as an independent non-executive director of Gome Electrical Appliances Company, a large retailer in China listed on the Hong Kong Stock Exchange, or HKSE, between May 2007 and June 2012. From August 2004 to August 2010, Mr. Manning served as an independent non-executive director of Bank of Communications, a large commercial bank in China and a HKSE-listed company, where he chaired the compensation committee. Mr. Manning served as the Chief Executive Officer of Cerberus Asia Operations & Advisory Limited, a subsidiary of Cerberus Capital Management, a global private equity firm, between April 2010 and June 2012, and the Chief Executive Officer of Indachin Limited, a venture management firm based in Hong Kong, from October 2005 to March 2009; Chairman of China Board Directors Limited, a board advisory firm based in Hong Kong, from August 2005 to April 2010; and a director of Bain & Company, where he was a member of Bain s China Board and head of Bain s information technology strategy practice in the Silicon Valley and Asia from August 2003 to January 2005. Mr. Manning served as Global Managing Director of the Strategy & Technology Business of Capgemini, Chief Executive Officer of Capgemini Asia Pacific, and Chief Executive Officer of Ernst & Young Consulting Asia Pacific, where he led the development of consulting and IT service and outsourcing businesses across Asia from June 1996 to January 2003. Early in his career, Mr. Manning was with McKinsey & Company from August 1979 to September 1985, where he developed a corporate strategy practice for medical industry clients, and Buddy Systems, Inc. a telemedicine company he founded and led from September 1985 to September 1991. He received a bachelor s degree in East Asian Studies from Harvard University and an M.B.A. from the Graduate School of Business of Stanford University. Mr. Manning is a citizen of the United States.

Suning (Edward) Tian. Dr. Tian has served as a member of our Board since our inception. Dr. Tian is the founder and has been the Chairman of China Broadband Capital Partners, L.P., one of the first Chinese TMT sector focused private equity funds since February 2006. Dr. Tian has also served as an independent director of MasterCard Incorporated, a credit card company, since April 2006, a senior advisor of Kohlberg Kravis Roberts & Co., a private equity firm, since November 2006, an independent director of Lenovo Group Limited since August 2007, a nonexecutive director of Media China Limited (formerly Asian Union New Media (Group) LTD), a media company and satellite channel operator in China, since January 2008 and an independent director of Taikang Life Insurance Company Limited, a Chinese life insurance company, since July 2008. From April 2002 to May 2006, he served as Chief Executive Officer of China Netcom (Group) Company Limited (formerly China Netcom Corporation Ltd.), a Chinese telecommunications provider, and Vice President of China Network Communication Group Corporation, a Chinese telecommunications provider. His other directorships include serving as a Director of China Netcom Group between 2001 and May 2006 and Vice Chairman of PCCW Limited, a telecommunications holding company, from April 2005 to March 2007. Prior to joining China Netcom Group in 2002, Dr. Tian and Jian (James) Ding co-founded our company in 1993 and Dr. Tian served as our President through May 1999. Dr. Tian received an M.S. from the Graduate School of the Chinese Academy of Science in Beijing and a Ph.D. in Environmental Management from Texas Tech University. Dr. Tian is a citizen of the PRC.

Xiwei Huang. Dr. Huang has served as a member of our Board since July 2010. Dr. Huang served as our Chief Operating Officer from July 2010 to March 2011. Since April 2011, Dr. Huang has served as the President and Executive Director of Nanjing King-friend Biochemical Pharmaceutical Co., Ltd, a medicine production company in China. Dr. Huang served as a member of the board of directors and Senior Vice President of Linkage from January 2004 to July 2010, where he also served as its Chief Operating Officer and Chief Accounting Officer from January 2009 to July 2010 and as its Vice President overseeing technology from October 1998 to December 2003. Dr. Huang received a B.S. in Electrical Engineering from Nanjing University of Science and Technology, an M.S. in Signal and Information Processing from Nanjing University of Posts and Telecommunications, and a Ph.D. in Information and Electrical Systems from Shanghai Jiaotong University. Dr. Huang is a citizen of the PRC.

Table of Contents

Steve Zhang. Mr. Zhang has been our President and Chief Executive Officer, as well as a member of our Board, since May 2005. Mr. Zhang joined us in December 1999 as Vice President for Software and went on to hold several prominent positions with us, including head of our Software Products Strategic Business Unit, General Manager of our Operations Support Systems Strategic Unit, as well as Chief Technology Officer and Acting General Manager of our China Mobile Customer Account. Mr. Zhang served as President and CEO of AsiaInfo-Linkage Technologies (China), Inc., our wholly owned subsidiary, and also served as legal representative in certain of our subsidiaries. During the ten years before he joined us, Mr. Zhang worked for several successful companies in Silicon Valley, including Blue Martini Software, Inc., Hyperion Solutions, Inc., Arbor Software, Versant Object Technology, Inc. and Sun Microsystems. Mr. Zhang received an M.S. in Computer Science from Rice University and a Doctorate in Information Science from the University of Pisa, Italy. Mr. Zhang is a citizen of the United States.

