

PwC China Automotive Capability Statement 2019 Edition



普华永道

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Introduction



A handwritten signature in black ink, appearing to be 'Wilson Liu' in a stylized cursive script.

Wilson Liu

China Automotive Leader



Dear clients,

Thank you for your patronage over the years. With your support, PwC China Hong Kong is the #1 Professional Services Firm for the largest automotive market in the world.

Global auto sales continued to surplus 90million in 2018. Surprisingly, China market posted negative growth(-2.8%) for the first time in the past 3 decades, impacted by soured macro condition and weakening consumer confidence. Moreover, the European and US markets have been stagnant since last year which enhanced a weakening global topline. India and Russia are two markets that grew 8.8% and 12.8% respectively. Looking forward, we keep a positive outlook for China market. We predict a 5.0% CAGR from 2018 to 2024, reaching 33.6m. China will continue to be the major growth engine to the global automotive market with estimated volume contribution of 44.1%.

All market forces have been busy developing its strategy layout in areas of new energy vehicles (NEV), car sharing, connected car, and autonomous driving. New and old forces combat each other. New products and services mushroomed, which will benefit consumers. Meanwhile, as the market matures, used car, Auto finance, aftermarket against the traditional value chain have welcomed numerous opportunities, but also brought more challenges to market operators. C-suites need to review the company identity, value proposition, product & service offering, and capability system to adapt to the changes.

PwC China's Automotive Team is an integral part of our global automotive network which consists of 4,800 partners and client service professionals focused on providing services across the entire automotive value chain. We are confident that no other professional services firm can match our qualifications, experience, global reach, thought leadership, and ability to deliver comprehensive services. Thus, be it financial, regulatory, operational, or strategic, we are eager to collaborate with you to develop solutions which will pave the way for your organisation's long term success in China and on the world stage.

Please contact us to find out how our services and capabilities can create value for you and your business.

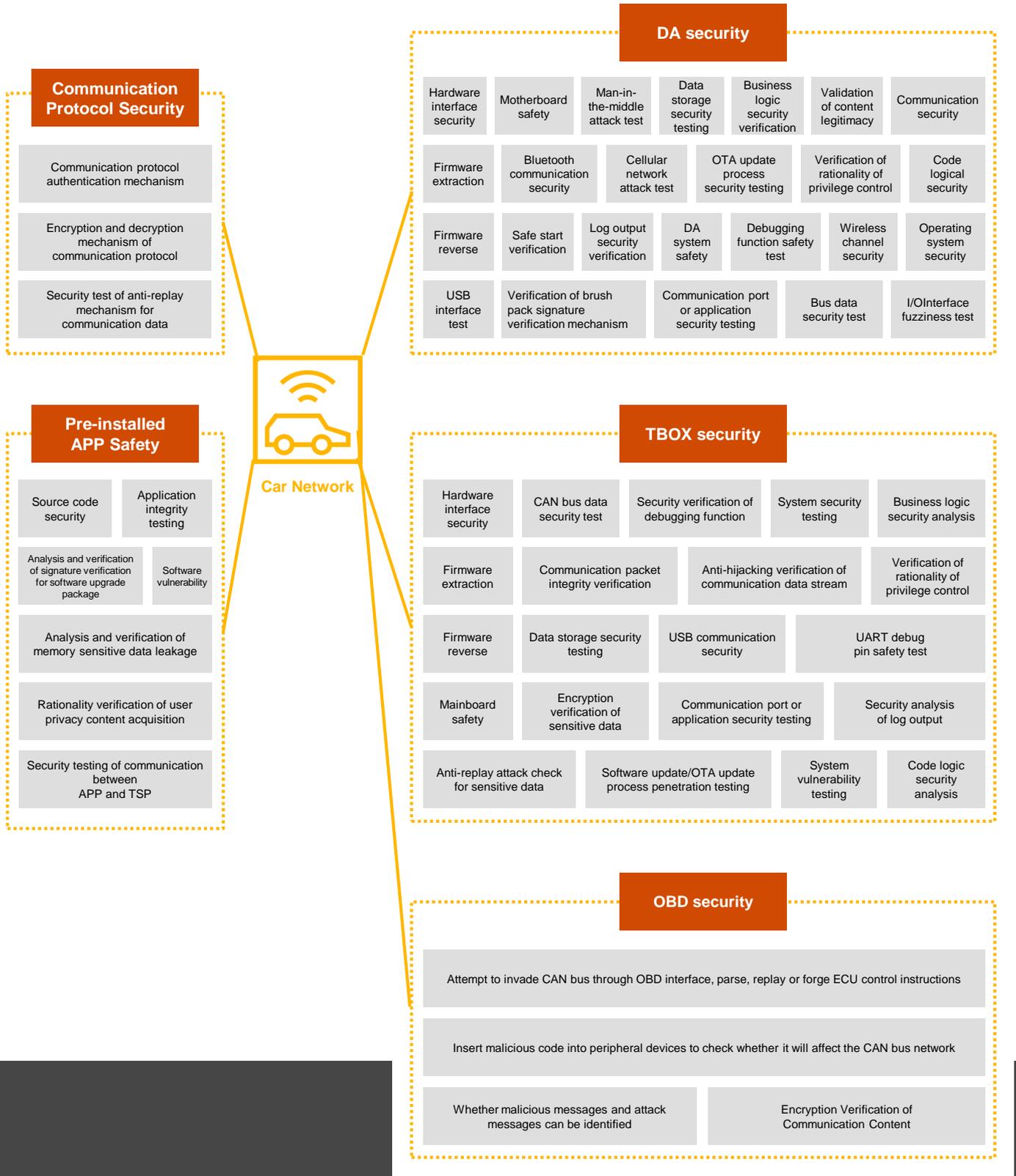


Automotive
industry hot
topics and trends



Issue 1: Challenges of vehicle safety and vehicle owner personal information protection in the age of Internet of Vehicle (“IoV”)

The security management functions and technical functions of the internal office business for vehicle enterprises can no longer meet the compliance challenges of vehicle information security operation (IoV operation) in the era of the IoV and the collection of a large number of car owners' personal information.



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PwC ranks first in IoV Cyber Security service

We have set up a professional IoV Cyber Security laboratory in Guangzhou, with security technical review experience of different OEMs., We have accumulated a wealth of experience in vehicle-side and non-vehicle-side safety testing technology; and established a comprehensive management experience of the vehicle owner's personal information protection system when the OEM runs the car network system.



PwC Guangzhou IoV Cyber Security Lab
(Full security technical review for vehicle-side hardware such as T-BOX/DA)

IoV network Penetration test



1

- Vehicle-side component testing
- Non-vehicle-side component testing
- Vehicle safety Risk assessment

Cybersecurity law Personal privacy protection compliance



2

- As Is Review
- Gap Analysis
- Compliance advice

Set up IoV Cyber Security and Privacy Management Framework



3

- Management framework
- Roles and responsibilities
- Daily operating mechanism
- Emergency response mechanism
- Internal audit mechanism

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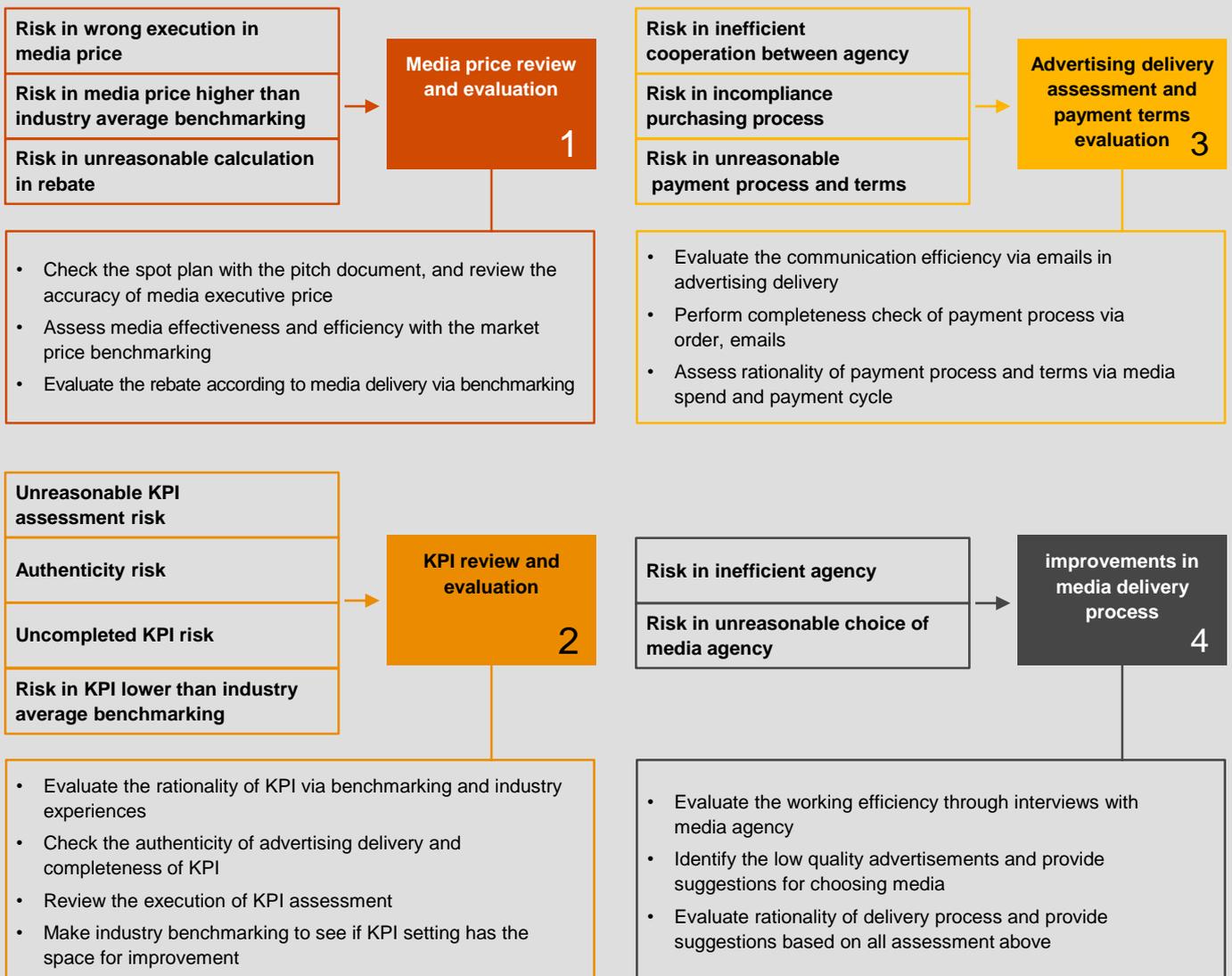
Issue 2: Media cost control based on stagnating automotive industry

