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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)

CONTINUING CONNECTED TRANSACTION THE SERVICE AGREEMENT

THE SERVICE AGREEMENT

On July 16, 2021, CanSino SPH, a non-wholly owned subsidiary of the Company, has entered into the Service Agreement with Shanghai Pharma, pursuant to which Shanghai Pharma has agreed to provide personnel secondment services to CanSino SPH, in a view to expediting the manufacture and supply of the Company's Ad5-nCoV.

IMPLICATIONS UNDER THE LISTING RULES

Since the completion of the Capital Increase and as of the date of this announcement, CanSino SPH was no longer an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules, and Shanghai Sunway Biotech, as a substantial shareholder of CanSino SPH, became a connected person of the Company at the subsidiary level. Accordingly, Shanghai Pharma, as the holding company of Shanghai Sunway Biotech, became an associate of a connected person of the Company at the subsidiary level. Hence, the entering into of the Service Agreement with Shanghai Pharma and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, as (i) Shanghai Pharma is an associate of a connected person of the Company at the subsidiary level; (ii) the Service Agreement was entered into by and between the parties on normal commercial terms and in the ordinary and usual course of business of the Group; (iii) the Board (including all the independent non-executive Directors) has approved the Service Agreement and transactions contemplated thereunder, and confirmed that the terms of the Service Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the shareholders as a whole, the Service Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE SERVICE AGREEMENT

On July 16, 2021, CanSino SPH, a non-wholly owned subsidiary of the Company, has entered into the Service Agreement with Shanghai Pharma, pursuant to which Shanghai Pharma has agreed to provide personnel secondment services to CanSino SPH, in a view to expediting the manufacture and supply of the Company's Ad5-nCoV.

The principal terms of the Service Agreement are set out below:

- Parties : (1) Shanghai Pharma (as service provider, for itself and on behalf of its subsidiaries); and
(2) CanSino SPH (as service user).
- Date : July 16, 2021
- Term : From the date of this announcement to May 31, 2022
- Services to be provided by Shanghai Pharma : Shanghai Pharma has agreed to second several personnel from itself and/or its subsidiaries to CanSino SPH for providing technical consulting, general management and other services, in a view to expediting the manufacture and supply of the Company's Ad5-nCoV.
- Pricing policy for providing the personnel secondment services : The pricing for personnel secondment services to be provided by Shanghai Pharma to CanSino SPH were determined principally on arm's length commercial negotiations and on the hourly rates with reference to where applicable, the positions, expertise, work experience, and relevant industry salary level of the secondment personnel.
- The purchase of services from Shanghai Pharma under the Service Agreement will be conducted in the ordinary and usual course of business of the Group on normal commercial terms, and on terms not less favourable than those to be provided by other independent third parties (if available).
- Payment method : The service payment under the Service Agreement will be made in cash on a monthly basis.

The Service Agreement only set out the overriding and major terms of the transactions to be carried out by the parties. Details of the terms and conditions for the transactions contemplated under the Service Agreement will be governed by specific agreements to be entered into between the relevant service provider within the Shanghai Pharma group and CanSino SPH. The Company will conduct regular checks to review and assess whether the specific agreements have been entered into in accordance with the terms of the Service Agreement. In addition, the auditors of the Company will be engaged to review the transactions under the Service Agreement to assess whether they have been carried out in accordance with the pricing policies of the Company.

ANNUAL CAPS UNDER THE SERVICE AGREEMENT

The annual caps are based on the maximum personal secondment service fees expected to be payable by CanSino SPH to Shanghai Pharma under the Service Agreement and are as follows:

	From the date of this announcement to December 31, 2021 (RMB million)	For the year ending December 31, 2022 ⁽¹⁾ (RMB million)
Maximum personal secondment services fees under the Service Agreement	40	20

Note:

- (1) The Service Agreement will expire on May 31, 2022. If any further personal secondment services will be incurred after the expiration of the Service Agreement, the Company will renew such agreement and revise the annual cap for the year ending December 31, 2022 in due course, and comply with other relevant requirements under the Listing Rules.

The annual caps are determined with reference to: (1) the anticipated demand of personnel from Shanghai Pharma and its subsidiaries and the anticipated time such personnel will spend to meet the manufacture and supply needs of Ad5-nCoV; (2) the hourly rates of these personnel with reference to their positions, expertise, work experience and relevant industry salary level; (3) anticipated travel, accommodation and other general costs of these personnel; and (4) a buffer to a certain degree which is necessary to accommodate the unexpected fluctuation due to the potential service demands.

REASONS FOR AND BENEFITS OF THE SERVICE AGREEMENT

As of the date of this announcement, CanSino SPH, as a subsidiary of the Company, is primarily engaged in the manufacture and supply of the Company's Ad5-nCoV.