Executive Officers of AsiaInfo-Linkage, Inc. (other than Steve Zhang and Libin Sun)

Jun (Michael) Wu. Mr. Wu has been our Executive Vice President and Chief Financial Officer since August 2010. Prior to joining us, Mr. Wu served as the Chief Financial Officer of iSoftStone Information Technology (Group) Co., Ltd., an China based IT outsourcing company listed on the NYSE, from March 2008 to August 2010. From May 2006 to March 2008, Mr. Wu served as the Vice President of Finance of HuaWei Technologies, a telecommunications solutions provider in China, where he was responsible for corporate investment, treasury and taxation, planning and reporting, and worldwide financial operation. From March 1997 to July 2005, Mr. Wu was with Lucent Technologies China, the subsidiary of Lucent Technologies Inc., where he led the finance, accounting, contract management and information system functions, and his last position was the Chief Financial Officer of Lucent China. Prior to joining Lucent Technologies, Mr. Wu held various financial management positions with SAP (China) Co. Ltd., and Walls (China) Co. Ltd., a joint venture under Unilever. Mr. Wu holds a Master of Business Administration from the City University, Seattle, Washington and is an accounting graduate from the University of International Business and Economics. Mr. Wu is a citizen of the PRC.

Yadong Jin. Mr. Jin has been our Executive Vice President and Chief Technology Officer since December 2011, and has also served as our General Manager of Marketing since November 2008. Prior to joining us, Mr. Jin served as the Consultation Director of Hewlett-Packard Development Company from January 2005 to November 2008. Mr. Jin received bachelor s and master s degrees in Computer Science from Nanjing University. Mr. Jin is a citizen of the PRC.

Guoxiang Liu. Mr. Liu has been our Executive Vice President since July 2010. Prior to joining us, Mr. Liu served as a member of the board of directors of Linkage from 2004 to July 2010, where he also served as its President from January 2007 to July 2010, as its Senior Vice President overseeing its sales operations from 2004 to January 2007, as its Vice President overseeing its technology center from 1998 to 2004, and as a manager from 1997 to 1998. From 1986 to 1997, Mr. Liu worked as a researcher and lecturer in the computer science department at Nanjing University of Post and Telecommunications. Mr. Liu received a B.S. in Computer Science from Fudan University. Mr. Liu is a citizen of the PRC.

Skipper Limited: Set forth below for each director of Parent is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, Parent does not have any executive officers. During the past five years, neither Parent nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither Parent nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of Skipper Limited

Brian Joseph Doyle. Mr. Doyle is a founding Managing Partner of CITIC Capital Partners Limited (CCPL) and has been with the firm since its establishment in 2002. His business address is Unit 4101, CITIC Square, 1168 Nanjing West Road, Shanghai, 200041, China. Mr. Doyle is a citizen of the United States.

Chan Kai Kong. Mr. Chan is the Chief Financial Officer and a Senior Managing Director of CITIC Capital Holdings Limited (CCHL) and has been with the firm since 2005. His business address is 28/F CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong. Mr. Chan is a citizen of Singapore.

Yuesheng Xin. Mr. Xin is a Managing Director of CCHL and has been with the firm since 2002. His business address is 28/F CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong. Mr. Xin is a citizen of Hong Kong SAR.

Skipper Acquisition Corporation: Set forth below for each director and executive officer of Merger Sub is his or her present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. During the past five years, neither Merger Sub nor any of its directors or executive officers has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither Merger Sub nor any of its directors or executive officers has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Table of Contents

Directors of Skipper Acquisition Corporation

Chan Kai Kong. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Chan.

Executive Officers of Skipper Acquisition Corporation

Brian Joseph Doyle. Mr. Doyle is the President of Merger Sub. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Doyle.

Venus Lam. Ms. Lam is the Secretary of Merger Sub. Ms. Lam is a Manager of Fund Administration at CCPL and has been with the firm since 2008. Her business address is 28/F CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong. Ms. Lam is a citizen of the Hong Kong SAR.

Skipper Holdings Limited: Set forth below for each director of Holdco is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, Holdco does not have any executive officers. During the past five years, neither Holdco nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither Holdco nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of Skipper Holdings Limited

Brian Joseph Doyle. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Doyle.

Chan Kai Kong. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Chan.

Yuesheng Xin. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Xin.

Skipper Investment Limited. Set forth below for each director of CCP Co-Investment Co is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, CCP Co-Investment Co does not have any executive officers. During the past five years, neither CCP Co-Investment Co nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither CCP Co-Investment Co nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of Skipper Investment Limited

Chan Kai Kong. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Chan.

Power Joy (Cayman) Limited: Set forth below for each director of Power Joy is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, Power Joy does not have any executive officers. During the past five years, neither Power Joy nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither Power Joy nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of Power Joy (Cayman) Limited

Brian Joseph Doyle. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Doyle.

Table of Contents

Chan Kai Kong. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Chan.

Rikizo Matsukawa. Mr. Matsukawa is a Managing Director of CCPL and has been with the firm since 2006. His business address is 10/F Hirakawacho Mori Tower, 2-16-1 Hirakawacho, Chiyoda-ku, Tokyo 102-0093, Japan. Mr. Matsukawa is a citizen of Japan.