In 2017, China's automotive industry grew slowly, especially in passenger cars. Compared with the high growth rate of 18% in 2016, retail sales' growth rate was only 2% in 2017. China's passenger car market was slowing down due to the abolition of sales tax policy, stagnating economy, Sino-US trade friction and weak domestic demand. In the first Q3 in 2018, total sales of automobile was 204,906,000. There was an increase of 1.49% above the corresponding period of previous year. Growth rate is slowing down in the past few years, which indicates an alarming development of the whole industry.

Despite the stagnating holding quantity of automotive industry, advertising delivery is increasing year by year, but media types show diversity. We are investigating whether the advertising fee has been implemented reasonably and if the outcomes have live up to expectation.

How we can help

We can help motor enterprises identify various risks during media delivery, and solve the problems caused by these risks. We will assist in keeping unreasonable advertising cost under control, plus discover the upside potential through advanced statistic analysis techniques. And provide strategies to improve the current situation.



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Issue 3: Opportunities for dealer network management in downturn

There are opportunities in a market downturn for dealers who face customers daily and OEMs who struggle with their production and sales plans. Given the recent market trend, naysayers say car dealers will go out of business because of their capital investment overhead burden and inventory funding costs. Even if the dealer store is rented, to avoid huge purchase cost of the land, the annual rental would still be significant, and similar to financing expenses of capital investment. Online new retail portal sites still rely on brick and mortar stores to sell and service cars, therefore the overhead expenses would always occur somewhere. So not much can be done for initial costs and overhead.

The critical factor to increase efficiency is inventory funding costs. OEM and dealers must work together to better align customer needs and production, ordering and shipping, so as to minimise unnecessary inventory financing and shipping lead time. OEM should no longer blindly push dealers to pile up stock. It is in their interest to help dealers order the right inventory. This can be done through inventory pooling among dealers and inventory financing during shipping. In addition, collaboration between OEM and New Retail online portal would create new synergy and new solution.

How we can help

- Dealer network profitability turnaround and operation efficiency improvement
- Dealer inventory financing innovative solutions
- Dealer new car sales and used car trade-in business transformation

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Issue 4: Artificial Intelligence for automotive sales and service

Auto makers hoped to develop and maintain a direct relationship with consumers and own the valuable data. This would enable faster and smarter response to market and more sales opportunity through data mining. But it is not easy to own and run an efficient network of 4S stores, so established OEMs rely on their dealers for day-to-day customer relationship and data management. While Tesla have made a breakthrough in "owning the customer" what they achieved in channel management can hardly be repeated by OEMs who have long established dealer network and intricate dealer relationships. The rise of AI has enabled OEMs to own their customers data without causing unnecessary issues with the dealer network. OEMs could leverage AI to offer online robotic sales and service support to help customers better understand and compare features and offerings, then predict their needs for service. This will allow OEMs to obtain valuable data along the customer journey while empowering its dealers to provide more insightful advice and precise services.

How we can help

- AI, robotic sales & service solutions design and development
- Integrated AI marketing
- Robotic marketing content development and maintenance
- OTO New Retail Strategy and Transformation

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Issue 5: Research and Development (R&D) expense of new energy automotive corporations

New energy automotive corporations will incur huge outlay of R&D expenses to innovate in design and production. The following problems related to R&D expenses should be taken into consideration:

- R&D expenses shall be treated differently under the CAS, US GAAP and IFRS. The focus of the corporation shall be put on the differences of the regulations of the presentation and disclosure.
- For the automotive corporations under the CAS and IFRS, rational accounting estimates should be applied to judge the reasonableness of the capitalisation of the R&D expenses.
- The R&D expenses require an accurate and complete consideration as well as thorough understanding of tax regulations to avoid taxation risk.

How we can help

We can assist corporations to collect all the R&D expenses and provide a professional solution, which includes:

- assist automotive corporations to follow ad-hoc accounting policies, establish a customised and reasonable accounting systems and produce an accurate adjustment of the differences.
- assist automotive corporations to set out the capitalisation date and timing of the amortisation. Therefore the corporations are able to make better essential accounting judgements and estimations.
- assist automotive corporations to set out the management regulation and accounting policies aiming to collect and record various R&D expenses. We offer tax compliance services to reduce the tax liability and avoid taxation risks in compliance with regulatory requirements.

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Issue 6: Revenue recognition of new energy automotive corporations

Due to the complexity of the revenue recognition for new energy automotive, the specific high-risk areas are:

- The way to set out the relative revenue recognition policies and provide reasonable disclosures;
- The new energy automotive corporations involve various government subsidies, including those for car dealers, car manufacturers and customers. In addition, some subsidies can be granted only if the new energy automotive meets certain requirements. It is the most complicated problem whether and when those subsidies should be recognised as revenue.
- It is a key accounting judgment whether the purchases and sales related to outsourcing should be offset in the case of new energy automotive corporations with consigned production.
- New energy automotive corporations have various selling expenses, for example, the channel fees, marketing and advertising fees, rebates and etc. It is an important accounting judgment whether the expenses should be directly deducted from sales or included in sales expenses.

How we can help

We can assist you to analyse the judgement and estimation of revenue recognition from all aspects. Our capabilities include:

- assist automotive corporations to establish revenue and disclosure policy in line with CAS, IFRS and US GAAP according to the specific business model;
- assist automotive corporations to make specific analysis of revenue recognition, determine the method of recognition and timing of government subsidies;
- assist automotive corporations to make key accounting judgment and invite professionals to help make accounting policy of delegated production corporation.
- analyse the selling expenses according to their nature and assist the corporation to judge whether certain expenses should be deducted from revenue or recognised as selling expenses according to the nature and the substance of services.

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Issue 7: Challenges raised by ecommerce law

China's ecommerce market has been record high in the past decade. Companies operating at various levels of the auto value chain are increasingly embracing online commercial activities, either as platform carriers and/or vendors operating on a platform. In response to the explosive growth of the ecommerce sector and the emerging compliance issues, the National People's Congress promulgated the Ecommerce Law in August 2018, which became effective on 1 January 2019.

The new Law outlined a very complicated regulatory landscape by lifting the platform obligations, improving protection of consumer interests, enhancing IP protection, highlighting privacy security, and building up a multi-layered accountability system. How to assess the applicability of the Ecommerce Law, identify the role under the law and sort out the corresponding regulatory obligations and make a compliance action plan has become an urgent task that all companies operating in or exploring the Chinese online auto market have to achieve.

How we can help

PwC's compliance team combines the expertise of legal, risk control, technology and industry experts. Our capabilities in ecommerce law compliance include:

1. Ecommerce Law compliance health check and remediation
2. Cyber security and data protection compliance against the requirements of the Ecommerce Law, the Cybersecurity Law and their implementing rules and national standards
3. Cross-border data transfer security assessment
4. Assistance in multi-layer protection scheme self-grading
5. Legal documents (user terms, privacy policy, platform contracts, etc.) review and/or drafting
6. Prize-giving sales compliance
7. Advertisement compliance
8. Unfair competition compliance
9. Antitrust compliance
10. Non-compliance incident investigation
11. Third-party management

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Issue 8: Dealer group financial management transformation

In recent years, due to increasingly fierce competition in automotive retail market, dealers' profit has been squeezed. It becomes key for dealer groups to explore customer value and identify new profit growth opportunity. Additionally, dealer groups expand rapidly through acquisitions. More efforts should be put in enhancing management to mitigate the risk associated with rapid expansion. Lean management has become inevitable for dealer groups.

On the one hand, the traditional finance function can no longer support the implementation of lean management. Dealer groups need to drill down data to more detailed level and identify value from multi-dimensional analysis, to reduce costs and increase operational efficiency,

On the other hand, dealer groups can replace repetitive manual tasks with automation tools, reducing the labor cost.

How we can help

- Accurately accrue sales support and bonus and track the collection;
- Establish business intelligence analytical platform, specific topic includes:
 - Customer value analysis
 - Comprehensive expense analysis; evaluation of commission
 - Group pricing strategy evaluation
- Robotic process automation (RPA) in finance function

Issue 9: Dealer network profit analysis and forecast in digital age

In digital age and fast-changing market, automotive OEMs must embrace the changes and react quickly. On the one hand, OEMs should integrate financial and business data in decision-making to acquire in-depth insight on dealers' operating status. Meanwhile, in order to identify growth opportunities and detect operating risk, it's also important to forecast the trends in dealer profitability. However, in reality, OEMs are facing a variety of challenges on the road to digital transformation.

