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## **CanSino Biologics Inc.**

## **康希諾生物股份公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 6185)**

# **PROPOSED ADOPTION OF THE 2021 RESTRICTED SHARE INCENTIVE SCHEME AND PROPOSED ISSUE OF RESTRICTED SHARES PURSUANT TO SPECIFIC MANDATE; PROPOSED ADOPTION OF THE MANAGEMENT MEASURES FOR ASSESSMENT FOR THE IMPLEMENTATION OF THE 2021 RESTRICTED SHARE INCENTIVE SCHEME; PROPOSED AUTHORIZATION TO THE BOARD OF DIRECTORS TO DEAL WITH MATTERS RELATING TO THE 2021 RESTRICTED SHARE INCENTIVE SCHEME; AND CLOSURE OF REGISTER OF MEMBERS OF H SHARES**

## **INTRODUCTION**

The Board is pleased to announce that it has resolved at a meeting of the Board held on August 20, 2021 to propose (i) the adoption of the Incentive Scheme and the issue and grant of Restricted Shares under the Incentive Scheme pursuant to Specific Mandate, (ii) the adoption of the Assessment Management Measures, and (iii) the authorization to the Board to deal with matters relating to the Incentive Scheme, all of which are subject to Shareholders' approval by way of special resolutions at the EGM and the Class Meetings.

## **HONG KONG LISTING RULES IMPLICATIONS**

The Incentive Scheme does not involve the grant of options over new H Shares or issue of H Shares by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Hong Kong Listing Rules.

The First Grant under the Incentive Scheme does not involve the grant of Restricted Shares to connected persons of the Company (or any of its subsidiaries) and therefore is not subject to the notification, announcement and shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In the event that any grantee under the Reserved Grant is a connected person of the Company (or any of its subsidiaries), such grant will constitute a connected transaction of the Company. The Company will comply with the relevant requirements under the Hong Kong Listing Rules, including the reporting, announcement and independent Shareholders' approval and appointment of the independent financial adviser requirements under Chapter 14A of the Hong Kong Listing Rules as and when appropriate, for such subsequent grant that constitutes a connected transaction.

## **EGM**

The EGM and the Class Meetings will be convened on Friday, September 10, 2021 at No. 3 Ballroom, 2nd Floor, Shangri-La Hotel Tianjin, No. 328 Haihe East Road, Hedong District, Tianjin, the People's Republic of China, at 2:00 p.m. and immediately after the conclusion of the EGM, to consider and, if thought fit, approve (i) the proposed adoption of the Incentive Scheme and the proposed issue and grant of Restricted Shares under the Incentive Scheme pursuant to Specific Mandate; (ii) the proposed adoption of the Assessment Management Measures; and (iii) the proposed authorization to the Board to deal with matters relating to the Incentive Scheme.

A circular of the Company containing, among other things, (i) further details of the Incentive Scheme and the Assessment Management Measures; and (ii) notices convening the EGM and the Class Meetings, are expected to be despatched to the Shareholders on or before August 26, 2021.

## **PROPOSED ADOPTION OF THE INCENTIVE SCHEME AND PROPOSED ISSUE AND GRANT OF RESTRICTED SHARES PURSUANT TO SPECIFIC MANDATE**

The Board is pleased to announce that it has resolved at a meeting of the Board held on August 20, 2021 to propose (i) the adoption of the Incentive Scheme and the issue and grant of Restricted Shares under the Incentive Scheme pursuant to Specific Mandate, (ii) the adoption of the Assessment Management Measures, and (iii) the authorization to the Board to deal with matters relating to the Incentive Scheme, all of which are subject to Shareholders' approval by way of special resolutions at the EGM and the Class Meetings.

### **Principal Terms of the Incentive Scheme**

The Principal Terms of the Incentive Scheme are set out below:

<b>Effectiveness of the Incentive Scheme</b>	The Incentive Scheme shall not take effect unless it's approved by the Shareholders at the EGM and the Class Meetings.
<b>Lock-up Period</b>	Any Restricted Share attributed in each tranche shall not be transferable for six months from the date of the attribution of the Restricted Shares in that tranche.
<b>Validity Period of the Incentive Scheme</b>	From the date of the First Grant of Restricted Shares to the date on which all Restricted Shares granted to the Participants have attributed or lapsed. Such validity period shall not exceed 48 months.
<b>Participants</b>	<p>The Participants under the First Grant amount to 391 persons, representing approximately 30.96% of the total number of employees of the Company as of the date of July 31, 2021. The Participants under the First Grant shall include persons as considered by the Board to be motivated as of the date on which the Board approved the Incentive Scheme.</p> <p>Participants under the Reserved Grant will be determined in 12 months after the approval at the EGM and the Class Meetings.</p>

The Participants exclude the independent Directors, Supervisors, the Shareholders individually or in aggregate holding 5% or more of the Shares of the Company and the actual controllers of the Company and their respective spouses, parents or children.

