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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 2023 A SHARE EMPLOYEE STOCK
OWNERSHIP PLAN;
PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES FOR THE
2023 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN;
PROPOSED AUTHORIZATION TO THE BOARD TO DEAL WITH
MATTERS RELATING TO THE 2023 A SHARE EMPLOYEE STOCK
OWNERSHIP PLAN;
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 March 27, 2023 to propose (i) the adoption of the Stock Ownership Plan, (ii) the adoption of the Administrative Measures, and (iii) the authorization to the Board to deal with matters relating to the Stock Ownership Plan, all of which are subject to Shareholders' approval by way of ordinary resolutions at the EGM.

HONG KONG LISTING RULES IMPLICATIONS

The Stock Ownership Plan does not involve the grant of new A Shares or options over new A Shares, or issue of A Shares by the Company (or any of its subsidiaries). As the Stock Ownership Plan involves existing Shares, it is subject to Rule 17.12 of Chapter 17 of the Hong Kong Listing Rules.

As the Holders involve a supervisor of the Company, the supervisor's participation in the Stock Ownership Plan constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules, and the relevant applicable percentage ratios (as defined in the Hong Kong Listing Rules) on an individual basis are less than 0.1%, thus they are fully exempt from the shareholders' approval, annual review and all disclosure requirements. Save for the above fully exempt connected transaction, participation in the Stock Ownership Plan by other Holders does not constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules. In circumstances of re-allocation of the granted Shares to any connected persons of the Company and such an allocation constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules, the Company will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules.

EGM

The EGM will be convened on Thursday, April 20, 2023 at Yuefu Hall, 1st Floor, Hyatt Regency Tianjin East, No. 126 Weiguo Road, Hedong District, Tianjin, the PRC, at 2:30 p.m. to consider and, if thought fit, approve (i) the proposed adoption of the Stock Ownership Plan; (ii) the proposed adoption of the Administrative Measures; and (iii) the proposed authorization to the Board to deal with matters relating to the Stock Ownership Plan.

A circular of the Company containing, among other things, (i) further details of the Stock Ownership Plan and Administrative Measures; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before March 28, 2023.

PROPOSED ADOPTION OF THE STOCK OWNERSHIP PLAN

The Board is pleased to announce that it has resolved at a meeting of the Board held on March 27, 2023 to propose (i) the adoption of the Stock Ownership Plan, (ii) the adoption of the Administrative Measures, and (iii) the authorization to the Board to deal with matters relating to the Stock Ownership Plan, all of which are subject to Shareholders' approval by way of ordinary resolutions at the EGM.

Principle Terms of the Stock Ownership Plan

The principal terms of the Stock Ownership Plan are set out below:

Effectiveness	The Stock Ownership Plan shall not take effect unless it's approved by the Shareholders at the EGM.
Duration	The term of the Stock Ownership Plan shall be 36 months commencing from the date on which the Company announces the transfer of the underlying Shares to the Stock Ownership Plan. If not extended, the Stock Ownership Plan will be terminated automatically upon the expiry of its term.
Participants	The Participants of the Stock Ownership Plan shall be determined in accordance with the Company Law, the Securities Law, the Guiding Opinions, the Self-regulation Guidance No.1, the relevant laws, regulations and regulatory documents of the CSRC and the Shanghai Stock Exchange, and the Articles of Association while considering the actual situation.

The Participants of the Stock Ownership Plan are the supervisor, senior management, core management and core business personnel of the Company. Each of the Participants shall take a position in the Company (including its controlled subsidiaries) and enter into labor contracts with the Company or its controlled subsidiaries or shall be employed by the Company.

The total Participants in the Stock Ownership Plan shall not exceed 359 persons, including a supervisor and senior management (3 persons in total). The specific number of Participants shall be determined based on the actual payment made by the employees.