- Lack effective analysis methodology to process large scale of dealer data; And traditional reporting can hardly facilitate decision-making in the rapidly changing market.
- Business data and financial data are disconnected, therefore the result of profitability analysis can not lead to effective business action plan.
- Lack of forward-looking analysis, or forecast is detached from business reality.

Given the current situation, we'd suggest OEMs build connection between business and finance by establishing effective data analysis system, meanwhile, increase agility in analysis leveraging business intelligence platform.

How we can help

- Establish comprehensive data analysis system, integrating business and finance
- Establish flexible business intelligence analytical platform
- Business plan and dealer network profitability forecast

A photograph of a highway scene. In the foreground, a yellow van is driving on a multi-lane asphalt road. Behind the road is a concrete barrier. In the background, a large concrete overpass is under construction, with visible rebar and scaffolding. The sky is blue with some clouds. A yellow text box is overlaid on the image, containing the text 'PwC's Automotive Practice'.

PwC's Automotive Practice

PwC China Automotive Sector

Overview of PwC China

Our highly qualified, experienced professionals provide invaluable advice, help resolve business issues and maximise future opportunities for organisations across Asia. Moreover, our industry specialisation allows us to help co-create innovative solutions for our client's sector of interest.

PwC China has over 17,000 partners and staff located in the following cities: Beijing, Shanghai, Tianjin, Chongqing, Shenyang, Dalian, Xi'an, Chengdu, Qingdao, Nanjing, Suzhou, Wuhan, Hangzhou, Ningbo, Xiamen, Guangzhou, Shenzhen, Hong Kong.

Whether you are expanding operations in China or require in-depth knowledge in the automotive industry, we can help you to achieve your objectives with our practical approach, extensive resources and thorough market knowledge. Our professionals will work with you to satisfy all your business demands and continue to set ourselves apart from our competitors through our excellent service.

Representative Multi-National Companies

AB Volvo	Ford	JLR	Toyota
BMW	General Motors	Johnson Controls	Volkswagen
Caterpillar	GITI Tire	Tesla	Yazaki
Daimler	Goodyear	Nissan	
FCA	Honda	Robert Bosch	

Representative Chinese Clients

BAIC	China Grand Auto	FAW	Jiangling
BYD	Nio	Foton	SAIC
Chery	Dongfeng	GAC	Sinotruck
China Automotive System	EHI	Geely	Yanfeng Visteon



Overview of PwC's Assurance and Actuarial Capabilities in China

PwC has been adding value by providing professional services to automotive companies for more than 30 years. We help companies confront the industry's various challenges by developing effective solutions and strategies.

Assurance and Actuarial Services

We have the knowledge and experience to help you with complex financial accounting issues such as valuations, pensions, share plans, listings, deal advisory, GAAP conversions (US GAAP and IFRS), corporate treasury and company secretarial functions.

Our member firms audit many of the world's best-known automotive companies and thousands of other organisations. Our audit approach, at the leading edge of best practice, is tailored to suit the size and nature of your organisation and draws upon our extensive industry knowledge. Our deep understanding of regulation and legislation means we can also help with complex reporting issues involving Sarbanes-Oxley, US GAAP and International Financial Reporting Standards (IFRS).

Additionally, we are leaders in the development of non-financial performance reporting, helping our automotive clients respond to the need for greater transparency, improved corporate governance and business models based on the principles of sustainability.

Financial statement audits

In today's business environment there is more scrutiny and scepticism of a company's financial statements than ever before. Investors expect more: greater reliability, more oversight and clear evidence of internal controls. Corporate management, boards and audit committees, internal and external auditors, analysts and other investment professionals all have important roles in rebuilding investor trust by executing their respective responsibilities. Meeting investor expectations begins with the completeness and accuracy of information contained in a company's financial statements.

For organisations that require an audit for statutory or regulatory reasons associated with the filing of their annual and periodic financial information, we can provide high quality audit services. We also address any specific regulatory reporting requirements such as those under Sarbanes-Oxley S404 for SEC registrants, including foreign private issuers.

PwC's work takes into account all current and, prospective auditing, accounting, reporting regulations and guidance. Our audit clients include many of the world's leading multinational corporations, as well as small and medium-sized companies and a significant number of local authorities and public sector bodies.

Corporate reporting

We can assist organisations that need to ensure the quality and credibility of internal management information, external disclosures and, in particular, non-financial indicators. Our professional leadership on issues related to non-financial performance reporting is not limited to simply advocating reform. We helped pioneer the concept and practice of Value Reporting — the most comprehensive and robust approach to reporting transparency available in the marketplace.

Capital market transactions

For companies seeking to raise debt or equity capital in capital markets, we can provide an independent view of the critical issues involved in accessing a particular capital market. Our advice is tailored to whether you are a smaller, entrepreneurial company unfamiliar with the IPO process or a sophisticated national or multinational company that regularly uses the international capital markets. For companies considering going public or spinning off part of their business, we have the experience and expertise to position the entity to go public and then take an active part in making the event successful when it happens.

Financial accounting

Organisations that need quality accounting advice, we have the breadth and depth of knowledge and technical expertise to help. We are the world's leading audit and assurance organisation. Our audit clients include more than a third of the FTSE 100 and Fortune 500 for the fiscal year ended 2014. Our financial accounting and accounting technical advice, support tools, guidance and training will help improve the quality of your company's financial reporting.

For non-audit clients, we provide broader range of accounting advisory services in complex transactions and augmentation support.

Regulatory compliance

In the face of market uncertainty and growing demands from stakeholders, a disciplined, formalised but effective approach to managing risk can help companies become risk resilient. In doing so, firms will avoid unanticipated losses and provide the clarity and framework necessary to enable confident, risk informed decision making.

For companies that are anticipating and reacting to compliance and regulatory requirements to support performance objectives, sustain value and protect the organisational brand, we provide a range of services to help you achieve compliance.

Our advisory services include project management assistance, technical support, risk assessment and scoping activities, documentation and evaluation assistance, training, quality assurance and review. For non-audit clients, we can support you in the evaluation and remediation of controls.

We help clients address risk management, control and compliance issues including:

- Sarbanes-Oxley Section 404 readiness, process improvement and sustainability services
- China SOX
- PN21 (Hong Kong listing regulations)
- Compliance with other regulatory requirements (e.g., Turnbull, FATCA, Basel II-IV, King)
- Audits upon exit of management personnel

Effective internal audit and control

To maximise the value and effectiveness from the internal audit function, an understanding of the organisation's objectives, risk management priorities, regulatory environment and the diverse needs of its critical stakeholders is required.

Our Risk Assurance professionals bring the right mix of internal audit and internal control consulting experience, knowledge of the automotive industry and highly specialised technical skill sets into your internal audit function. We provide:

- full outsourcing, including a dedicated, specialised automotive industry core service team
- co-sourcing of selected technical, geographic or automotive industry-specific capabilities
- financial and operational business process controls reviews, including process transformation as it relates to system implementations
- Quality Assurance Reviews to assess conformance with IIA standards
- fraud risk assessments, anti-fraud framework maturity assessments and control enhancement and support (to help prevent fraud incidents from reoccurring)
- review of internal audit strategy and transformation with the aim of reducing cost, improving performance, increasing accountability and developing metrics
- Enterprise Risk Management (ERM) and governance, risk, and compliance services

Independent controls and systems & process assurance

Our Risk Assurance professionals also provide services related to the assessment of financial reporting processes, business processes and IT management controls. Serving both audit and non-audit clients, we provide :

- financial and operational applications or business control reviews
- database security controls and IT general controls reviews
- infrastructure security, third party assurance and opinion services
- Sarbanes-Oxley readiness, process improvement and sustainability services
- compliance with other regulatory requirements (Turnbull, King)
- due diligence on systems and controls
- pre and post-implementation systems reviews
- project assurance and data services (CAATs, data quality reviews)
- computer security reviews

Information technology

ERP systems are becoming increasingly vital across all aspects of business as the expectation of it being able to reap substantial benefits and reduce costs continue to prevail. As a metaphorical “central nervous system” for organisations, ERP systems potentially introduce financial and operational risks into organisations that lack a well designed control infrastructure.

Our Risk Assurance practice provides a wide range of system process and control related services, including financial and operational processes as well as IT management controls.

We can assist firms with:

- implementation of the optimal mix of internal controls for managing data systems
- provide continued configuration and maintenance to align systems with your business requirements
- managing system implementation projects with multiple vendors

Auto financing

Retail auto-financing has been increasing at a low rate as Chinese clients continue to prefer concluding transactions with cash payments or informal financing arrangements. However, we can work with you to:

- understand and influence consumer behaviour
- comprehend and comply with CBRC regulations
- increase diversity of funding sources
- enhance customer-oriented operations
- drive product innovation

Data quality review

As automotive OEMs and suppliers continue to experience high production and sales volume growth in China, the need to enhance systems and procedures grows greater. We can assist in conducting end-to-end reviews of data capture quality to cope with challenges such as:

- maintain accurate data for cost accumulation
- warranty estimation
- supply chain optimisation
- accurately estimate network profitability
- identify risk dealers



Overview of PwC's Tax Capabilities in China

Tax Services

At PwC, we combine our understanding of the business and economic environment with specialised tax knowledge to help you:

- reduce tax risks and meet compliance obligations
- improve financial efficiency by understanding and managing the tax contribution your business makes to the government

We are determined to help you meet your tax objectives by asking the right questions to provide the clearest understanding of your current situation and construct a successful tax strategy tailored for your organisation.