<b>Grant Price</b>	RMB209.71 per A Share (for both the First Grant and the Reserved Grant), being the price of A Shares under initial public offering
<b>Source of the Restricted Shares to be Granted</b>	New ordinary A Shares to be issued by the Company to the Participants.
<b>Number of Restricted Shares to be Granted</b>	<p>1,100,250 Restricted Shares, amounting to approximately 0.4446% of the total share capital of the Company as of the date of this announcement, among which 880,200 Restricted Shares representing approximately 0.3557% of the total share capital of the Company as of the date of this announcement will be granted under the First Grant, and 220,050 Restricted Shares representing approximately 0.0889% of the total share capital of the Company as of the date of this announcement will be reserved for the Reserved Grant.</p> <p>The Restricted Shares granted to the Participants pursuant to the Incentive Scheme shall not be transferred, pledged for guarantees or used for repayment of debt before attribution and shall not be transferred during the lock-up period.</p>
<b>Basis of Grant Price</b>	<p>The Grant Price of Restricted Shares under the Incentive Scheme is RMB209.71 per A Share.</p> <p>The average trading price of the A Shares on the trading day immediately preceding August 20, 2021 (being the date on which the Board approved the Incentive Scheme) is RMB386.26 per A Share, and the Grant Price of the Restricted Shares under the Incentive Scheme represents 54.29% of the average trading price of the A Shares on such trading day immediately preceding August 20, 2021;</p> <p>The average trading price of the A Shares for the 20 trading days immediately preceding August 20, 2021 is RMB531.62 per A Share, and the Grant Price of the Restricted Shares under the Incentive Scheme represents 39.45% of the average trading price of the A Shares on such 20 trading days immediately preceding August 20, 2021;</p> <p>The average trading price of the A Shares for the 60 trading days immediately preceding August 20, 2021 is RMB601.49 per A Share, and the Grant Price of the Restricted Shares under the Incentive Scheme represents 34.87% of the average trading price of the A Shares on such 60 trading days immediately preceding August 20, 2021;</p>

The average trading price of the A Shares for the 120 trading days immediately preceding August 20, 2021 is RMB530.47 per A Share, and the Grant Price of the Restricted Shares under the Incentive Scheme represents 39.53% of the average trading price of the A Shares on such 120 trading days immediately preceding August 20, 2021.

The Grant Price is determined for the purpose of promoting the development of the Company and safeguarding interests of the Shareholders, and based on the Company's confidence in its development prospects and recognition of its intrinsic value, and is determined on the principle of equality of incentive and restraint. The mechanism of equity incentive determines that the implementation of this Incentive Scheme is expected to have a positive effect on the Company's sustainable operation ability and Shareholders' interests. The Incentive Scheme sets up reasonable performance assessment targets, the realization of which need to give full play to the initiative and creativity of the core staff. The pricing policy under the Incentive Scheme is consistent with the performance requirements.

Meanwhile, the Company is a talent and technology-oriented enterprise. With the intensification of competition in the industry and recruiting talents, a long-term incentive policy is necessary. Effective equity incentive is an effective supplement to the existing compensation package of the employees, as with the Incentive Scheme in place, the future income of the Participants depends on the performance of the Company and the stock price of the Company.

Therefore, subject to relevant laws, regulations and regulatory documents, the Company decides to set the Grant Price of the Restricted Shares at RMB209.71 per A Share. The implementation of the Incentive Scheme will stabilize the core team and align the interests of the employees with the interests of the Shareholders.

#### **Adjustment**

In the event of conversion of capital reserve into share capital, stock dividend, share split or share consolidation, share allotment, dividend payment, and other matters concerning the share capital change of the Company during the period from the date of this announcement to the date of completion of the attribution registration by the Participants, the Grant Price and the number of Restricted Shares to be granted shall be adjusted in accordance with the terms of the Incentive Scheme accordingly.