The sole shareholder of Power Joy is CITIC Capital China Partners II, L.P., a Cayman Islands limited partnership (CITIC CCP II). The general partner of CITIC CCP II is CCP II GP Ltd., a Cayman Islands company (CCP II). CITIC CCP II is principally engaged in the business of investment, and CCP II is principally engaged in managing CITIC CCP II and its investments. The principal business address and telephone number for each of CITIC CCP II and CCP II is c/o CITIC Capital Partners Management Limited, 28th Floor CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, +852-3710-6888. As of the date hereof, CITIC CCP II does not have any directors or executive officers, and CCP II does not have any executive officers. During the past five years, neither CITIC CCP II, CCP II nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither CITIC CCP II, CCP II nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of CCP II GP Ltd.

Brian Joseph Doyle. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Doyle.

Chan Kai Kong. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Chan.

Rikizo Matsukawa. See *Power Joy (Cayman) Limited Directors of Power Joy (Cayman) Limited* beginning on page J-4 for additional information about Mr. Matsukawa.

CITIC Capital MB Investment Limited. Set forth below for each director of CITIC Capital MB is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, CITIC Capital MB does not have any executive officers. During the past five years, neither CITIC Capital MB nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither CITIC Capital MB nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of CITIC Capital MB Investment Limited

Zhang Yichen. Mr. Zhang is the Chief Executive Officer of CCHL and has been with the firm since its establishment in 2002. His business address is 28th Floor CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong. Mr. Zhang is a citizen of the Hong Kong SAR.

Chan Kai Kong. See *Skipper Limited Directors of Skipper Limited* beginning on page J-3 for additional information about Mr. Chan.

Wang Fanglu. Mr. Wang is a Senior Managing Director of CCHL and the Chief Investment Officer of CITIC Kazyna Fund I. Mr. Wang has been with CCHL since 2004. His business address is 28th Floor CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong. Mr. Wang is a citizen of the PRC.

Pan Hongyan. Mr. Pan is a Director of Structured Investment and Finance Group Department of CCHL and has been with the firm since its establishment in 2002. His business address is Suites 4101-02, 4104 & 4106-08, 41/F, CITIC Square, 1168 West Nan Jing Road, Jingan District, Shanghai 200041, China. Mr. Pan is a citizen of the PRC.

CITIC Capital (Tianjin) Equity Investment Limited Partnership: As of the date hereof, RMB Fund does not have any directors or executive officers. During the past five years, RMB Fund has not been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, RMB Fund has not been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

J-5

Table of Contents

The general partner of RMB Fund is CITIC Capital (Tianjin) Investment Management Limited Partnership, a PRC limited partnership (CITIC Capital Tianjin Management), which is principally engaged in the business of investment management. The general partner of CITIC Capital Tianjin Management is Tianjin Yuebo Investment Consultancy Company Limited, a PRC company with limited liability (Tianjin Yuebo), which is principally engaged in the business of investment consultation. The principal address and telephone number for each of CITIC Capital Tianjin Management and Tianjin Yuebo is c/o CITIC Capital Partners Management Limited, 28th Floor CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, +852 3710-6888. As of the date hereof, CITIC Capital Tianjin Management does not have any directors or executive officers, and Tianjin Yuebo does not have any executive officers. During the past five years, neither CITIC Capital Tianjin Management, Tianjin Yuebo nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither CITIC Capital Tianjin Management, Tianjin Yuebo nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Director of Tianjin Yuebo Investment Consultancy Company Limited

Zeng Zhijie. Mr. Zeng is a Senior Managing Director of CCHL and Head of CCHL s Venture Group. Mr. Zeng has been with the firm since 2008. Prior to that, Mr. Zeng served as a Managing Director of Walden International since 2001, for which he was mainly responsible for venture investments in China. Mr. Zeng is a citizen of the PRC.

CPEChina Fund L.P.: Set forth below for each director and executive officer of CPEChina is his or her present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. During the past five years, neither CPEChina nor any of its directors or executive officers has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither CPEChina nor any of its directors or executive officers has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors and Executive Officers of CPEChina Fund L.P.

Changqing Ye. Mr. Ye is a managing director of CITIC PE Advisors (Hong Kong) Limited (CITIC PE Advisors HK) and has held positions with various other entities affiliated with CITIC PE Advisors HK since February 2011. From July 1992 to February 2011, Mr. Ye worked for PricewaterhouseCoopers in China and in the UK, and as a partner of PricewaterhouseCoopers in China between July 2004 and February 2011. Mr. Ye is a citizen of the PRC.

Hongyu Duan. Ms. Duan is a managing director of CITIC PE Investment (Hong Kong) Limited and has held positions with various other entities affiliated with CITIC PE Advisors HK since April 2012. From August 1998 to April 2009, Ms. Duan worked for Merrill Lynch Asia Pacific, as a director between 2004 and April 2009. From February 2010 to March 2011, Ms. Duan worked for PIMCO Asia Limited as a senior account manager. From April 2011 to March 2012, Ms. Duan was self-employed. Mr Duan is a citizen of the Hong Kong SAR.

Ching Nar Cindy Chan. Ms. Chan is the vice president and chief financial officer of CITIC PE Advisors HK and has occupied this position since she joined CITIC PE Advisors HK in July 2010. From August 2009 to June 2010, Ms. Chan was self-employed and provided part time consulting services relating to the watch industry for Yu Hing International Enterprise Limited. From July 2008 to July 2009, Ms. Chan worked for FIL Capital Management (HK) Limited, a wholly owned subsidiary of Fidelity, as Chief Financial Officer. Ms. Chan s job duties as Chief Financial Officer included deal support, fund accounting and tax, and facilitating monitoring and reporting processes, for China and India. From November 2006 to July 2008, Ms. Chan worked for 3i Asia Pacific plc as Asia Financial Controller. Ms. Chan is a citizen of Australia.