At PwC China:

- We are the only big 4 firm, which has an exclusive tax service team for Automotive Industry
- We focus on Automotive Industry and the specialised tax areas;
- We cooperate and provide cross-LOS tax services to enhance value for automotive clients
- We cover a wide range of the value chain of Automotive Industry

Indirect taxes

Indirect taxes in China comprise of Value Added Tax (VAT), Business Tax (BT), Consumption Tax (CT), and Customs Duty (CD) and together are the largest contributors to government taxation revenue. During the past 3 years, BT, CT, CD and VAT, continually account for over 60% of total China tax revenue.

Indirect taxes may form a large portion of a business's overall tax burden and have a significant impact on its bottom-line.

Inefficient management of indirect taxes may decrease profitability and increase working capital requirements (cash flow) and risks. Our extensive global network of indirect tax

professionals and strong relations with tax authorities and policy makers ensure that we are able to provide you with:

- immediate updates on rules, rates and jurisprudence
- continuous monitoring of policy developments
- support on the BT to VAT transformation undergoing in China
- indirect tax strategies that efficiently minimise the impact of these taxes on your financials and risk portfolio
- improve indirect tax efficiency of your supply chain and daily operation
- support when considering (re)structuring and M&A
- set up and smooth your indirect tax compliance
- support indirect tax inspections and litigation

We take a multi-disciplinary approach to indirect taxes by integrating our specialist industry networks. China indirect tax practice contains local and international indirect tax experts including former government officials.

Our practice is also supported by PwC's Global Indirect Tax Network consisting of indirect tax experts around the world. We have dedicated teams that co-ordinate our client service to ensure execution within agreed timeframes.

Our indirect tax services include:

Indirect Tax Compliance Service: Focus on optimising indirect tax compliance processes, including:

- taxpayer registration
- VAT invoice issuance and management
- monthly indirect tax return filing
- annual indirect tax reconciliation
- export VAT refund filing
- VAT training

BT to VAT transformation assistance: China has launched the BT to VAT transformation Pilot Program, the transition from BT to VAT will have a profound impact on your business. To prepare for the transition will require considering many business, commercial and technical issues. Our professional assistance include:

- impact study and analysis
- assist in making action plan
- workshop and staff training
- contract review and comment
- assist in implementation
- cross border VAT exemption record filing

Legislation & policy support : work closely with decision maker, passing appeal to authorities efficiently for legislation lobbying, including regulation updates and alerts.

Supply chain review service: generate indirect tax savings and improving tax related cash flow management and improve supply chain efficiency by reviewing and re-structuring supply chain.

Risk and opportunity assessment review service: determine indirect tax healthiness, reduce indirect tax compliance risk, explore-indirect tax cost saving areas and look for opportunities to improve administrative efficiency and compliance through establishing KPI, tailored training and proactive interaction with authorities.

Turnover tax health check and turnover tax internal control review service: identify indirect tax risks and look for opportunities to improve administrative efficiency and compliance through detailed review of the daily operation, process, tax treatments, accounting, invoice management, tax reporting, etc.

Dispute resolution service: formulate proven strategies to achieve win-win situation for resolving disputes with minimal financial and reputation exposure.

Service provider evaluation service: review performance of 3rd party service providers to save costs, ensure compliance and improve performance.

Accounting and Payroll (A&P) Outsourcing/Co-sourcing services

Our A&P team deliver value to clients by serving as an open platform covering all back office functions, with core business in accounting and payroll services. Being the driver and project manager for cross functional activities, we enhance the service delivery efficiency and value.

We are able to create accounting infrastructure to enable data classification at transaction levels and mitigate the period end compliance pressure and enhance better resources deployment. We would also take the best practice of the industry to save unnecessary time for creating the same tasks. Our strong capabilities in setting up financial systems would facilitate clients to optimise their global system to fulfil local requirements, or simply build their own PRC local system on a parallel basis. Our services include:

- initial set-up of accounting and payroll system
- monthly & annual statutory accounting and bookkeeping services/ accounts management services
- payroll & PRC Individual Income Tax (IIT) calculation and net salary payment arrangement
- registration and monthly compliance work on social benefits and housing fund
- epay solutions (personal website to distribute individual payslips and other personal pay items)
- special projects, such as accounting review, secondment services (e.g. Finance Manager, Accountant, Cashier, HR), Co-sourcing services (working with client on a specific project/period), cashier management services, support various auditing, GAAP conversion, payroll compliance review, payroll structuring, employee leave management, etc.
- trust account services (settle payroll, social benefits and housing fund contributions, and PRC IIT through our trust account)
- company secretarial services, such as assist in corporate set-up and annual inspection or updates/alteration on registration certificates, custody of client's assets, etc.

International assignment service

Deployment of talent is a key factor of success for automotive companies that operate in more than one country or region. Regardless of the objective — knowledge sharing, implementation of management processes, expansion into new territories — assignees are vital to global growth.

Our International Assignment Services (IAS) provides fully integrated solutions to clients in every aspect of international mobility including tax, immigration, social security, foreign exchange, mobility consulting, assignment management, expatriate compensation and benefits. This multi-disciplinary approach, coupled with our geographic coverage, enables our clients to access a vast amount of knowledge and expertise in every location, through a centralised client relationship team.

Our IAS tax team can help clients prepare tax-efficient international assignment structures and policies that meet your business needs by ensuring compliance with the regulations where the workforce is deployed.

Tax function effectiveness

Internal control deficiencies, financial restatements, inefficient processes, outdated technology and resource shortages combine to become a compelling catalyst for action. Given this pressure to do more with existing resources, automotive companies require a flexible and comprehensive solution to address the operating performance of their tax function.

A high-performing tax department is essential to advance business interests and decrease overall risk. Regular reviews of your tax function's performance will help your company manage sudden regulation changes and emerging market trends.

Our Tax Function Effectiveness (TFE) service can help your tax department improve its process, control, governance, financial reporting, tax compliance and planning functions. Our service include several key areas:

- tax function review, including policy and regulation, tax management process, internal control, technology and governance
- technical competency assessments
- tax provision, compliance and other technology
- tax implementation guidance for specific automotive industry issue
- tax management process/governance design or re-engineering
- process improvements and implementation support
- tax strategy and risk management
- tax function design, role descriptions and reporting lines
- internal controls remediation
- process documentation and operations manuals

Our TFE services can ensure your tax management meet and surpass expectations by having:

- improved control and more accurate documentation
- greater collaboration between tax, finance and other core business units
- increased focus on strategic objectives and process efficiency
- more accurate tax accounting balances and forecasts
- control over timely generation of tax accounting obligations
- immediate access to tax controls, process re-engineering or tax technology implementation support
- more effective tax leadership

- more efficient HR practices, personnel development and decreased unexpected overtime
- greater ability to attract and retain talent

International tax services

The accelerating pace of tax regulatory developments, new business models and evolving information technologies make the efficient management of an international business increasingly more complex.

Tax departments must be proficient in both internal and external developments to achieve a competitive worldwide effective tax rate that is fully aligned with corporate strategy, planning and operations.

Our international tax services professionals have a wealth of experience to help firms address your cross-border needs. Our teams advise on all aspects of international taxation such as:

- tax efficient holding company locations
- cross border financing and treasury solutions
- income tax treaties, profit repatriation and loss utilization
- inbound and outbound structuring
- managing intellectual property and intangible assets
- tax efficient supply chain and shared services
- regional tax issues such as consolidated tax group
- business models
- JV/deal negotiations
- regulatory approval in China and targeted regions
- valuation support

Transfer pricing

Transfer pricing is a term used to describe inter-company pricing relating to transactions between related business entities. These can include transfers of intellectual property, tangible goods, services, loans or other financing transactions.

The role of transfer pricing in international tax has recently attracted a high level of international attention, due to the rapid rise of multinational trade, the opening of several significant developing economies and transfer pricing's increased impact on corporate income taxation. As multinational corporations evolve into true global enterprises, compliance with the differing requirements of multiple overlapping tax jurisdictions has become a complicated and expensive task.

In response to these factors, tax authorities around the world have become more aggressive in the transfer pricing arena, introducing stricter penalties, new documentation requirements, increased information exchange, improved audit staff training as well as increased audits and inspections. This intense scrutiny implies significant risks for the unwary and unprepared, particularly in a complex field such as transfer pricing where each transaction must be analysed under its own unique circumstances. In the automotive industry, tax authorities have focused on location savings, market premium, intra-group services, intangibles and the interaction with the customs.

With increasing scrutiny of transfer pricing activity by tax authorities worldwide we can assist you in developing tax-efficient structures that help increase compliance with legal requirements, prepare for rapid audit response, resolve transfer pricing disputes and decrease transfer pricing exposure in future. We can assist in:

- advance pricing agreements (APAs)
- tax controversy and dispute resolution
- documentation and planning
- Value Chain Transformation™ or Global structure alignment

Research and Development incentive services

Since 2015, China has released a series of extended Research and Development regulations to emphasise the leading role of enterprises as innovators and encourage R&D. The R&D incentives enterprises can enjoy is extended, and the application process is simplified. But the incentive management has also been strengthened. Under such circumstance, while the R&D incentives are welcomed by business operations, it is challenging for the companies to enjoy the incentives eligibly and effectively.

Leveraging on valuable experience and methodologies of our global service network, PwC established Research and Development incentive services team within PwC China in early 2015, which is a full-time specialised service team providing R&D incentive services to enterprises.