#### **Grant Date**

To be determined by the Board.

**Attribution Period**

For Restricted Shares under the First Grant and the Reserved Grant:

<b>Attribution arrangement</b>	<b>Attribution period</b>	<b>Attribution percentage</b>
First attribution tranche	From the first trading day after the expiry of 12 months following the Grant Date of the First Grant and/or Reserved Grant to the last trading day within the 24 months following the Grant Date of the First Grant and/or Reserved Grant	50%
Second attribution tranche	From the first trading day after the expiry of 24 months following the Grant Date of the First Grant and/or Reserved Grant to the last trading day within the 36 months following the Grant Date of the First Grant and/or Reserved Grant	50%

The Restricted Shares which have not been attributed during the attribution period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be attributed or deferred to be attributed in the next year(s) and shall lapse according to the Incentive Scheme.

**Conditions for Grant of the Restricted Shares**

The Restricted Shares shall be granted upon satisfaction of all of the following granting conditions; or conversely, if any of the following granting conditions has not been satisfied, no Restricted Shares shall be granted to the Participants:

- (i) None of the following has occurred on the part of the Company:
  - 1. an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
  - 2. an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
  - 3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;

4. laws and regulations stipulate that equity incentives shall not be implemented;
  5. other circumstances as determined by the CSRC.
- (ii) None of the following has occurred on the part of the Participants:
1. the Participant has been determined as an inappropriate candidate by relevant stock exchange within the most recent 12 months;
  2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
  3. the Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
  4. the Participant is prohibited by the PRC Company Law from acting as a director or member of the senior management of a company;
  5. applicable laws and regulations stipulate that the Participant shall not participate in equity incentives of listed companies;
  6. other circumstances as determined by the CSRC.

**Conditions for the Attribution of the Restricted Shares**

For the Restricted Shares to be attributed to the Participant in tranches, all of the following conditions need to be satisfied within the attribution period:

- (i) None of the following has occurred on the part of the Company:
1. an audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
  2. an audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
  3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;

4. applicable laws and regulations stipulate that equity incentives shall not be implemented;
  5. other circumstances as determined by the CSRC.
- (ii) None of the following has occurred on the part of the Participants:
1. the Participant has been determined as an inappropriate candidate by relevant stock exchange within the most recent 12 months;
  2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
  3. the Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
  4. the Participant shall not act as a director or member of the senior management of a company according to the PRC Company Law;
  5. applicable laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
  6. other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified in subparagraph (i) above arises in relation to the Company, the Restricted Shares that have been granted but have not yet been attributed to the Participants under the Incentive Scheme shall not be attributed and shall lapse. In the event that any one of the circumstances specified in subparagraph (ii) above arises in relation to a certain Participant, the Restricted Shares that have been granted but have not yet been attributed to such Participant under the Incentive Scheme shall not be attributed and shall lapse.

- (iii) Requirements on length of employment of the Participants for attribution of Restricted Shares:

Before each tranche of Restricted Shares granted to the Participants attributes, the Participant must be employed by the Group for more than 12 months.



(iv) Performance assessment requirements at Company level:

Under the Incentive Scheme, the Company's performance indicators will be evaluated on an annual basis for the financial years of 2021 and 2022, and the achievement of performance assessment target will be one of the attribution conditions for the Participants for the relevant year. The performance assessment targets and attribution factors are shown in the following table for both the First Grant and the Reserved Grant:

Attribution Arrangement	Assessment Year	Performance Target A Company Attribution Factor: 100%	Performance Target B Company Attribution Factor: 85%	Performance Target C Company Attribution Factor: 70%
First attribution tranche	2021	<p>The Company must meet all of the following conditions:</p> <ol style="list-style-type: none"> <li>1. Operating revenue: no less than RMB7.0 billion in 2021;</li> <li>2. At least 3 products are launched (excluding Ad5-EBOV) by the end of 2021;</li> <li>3. At least 3 candidates have obtained clinical trial approval or entered next-phase clinical trial (for candidates which have obtained clinical trial approval and entered clinical trial stage) in 2021.</li> </ol>	<p>The Company must meet all of the following conditions:</p> <ol style="list-style-type: none"> <li>1. Operating revenue: no less than RMB6.5 billion in 2021;</li> <li>2. At least 3 products are launched (excluding Ad5-EBOV) by the end of 2021;</li> <li>3. At least 3 candidates have obtained clinical trial approval or entered next-phase clinical trial (for candidates which have obtained clinical trial approval and entered clinical trial stage) in 2021.</li> </ol>	<p>The Company must meet all of the following conditions:</p> <ol style="list-style-type: none"> <li>1. Operating revenue: no less than RMB6.0 billion in 2021;</li> <li>2. At least 2 products are launched (excluding Ad5-EBOV) by the end of 2021;</li> <li>3. At least 3 candidates have obtained clinical trial approval or entered next-phase clinical trial (for candidates which have obtained clinical trial approval and entered clinical trial stage) in 2021.</li> </ol>