The general partner of CPEChina is CITIC PE Associates, L.P. (CITIC PE Associates), a Cayman Islands exempted limited partnership, and the general partner of CITIC PE Associates is CITIC PE Funds Limited, a Cayman Islands exempted company. Both CITIC PE Associates and CITIC PE Funds Limited are principally engaged in the business of investment. The principal business address and telephone number for each of CITIC PE, CITIC PE Associates and CITIC PE Funds Limited is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, +1 345 949 8066.

Qatar Holding LLC. Set forth below for each director and executive officer of Qatar Holding LLC (**QH**) is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director and executive officer. During the past five years, neither QH nor any of its directors or executive officer has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither QH nor any of its directors or

executive officer has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Table of Contents

Directors and Executive Officer of Qatar Holding LLC

H.E. Sheikh Hamad Bin Jassim Bin Jabor Al-Thani. Sheikh Hamad is Chairman of the Board of Directors of QH. During the five year period ending July 7, 2013, Sheikh Hamad served as the Deputy Chairman and Chief Executive Officer of the Qatar Investment Authority (**QIA**) and the Prime Minister and Minister of Foreign Affairs of the State of Qatar. His business address is: Q-Tel Tower, 8th Floor, Diplomatic Area Street, West Bay, P.O. Box 23224, Doha, Qatar. Sheikh Hamad is a citizen of Qatar.

H.E. Sheikh Abdulla Saoud Al-Thani. Sheikh Abdulla is a member of the boards of directors of QIA and QH and the Governor of the Qatar Central Bank and has occupied these positions for the past five years. His business address is: Q-Tel Tower, 8th Floor, Diplomatic Area Street, West Bay, P.O. Box 23224, Doha, Qatar. Sheikh Abdulla is a citizen of Qatar.

H.E. Ahmad Mohamed Al-Sayed. Mr. Al-Sayed has been the Chief Executive Officer of the QIA since July 7, 2013 and a Minister of State of Qatar since May 12, 2013, and for the past 5 years has been the Managing Director, Chief Executive Officer and a member of the board of directors of QH. His business address is: Q-Tel Tower, 8th Floor, Diplomatic Area Street, West Bay, P.O. Box 23224, Doha, Qatar. Mr. Al-Sayed is a citizen of Qatar.

H.E. Yousef Hussain Kamal. Mr. Kamal is a member of the Board of Directors of QH and the Chairman of the Qatar Financial Centre Authority and has occupied this position for the past five years. During the five year period ending July 7, 2013, Mr. Kamal served as a member of the board of directors of QIA and was Minister of Economy and Finance of the State of Qatar. During the five year period ending July 7, 2013, Mr. Kamal served as Chairman of the Qatar National Bank and during the five year period ending July 17, 2013, Mr. Kamal served as a director of Qatari Diar. His business address is: Q-Tel Tower, 8th Floor, Diplomatic Area Street, West Bay, P.O. Box 23224, Doha, Qatar. Mr. Kamal is a citizen of Qatar.

H.E. Dr. Hussain Ali Al-Abdulla. Dr. Al-Abdulla has been a Minister of State of Qatar since May 12, 2013, and for the past 5 years has been a member of the board of directors of QIA, the Vice Chairman of QH and the Chairman of Masraf Al-Rayan (Qatar). His business address is: Q-Tel Tower, 8th Floor, Diplomatic Area Street, West Bay, P.O. Box 23224, Doha, Qatar. Dr. Al-Abdulla is a citizen of Qatar.

Al Gharrafa Investment Company: Set forth below for each director of Al Gharrafa is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. Al Gharrafa does not have any executive officers. During the past five years, neither Al Gharrafa nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither Al Gharrafa nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of Al Gharrafa Investment Company

Omer Abdulaziz H A Al-Marwani. Mr. Al-Marwani is the Acting Chief Operating Officer and Director of Finance Department of QH. Mr. Al-Marwani was the Acting Director of Finance of QH from November 2006 to December 2011, and has been the Acting Chief Operating Officer of QH since December 2012 and the Director of Finance Department of QH since December 2011. His business address is: Q-Tel Tower, 8th Floor, Diplomatic Area Street, West Bay, P.O. Box 23224, Doha, Qatar. Mr. Al-Marwani is a citizen of Qatar.

Khalifa Jassim M A Al-Kuwari. Mr. Al-Kuwari is a Consultant to the Office of the CEO of QH. Mr. Al Kuwari was the Senior Accountant of QH from April 2007 to December 2009, the Deputy Chief Operating Officer of QH from January 2010 to May 2010 and the Acting Chief Operating Officer of QH from May 2010 to November 2012, and has been the Consultant to the Office of the CEO of QH since November 2012. His business address is: Q-Tel Tower, 8th Floor, Diplomatic Area Street, West Bay, P.O. Box 23224, Doha, Qatar. Mr. Al-Kuwari is a citizen of Qatar.

