

China

Employment

Labor Concerns

The requirement that employers in China remunerate employees in cash only, rather than in negotiable securities, is unlikely to be problematic provided that purchase rights are clearly designated as bonuses paid alongside regular cash wages.

Communications

The translation of Plan documents is recommended but not required. Government filings must be in Mandarin.

Regulatory

Securities Compliance

There are generally no specific laws or regulations that address equity incentive programs offered by foreign issuers to their Chinese resident-employees. As an exception, the Securities Law applies to all entities engaged in the issuance of securities in China. Under the Securities Law, if securities are issued to more than 200 specified persons, the issuance may constitute a “public offering” of securities.

A “public offering” is subject to approval from the China Securities Regulatory Commission (the “**CSRC Approval**”). However, there is currently no formal process in place to obtain CSRC Approval for stock-based equity awards by a foreign company to its Chinese resident employees.

Foreign Exchange

Operating the Plan in China is likely to require the approval of the State Administration of Foreign Exchange (“**SAFE**”), which operates a specific regime dealing with the withdrawal, outflow and conversion of foreign currencies in relation to equity-based compensation plans. The regime will involve the Subsidiary or another agent establishing a special onshore account through which all Plan-related payments must be made. Obtaining approval for the Plan may be time-consuming and costly, with many documents requiring translation. Following the initial approval, quarterly reports are required on the status of the Plan.

Data Protection

It is recommended that an employer discloses its data processing activities to all employees and that an employer obtains employee consent prior to transferring his or her personal data outside of China.

Tax

Employee Tax Treatment

Employees who are taxable for Chinese individual income tax purposes are subject to individual employment income tax on the spread on purchasing the Stock. Such employees are also subject to individual income tax on the gain realized from the sale of the Stock.

Social Insurance Contributions

Income from the exercise of purchase rights may be subject to social insurance contributions, including the Unified Pension Fund, depending on the practice and position taken by the local labor and social insurance bureau.

Tax-Favored Program

In certain circumstances, employees may be able to defer the payment of tax upon approval from the local tax authorities over a period of up to six months.

Withholding and Reporting

If the Subsidiary is involved in the offer of benefits to its employees, and is charged for the related costs incurred, it is likely withholding and reporting are required.

Employer Tax Treatment

The Subsidiary should be able to claim a deduction for the reasonable costs it incurs due to its involvement in the Plan, provided the recipients are employees of the Subsidiary and those costs are related to its business operations.

This summary is intended to reflect local law and practice as at 1 May 2013. Please note, however, that recent amendments and legal interpretations of the local law may not be included in these summaries. In addition, corporate governance, administration, and plan design factors that are specific to your company may impact how the local laws affect the company's equity based compensation plans.

With these matters in mind, companies should not rely on the information provided in this summary when implementing their stock plans.