The transactions contemplated under the Service Agreement will enable CanSino SPH to quickly get access to personnel that have been trained to master necessary skills and knowledge. The Service Agreement and the transactions contemplated thereunder will facilitate the manufacture and supply of Ad5-nCoV, so as to meet the market needs of COVID-19 vaccines.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Service Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

Information on CanSino SPH

CanSino SPH is a limited liability company established in the PRC in February 2021, and is principally engaged in the research, development and manufacture of vaccines and other biomedical products. CanSino SPH has been a subsidiary of the Company since its formation as a result of a concert party agreement entered into by and between the Company and Industry Investment Fund. Upon the completion of the Capital Increase and as of the date of this announcement, CanSino SPH is owned as to approximately 49.8% by the Company, approximately 49.0% by Shanghai Sunway Biotech, a subsidiary of Shanghai Pharma, and approximately 1.2% by Industry Investment Fund. For the detailed information on Shanghai Sunway Biotech and Industry Investment Fund (including the identities of the ultimate beneficial owners and description of the principal business), please refer to the announcements of the Company dated May 17, 2021 and June 1, 2021 in relation to the Capital Increase.

Information on Shanghai Pharma

Headquartered in Shanghai, Shanghai Pharma is a national integrated pharmaceutical company in the PRC that has leading positions in both pharmaceutical production and distribution markets. Shanghai Pharma's business mainly covers two segments, namely, pharmaceutical industry and pharmaceutical business. The A shares and H shares of Shanghai Pharma are listed on the Shanghai Stock Exchange (stock code: 601607) and the Stock Exchange (stock code: 2607), respectively. The controlling shareholders of Shanghai Pharma are Shanghai Industrial Investment (Holdings) Co., Ltd.* (上海實業(集團)有限公司), Shanghai Pharmaceutical (Group) Co., Ltd.* (上海醫藥(集團)有限公司) and Shanghai Shangshi (Group) Co., Ltd.* (上海上實(集團)有限公司).

LISTING RULES IMPLICATIONS

Since the completion of the Capital Increase and as of the date of this announcement, CanSino SPH was no longer an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules, and Shanghai Sunway Biotech, as a substantial shareholder of CanSino SPH, became a connected person of the Company at the subsidiary level. Accordingly, Shanghai Pharma, as the holding company of Shanghai Sunway Biotech, became an associate of a connected person of the Company at the subsidiary level. Hence, the entering into of the Service Agreement with Shanghai Pharma and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, as (i) Shanghai Pharma is an associate of a connected person of the Company at the subsidiary level; (ii) the Service Agreement was entered into by and between the parties on normal commercial terms and in the ordinary and usual course of business of the Group; (iii) the Board (including all the independent non-executive Directors) has approved the Service Agreement and transactions contemplated thereunder, and confirmed that the terms of the Service Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the shareholders as a whole, the Service Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Ad5-nCoV”	Recombinant Novel Coronavirus Vaccine (Adenovirus Type 5 Vector)
“Board”	the board of Directors
“CanSino SPH”	CanSino SPH Biologics Inc.* (上海上藥康希諾生物製藥有限公司), a limited liability Company established in the PRC in February 2021 and a non-wholly owned subsidiary of the Company as of the date of this announcement
“Capital Increase”	the increase of the registered capital of CanSino SPH by way of injecting capital in an aggregate amount of RMB1,104,890,000 by the Company and Shanghai Sunway Biotech, the completion of which has taken place in early June 2021, for details of which, please refer to the announcements of the Company dated May 17, 2021 and June 1, 2021 in relation to the discloseable transaction
“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 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 Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Industry Investment Fund”	Shanghai Biomedical Industry Equity Investment Fund Partnership (Limited Partnership)* (上海生物醫藥產業股權投資基金合夥企業(有限合夥)), a shareholder of CanSino SPH and an independent third party of the Company as of the date of the announcement, the general partner of which is Shanghai Biomedical Industry Equity Investment Fund Co., Ltd.* (上海生物醫藥產業股權投資基金管理有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and, for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	renminbi, the lawful currency of the PRC

“Service Agreement”	the services framework agreement dated July 16, 2021 entered into by and between CanSino SPH and Shanghai Pharma in relation to the provision of personnel secondment services by Shanghai Pharma to CanSino SPH
“Shanghai Pharma”	Shanghai Pharmaceuticals Holding Co. Ltd. (上海醫藥集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 2067) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601607)
“Shanghai Sunway Biotech”	Shanghai Sunway Biotech Co., Ltd.* (上海三維生物技術有限公司), a limited liability company established in the PRC and a subsidiary of Shanghai Pharma and a connected person of the Company at the subsidiary level as of the date of the announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, July 16, 2021

As at the date of this announcement, the Board of Directors of the Company 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.

* For identification purpose only