The service team has close contact with Ministry of Science and Technology, State Administration of Taxation and local Science and Technology and taxation bureaus to retain the most updated status for both R&D related regulations and local practices. Our service team is composed of technology experts from various industry disciplines and experienced accounting and tax experts. Equipped with the combined technology and accounting/tax knowledge, and advanced working methodology.

Our service covers all types of R&D incentives

- Research & Development Expenditure Super Deduction
- High and New Technology Enterprise tax incentive
- Software Enterprise tax incentive
- Advanced Technology Enterprise tax incentive
- Integrated Circuit Enterprise tax incentive
- Government technology incentive funds
- Other taxation incentives relevant to R&D

For automotive companies, Research and Development Expenditure Super Deduction and High and New Technology Enterprise tax incentive are noteworthy.

China taxation regime offers a 150% super deduction for eligible R&D expenditures for China Corporate Income Tax purposes, which allows business operations to enjoy a 12.5% tax benefit rate for eligible R&D expenses.

China taxation regime also offers a reduced 15% Corporate Income Tax rate, as appose to the 25% statutory China Corporate Income Tax rate, to enterprises who qualify for and meet the High and New Technology Enterprise status and criteria. A 10% tax saving on taxable income for China Corporate Income Tax purposes can be realised through this tax incentive offering.

We offer a full range of services for all types of R&D incentives in the value chain

- Enterprise qualification status analysis and R&D incentive selection
- Eligible R&D incentive analysis and application strategy making
- R&D incentive application material preparation, review and optimisation
- Annual application or recording of R&D incentive qualification
- Internal self-inspection and tax audit assistance
- R&D management system establish assistance
- R&D management flow review, analysis, and optimisation
- assistance
- R&D management system integration and optimisation
- R&D distribution strategy analysis

Tax Structuring for M&A and market entry

Whether you are making an acquisition, disposing a business, going through a merger, entering into a joint venture, planning for IPO, restructuring your business or refinancing, tax opportunities and risks need to be noted and managed. Our extensive global network of M&A tax specialists can work with you to achieve the optimal tax solution for your business model and M&A strategy.

Tax planning at an early stage can add significant value to every transaction and new business model by foreseeing potential tax implications and/or risks, minimising transaction tax costs, managing long term sustainable tax rates and cash flows, and planning ahead for a tax efficient structure and exit. We can help you assess potential tax risks, structure your transaction, optimise your tax efficiency and identify any tax implications along the way to ensure that your M&A strategy and process are:

- efficient in the context of regulatory, commercial, financial and tax considerations
- focused on strategic priorities and progressed with necessary urgency

We have one of the largest network of M&A tax specialists in the world with more than 700 deals experienced tax professionals across the globe. We can offer you deal structuring and financing advice at all points of the deal cycle and, aside from our tax specialists, our transactions services, corporate finance and legal specialists can also support you in all aspects of your transaction, working as a deals team. Our experience, strong international network and commercial focus allow us to add real financial value to transactions.

We deliver thorough, quantitative analysis, rigorous implementation and leading-edge structuring techniques. We can help you:

- assess and manage acquisition or merger risk
- structure acquisitions to tax efficiency and net cash flows
- prepare businesses for disposal or exit
- carry out pre-acquisition or pre-sale due diligence
- ensure tax efficient deal structuring
- ensure that optimal tax solutions are implemented post deal

Customs duties and market access

Our customs and trade team serves auto clients to ensure certainty in the amount of customs duties payable, maximisation of customs duty suspension programmes, and consistency in Customs/CIQ clearance processes and times at the border.

Importation of vehicles

Import duties are imposed on the CIF value of imported vehicles at around 25% and the import value-added tax rate is 17%. On top of that, an additional consumption tax can be imposed depending on the vehicle's displacement.

China Customs is active in carrying out post-importation audits on enterprises engaged in complete vehicle (CBU) importation. We assist clients that import vehicles by:

- supporting the declared CIF price is arm's length from a customs perspective. The "Deductive Method" or "Resale Price Method" may be used to show that the Gross Margin is comparable with competitors' similar products. We collaborate with our transfer pricing colleagues to collate suitable benchmarking data that aligns to the methods and standards expected by China Customs
- assessing any adjustment items to the CIF dutiable value. This includes considering warranty expense, royalty fee, distribution fee, commission and other fees the importers pay overseas
- presenting the results of the self-assessment to customs valuation experts in key ports such as Tianjin, Shanghai and Guangzhou and encouraging Custom to accept the declared CIF as acceptable for the appraisal of import duties

Importation of spare parts for the aftermarket

Spare parts are subject to a range of tariff and non-tariff measures such as China Compulsory Certification (CCC). We assist clients that import spare parts for the aftermarket by:

- completing pre-classification of the HS Codes (HS chapters 90, 87, 85, 84, 73, 70, 40, 39 etc.) to ensure the correct customs duties and non-tariff supervision measures are complied with Certificate A, CCC, and other import licenses
- importing at a lower customs duty rate by using Free Trade Agreements (FTA) or Interim Duty Rates (IDR) for environmentally and technologically advanced spare parts
- using modern trade facilitation solutions such as advance declaration, e-clearance, centralised declaration, deferred duty payment, Customs Advanced Certified Enterprise, CIQ Ranking A etc., so as to ensure reduced customs clearance times and costs
- deferring duty-payment by using modern bonded solutions such as the China (Shanghai) Pilot Free Trade Zone (SPFTZ) and improving clearances through management of dangerous/non-dangerous goods and CIQ/non CIQ goods etc.
- establishing Regional Distribution Centres (RDC) in bonded zones

Importation of parts and components for bonded manufacturing

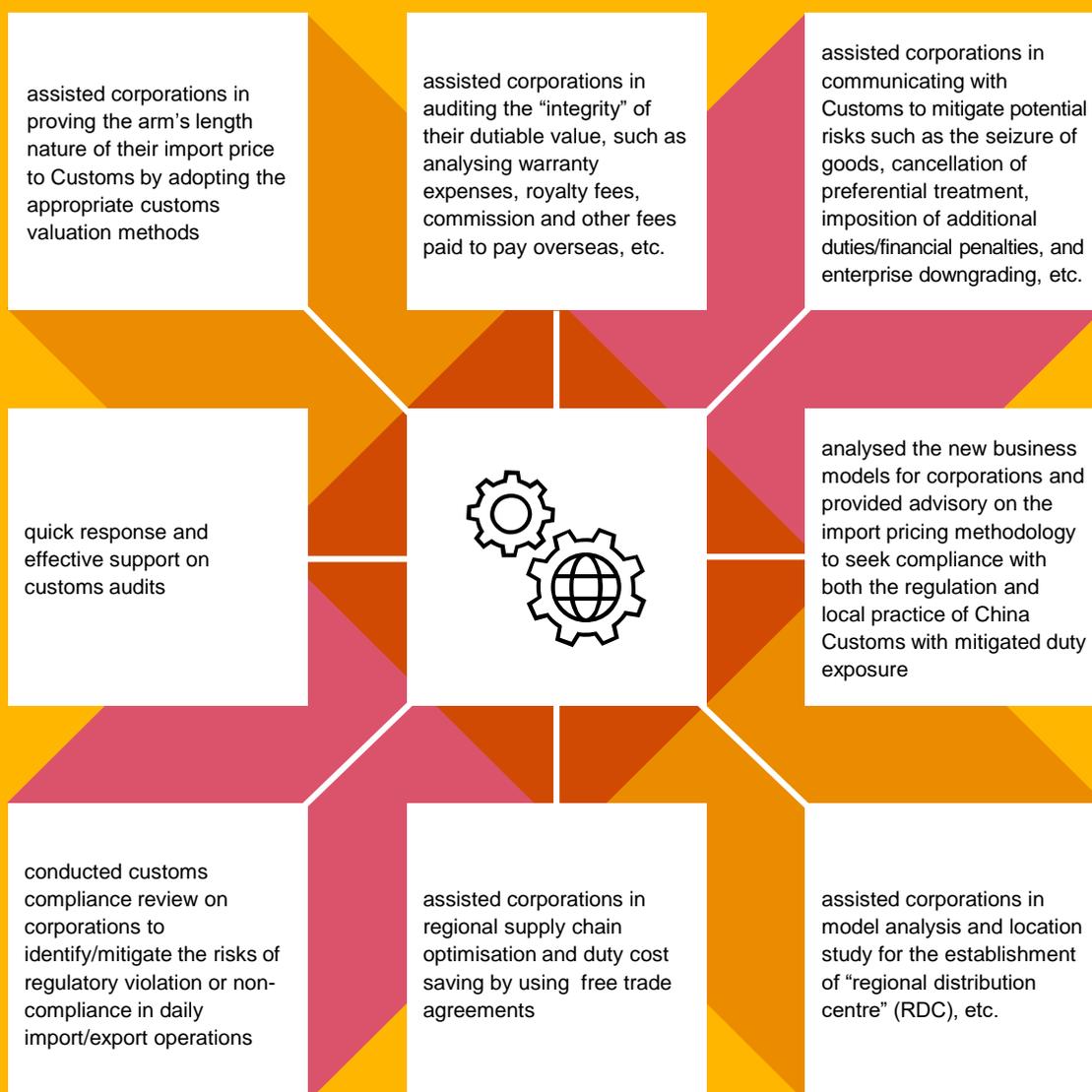
Processing Trade is the primary duty-suspension tool in China and it is still widely used by Tier 1 and 2 suppliers to save customs duties. We assist Tier 1 and 2 suppliers that are engaged in bonded manufacturing by:

- obtaining MOFCOM/Customs approval for Processing Trade
- operating under e-Books with preferential facilities such as Unit of Consumption (UoC) registration upon export and “sell first/pay taxes later” for domestic sales
- designing processes and implementing controls to reduce the risk of Handbook imbalance and additional payment of customs duties
- completing self-audits and voluntarily reporting to Customs upon reconciliation and cancellation of the Handbook

Service team

Our team members are from a variety of backgrounds, including ex-senior and customs officers (both local and expatriate) with international experience, international trade lawyers, accountants, and individuals from the industrial sector who have experience in logistics, customs and trade. The combined local experience from the Chinese professionals and the international vision of expatriate specialists allow us to have an extensive knowledge base that is unparalleled by other consulting firms.