Muhammad Ali Ridzwan Bin Yusof. Mr. Bin Yusof is the Director of Financing and Corporate Affairs of QH. Mr. Bin Yusof was the Risk Analyst of QH from January 2007 to December 2011 and has been the Director of Financing and Corporate Affairs of QH since December 2011. His business address is: Q-Tel Tower, 8th Floor, Diplomatic Area Street, West Bay, P.O. Box 23224, Doha, Qatar. Mr. Bin Yusof is a citizen of Malaysia.

Ellington Investments Pte. Ltd.: Set forth below for each director of Ellington is his or her present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. Ellington does not have any executive officers. During the past five years, neither Ellington nor any of its directors has been convicted in a criminal

proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither Ellington nor any of its directors or executive officers has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Table of Contents

Directors of Ellington Investments Pte. Ltd.

Bee Kheng Goh. Ms. Goh is a Director of Ellington and Managing Director, Finance of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2008. Her business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Ms. Goh is a citizen of Singapore.

Weng Chuen Poy. Mr. Poy is a Director of Ellington and Director, Finance of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2006. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Poy is a citizen of Singapore.

Seow Ling Seah. Ms. Seah is a Director of Ellington and Director, Value Management of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd since 2005. Her business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Ms. Seah is a citizen of Singapore.

The sole shareholder of Ellington is Bartley Investments Pte. Ltd. (Bartley), a Singapore corporation, which is principally engaged in the business of investment holding. The sole shareholder of Bartley is Tembusu Capital Pte. Ltd. (Tembusu), a Singapore corporation, which is principally engaged in the business of investment holding. Set forth below for each director of Bartley and Tembusu is his or her present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. Bartley and Tembusu do not have any executive officers. The sole shareholder of Tembusu is Temasek Holdings (Private) Limited. (Temasek), a Singapore corporation, which is principally engaged in the business of investment holding. Set forth below for each director and executive officer of Temasek is his or her present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director or executive officer. The principal business address and telephone number for each of Bartley, Tembusu and Temasek is 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore, +65-6828-6828. During the past five years, none of Bartley, Tembusu, Temasek or any of their respective directors or executive officers has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, none of Bartley, Tembusu, Temasek or any of their respective directors or executive officers has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of Bartley Investments Pte. Ltd.

Weng Chuen Poy. Mr. Poy is a Director of Bartley and Director, Finance of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2006. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Poy is a citizen of Singapore.

Ooi Keong Lee. Mr. Lee is a Director of Bartley and Director, Risk Management of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2008. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Lee is a citizen of Malaysia.

Directors of Tembusu Capital Pte. Ltd.

Yue Joo Chia. Ms. Chia is a Director of Tembusu and Managing Director, Legal & Regulations of Temasek International Pte. Ltd. Her business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Ms. Chia is a citizen of Singapore.

Whye Lin Yeo. Ms. Yeo is a Director of Tembusu and Director, Human Resources of Temasek International Pte. Ltd. Her business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Ms. Yeo is a citizen of Singapore.

Directors and Executive Officers of Temasek Holdings (Private) Limited.

Suppiah Dhanabalan. Mr. Dhanabalan is Chairman of Temasek and has held this position since 1996. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Dhanabalan is a citizen of Singapore.

Ching Ho. Ms. Ho is Executive Director and CEO of Temasek and has been with Temasek since 2002. Her business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Ms. Ho is a citizen of Singapore.

J-8

Table of Contents

Hong Pak Kua. Mr. Kua is a Director of Temasek and Managing Director and Group CEO of ComfortDelGro Corporation Limited, which is principally engaged in the business of land transport. His business address is: 205 Braddell Road, East Wing 7th Floor, Singapore 579701, Singapore. Mr. Kua is a citizen of Singapore.

Yew Lin Goh. Mr. Goh is a Director of Temasek and Managing Director of GK Goh Holdings Limited, which is principally engaged in the business of investment holding. His business address is: 50 Raffles Place, #33-00, Singapore Land Tower, Singapore 048623, Singapore. Mr. Goh is a citizen of Singapore.

Ming Kian Teo. Mr. Teo is a Director of Temasek and has held this position since 2006. Prior to Temasek, Mr. Teo was Permanent Secretary in the Ministry of Finance, with a business address of The Treasury, 100 High St, Singapore 179434, Singapore, and National Research and Development, National Research Foundation in the Prime Minister s Office for the government of Singapore, with a business address of 1 CREATE Way, #12-02, CREATE Tower, Singapore 138602, Singapore. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore . Mr. Teo is a citizen of Singapore.

Marcus Wallenberg. Mr. Wallenberg is a Director of Temasek and Chairman of Foundation Asset Mgmt Sweden AB, which is principally engaged in the business of asset management. His business address is: Arsenalsgatan 4, 3rd fl., Stockholm Sweden. Mr. Wallenberg is a citizen of Sweden.

Jown Leam Michael Lien. Mr. Lien is a Director of Temasek and Executive Chairman of Wah Hin and Company Private Limited, which is principally engaged in the business of investment holding. His business address is: One Raffles Place, #51-00, Singapore 048616, Singapore. Mr. Lien is a citizen of Singapore.

Wai Keung Cheng. Mr. Cheng is a Director of Temasek and Chairman and Managing Director of Wing Tai Holdings Limited, which is principally engaged in the businesses of property investment and development, lifestyle retail and hospitality management. His business address is: 3 Killiney Road, #10-01, Winsland House 1, Singapore 239519, Singapore. Mr. Cheng is a citizen of Singapore.

