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CHINASOFT INTERNATIONAL LIMITED

中 軟 國 際 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 354)

ADOPTION OF SHARE AWARD SCHEME

The Board is pleased to announce that, on 10 December 2018, the Board resolved to adopt the Scheme in which Employees (other than Excluded Employees) may be selected by the Board to participate. The purposes of the Scheme are to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Shares awarded by the Board under the Scheme exceeding ten per cent. of the issued share capital of the Company from time to time. The maximum number of Shares that may be awarded to a Selected Employee under the Scheme shall not exceed one per cent. of the issued share capital of the Company from time to time.

Pursuant to the Scheme, Shares will be subscribed, or purchased on the Stock Exchange, by the Trustee at the cost of the Company and will be held by the Trustee on trust for Selected Employee(s) under the Scheme before vesting.

The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company.

A. THE SCHEME RULES

The Board is pleased to announce that, on 10 December 2018, the Board resolved to adopt the Scheme in which Employees (other than Excluded Employees) may be selected by the Board to participate. The Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretionary scheme of the Company.

A summary of the main terms, conditions and features of the Scheme Rules is set out below:

(1) PURPOSES AND OBJECTIVES OF THE SCHEME

The purposes of the Scheme are to recognise the contributions by certain Employees and to provide them with incentives in order to retain them for continual operation and development of the Group, and to attract suitable personnel for further development of the Group.

(2) DURATION OF THE SCHEME

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date.

(3) APPOINTMENT OF THE TRUSTEE

On 10 December 2018, the Company entered into the Trust Deed to appoint Bank of Communications Trustee Limited as trustee of the Trust and to hold and manage the Trust Fund and to administer the Scheme in accordance with the terms of the Trust Deed and the Scheme Rules.

(4) ADMINISTRATION OF THE SCHEME

The Scheme shall be subject to the administration of the Board and the Trustee in accordance with the Scheme Rules and the Trust Deed. The decision of the Board with respect to any matter arising under the Scheme (including the interpretation of any provision) shall be final and binding.

The Trustee shall hold the Trust Fund in accordance with the terms of the Trust Deed.

The Awards may be satisfied by the issuance and allotment of new Shares by utilising General Mandate(s) granted or to be granted by the Shareholders to the Directors at its general meeting(s), as applicable, from time to time, or by Shares acquired by the Trustee on the Stock Exchange from time to time.

The Company will apply to the Stock Exchange for the grant of the listing of, and permission to deal in, the new Shares which may be awarded under the Scheme from time to time.

(5) SCHEME LIMIT

The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Shares awarded by the Board under the Scheme exceeding ten per cent. of the issued share capital of the Company from time to time.

The maximum number of Shares which may be awarded to a Selected Employee under the Scheme shall not exceed one per cent. of the issued share capital of the Company from time to time.

(6) OPERATION OF THE SCHEME

The Board may from time to time cause to be paid a Contributed Amount to the Trust by way of settlement or otherwise contributed by the Company or any Subsidiary as directed by the Board which shall constitute part of the Trust Fund, for the purchase or subscription (as the case may be) of Shares and other purposes set out in the Scheme Rules and the Trust Deed, and such Shares will be held on trust by the Trustee for the benefit of the relevant Selected Employees, on and subject to the terms and conditions of the Scheme Rules and the Trust Deed.

(7) THE AWARD OF AWARDED SHARES TO SELECTED EMPLOYEES

Subject to the provisions of the Scheme, the Board may, from time to time, at its absolute discretion select any Employee (other than any Excluded Employee) for participation in the Scheme as a Selected Employee, and grant such number of Awarded Shares to any Selected Employee at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

In determining the number of Awarded Shares to be granted to any Selected Employee (excluding any Excluded Employee), the Board shall take into consideration matters including, but without limitation to:

- (a) the present contribution and expected contribution of the relevant Selected Employee to the profits of the Group;
- (b) the general financial condition of the Group;
- (c) the Group's overall business objectives and future development plan; and
- (d) any other matter which the Board considers relevant.

The Board is entitled to impose any conditions (including a period of continued service within the Group after the grant of the Award), as it deems appropriate in its absolute discretion with respect to the vesting of the Awarded Shares on the Selected Employee and shall inform the Trustee and such Selected Employee the relevant conditions of the Award and the Awarded Shares. Notwithstanding any other provisions of the Scheme, subject to applicable laws and regulations, the Board shall be at liberty to waive any vesting conditions referred to in the Scheme.

(8) THE AWARD OF AWARDED SHARES TO CONNECTED PERSONS

Where any grant of Awarded Shares is proposed to be made to any Selected Employee who is a Director (including an executive director, a non-executive and an independent non-executive Director), such grant must first be approved by all the members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee.

Where any grant of Awarded Shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

The Board may at its discretion, with or without further conditions, grant additional Shares or cash award out of the Trust Fund representing all or part of the income or distributions (including but not limited to cash income or dividends, cash income or net proceeds of sale of non-cash and non-scrip distribution, bonus Shares and scrip dividends) declared by the Company or derived from such Awarded Shares during the period from the date of Award to the Vesting Date to a Selected Employee upon the vesting of any Awarded Shares.