The maximum total amount of funds under of the Stock Ownership Plan shall not exceed RMB34.41 million, and the total amount of funds payable by participating employees shall be the maximum number of Shares subscribed by employees of 562,460 Shares, calculated according to RMB61.17 per share. The specific number of Shares held by the Holders shall be determined by the actual payment of employees. The Shares to be held by the Participants of the Stock Ownership Plan are as follows:

No.	Name	Position	The maximum number of Shares to be held	The proportion in the Stock Ownership Plan	The proportion in the total share capital of the Company on the announcement date of the Stock Ownership Plan
1	Xi LUO	Chief financial officer	30,530	5.43%	0.0123%
2	Jin CUI	Board Secretary	8,340	1.48%	0.0034%
3	Yuan ZHOU	Employee representative supervisor	2,460	0.44%	0.0010%
	Core management personnel and core business backbones (356 persons)		521,130	92.65%	0.2106%
	Total (359 persons)		562,460	100%	0.2273%

Notes:

1. The actual Participants and their respective Shares may be adjusted according to their subscription.
2. In case of abandonment of subscription by employees, the abandoned subscription portion may be subscribed by other eligible Participants and the final subscribed Share shall be determined by the Board.
3. After the implementation of the Stock Ownership Plan, the total number of Shares held by all effective employee share ownership plans of the Company shall not exceed 10% of the total share capital of the Company, and the total number of underlying Shares corresponding to the interests in Shares acquired by an individual employee shall not exceed 1% of the total share capital of the Company.
4. Any difference between the total of the above figures and the arithmetic sum of the breakdowns is due to rounding.

Source of the underlying Shares	The source of underlying Shares shall be the ordinary A Shares held in the Company's designated securities repurchase account.
Source of the funds	The source of funds for the Stock Ownership Plan shall be the legitimate remuneration of employees, self-raised funds and any fund obtained in any other method permitted by laws and regulations. The Company will not provide financial assistance such as advances, guarantees and loans for the Holders. The Stock Ownership Plan does not involve leveraged funds and there is no arrangement for third parties to provide incentives, grants, subsidies, and make up the balance for employees to participate in the Stock Ownership Plan.
Size of the underlying Shares	<p>The total Shares to be granted under the Stock Ownership Plan shall not exceed 562,460 Shares, representing approximately 0.23% of the total share capital of the Company as at the date of the announcement.</p> <p>After implementation of the Stock Ownership Plan, the cumulative number of all Shares held by all effective employee stock ownership plans of the Company shall not exceed 10% of the total share capital of the Company, while the cumulative number of all Shares owned by an individual employee shall not exceed 1% of the total share capital of the Company (excluding the Shares acquired by the Holder before the initial public offering and listing of the Shares, the Shares acquired through the secondary market and the Shares acquired through share incentives).</p>
Purchase price	The price at which the Stock Ownership Plan receives the shares repurchased by the Company shall be 50% of the average trading price of the A Shares on the last trading day preceding the date of the Board meeting, i.e. RMB61.17 per A Share.

Performance appraisal

The appraisal years for unlocking the underlying Shares shall be the two accounting years of 2023 and 2024, and the appraisal shall be conducted once each accounting year. The individual performance appraisal of the Holders shall be implemented according to the relevant internal performance appraisal system of the Company. The individual appraisal results of the Participants are divided into four levels, namely “A”, “B”, “C” and “D”. The final number of Holders’ underlying Shares that can be unlocked shall be determined on the basis of the individual appraisal results as follows:

Evaluation Criteria	A	B	C	D
Unlocking ratio	100%	95%	80%	0%

Note:

Actual unlocking amount of a Holder for the year = Target unlocking amount × Unlocking ratio

If the number of underlying Shares of a Holder actually unlocked is less than the target number of unlocked Shares, the Management Committee shall recover the Shares that have not reached the unlocking conditions and have the right to decide whether to allocate such Shares to other employees, provided that such employees shall meet the criteria for Participants of the Stock Ownership Plan. If the distribution of such Shares is not completed during the term of the Stock Ownership Plan, the Company shall dispose of the undistributed portion at an appropriate time within the duration after the unlocking date, and the lower of the original capital contribution of the corresponding portion and the gain on disposal shall be returned to the Holders, and the gains shall belong to the Company.

Lock-up Period

The underlying Shares acquired by the Holders under the Stock Ownership Plan through non-trading transfer or any other means permitted by laws and regulations shall be unlocked in batches after 12 months commencing from the date on which the underlying Shares granted in each batch of the Company are transferred to the Stock Ownership Plan. Details are as follows:

The first unlocking date shall be the expiry of 12 months from the date on which the underlying Shares granted by the Company are transferred to the Stock Ownership Plan, and the maximum number of Shares to be unlocked is 50% of the total number of underlying Shares granted in that batch.