Attribution Arrangement	Assessment Year	Performance Target A Company Attribution Factor: 100%	Performance Target B Company Attribution Factor: 85%	Performance Target C Company Attribution Factor: 70%
Second attribution tranche	2022	<p>The Company must meet all of the following conditions:</p> <p>1. Cumulative operating revenue: no less than RMB20.0 billion for the financial years of 2021-2022;</p> <p>2. At least 4 products are launched (excluding Ad5-EBOV) by the end of 2022;</p> <p>3. At least 2 new INDs are filed and accepted in 2022.</p>	<p>The Company must meet all of the following conditions:</p> <p>1. Cumulative operating revenue: no less than RMB18.5 billion for the financial years of 2021-2022;</p> <p>2. At least 3 products are launched (excluding Ad5-EBOV) by the end of 2022;</p> <p>3. At least 2 new INDs are filed and accepted in 2022.</p>	<p>The Company must meet all of the following conditions:</p> <p>1. Cumulative operating revenue: no less than RMB17.0 billion for the financial years of 2021-2022;</p> <p>2. At least 3 products are launched (excluding Ad5-EBOV) by the end of 2022;</p> <p>3. At least 1 new IND is filed and accepted in 2022.</p>

*Note:*

The above “operating revenue” is calculated based on the data set out in the consolidated audited financial statements.

(v) Performance assessment requirements at the individual Participant’s level:

The individual assessment of Participants is carried out according to the internal performance assessment system of the Company. The results of the individual assessment of Participants are divided into four levels, namely “A”, “B”, “C” and “D”, and the corresponding attribution percentage is as follows:

Assessment Level	A	B	C	D
Individual attribution factor	100%	100%	85%	0

Presuming that the Company has achieved its performance assessment target C (inclusive), the number of Restricted Shares to be attributed to the Participant in the relevant year equals to the number of Restricted Shares planned to be attributed to the individual Participant in that year  $\times$  the company attribution factor  $\times$  the individual attribution factor.

In any event that the Restricted Shares to be attributed to the Participant under the Incentive Scheme in the relevant year cannot attribute or fully attribute due to assessment reasons, such Restricted Shares shall lapse and cannot be deferred to the next year for attribution.

The specific content of the assessment under the Incentive Scheme is implemented in accordance with Assessment Management Measures.

**Explanation on the Scientificity and Reasonableness of the Performance Assessment Indicators**

The establishment of the assessment indicators of the Incentive Scheme complies with the basic provisions of laws and regulations and the Articles of Association. The assessment indicators are divided into two levels: company level performance assessment and individual level performance assessment.

The Company is an enterprise dedicated to research and development, manufacture and commercialization of innovative vaccines in line with domestic and international standards. Under the leadership of the management team, the Company has promoted the research and development of a series of innovative vaccines, for the prevention of, among others, COVID-19, Ebola virus disease, meningitis, DPT, pneumonia, tuberculosis, herpes zoster, and other clinical vaccines in great demands. In order to achieve the Company's strategic objectives and maintain the existing competitiveness, the operating income and the progress of vaccine candidates were set as the assessment indicators at the company level, which can authentically reflect the Company's operation and market positions, and is an effective indicator to predict the Company's operation and development trend and measure the Company's operation efficiency and growth. Based on comprehensive considerations including but not limited to the macroeconomic environment, the Company's historical performance, development in vaccine industry, competition in the market, the Company's future development plan and other relevant factors, the Company has set the performance assessment indicators of the Incentive Scheme. The objectives set in the Incentive Scheme are beneficial to enhance the competitiveness of the Company, motivate employees, ensure the realization of the Company's development strategy and business objectives, and bring more efficient and lasting returns to Shareholders.

In addition to the performance assessment at the company level, the Company has also set up a stringent performance assessment mechanism for each individual employee, which is expected to lead to a more accurate and comprehensive evaluation on the performance of the Participants. The Company will determine whether the relevant Participants meet the conditions of attribution according to the annual performance assessment results.