(9) VESTING OF THE AWARDED SHARES

The main features of the vesting provisions under the Scheme Rules are summarised as follows:

(a) Awards made under the Scheme Rules are personal

Prior to the Vesting Date, any Award made under the Scheme Rules shall be personal to the Selected Employee to whom it is made and shall not be assignable and no Selected Employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Awarded Shares referable to him pursuant to such Award.

(b) Forfeiture of Awarded Shares due to failure to deliver transfer documents

In the event that the Board does not receive the requisite transfer documents from a Selected Employee at least ten (10) Business Days prior to the Vesting Date, the Awarded Shares which would have otherwise vested in such Selected Employee shall be automatically forfeited and remain as part of the Trust Fund.

(c) Death or retirement by agreement of a Selected Employee prior to or on the Vesting Date

In respect of a Selected Employee who died or retired by agreement with a member of the Group at any time prior to or on the Vesting Date, all the Awarded Shares of the relevant Selected Employee shall be deemed to be vested on the day immediately prior to his death or the day immediately prior to his retirement with the relevant member of the Group.

(d) Change in control of the Company

If there occurs an event of change in control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise prior to the Vesting Date, the Board shall determine at its discretion whether such Awarded Shares shall vest in the Selected Employee and the time at which such Awarded Shares shall vest.

(e) Vesting of Awarded Shares to take place in accordance with the Scheme Rules

Subject to the terms and condition of the Scheme and the fulfilment of all vesting conditions to the vesting of the Awarded Shares on such Selected Employee as specified in the Scheme and the Grant Notice, the respective Awarded Shares held by the Trustee on behalf of the Selected Employee shall vest in such Selected Employee in accordance with the vesting schedule (if any) as set out in the Grant Notice, and the Trustee shall cause the Awarded Shares to be transferred to such Selected Employee on the Vesting Date.

(10) DISQUALIFICATION OF SELECTED EMPLOYEES

If prior to or on the Vesting Date, a Selected Employee ceases to be an Employee pursuant to the Scheme Rules or is found to be an Excluded Employee, the Award to such Selected Employee shall automatically lapse and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall remain part of the Trust Fund. Such Employee shall have no right or claim against the Company, any other member of the Group, the Board, the Trust or the Trustee or with respect to those or any other Shares or any right thereto or interest therein in any way.

Unless the Board determines otherwise, the circumstances under which a person shall be treated as having ceased to be an Employee shall include, without limitation, the following:

- (a) where such person has committed any act of fraud or dishonesty or serious misconduct, whether or not in connection with his employment or engagement by any member of the Group and whether or not it has resulted in his employment or engagement being terminated by the relevant member of the Group;
- (b) where such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his debts as they fall due (after the expiry of any applicable grace period) or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;
- (c) where such person has been convicted of any criminal offence; or
- (d) where such person has been convicted of or is being held liable for any offence under or any breach of the SFO or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time.

(11) RESTRICTIONS UNDER THE SCHEME RULES

The Board shall not make any Award or give any instructions to the Trustee to acquire or subscribe for any Shares under the Scheme, where dealings in the Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time. Without limiting the generality of the foregoing, no such instruction is to be given and no such grant is to be made:

- (a) after an event involving inside information in relation to affairs or securities of the Company has occurred or a matter involving inside information in relation to the securities of the Company has been the subject of a decision, until such inside information has been publicly announced in accordance with the application laws and the Listing Rules;
- (b) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;
- (c) during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company or, if shorter, the period from the end of the relevant half-year period of the financial period up to the publication date of the results; or
- (d) in any circumstance which is prohibited under the Listing Rules, the SFO or any other law or regulation or where any requisite approval from any governmental or regulatory authority has not been granted.

(12) ALTERATION OF THE SCHEME

The Scheme may be amended in any respect by a resolution of the Board provided that no such amendment shall operate to affect materially and adversely any subsisting rights of any Selected Employee under the Scheme. In the event of any amendment to the Scheme, written notice of such amendment shall be given to all Selected Employees and the Trustee.

(13) VOTING RIGHTS

No voting instructions shall be given by a Selected Employee to the Trustee in respect of the Awarded Shares that have not been vested on such Selected Employee.

The Trustee shall not exercise the voting rights in respect of any Shares held by it under the Trust.

(14) TERMINATION OF THE SCHEME

The Scheme shall terminate on the earlier of (a) the tenth (10) anniversary date of the Adoption Date; and (b) such date of early termination as determined by the Board by a resolution of the Board, provided that such termination shall not affect any subsisting rights of any Selected Employee under the Scheme.