The second unlocking date shall be the expiry of 24 months from the date on which the underlying Shares granted by the Company are transferred to the Stock Ownership Plan, and the maximum number of Shares to be unlocked is 50% of the total number of underlying Shares granted in that batch.

The underlying Shares obtained under the Stock Ownership Plan as a result of the distribution of share dividends, and capitalization of capital reserve by the listed company shall also be subject to the above lock-up arrangement.

Management

Subject to the approval of the general meeting, the Stock Ownership Plan shall be managed by the Company on its own. The highest internal management authority of the Stock Ownership Plan is the Holders' Meeting. The Company shall establish a Management Committee for the Stock Ownership Plan, which is responsible for establishing and managing relevant accounts under the Stock Ownership Plan, carrying out daily management, exercising the Shareholders' rights (except voting rights at general meetings) on behalf of the Stock Ownership Plan and performing other duties as stipulated in the Stock Ownership Plan and relevant laws and regulations. The Board is responsible for drafting and amending the Stock Ownership Plan and handling other relevant matters within the scope as authorized by the general meeting. The Company has adopted appropriate risk prevention and isolation measures to effectively safeguard the legitimate rights and interests of the Holders.

Alternation

During the term of the Stock Ownership Plan, any alteration of the Stock Ownership Plan shall be subject to the approval of more than two-thirds of the Shares held by the Holders attending the Holders' Meeting, and shall be submitted by the Board to the general meeting for consideration and approval.

Termination

The Stock Ownership Plan shall be terminated automatically upon the expiry of its term.

Where all Shares held under the Stock Ownership Plan have been sold, the Stock Ownership Plan may be terminated earlier.

Termination of the Stock Ownership Plan shall be subject to the approval of more than two-thirds of the Shares held by the Holders attending the Holders' Meeting, and shall be submitted by the Board to the general meeting for consideration and approval.

PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES

To ensure the smooth implementation of the Stock Ownership Plan, the Administrative Measures have been formulated in accordance with the provisions of the relevant laws, regulations and regulatory documents, including the Company Law, the Securities Law, the Administrative Measures, the Self-regulation Guidance No.1, the Hong Kong Listing Rules, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange STAR Market, the Articles of Association and the Stock Ownership Plan. The full text of the Administrative Measures will be set out in the circular to be despatched to the Shareholders on or before March 28, 2023.

PROPOSED AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATING TO THE STOCK OWNERSHIP PLAN

To ensure the smooth implementation of the Stock Ownership Plan, it is proposed at the EGM that the Board shall be authorized to handle all matters relating to the Stock Ownership Plan within the scope stipulated by relevant laws, regulations and regulatory documents, including but not limited to the following:

- (a) to authorize the Board to handle the establishment of the Stock Ownership Plan;
- (b) to authorize the Board to decide on the extension of the term of the Stock Ownership Plan;
- (c) to authorize the Board to handle all matters in relation to the transfer, lock-up and unlocking of the Shares purchased under the Stock Ownership Plan;
- (d) to authorize the Board to make decisions on the refinancing matters such as participation in the placing of Shares during the term of the Stock Ownership Plan;
- (e) to authorize the Board to interpret the Stock Ownership Plan;
- (f) to authorize the Board to change the Participants of the Stock Ownership Plan and their determination criteria;
- (g) to authorize the Board to sign the contract, agreement and documents in relation to the Stock Ownership Plan;
- (h) to authorize the Board to adjust and improve the Stock Ownership Plan in response to any adjustment in the relevant laws, regulations and policies;
- (i) to propose to the general meeting to authorize the Board to deal with any announcements and circulars required to be disclosed on the website of the Shanghai Stock Exchange (www.sse.com.cn) or the website of the Hong Kong Stock Exchange (www.hkexnews.hk), and to deal with any compliance matters of the Shanghai Stock Exchange or the Hong Kong Stock Exchange in relation to the Stock Ownership Plan; and
- (j) to authorize the Board to handle other necessary matters required for the Stock Ownership Plan, except for the rights to be exercised by the general meeting as expressly stipulated in the relevant documents.

The above authorization shall be valid from the date of approval at the general meeting of the Company to the date of completion of the implementation of the Stock Ownership Plan.

An ordinary resolution will be proposed at the EGM to consider and, if thought fit, approve the proposed authorization to the Board to deal with matters relating to the Stock Ownership Plan.