In summary, the Company's appraisal mechanism under the Incentive Scheme is integrated, comprehensive and practicable. Meanwhile, the Participants are subject to the scientific and reasonable performance indicators, through which the appraisal purpose of the Incentive Scheme can be achieved.

**Accounting Treatment  
on the Restricted Shares**

In accordance with relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-Based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, on each balance sheet date during the period from the Grant Date to the attribution date, the Company shall revise the number of the Restricted Shares which are expected to be attributed according to the changes in the latest available number of persons eligible to be attributed the Restricted Shares, fulfilment of the performance targets and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

(i) Fair Value of the Type II Restricted Shares and the Determination Method

The Company will include the services obtained in the current period into relevant costs or expenses and capital reserves according to the fair value of stock options on the Grant Date. The Company selects the Black Scholes model to calculate the fair value of the Type II Restricted Shares, and uses the model to predict the Type II Restricted Shares under the First Grant on August 20, 2021 (formal calculation at the time of grant). The specific parameters are as follows:

1. underlying stock price: RMB390.00 per A Share (assuming that the closing price of the A Shares of the Company on the Grant Date is the closing price on August 20, 2021);
2. the validity period is 12 months and 24 months respectively (the period from the date of grant to the attribution date of each tranche);
3. historical volatility: 34.4529%, 32.8926% (using the historical volatility of Shenwan Biological Products Industry in recent two years);
4. risk free interest rate: 1.50% and 2.10% (the benchmark interest rates for 1-year and 2-year deposits of financial institutions formulated by the People's Bank of China are adopted respectively); and
5. dividend yield: 0.00%.

- (ii) The Estimated Impact on the Operating Performance in Each Accounting Period due to the implementation of the Restricted Shares

The fair value of the Restricted Shares at the Grant Date shall be determined in accordance with accounting standards and the share-based cost of the Incentive Scheme will be determined accordingly. The total amount of above expenses will be amortized in proportion to the attributed shares during the implementation of the Incentive Scheme and the incentive cost of the Company's Incentive Scheme will be disbursed from operating profit or loss.

In accordance with PRC Accounting Standards, the amortization of cost of the Restricted Shares under the First Grant for each accounting period is as follows (assuming the Grant Date will be mid-September 2021):

*Unit: RMB0' 000*

Number of Restricted Shares under the First Grant (share)	Amortization cost of the Restricted Shares	Year ending December 31, 2021	Year ending December 31, 2022	Year ending December 31, 2023
880,200	16,635.97	3,611.16	10,010.95	3,013.85

*Notes:*

1. The above costs are projected costs, and actual costs are related to the Grant Date, the actual Grant Price, and the number of attributed shares, which are subject to decrease in case of the Participants' demission before attribution, and the Company or the Participant not being able to meet corresponding performance assessment requirements, which result in decrease of incentive costs. The Company draws the Shareholders' attention to the possible dilutive effect of the share-based payment described above;
2. The final impact of the above projected amortization expenses on the Company's operating results is subject to the audit report issued by the accountants.

The Company estimates that, based on available information, the amortization of costs of the Restricted Shares will have an impact on the net profit each year within the validity period. The implementation of the Incentive Scheme will further improve the cohesion of the employees and stability of team, stimulate the enthusiasm of the management, and improve operating efficiency, thus will have a positive effect on the Company's performance and internal value.

## Proposed Issue of Restricted Shares Pursuant to Specific Mandate

The Company proposed to issue no more than 1,100,250 Restricted Shares to be granted to the Participants (including those under the First Grant and the Reserved Grant) under the Incentive Scheme pursuant to a Specific Mandate, representing approximately 0.4446% of the total issued share capital of the Company as of the date of this announcement, which is subject to, among other things, the approval at the EGM and the Class Meetings. No Restricted Shares will be granted to connected persons of the Company under the First Grant.

Subject to the approval at the EGM and at the Class Meetings, the Board will grant no more than 1,100,250 A Shares under the Incentive Scheme at a Grant Price of RMB209.71 per A Share. Accordingly, the total amount to be paid by the Participants to purchase no more than 1,100,250 A Shares will be no more than RMB230,733,427.5.

In addition to the principal terms of the Incentive Scheme summarized in the section headed “Principal Terms of the Incentive Scheme” above, further information in relation to the issue and allotment of the Restricted Shares under the Incentive Scheme are set out below.

