Restricted Stock and RSUs

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 restricted stock or RSU awards 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

Provided that the restricted stock and RSUs are granted to a limited number of employees of the same company for no cost and are not assignable by the employees, then the receipt of restricted stock or RSUs, as a matter of current practice by the China Securities Regulatory Commission (the "**CSRC**"), should not be subject to Chinese securities regulatory formalities.

Under the Securities Law, if securities are issued to more than 200 specified persons, the issuance may constitute a "public offering" of securities, which is subject to approval from the CSRC (the "**CSRC Approval**"). Therefore, if a foreign company issues stock-based equity awards to a large number of Chinese employees, such awards may also be subject to the CSRC Approval. However, at present, there is no formal process in place to obtain such CSRC Approval for the issuance of 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 employees and that an employer obtains its employees' consent prior to transferring their personal data outside of China.

Tax

Employee Tax Treatment

Employees eligible for Chinese individual income tax purposes as residents will be subject to such tax on the fair market value of the Stock, which is taxed as employment income, when the restricted stock or RSU award vests. Such employees are subject to Chinese individual income tax on the gain realized from the sale of Stock.

Social Insurance Contributions

Income from the restricted stock or RSUs 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

Under current PRC tax rules, it is understood that the proceeds derived from the vesting of RSUs are treated as employment income and can be taxed separately from monthly salary income and therefore a lower marginal tax may apply to the equity based gains subject to certain registration requirements with the local tax bureau. If the Subsidiary fails to comply with these registration requirements, any income related to RSUs will be taxed together with the participant's salary income for that month so that participants will potentially be taxed at a higher marginal tax bracket on the total proceeds.

China (cont.)

Withholding and Reporting	If the Subsidiary is involved in the offer of Plan benefits to its employees and is charged for the related costs incurred, the Subsidiary shall withhold and pay the relevant individual income tax and file individual income tax returns with the tax authorities when the restricted stock or RSU award vests. Upon the implementation of the Plan, the Subsidiary may also be required to submit the Plan to the local tax bureau.
Employer Tax Treatment	The Subsidiary is likely to be eligible for deduction of any reasonable costs that 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.