Upon termination of the Scheme,

- (i) no further grant of Awarded Shares may be made under the Scheme;
- (ii) all the Awarded Shares of the Selected Employees granted under the Scheme shall continue to be held by the Trustee and become vested in the Selected Employees according to the conditions of the Awards, subject to the receipt by the Trustee of the transfer documents prescribed by the Trustee and duly executed by the Selected Employee;
- (iii) upon the expiration of the Trust period, all Shares (except for any Awarded Shares subject to vesting on the Selected Employees) remaining in the Trust Fund shall be sold by the Trustee and all net proceeds of sale and such other funds and properties remaining in the Trust Fund managed by the Trustee (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) shall be remitted to the Company forthwith. The Trustee may not transfer any Shares to the Company nor may the Company otherwise hold any Shares whatsoever (other than its interest in the proceeds of sale of such Shares as mentioned above).

B. DEFINITIONS

“Adoption Date”	10 December 2018, being the date on which the Scheme Rules was adopted by the Board for the establishment of the Scheme;
“Award”	an award of Awarded Shares by the Board pursuant to the Scheme Rules to a Selected Employee;
“Awarded Share(s)”	in respect of a Selected Employee, such number of Shares as awarded by the Board;
“Board”	the board of directors of the Company, and if the context so permits, it shall include such committee or sub-committee or person(s) as from time to time delegated with the power and authority by the board of directors of the Company to administer the Scheme;

“Business Day”	a day (other than Saturday, Sunday or public holiday) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong;
“Company”	Chinasoft International Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 354);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Contributed Amount”	cash paid or made available to the Trust by way of settlement or otherwise contributed by the Company and/or its Subsidiaries as permitted under the Scheme to the Trust as determined by the Board from time to time;
“Director(s)”	director(s) of the Company;
“Employee(s)”	any employee (including without limitation any executive director, non-executive director and independent non-executive director) of any member of the Group;
“Excluded Employee(s)”	any Employee who is resident in a place where the award of the Awarded Shares and/or the vesting and transfer of the Awarded Shares pursuant to the terms of the Scheme is not permitted under the laws or regulations of such place or where in the view of the Board or the Trustee (as the case may be), compliance with applicable laws or regulations in such place makes it necessary or expedient to exclude such Employee;
“General Mandate(s)”	general mandate(s) granted or to be granted by the Shareholders to the Directors at general meeting(s) of the Company from time to time to exercise power to allot and issue Shares;
“Grant Notice”	the notice of grant of Award under the Scheme which may be issued by the Board to a Selected Employee setting out the details of the Award and the conditions (if any) upon which the Award is granted;

“Group”	the Company and its Subsidiaries from time to time, and “member of the Group” means any or a specific one of them;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Residual Cash”	cash in the Trust Fund (including without limitation (i) any Contributed Amount or any remaining amount thereof; (ii) any cash income or dividends derived from Shares held under the Trust; (iii) other cash income or net proceeds of sale of non-cash and non-scrip distribution derived from or in respect of the Shares held under the Trust; and (iv) all interest or income derived from deposits maintained with licensed banks in Hong Kong) which has not been applied in the acquisition of any Shares;
“Scheme”	means “The Chinasoft Share Award Scheme” constituted by the Scheme Rules, in its present form or as amended from time to time in accordance with the provisions thereof;
“Scheme Rules”	means the rules relating to the Scheme adopted by the Board, as amended from time to time;
“Selected Employee(s)”	Employee(s) selected by the Board pursuant to the Scheme Rules for participation in the Scheme;
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented and/or modified from time to time;
“Shares”	ordinary shares of HK\$0.05 each in the share capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);

“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning given under section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere;
“Trust”	the trust constituted by the Trust Deed;
“Trust Deed”	the trust deed entered into between the Company and the Trustee on 10 December 2018, as restated, supplemented and amended from time to time;
“Trust Fund”	the funds and properties held under the Trust and managed by the Trustee for the benefit of the Employees (other than the Excluded Employees), including without limitation: (a) all Shares acquired or subscribed by the Trustee for the purpose of the Trust out of the Residual Cash and such other scrip income (including but not limited to bonus Shares and scrip dividends declared by the Company) derived from the Shares held upon the Trust; (b) any Residual Cash; (c) any Awarded Shares or other property to be vested or not vested with the Selected Employee under the terms of the Scheme; and (d) all other properties from time to time representing (a), (b) and (c) above;
“Trustee”	Bank of Communications Trustee Limited, a company incorporated in Hong Kong, and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed;

“Vesting Date”

in respect of a Selected Employee, the date on which his entitlement to the Awarded Shares is vested in such Selected Employee in accordance with the Scheme Rules.

On behalf of the Board
Chinasoft International Limited
Dr. Chen Yuhong
Chairman and Chief Executive Officer

Hong Kong, 10 December 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Chen Yuhong (Chairman and Chief Executive Officer) and Dr. Tang Zhenming, three non-executive Directors, namely Dr. Zhang Yaqin, Mr. Gao Liangyu and Mrs. Gavriella Schuster, and three independent non-executive Directors, namely Mr. Zeng Zhijie, Dr. Lai Guanrong and Professor Mo Lai Lan.

** For identification purposes only*