### ***Total funds to be raised and the proposed use of proceeds***

No more than RMB230,733,427.5 will be paid by the Participants to subscribe for no more than 1,100,250 Restricted Shares under the Incentive Scheme. The proceeds from the subscription of Restricted Shares to be issued under the Incentive Scheme are intended to supplement working capital.

### ***Dilution effect***

The shareholding structure of the Company before and after the attribution of the Restricted Shares granted under the Incentive Scheme to the Participants is set out as follows:

	As of the date of this announcement	Assuming full attribution and issue of the Restricted Shares under the Incentive Scheme <sup>(1)</sup>
Number of A Shares	114,778,999	115,879,249
Number of H Shares	132,670,900	132,670,900
<b>Total</b>	<b>247,449,899</b>	<b>248,550,149</b>

*Note:*

(1) Assuming that no other Shares are issued or repurchased by the Company.

### ***Grant price***

The Grant Price of the Restricted Shares under the Incentive Scheme shall be RMB209.71 per A Share, which was determined with reference to the basis set out in the section headed “Principal Terms of the Incentive Scheme” above.

### ***Aggregate nominal value***

The nominal value of the A Shares of the Company is RMB1.00 per A Share. The aggregate nominal value of the Restricted Shares to be granted under the Incentive Scheme shall be no more than RMB1,100,250.

### ***Fund raising activities in the past 12 months***

The Company has not conducted any fund raising activities involving the issue of share capital within the 12 months immediately preceding the date of this announcement.

## **PROPOSED ADOPTION OF THE ASSESSMENT MANAGEMENT MEASURES**

To ensure the smooth implementation of the Incentive Scheme, the Assessment Management Measures have been formulated according to the PRC Company Law, the PRC Securities Law, the Management Measures and other relevant laws, administrative regulations, normative documents, the relevant requirements of the Articles of Association as well as the actual situation of the Company. The full text of the Assessment Management Measures will be set out in the circular to be despatched to the Shareholders on or before August 26, 2021.

## **PROPOSED GRANT OF AUTHORIZATION TO THE BOARD OF DIRECTORS TO DEAL WITH MATTERS RELATING TO THE INCENTIVE SCHEME**

To ensure the smooth implementation of the Incentive Scheme, it is proposed at the EGM and the Class Meetings that the Board of Directors shall be authorized to handle matters relating to the Incentive Scheme, including but not limited to the following:

- a) to propose at the EGM and the Class Meetings that the Board of Directors be authorized to be responsible for the following matters in relation to the implementation of the Incentive Scheme:
  - i. to authorize the Board of Directors to determine the Grant Date under the Incentive Scheme;
  - ii. to authorize the Board of Directors to adjust the number of the Restricted Shares to be granted/attributed according to the terms of the Incentive Scheme in the event of conversion of capital reserve into share capital, stock dividend, share split or share consolidation and share allotment of the Company;

- iii. to authorize the Board of Directors to adjust the Grant Price for Restricted Shares according to the terms of the Incentive Scheme in the event of conversion of capital reserve into share capital, distribution of stock dividend, share split or share consolidation, share allotment and dividend distribution;
- iv. to authorize the Board of Directors to adjust the number of Restricted Shares which were waived to be subscribed by the employees to the portion of Reserved Grant, or allocate and adjust above Shares among the Participants prior to the grant of the Restricted Shares;
- v. to authorize the Board of Directors to grant the Restricted Shares to a Participant upon his/her fulfillment of the conditions of grant, and to handle all necessary matters in connection with the grant of the Restricted Shares, including signing agreement on the grant of Restricted Shares;
- vi. to authorize the Board of Directors to review and confirm the qualification of the Participants for attribution and the number of the Restricted Shares to be attributed, and to agree to the Board of Directors delegating such rights to the Remuneration and Assessment Committee;
- vii. to authorize the Board of Directors to determine whether the Restricted Shares may be attributable to a Participant;
- viii. to authorize the Board of Directors to handle all matters necessary in connection with the attribution of the Restricted Shares, including but not limited to the submission of application to a stock exchange in respect of the attribution of the Restricted Shares, applying to securities registration and clearing company for registration and clearing services, amending the Articles of Association; and applying to register the change in registered capital of the Company;
- ix. to authorize the Board of Directors to make decisions on the amendment and termination of the Incentive Scheme, including but not limited to disqualification of the Participants for attribution, cancellation of the Restricted Shares of the Participants that have not yet been attributed;
- x. to authorize the Board of Directors to determine the Participants, number of grant, Grant Price, Grant Date and all other matters in respect of the Reserved Grant under the Incentive Scheme;
- xi. to authorize the Board of Directors to execute, implement, revise and terminate any agreement relating to the Incentive Scheme and other relevant agreements;
- xi. to authorize the Board of Directors to manage and adjust the Incentive Scheme, and from time to time formulate or amend the management and implementation rules of the Incentive Scheme, subject to compliance with the terms of the Incentive Scheme. However, if such amendments are subject to approval at the general meeting or/and by relevant regulatory authorities under the requirements of laws, regulations or relevant regulatory authorities, such amendments by the Board of Directors shall be subject to such approvals; and