PURPOSE AND REASONS FOR AND BENEFITS OF THE ADOPTION OF THE STOCK OWNERSHIP PLAN

The purpose of the Stock Ownership Plan is to enhance the cohesion of employees and the competitiveness of the Company, and mobilize the enthusiasm and creativity of employees by holding the Shares, establishing and improving the benefit sharing mechanism for employees and Shareholders, and improving corporate governance, and ultimately to promote the long-term, sustainable and healthy development of the Company. The Stock Ownership Plan 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 Stock Ownership Plan is beneficial to the Company and its Shareholders as a whole, and the terms and conditions of the Stock Ownership Plan 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 Stock Ownership Plan 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 Stock Ownership Plan will help the Company to achieve the aforesaid goals.

HONG KONG LISTING RULES IMPLICATIONS

Pursuant to the Stock Ownership Plan, the Participants of the Stock Ownership Plan will be granted certain A Shares. The Stock Ownership Plan does not involve the grant of new A Shares or options over new A Shares, or issue of A Shares by the Company (or any of its subsidiaries). As the Stock Ownership Plan involves existing Shares, it is subject to Rule 17.12 of Chapter 17 of the Hong Kong Listing Rules.

As the Holders involve a supervisor of the Company, the supervisor's participation in the Stock Ownership Plan constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules, and the relevant applicable percentage ratios (as defined in the Hong Kong Listing Rules) on an individual basis are less than 0.1%, thus they are fully exempt from the shareholders' approval, annual review and all disclosure requirements. Save for the above fully exempt connected transaction, participation in the Stock Ownership Plan by other Holders does not constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules. In circumstances of re-allocation of the granted Shares to any connected persons of the Company and such an allocation constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules, the Company will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules. None of the Directors has a direct or indirect material interest in the Stock Ownership Plan.

EGM

The EGM will be held on Thursday, April 20, 2023 at Yuefu Hall, 1st Floor, Hyatt Regency Tianjin East, No. 126 Weiguo Road, Hedong District, Tianjin, the PRC, at 2:30 p.m. to consider and, if thought fit, approve (i) the proposed adoption of the Stock Ownership Plan; (ii) the proposed adoption of the Administrative Measures; (iii) the proposed authorization to the Board to deal with matters relating to the Stock Ownership Plan.

A circular of the Company containing, among other things, (i) further details of the Stock Ownership Plan and Administrative Measures; and (ii) a notice convening the EGM, is expected to be despatched to the Shareholders on or before March 28, 2023.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The register of members of H Shares will be closed from Wednesday, April 19, 2023 to Thursday, April 20, 2023, both days inclusive, during which period no transfer of H Shares shall be registered, in order to determine the holders of the H Shares who are entitled to attend and vote at the forthcoming EGM to be held on Thursday, April 20, 2023.

To be eligible to attend and vote at the EGM, 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, April 18, 2023 for registration.

DEFINITIONS

In this announcement, unless the context otherwise requires, the capitalized 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
“Administrative Measures”	the Administrative Measures for the 2023 A Share Employee Stock Ownership Plan of the Company
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“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)
“Company Law”	the Company Law of the PRC, as amended from time to time
“connected person(s)”	has the meaning ascribed to it 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 2023 first extraordinary general meeting of the Company to be held at 2:30 p.m. on Thursday, April 20, 2023
“Group”	the Company and its subsidiaries
“Guiding Opinions”	the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies
“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
“Holder(s)” or “Participant(s)”	employee(s) who contributed funds to participate in the Stock Ownership Plan

“Holders’ Meeting”	the meeting of the Holders of the Stock Ownership Plan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollars”	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
“Management Committee”	the management committee of the Stock Ownership Plan
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC, as amended from time to time
“Self-regulation Guidance No.1”	the Self-regulatory Guideline No. 1 for Companies Listed on the Shanghai Stock Exchange – Standardised Operation
“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
“Stock Ownership Plan”	the 2023 A Share Employee Stock Ownership Plan of the Company
“%”	per cent.

By order of the Board
CanSino Biologics Inc.
Xuefeng YU
Chairman

Hong Kong, March 27, 2023

As of the date of this announcement, the Board comprises Dr. Xuefeng YU, Dr. Shou Bai CHAO, Dr. Tao ZHU, Dr. Dongxu QIU and Ms. Jing WANG as executive Directors, 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.