Boon Heng Lim. Mr. Lim is a Director of Temasek and has held this position since 2012. Prior to Temasek, Mr. Lim was Minister in the Prime Minister s Office for the government of Singapore, with a business address of Orchard Road, Istana, Singapore 238823, Singapore. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Lim is a citizen of Singapore.

Yuen Kuai Lucien Wong. Mr. Wong is a Director of Temasek and Chairman and Senior Partner of Allen & Gledhill LLP, which is principally engaged in the business of providing legal services. His business address is: One Marina Boulevard, #28-00, Singapore 018989, Singapore. Mr. Wong is a citizen of Singapore.

Wai Ching Chan. Ms. Chan is Co-Head of the Corporate Development Group and Head of Organisation and Leadership of Temasek International Pte. Ltd. Her business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Ms. Chan is a citizen of Singapore.

Hock Kuan Cheo. Ms. Cheo is Senior Managing Director of Special Projects of Temasek International Pte. Ltd. Her business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Ms. Cheo is a citizen of Singapore.

Song Hwee Chia. Mr. Chia is Head of the Investment Group and Co-Head of China of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2011. Prior to Temasek International Pte. Ltd., Mr. Chia was Executive Vice President and Chief Operating Officer of GLOBALFOUNDRIES Singapore Pte Ltd, which is principally engaged in the business of semiconductor manufacturing services, with a principal business address of 60 Woodlands Industrial Park D Street 2, Singapore 738406, Singapore and was employed by GLOBALFOUNDRIES Singapore Pte Ltd beginning in 2009. Prior to GLOBALFOUNDRIES Singapore Pte Ltd, Mr. Chia was President & Chief Executive Officer of Chartered Semiconductor Manufacturing Ltd, which is principally engaged in the business of semiconductor manufacturing, with a principal business address of 60 Woodlands Industrial Park D Street 2, Singapore 738406, Singapore. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Chia is a citizen of Singapore.

John Cryan. Mr. Cryan is Co-Head of Portfolio & Strategy Group, President of Europe, Head of Credit Portfolio, Head of Portfolio Strategy and Head of Africa of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2012. Prior to Temasek International Pte. Ltd., Mr. Cryan was Chairman & CEO, EMEA of UBS AG, which is principally engaged in the business of providing investment banking, asset management and wealth management services, with a principal business address of 1 Finsbury Avenue, London, EC2M 2PP. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Cryan is a citizen of Great Britain.

J-9

Table of Contents

Gregory L. Curl. Mr. Curl is President of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2010. Prior to Temasek International Pte. Ltd., Mr. Curl was employed as Vice Chairman at Bank of America, which is principally engaged in the business of providing banking and financial services, with a principal business address of Bank of America Corporate Center, 100 North Tryon Street, Charlotte, NC 2825. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Curl is a citizen of The United States of America.

Wei Ding. Mr. Ding is Head of China of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2011. Prior to Temasek International Pte. Ltd., Mr. Ding was Managing Director, Executive Chairman of the CICC Investment Banking Committee and Head of the Investment Banking Division of China International Capital Corporation, which is principally engaged in the business of providing financial services, with a principal business address of 28th Floor, China World Office 2 No.1 Jian Guo Men Wai Avenue, Beijing 100004, The People s Republic of China. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Ding is a citizen of Hong Kong.

Nagi Hamiyeh. Mr. Hamiyeh is Co-Head of the Enterprise Development Group, Senior Managing Director of Investment, Head of Australia & New Zealand, Head of the Middle East and Co-Head of Africa of Temasek International Pte. Ltd. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Hamiyeh is a citizen of Singapore.

David Heng. Mr. Heng is Co-Head of the Markets Group, Senior Managing Director of Investment and Head of South East Asia of Temasek International Pte. Ltd. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Heng is a citizen of Singapore.

Ravi Lambah. Mr. Lambah is Senior Managing Director of Investment, Co-Head of India and Co-Head of South East Asia of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2012. Prior to Temasek International Pte. Ltd., Mr. Lambah was employed as Chief Operating Officer of Singapore Technologies Telemedia Pte Ltd, which is principally engaged in the business of providing information-communication services, with a principal business address of 1 Temasek Avenue, #33-01, Millenia Tower, Singapore 039192, Singapore and was employed by Singapore Technologies Telemedia Pte Ltd beginning in 2010. Prior to Singapore Technologies Telemedia Pte Ltd, Mr. Lambah was employed as Managing Director of Global Investment Banking by Citi Global Markets, India, which is principally engaged in the business of providing financial services, with a principal business address of 4th Floor Bakhtawar Nariman Point, Mumbai 400021, India. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Lambah is a citizen of India.

Theng Kiat Lee. Mr. Lee is President and General Counsel of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2012. Prior to Temasek International Pte. Ltd., Mr. Lee was President & CEO of Singapore Technologies Telemedia Pte Ltd and STT Communications Ltd, which are principally engaged in the business of information-communication services, with a business address of 1 Temasek Avenue, #33-01, Millennia Tower, Singapore 039192, Singapore. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Lee is a citizen of Singapore.

Wai Leng Leong. Ms. Leong is Chief Financial Officer, Head of the Corporate Development Group and Co-Head of Singapore of Temasek. Her business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Ms. Leong is a citizen of Singapore.