- xiii. to authorize the Board of Directors to implement all other necessary matters in connection with the Incentive Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting;
- b) to propose at the EGM and the Class Meetings to authorize the Board of Directors to complete procedures with relevant governments and authorities in relation to the Incentive Scheme including review, registration, filing, approval and consent; to sign, execute, amend and complete documents submitted to relevant governments, authorities, organizations, and individuals; to amend the Articles of Association and handle the registration of the change in registered capital of the Company; and to carry out all actions deemed to be necessary, appropriate, or expedient in relation to the Incentive Scheme;
- c) to propose at the EGM and the Class Meetings to authorize the Board of Directors to engage intermediaries, such as financial consultant, receiving bank, accountants, lawyers or securities companies, for the implementation of the Incentive Scheme; and
- d) to propose at the EGM and the Class Meetings to approve the period of authorization given to the Board of Directors to be consistent with the validity period of the Incentive Scheme. Save for matters to be approved by the Board of Directors as explicitly stipulated by laws, administrative regulations, rules of CSRC, regulatory documents, the Incentive Scheme or the Articles of Association, the above authorizations may be exercised directly by the Chairman of the Board or appropriate person authorized by the Chairman of the Board on behalf of the Board.

## **PURPOSE AND REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE SCHEME**

The purpose of the proposed Incentive Scheme is to improve the Company's incentive mechanism, further enhance the enthusiasm, creativity, and cohesion of employees, promote the continuous growth of Company's business, and achieve development by enhancing the value of the Company and granting benefits to the employees. The Incentive Scheme is formulated in accordance with the relevant rules and regulations and the Articles of Association.

The Company is of the view that the adoption and implementation of the proposed Incentive Scheme is beneficial to the Company and its Shareholders as a whole, and the terms and conditions of the Incentive Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Given the nature of the business of the Company and the highly competitive industry in which it operates, it is extremely important for the Company to recruit and retain talents, and the Company's long-term development plan will highly depend on the loyalty and contribution of the Participants. The proposed Incentive Scheme is considered a critical component of the Company's employee appraisal system and effectively aligns the employee's achievements at the individual level with the Company's overall performance. The Company is of the view that the adoption of the Incentive Scheme will help the Company to achieve the aforesaid goals.

## **HONG KONG LISTING RULES IMPLICATIONS**

Pursuant to the Incentive Scheme, the Participants will be granted certain Restricted Shares. The Incentive Scheme does not involve the grant of options over new H Shares or issue of H Shares by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Hong Kong Listing Rules.

The First Grant under the Incentive Scheme does not involve the grant of Restricted Shares to connected persons of the Company (or any of its subsidiaries) and therefore is not subject to the notification, announcement and shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In the event that any grantee under the Reserved Grant is a connected person of the Company (or any of its subsidiaries), such grant will constitute a connected transaction of the Company. The Company will comply with the relevant requirements under the Hong Kong Listing Rules, including the reporting, announcement independent Shareholders' approval and appointment of the independent financial adviser requirements under Chapter 14A of the Hong Kong Listing Rules as and when appropriate, for such subsequent grant that constitutes a connected transaction.

## **EGM**

The EGM and the Class Meetings will be convened on Friday, September 10, 2021 at No. 3 Ballroom, 2nd Floor, Shangri-La Hotel Tianjin, No. 328 Haihe East Road, Hedong District, Tianjin, the People's Republic of China, at 2:00 p.m. and immediately after the conclusion of the EGM, to consider and, if thought fit, approve (i) the proposed adoption of the Incentive Scheme and the proposed issue and grant of Restricted Shares under the Incentive Scheme pursuant to Specific Mandate; (ii) the proposed adoption of the Assessment Management Measures; and (iii) the proposed authorization to the Board to deal with matters relating to the Incentive Scheme.