Our teams have helped automotive enterprises headquartered in the United States, Europe, Japan and other countries to achieve the following results:





Overview of PwC's Information Security Consulting Capabilities in China

Information security consulting services

We have the world's leading capability for information security consulting services with more than 1600 domain experts serving customers from different industries. We aim at helping customers recognise information security risks and provide them with effective solutions.

At PwC China:

- we have authoritative domain experts who accumulate a wealth of industry best practices and successful cases;
- we have more than 60 security labs around the world, to collect and share global information security threat intelligence and conduct research and experiment on associated security technology;
- we focus on the automotive industry and the information security field, such as security on the Internet of cars and the Internet of things;
- we cooperate with each other to provide cross-business and cross-region security services and create value for customers in the automotive industry;
- our services cover a wide range of the value chain of the automotive industry.

Information security and IT governance

Help enterprises optimise investments, rationally allocate various resources and align security functions with strategies and business activities.

Information security architecture and services

Combine enterprise situations with domestic and foreign best practices and help them build information security architecture and operating procedures that can be executed.

Threat and vulnerability management

Predict the changing status of risks along with the change of business ecosystem, and provide rectification plans for loopholes.

Identity and access management

Provide integrated and secure processes, services and infrastructure to ensure proper access to critical systems and assets.

Information and privacy protection

Help customers recognise, optimise and protect sensitive and high-value business assets.

Internet threat events and crisis management

Help enterprises establish response plans for security-related crisis, aim at making timely reaction for security incidents and conducting thorough testing and investigation.

Risk and compliance management

Assist enterprises to effectively recognise, evaluate and manage business risks, and meet the changing regulatory requirements.

Cloud security management

Assist enterprises to assess the cloud environment based on associated security standards and compliance requirements, and identify potential cloud businesses and provide solutions.

Mobile security management

Based on current scenarios of mobile applications, evaluate the security of mobile terminals and provide solution designs for enterprises.

more than

1600

domain experts serving customers from different industries

Overview of PwC's Legal Capabilities in China

Legal Services

The PwC global network of law firms

Business and legal issues today are interlinked as never before. So, it makes sense to work with a legal network whose services can be offered alongside the multi-disciplinary capabilities and footprint of a global professional services leader. With over 3,500 lawyers across 100+ countries and territories, the PwC network of law firms has the broadest coverage of any legal services network in the world.

We work alongside market-leading experts from the PwC network in tax, human resources, corporate finance, forensic accounting, valuation and other service offerings, to provide innovative, commercially-aware solutions to some of the most challenging business issues. We focus on helping you find the right solution and add value to your business. Above all, we believe legal advice should not only be technically accurate, but must also work in its practical, commercial context.

PwC legal network in China

Rui Bai Law Firm and Xin Bai Law Firm are independent PRC domestic law firms registered with the Ministry of Justice in China. We are also members of the PwC international network of firms described above. Our lawyers are governed by the regulatory standards applicable to all domestic PRC law firms and they provide legal opinions and advice to clients on matters of Chinese law. Based in Shanghai and Beijing, our teams operate across China and on global projects.

We work closely alongside leading PwC experts in multi-disciplinary teams, and offer clients integrated, business-focused and practical solutions wherever their business needs take them. In short, we provide high-quality legal advice to local businesses, to Chinese companies as they expand their global operations, and to established multinationals with interests in China.

Our lawyers

Our people combine local knowledge and credentials with international experience and know-how. Our lawyers are all

qualified in Chinese law, with many also holding US or UK legal qualifications. Whether your legal requirements are local or global, Rui Bai Law Firm and Xin Bai Law Firm can help.

Our services

Below is a representation of our legal services offering in China:

Regulatory compliance

Whenever it comes to entry into a new market or expansion of current business, our clients expect to gain real insights into and an understanding of the regulatory regime for the sector. With our hands-on knowledge of the automotive industry and its regulation in China, our lawyers can guide you through the industry specific regulatory landscape - with practical guidance throughout — and help you navigate complex government requirements to achieve your commercial objectives.

Our services include:

- advising on the regulatory requirements applicable to the specific business contemplated
- assist in applications for industry-specific licenses, qualifications, certificates and permits
- assist in applications for government approvals
- project specific legal compliance advice, training and monitoring

With over

3500

lawyers across 100+ countries and territories, the PwC network of law firms has the broadest coverage of any legal services network in the world.

Foreign direct investment

The “open door” policy implemented by Chinese government welcomes foreign investment into our developing market. Our legal services offering in China provides a comprehensive range of services to international investors investing in China: from office selection and regulatory advice, to transaction/partnering contracts, set-up support and post-closing filings. Our local know-how, understanding of local culture and excellent relationship with local government agencies enable us to provide value added services to our clients and expedite transaction procedures. We help our international clients keep on top of the risks and exploit opportunities arising from changes in local regulations.

We provide the following assistance:

- setting up, relocating, winding up or deregistering rep offices, branches or foreign invested enterprises in China
- full range of legal due diligence services
- drafting and negotiating all transaction documents, such as joint venture agreements, shareholders’ agreements, articles of association, partnership agreement, etc.
- drafting and negotiating commercial agreements (including intercompany contracts, franchising and dealership arrangements)
- advising on regulatory clearances
- liaising with authorities and undertaking filings
- providing comprehensive project management services on cross-border projects
- managing signing and completion arrangements

Mergers and acquisitions

M&A services are a core aspect of PwC legal services’ expertise in China. Our M&A team comprises deal professionals with extensive PRC and international transaction experience. We have advised a broad array of public and private companies and institutions, domestic and international, PE, corporates and individuals, on M&A matters over the years. Our M&A lawyers are dedicated to achieving optimal results for our clients, displaying in-depth deal and sector knowledge, innovative thinking and commercial acumen to support your business. We offer integrated, business-oriented solutions tailored to each client’s specific needs, working closely alongside other PwC experts on the deal team to give you the edge in negotiations and adding maximum value to the transaction. Drawing upon PwC’s global legal services network (the most extensive in the world), we combine local knowledge with global best practices and access to unrivalled expertise, to assist our clients on their M&A transactions.

Our M&A practice covers:

- full range of legal due diligence services
- deal structuring services
- transaction document drafting and legal negotiation
- regulatory compliance
- merger control services
- closing assistance
- post closing filings and integration support

General corporate and commercial legal services

Our corporate lawyers deal with all aspects of corporate matters in the course of our clients’ operations in China, whether corporate governance, regulatory requirements, corporate restructurings or compliance matters. Our partners have both extensive experience in international and premier PRC law firms as well as, in many cases, valuable in-house legal experience. This powerful combination empowers us to consider issues from your perspective and deliver tailored made and effective solutions. We also advise on legal issues and agreements involved in commercial dealings, including distribution arrangements, sales and after sales, etc.

We assist in the following aspects:

- legal documents drafting and translation
- reviewing and advising on optimisation of corporate governance structures and processes
- designing or reviewing anti-money laundering policies, anti-bribery policies, employment manuals and customising them to fit for PRC law and practices
- assisting our clients respond to or deal with administrative measures or penalties imposed on them
- managing the approval and registration procedures for establishing legal entities
- maintaining company registrations and filings
- renewal or change of licenses
- preparing board resolutions and minutes
- assisting in annual inspections
- reviewing commercial contracts

Outbound investment

Responding to the “going global” policy, there has been an unprecedented increase in Chinese companies, state-owned and private, tapping into overseas markets to buy resources, technology and intelligence. We aim to be where you go. By leveraging PwC’s extensive global legal network covering Asia Pacific, Australia, the Middle East, Africa, America and South America and Europe, we have the unique advantage to help clients go overseas worldwide. We also work closely with PwC’s global tax teams to devise tax efficient transaction structures in a global context to maximise your commercial interests.

Our services include:

- assessing and analysing regulatory landscape of destination countries
- deal structuring
- assisting in applications for approvals from or registrations with various PRC regulatory authorities such as NDRC, MOFCOM and SAFE for the transaction
- advising on operational issues such as intellectual property rights, environmental issues, community relationships and dispute resolution
- liaising with local governments of the destination countries by utilising PwC’s global network
- preparing and negotiating transaction documents
- handling post transaction integration matters

Intellectual property

We understand protecting your innovation and creativity is of increasing importance for maintaining competitiveness in the marketplace. Acting across a wide range of client industries, our IP lawyers deal with patents, trademarks, service marks, trade secrets, copyrights, compliance and products liability matters. We act for various national and international companies to help enforce their intellectual property rights, and protect their technology assets. In addition to counselling on validity, infringement and enforceability matters, our lawyers also assist in the design and implementation of IP protection strategies and act in defence of our clients’ IP assets.