Dilhan Pillay Sandrasegara. Mr. Sandrasegara is Head of the Enterprise Development Group, Head of Singapore, Co-Head of Portfolio Management and Co-Head of Europe of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2010. Prior to Temasek International Pte. Ltd., Mr. Sandrasegara was Managing Partner of WongPartnership LLP, which is principally engaged in the business of providing legal services, with a business address of 12 Marina Boulevard Level 28, Marina Bay Financial Centre Tower 3, Singapore 018982, Singapore. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Sandrasegara is a citizen of Singapore.

Moon Ming Seah. Mr. Seah is Senior Managing Director of Special Projects of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2013. Prior to Temasek International Pte. Ltd., Mr. Seah was Deputy CEO & President of Defence Business of Singapore Technologies Engineering Ltd, which is principally engaged in the business of providing engineering solutions in the aerospace, electronics, land systems and marine sectors, with a business address of 51 Cuppage Road, #09-08, Singapore 229469, Singapore. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Seah is a citizen of Singapore.

Rohit Sipahimalani. Mr. Sipahimalani is Co-Head of the Investment Group, Head of India and Co-Head of the Middle East of Temasek International Pte. Ltd. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr.

Sipahimalani is a citizen of Singapore.

Table of Contents

Boon Sim. Mr. Sim is Head of the Markets Group, President of the Americas and Co-Head of Credit Portfolio of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2012. Prior to Temasek International Pte. Ltd., Mr. Sim was Global Head of the Mergers & Acquisitions Group of Credit Suisse Securities (USA) LLC, which is principally engaged in the business of providing financial services, with a principal business address of 11 Madison Avenue, New York, NY 10010. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Sim is a citizen of The United States of America.

Chong Lee Tan. Mr. Tan is Head of the Portfolio & Strategy Group, Head of Portfolio Management, Head of Strategy, Co-Head of Singapore and Co-Head of the Americas of Temasek International Pte. Ltd. and has been with Temasek International Pte. Ltd. since 2011. Prior to Temasek International Pte. Ltd., Mr. Tan was Country Executive of South East Asia & Head of Corporate & Investment Banking of South East Asia of Bank of America Merrill Lynch, which is principally engaged in the business of providing banking and financial services, with a principal business address of 2 Harbourfront Place, Singapore 098499, Singapore and was employed by Bank of America Merrill Lynch beginning in 2010. Prior to Bank of America Merrill Lynch, Mr. Tan was Co-Head of Investment Banking of South East Asia of Goldman Sachs (Singapore) Pte, which is principally engaged in the business of providing financial services, with a principal business address of 1 Raffles Link, #07-01, South Lobby, Singapore 039393, Singapore. His business address is: 60B Orchard Road, #06-18, Tower 2, The Atrium@Orchard, Singapore 238891, Singapore. Mr. Tan is a citizen of Singapore.

AlpInvest Partners Co-Investments 2011 II C.V., AlpInvest Partners Co-Investments 2012 I C.V., AlpInvest Partners Co-Investments 2012 II C.V.: As of the date hereof, neither AlpInvest 2011 II, AlpInvest 2012 I nor AlpInvest 2012 II has any directors or executive officers. Set forth below for each director and executive officer of AlpInvest Partners B.V., which owns and controls (i) AlpInvest Partners 2011 B.V., being the general partner of AlpInvest Partners Co-Investments 2011 II C.V., (ii) AlpInvest Partners 2012 I B.V., being the general partner of AlpInvest Partners Co-Investments 2012 I C.V. and (iii) AlpInvest Partners 2012 II B.V., being the general partner of AlpInvest Partners Co-Investments 2012 II C.V., is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. During the past five years, neither any AlpInvest Entity nor any of the directors or executive officers of AlpInvest Partners B.V. has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither any AlpInvest Entities nor any of its directors or executive officers has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors and Executive Officers of AlpInvest Partners B.V.

Volkert Doeksen. Mr. Doeksen is the co-founder, Chairman of the Board and Managing Partner of AlpInvest Partners. His business address is Jachthavenweg 118, 1081 KJ Amsterdam, The Netherlands. Mr. Doeksen is a citizen of The Netherlands.

Paul de Klerk. Mr. De Klerk is the co-founder, Chief Financial Officer and Chief Operating Officer of AlpInvest Partners. His business address is Jachthavenweg 118, 1081 KJ Amsterdam, The Netherlands. Mr. De Klerk is a citizen of The Netherlands.

Glenn A. Youngkin. Mr. Youngkin is the Managing Director and the Chief Operating Officer of the Carlyle Group. Mr. Youngkin joined the Carlyle Group in 1995. From October 2010 to March 2011, he served as an Interim Chief Financial Officer of the Carlyle Group. His business address is 1001 Pennsylvania Avenue, NW Suite 220 South Washington, DC 20004, USA. Mr. Youngkin is a citizen of the United States of America.

Jacques P. Chappuis. Mr. Chappuis is the Global Head of the Solutions Business Segment of the Carlyle Group. He has held this position since 2013. Prior to this, Mr. Chappuis has been with Morgan Stanley since 2006, and served as the Managing Director at Morgan Stanley and as the Head of Alternative Investments at Morgan Stanley Global Wealth Management Group between 2009 and 2013. Mr. Chappuis is a citizen of the United States of America.