A circular of the Company containing, among other things, (i) further details of the Incentive Scheme and the Assessment Management Measures; and (ii) notices convening the EGM and the Class Meetings, are expected to be despatched to the Shareholders on or before August 26, 2021.

## **CLOSURE OF REGISTER OF MEMBERS OF H SHARES**

The register of members of H Shares of the Company will be closed from Wednesday, September 8, 2021 to Friday, September 10, 2021, both days inclusive, during which period no transfer of H Shares shall be registered, in order to determine the holders of the H Shares of the Company who are entitled to attend and vote at the forthcoming EGM and the Class Meeting of H Shareholders to be held on Friday, September 10, 2021.

To be eligible to attend and vote at the EGM and the Class Meeting of H Shareholders, all properly completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, September 7, 2021 for registration.

## **DEFINITIONS**

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“A Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each and listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange and traded in RMB
“A Shareholder(s)”	holder(s) of A Shares

“Ad5-EBOV”	an adenovirus type 5 vector based Ebola virus disease vaccine, a vaccine jointly developed by, among others, the Company, that protects against Ebola by relying on the recombinant replication-defective human adenovirus type-5 vector to induce the immune response. It received the NDA approval in China in October 2017
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Assessment Management Measures”	the Management Measures for Assessment for the Implementation of the 2021 Restricted Share Incentive Scheme
“Board of Directors” or “Board”	the board of Directors
“Class Meeting(s)”	the Class Meeting of A Shareholders and Class Meeting of H Shareholders
“Class Meeting of A Shareholders”	the 2021 first class meeting of A Shareholders to be held on Friday, September 10, 2021 immediately after the conclusion of the Class Meeting of H Shareholders (or any adjournment thereof)
“Class Meeting of H Shareholders”	the 2021 first class meeting of H Shareholders to be held on Friday, September 10, 2021 immediately after the conclusion of the EGM (or any adjournment thereof)
“Company”	CanSino Biologics Inc. (康希諾生物股份公司), a joint stock company incorporated in the PRC with limited liability on February 13, 2017, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6185) and the A Shares of which are listed on Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688185)
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the 2021 second extraordinary general meeting of the Company to be held at 2:00 p.m. on Friday, September 10, 2021
“First Grant”	the proposed grant of not more than 880,200 Restricted Shares, representing approximately 80.00% of the total number of Restricted Shares under the Incentive Scheme
“Grant Date”	the date on which the Company grants the Restricted Shares

“Grant Price”	the price of each Restricted Share to be granted to the Participants
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each which are subscribed for and traded in Hong Kong Dollars and listed on the Main Board of the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollars”, “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Scheme”	the 2021 Restricted Share Incentive Scheme of the Company
“IND”	Investigational New Drug
“Management Measures”	the Management Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》)
“Participant(s)”	the participants of the Incentive Scheme
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended from time to time
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended from time to time
“Remuneration and Assessment Committee”	the remuneration and assessment committee of the Company

“Reserved Grant”	the reserved grant of not more than 220,050 Restricted Shares, representing approximately 20.00% of the total number of Restricted Shares under the Incentive Scheme
“Restricted Share(s)”	A Share(s) to be granted to the Participants by the Company at the Grant Price stipulated under the Incentive Scheme, which are subject to the conditions stipulated under the Incentive Scheme
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM and the Class Meetings to issue and allot no more than 1,100,250 A Shares as Restricted Shares under the Incentive Scheme
“Supervisor(s)”	the supervisor(s) of the Company
“%”	per cent

By Order of the Board  
**CanSino Biologics Inc.**  
**Xuefeng YU**  
*Chairman*

Hong Kong, August 20, 2021

*As of the date of this announcement, the Board comprises Dr. Xuefeng YU, Dr. Shou Bai CHAO, Dr. Tao ZHU and Dr. Dongxu QIU as executive Directors, Mr. Qiang XU, Mr. Liang LIN, Ms. Nisa Bernice Wing-Yu LEUNG and Mr. Zhi XIAO as non-executive Directors, and Mr. Shiu Kwan Danny WAI, Ms. Zhu XIN, Mr. Shuifa GUI and Mr. Jianzhong LIU as independent non-executive Directors.*