Our services include:

- provide trademark search services, including trademark availability searches
- prepare and drafting documents for new filings, assignments, renewal, reviews, oppositions, invalidations regarding trademark in China
- European trademark applications
- handle overseas trademark applications

- enforce trademark rights through administrative channels
- prepare and draft documents for copyright registration in China
- prepare and draft documents for software copyright registration in China
- advise and draft documents for IP licensing
- advise on IP issues arising in commercial transactions
- advise on strategies for IP protection
- manage IP portfolios
- conduct IP due diligence

Labour and employment services

In today’s highly competitive marketplace, people are usually the most essential assets of a company. Good HR legal compliance can help bolster business attractiveness, retain talents and reduce legal risks. Our labour lawyers provide clients with informed, practical solutions on all aspects of employment issues tailored to their specific needs. We represent our clients in labour litigation and arbitrations and provide strategic advisory and transactional input.

Our services include:

- Drafting employment legal documentation:
 - review and revise employment contracts, service contracts, working agreements, dispatch agreements for senior management and other employees
 - draft and revise employee confidentiality agreements, training agreements, non-compete agreements, and other employment contract related agreements
 - draft domestic and international outsourcing plans, employment of foreigners, and related employment contracts, labour dispatch agreements, and work arrangement agreements
 - draft and revise enterprise collective contracts
 - review employee handbooks, regulations on employment, employee codes of conduct, payment of salary and benefits, leave and vacations, reward and disciplinary actions, employee evaluations, confidentiality, workplace safety, and employee trainings for legal compliance, revision, and implementation

- draft and develop recruitment systems, labour contract management systems, and selection systems for senior management staff, senior technicians (business) staff, and other senior positions
- draft and implement additional employee insurance plans (enterprise annuity plan)
- review and revise employee stock option plans and advise on legal compliance and implementation of such plans
- design plans and strategies for employee transfer, dispatch, workforce reduction or settlement
- advise clients in labour dispute negotiations, labour arbitration proceedings; labour dispute litigation and appeals

Anti-trust/Competition

We represent clients on antitrust matters in domestic and cross-border transactions, starting at the earliest stages of a deal and assessing the level of regulatory risk from the start. In various types of deals, including mergers and acquisitions, joint ventures and dispositions, we help clients navigate the clearance process from strategic counselling, efficient filing with regulatory agencies and restrictive remedy negotiations. We also devise and implement compliance and training programmes that are tailored to meet the practical needs of our clients.

Our services include:

- anti-trust compliance programme
- anti-trust investigation defence
- merger control filing

Anti-trust compliance programmes

We devise and implement compliance and training programmes for clients that are tailored to meet their practical needs:

- Competition compliance health check regarding commercial agreements, pricing policies, non-compete arrangements and business model
- Internal antitrust audit to assess levels of compliance risk
- Compile antitrust compliance manuals, policies and guidelines
- Antitrust compliance training workshops for senior management

These practices improve employee awareness of anti-trust law issues and help clients avoid the risks of violating anti-trust laws and minimise the risk of fines.

Anti-trust investigation

When clients face investigations by anti-trust enforcement authorities, we will assist in the following matters:

- dawn raid preparation
- case analysis and strategy proposal
- leniency application
- negotiate with authorities
- ratification plan proposal
- services for those involved in investigations in different roles
- internal risk audit

Merger control filing

- Notification assessment
- Competition analysis
- Notification preparation and submission
- Remedy proposal and negotiation
- Trustee service
- Complaint submission

Data protection

The PRC Cybersecurity Law (CSL), which lays down the respective rights and obligations of the PRC government and the vast base of network operators and users, is a double-edged sword with opportunities and challenges for enterprises as well as individuals whether from legal, compliance and/or technical point of view. The protection of the legitimate rights and interests of all interested parties will depend on the effective protection of the personal information and important data, orderly management of network content, and the valid protection over network operation and equipment safety.

Our legal compliance team in the respective law firms, working closely with PwC's cybersecurity technical team, has the expertise and capabilities to guide clients through the full range of CSL compliance requirements by providing professional consultation, risk assessment and management, assisting the formulation and review of the legal documents, internal policies and procedures, and providing guidance in reasonable response to emergency and crisis management.

Overview of PwC's Advisory Capabilities in China

Advisory services

We create unique, value-added solutions based on a combination of industry knowledge, subject matter expertise in consulting and deals, as well as collective experience from all areas of our global network of firms to help automotive clients solve strategic and day-to-day problems.

Additionally, PwC and Strategy& (formerly Booz & Company) have come together to form a new kind of Advisory business and become the pre-eminent strategy-through-execution firm. We work side by side with our automotive clients to meet, anticipate, and mitigate issues in your value chain.

Automotive value chain	Current challenges (examples)	Service capabilities (examples)
Strategy 	<ul style="list-style-type: none"> • Exploring new product segments in China • Establish production and sales operations overseas • Growth opportunities in tier 4 & 5 cities • International competitiveness of Chinese OEMs • Respond to production overcapacity 	<ul style="list-style-type: none"> • Growth strategy/Business model/value chain innovation • Inbound/outbound investment support • Dynamic tool based demand forecasting • M&A and transaction support • Resilient organisation /culture change
Research and development 	<ul style="list-style-type: none"> • Tailor vehicles to specific Chinese customer needs • Regulation/incentives for MNCs to localise R&D • Push from Government to enter low-end segment 	<ul style="list-style-type: none"> • VOC (Voice of customer) • R&D benchmarking • Platform and module strategy • Cost and complexity management • Technology roadmap
Supply chain & production 	<ul style="list-style-type: none"> • Growing supply chain complexity • Shorter product launch cycles 	<ul style="list-style-type: none"> • Supply chain integration and strategic sourcing • Manufacturing benchmarking and optimisation • Effective cost management
Sales and marketing 	<ul style="list-style-type: none"> • Dealer profitability and overall performance • Differentiating brand and customer experience • Sales & service channel innovation • Repeat purchases/customer loyalty 	<ul style="list-style-type: none"> • Brand strategy/Product positioning • Dealer performance reporting & improvement • Digital proposition/targeted marketing spending • Sales channel (CRM) integration and optimisation • Digital marketing • Enhance consumer experience
Aftersales 	<ul style="list-style-type: none"> • Increased non-original parts competition • Increasing product and service complexity • Increasing customer focus on price/quality • Used car business transformation for dealers 	<ul style="list-style-type: none"> • After market strategy • AS wholesale and retail process optimisation • AS e-business integration • Dealer AS service improvement/ training
Financial services 	<ul style="list-style-type: none"> • Risk management in consumer auto loan • Complex and evolving regulatory environment • Changing customer perceptions towards debt and financial instruments/low customer loyalty 	<ul style="list-style-type: none"> • Auto finance business innovation (insurance, operational lease, and car sharing strategy) • Dealer finance CRM performance improvement

Achieve growth through successful M&A or transactions

Globalisation, commodity price fluctuations, supply challenges and a host of other factors can hinder growth. Companies need to find efficient ways to maximise the entire value chain to make the most of their organic growth potential.

Non-organic growth is a key route for companies seeking to gain access to new markets, but geopolitical and economic factors can place extra pressure on deal-making. We have a wide range of capabilities to support the ever-increasing automotive market demands through our ability to provide advice on:

- M&A and transaction planning
- tax transaction structuring and financing
- extracting the most value from deals through financial due diligence, market monitoring and other important metrics

Whether a company is considering a transaction, joint venture agreement, production sharing agreement or organic expansion, our automotive professionals have the experience and comprehensive industry understanding to contribute value to your endeavour.

People and change management

PwC's network has one of the world's largest HR advisory organisations. We use a multi-disciplinary approach to advise on all aspects of people management, to help clients create value and deliver competitive advantage for their businesses through people. Our professionals are eager to assist on:

- change management and communications
- HR management benchmarking
- talent retention and management
- organisational transformation
- capability development and training

Manage business performance

Regulatory bodies, shareholders and the general market continue to pressure firms to excel in annual performance in an increasingly fluctuating environment. As a result, business strategies that brought success months ago may now be obsolete and irrelevant.

To maintain competitive advantage, improve internal systems performance or more efficient supply chain management, our professionals can assist you to deliver significant and sustainable business performance improvements.

Dealer Group Management

Dealer operation planning & control

Business planning and control is critical for dealer management, especially in finance and operation decision making. It is unfortunately easy for issues such as:

- mismanagement in balancing volume, price, profit and rebate
- mismatch between system records and actual in repair business
- parts sourcing and inventory management
- discount authorisation

to spiral into unmanageable crises for management and owners. Our Network Service Team helps dealers identify areas of weakness in the current business processes and secure better planning & control using system tools to achieve decision making.

Dealer budget management

As dealers usually adopt DMS from OEMs, transaction data can come from different DMS systems for dealer groups that carry multiple brands. Without an integrated transaction system and standardised data collection process, business planning, forecasting and budgeting for dealer groups with multiple brands can be challenging. We work closely with individual dealers to:

- design brand-tailored budgeting models and templates
- develop budgeting manual and system tools that facilitate group budgeting practices

Dealer CRM data mining

One of a dealer's greatest assets is the extensive collection of CRM data on their customers. However, dealer groups often lack the resources and strategic knowledge to use this wealth of information to generate more sales and to better support decision making. Our automotive professionals are able to add value to individual dealers' sales and operations by assisting with data mining issues such as:

- consumer profiling and segmentation
- demographic analysis
- identifying key consumer behaviours

Shared services and outsourcing

The trend of outsourcing services such as IT has now grown to include core activities such as human resources, tax and legal services, as globalisation and connectivity provide new methods of conducting business. The rationale for outsourcing is also changing dramatically as organisations begin to perceive it as a means of obtaining strategic advantages instead of another cost-cutting measure. Our team of specialists can:

- identify the best business activities to outsource
- assess suppliers and negotiate terms
- manage outsourcing-related risks and contracts
- assist in the implementation of necessary internal changes
- facilitate communication with employees to explain structural changes

PwC's Experience Center

The nature of competition is changing, from traditional players to new market entrants. Disruption is the new normal. We help businesses respond and transform themselves through innovative business, brand and product models that don't exist today. We provide a vision for the future, and design experiences that are creative, innovative and customer-centric. We work with clients at the intersection of Business, Experience, and Technology (BXT), which combines the best of PwC in a way that's faster, more agile, and more accountable for our clients, from ideas to results across multiple disciplines.