CBC TMT III Limited: Set forth below for each director of CBC is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, CBC does not have any executive officers. During the past five years, neither CBC nor any of its directors or executive officers has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither CBC nor any of its directors or executive officers has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

J-11

Table of Contents

Director of CBC TMT III Limited

Edward Tian. See AsiaInfo-Linkage, Inc. Directors of AsiaInfo-Linkage, Inc. beginning on page J-1 for additional information about Dr. Tian.

InnoValue Capital Ltd: Set forth below for each director InnoValue is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, InnoValue does not have any executive officers. During the past five years, neither InnoValue nor any of its directors or executive officers has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither InnoValue nor any of its directors or executive officers has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Director of InnoValue Capital Ltd

Liu Tzu-Lien. Ms. Liu is the Director of InnoValue and has been with the firm since its establishment in 2006. Her business address is No. 113-3, Sec. 1 An-Ho Road, Taipei 106, Taiwan. Ms. Liu is a citizen of Taiwan.

PacificInfo Limited. Set forth below for each director of PacificInfo is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, PacificInfo does not have any executive officers. During the past five years, neither PacificInfo nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither PacificInfo nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Director of PacificInfo Limited

Edward Tian. See *AsiaInfo-Linkage, Inc. Directors of AsiaInfo-Linkage, Inc.* beginning on page J-1 for additional information about Dr. Tian.

New Media China Investment I, Ltd. Set forth below for each director of New Media is his present principal occupation or employment, the name of the organization in which such occupation or employment is conducted and the five-year employment history of such director. As of the date hereof, New Media does not have any executive officers. During the past five years, neither New Media nor any of its directors has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors). During the past five years, neither New Media nor any of its directors has been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or a finding of any violation of federal or state securities laws.

Directors of New Media China Investment I, Ltd.

Jian (James) Ding. See *AsiaInfo-Linkage, Inc. Directors of AsiaInfo-Linkage, Inc.* beginning on page J-1 for additional information about Mr. Ding.

Table of Contents

ANNEX K

PRELIMINARY PROXY MATERIAL SUBJECT TO COMPLETION

ASIAINFO-LINKAGE, INC.

SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby revokes any proxy previously given and appoints Shanniang (Deborah) Lv and Jun (Michael) Wu, or either of them, as proxies, each with full power of substitution, to represent and vote as designated on the reverse side, all the shares of common stock of AsiaInfo-Linkage, Inc. (the **Company**) held of record by the undersigned on , 2013, at the special meeting of stockholders to be held at local time, on , 2013, at or any adjournment or postponement thereof, and further authorizes each such proxy to vote at his or her discretion on any other matter that may properly come before the meeting or any adjournment or postponement thereof.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED STOCKHOLDER. IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE PROPOSALS LISTED ON THE REVERSE SIDE. IF OTHER MATTERS THAN THE PROPOSALS LISTED ON THE REVERSE SIDE ARE PRESENTED AT THE SPECIAL MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF, THE PERSONS NAMED ABOVE WILL VOTE IN ACCORDANCE WITH THEIR DISCRETION WITH RESPECT TO THOSE MATTERS.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE OR VOTE BY INTERNET OR TELEPHONE FOLLOWING THE INSTRUCTIONS ON THE REVERSE SIDE.

(Continued and to be signed on the Reverse Side)

Table of Contents

THERE ARE THREE WAYS TO VOTE: BY INTERNET, TELEPHONE OR MAIL

Internet and telephone voting is available 24 hours a day, 7 days a week through

11:59 PM Eastern Time the day prior to the special meeting date.

Your Internet or telephone vote authorizes the proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

INTERNET	TELEPHONE	MAIL
www.investorvote.com/tickersymbol	1-800-652-VOTE (8683)	
Go to the website listed above.	Use any touch-tone telephone.	Mark, sign and date your proxy card.
Have your proxy card ready.	Have your proxy card ready.	Detach your proxy card.
Follow the simple instructions that appear on your computer screen.	Follow the simple recorded instructions.	Return your proxy card in the postage-paid envelope provided.

Please Vote, Sign, Date and Return Promptly in the Enclosed Postage-Paid Envelope

Table of Contents

q **DETACH PROXY CARD HERE TO VOTE BY MAIL** q

The Board of Directors, acting on the unanimous recommendation of the special committee composed entirely of independent directors, recommends a vote FOR the adoption of the merger agreement. Our board of directors also recommends a vote FOR Proposal 2 and a vote FOR Proposal 3.

	FOR	AGAINST	ABSTAIN
1. To adopt the Agreement and Plan of Merger, dated as of May 12, 2013 (the **merger agreement**), among the Company, Skipper Limited (**Parent**) and Skipper Acquisition Corporation (**Merger Sub**), as it may be amended from time to time, providing for the merger of Merger Sub with and into the Company (the **merger**), with the Company surviving the merger as a wholly owned subsidiary of Parent.	¨	¨	¨
2. To approve, on an advisory, non-binding basis, the agreements or understandings with and items of compensation payable to, or which may become payable to, the named executive officers of the Company that are based on or otherwise relate to the merger.	¨	¨	¨
3. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement.	¨	¨	¨

Note: Please sign your name exactly as it appears hereon. If signing as attorney, executor, administrator, trustee or guardian, please give full title as such, and, if signing for a corporation, give your title. When shares are in the names of more than one person, each should sign.

Dated:

Signature:

Title or Authority:

Signature (if held jointly):