Insight-driven business consulting

- Digital transformation roadmap
- Disruptive business model design
- eCommerce market entry
- Strategic planning & business case
- Business structuring & tax optimisation

Creative experience design

- Customer experience strategy
- Branding, marketing, social engagement
- User experience and interface design
- User research and journey mapping
- Catalyst workshops

Practical technology consulting

- Prototyping and concept visualisation
- Data analytics and visualisation
- Emerging technology evaluation
- Enterprise architecture design
- Build and implementation





Overview of PwC's Forensic Services in China

PwC's 2018 Global Economic Crime and Fraud Survey revealed that 63% of organisations in China experienced economic crime in the last 24 months and almost half of the respondents indicated that the most disruptive economic crime had a direct cost exceeding RMB 6.7 million.

Our Forensic Services practice helps clients prevent, investigate and remediate the issues they face in China. We combined deep expertise in forensic accounting, financial analysis, advanced specialized technology and regulatory knowledge to help automotive companies deal with internal corporate investigations, litigation, regulatory enforcement challenges, corruption and fraud risks. We constantly leverage and draw on the valuable lessons learned in the numerous investigations conducted in China to identify root causes and control failures to help automotive companies strengthen their corruption and fraud risk management programmes.

Our services include the following:

Forensic investigations

Our experts comprising forensic investigators, accountants, and technologists work in integrated teams and adopt proven methodologies to conduct investigations covering :

- anti competition/anti-trust
- asset misappropriation
- bribery and corruption
- cybercrime
- data/intellectual property theft
- employee misconduct
- ethics violation
- money laundering
- procurement fraud/kick-backs

Anti-Bribery & Anti-Corruption (ABAC)

Leveraging our extensive experience in handling bribery and corruption cases, we assist automotive companies to setup compliance programmes and conduct reviews against local and international bribery regulations (e.g., US FCPA and UK

Bribery Act). Our services include:

- develop framework, policies, standards and procedures
- advisory and implementation support for ISO 37001 certification
- conduct training and awareness workshop
- conduct compliance reviews
- conduct due diligence as part of merger and acquisitions

Litigation support and expert witness services

In support of litigation, arbitration or other alternative dispute resolution proceedings, our specialists are able to offer assistance in the following areas:

- expert services on specific accounting or financial or technology or cybersecurity issues
- independent financial analysis, assessment and quantification of claims for parties involved in dispute or potential dispute situations
- trade practices and price determinations
- valuation for litigation purposes

Anti-Money Laundering

Many financial institutions including automotive finance companies are subject to ever increasing anti-money laundering (AML) and financial crime legislation and regulations. Drawing upon our broad range of expertise, we can help you with:

- Develop an AML compliance framework, including tailored policies, standards and procedures
- AML technology selection and implementation
- Design and conduct AML training
- Provide regulatory/KYC advisory services
- Investigation or independent review

Fraud risk assessment/ health check

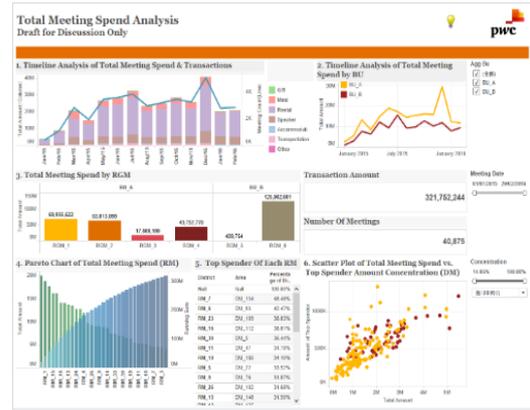
Companies that actively conduct fraud risk assessments tend to detect fraud on a more timely basis, thereby minimising losses and impact to their business and reputation. Our team of experts with extensive fraud investigations experience coupled with proven PwC methodology can help you plan and execute fraud risk assessments to assess and strengthen anti-fraud controls to safeguard your business and reputation

Fraud detection and analytics

Our forensic technologists are specialised in using the latest

analytical techniques and solutions to analyse financial and operational data to detect anomalies and red flags that may indicate fraud. We are able to:

- identify fraud risk indicators unique to your business operations
- develop fraud analytic solutions and dashboards to detect suspicious transactions
- implement monitoring solutions to enable effective monitoring and case management workflow features



Third party risk management solution

In a business landscape comprising of potential risks like corruption, conflicts of interest, collusion, cyber threats, data theft and natural disasters that may result in significant operational disruption or financial losses, making sure your extensive eco-system of partners are following appropriate procedures is vital and will enable you to avoid risks and reputation damage. We assist automotive companies to:

- establish Third Party risk management framework
- conduct third party compliance reviews
- conduct integrity diligence and background searches
- implement configurable technology solutions that provide “a single view of a business partner” and “one-stop” solution to on-board, risk assess and monitor business partners.



Automotive Publications

Thought leadership



PwC Autofacts Global Easycy

Five mega trends shaping the Global Auto industry's future



Autofacts Monthly Report

Market forecasts and discussions on the latest global industry trends and issues



Autofacts Note Plus Quarterly Report

Market forecasts and discussions on the latest global industry trends and issues



PwC Auto Legal Flash

Legal discuss on hot industry topics



Autofacts Briefing

Quarterly update on global Auto market insight & Analysis



PwC Digital Factories 2020

Shaping the future of Automotive manufacturing



PwC Strategy& Car Sharing Report

Development trends, business model and solutions



PwC Strategy& Digital Auto Report

An analysis into Auto industry's digital trends



Please visit more at : www.pwccn.com/auto

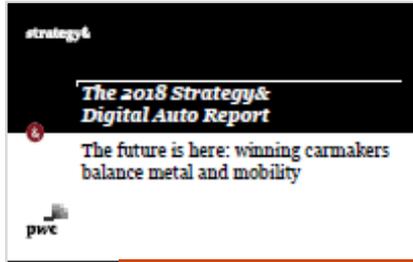
Automotive Publications

Thought leadership



The Opening-up of Chinese Automotive Industry

Discuss the impact and our recommendations



The 2018 Strategy & Digital Auto Report

Digital Trends in Auto Industry



The next five years of Chinese mobility market

Discuss the driving factors, operational model and competitive landscape



Autofacts Analyst Note Plus

Analysis on global & regional markets



Autofacts Analyst Briefing

Quarterly update on global and regional trends



Autofacts Analyst note

Forecast on global and regional markets



2018 Global Auto Deals Insight

M&A trends



Workforce of the future

Mobility Insights



Please visit more at: www.pwccn.com/auto

About Autofacts®

Autofacts® is a leading provider of automotive information and forecasts with over 25 years of experience in the field. Autofacts® is headquartered in the US with analysts in China, India, Brazil, UK, Germany, France and Italy. It is plugged into the 5,000 automotive professionals that PwC has worldwide.

The forecast data and analyses we provide are used both by PwC's client service teams and by PwC Autofacts® distinct client base to assess implications, make recommendations and support decisions in the automotive sector.

<p>Forecast</p> <ul style="list-style-type: none"> Synchronous global update Integrated data and analysis Online data base 	<p>Analyst Briefings</p> <ul style="list-style-type: none"> Global & Regional market outlooks Hot topic discussion 	<p>Analyst Notes</p> <ul style="list-style-type: none"> Free monthly distribution Engaging viewpoints 	<p>Custom Analysis</p> <ul style="list-style-type: none"> Decision support Business planning
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Tested and trusted detailed planning data and analysis on the global light vehicle sector:

- Production/Capacity
- Powertrain
- Vehicle frame analysis (North America/Europe)

Covering key issues facing companies operating in the global automotive sector:

- Regional insights
- Market trend analysis
- Industry focus discussion

Providing easily digestible industry updates on key market developments:

- Business environment assessment
- Industry trend analysis
- Relevant regulation insight

Autofacts® custom analysis:

- Macro economic data mining and analysis
- Urban development and retail landscape analysis
- Customer behaviour and public sentiment analysis
- Demand forecast
- Strategy analysis and evaluation
- Commercial due diligence
- Competitive intelligence research
- Product benchmarking
- Product life cycle analysis and forecast

The image displays several screenshots from the Autofacts web application. On the left, there's a dashboard with sections for 'Autofacts Forecast Data', 'Analyst Briefings', 'Regional Analysis', and 'My Autofacts'. In the center, a report titled 'Assembly Outlook - North America' features a bar chart showing production trends from 2010 to 2018. On the right, an 'Analyst Note' titled 'Electric Vehicle Outlook: Charging Forward' includes a line graph showing the global electric vehicle scenario forecast from 2010 to 2018. Below these, there's a 'Powertrain Overview - North America' report with multiple charts showing engine displacement, transmission, and technology trends.

- Autofacts has over 20 full-time analysts (including 4 in Beijing), therefore, the team is able to provide in-depth insights of automotive market
- Most analysts worked within the project team in the corresponding market areas, which enables them to understand information in both practical and analytical perspectives

Key Client Benefits

- An independent, unbiased global perspective
- Differentiating and refined industry viewpoints
- Proactive and informed dialogue with executives
- Access to industry specialists with deep expertise

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