



# CORPORATE VALUE AND RETURN ENHANCEMENT ACTION PLAN

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## CORPORATE VALUE AND RETURN ENHANCEMENT ACTION

In order to implement the initiative on the special action of "Corporate Value and Return Enhancement Action" for companies listed on STAR board, SSE and the investor-oriented philosophy proposed in the initiative, JenKem Technology Co., Ltd hereby formulated the 2024 Corporate Value and Return Enhancement Action Plan to promote the continuously optimization of company operation, governance and investor returns, as well as to meet the requirements of improving the quality of the development and boosting the investors' confidence in capital market for listed companies.

JenKem profoundly understands and agrees that to improve the development quality and enhance the return of investors is a priority and due responsibility of listed companies. In 2024, the company will take active actions on upgrading the operation capability and enhance the investor returns, to increase the sense of gain of investors and realize the benefit – risk sharing between the management and investors.

# FOCUS ON MAIN BUSINESS AND CORE COMPETITIVENESS

JenKem Technology has been focus on the industrialization and innovative application development of Polyethylene Glycol (PEG) derivatives since 2001. We are a leading company in the research, production and medical application of PEG material in China and one of the few companies with the capacity to carry out the large scale production of high-purity and low-polydispersity PEG derivatives worldwide. Meanwhile, We also provides customized technical service to downstream users in medical and pharmaceutical field based on our comprehensive understanding on the synthesis and application of PEG material, and independently develops innovative PEGylation drugs and Class III medical devices.



Technology innovation is the foundation of a sustainable and steady development of the company, as well as the key factor in the formation and promotion of our core business and core competitiveness. JenKem has accumulated rich experience in the synthesis and application of PEG derivatives and established a complete and independent technology platform covering the overall technology chain beginning from the polymerization of high-purity low-dispersity PEG raw materials, the synthesis of PEG derivatives and end with innovative application development of PEGylation drugs and medical devices. Based on the three core technologies, JenKem delves into the innovation of biomedical through the innovation of new materials and promotes the industrialization results on a global scale, to fully discover the added value of PEG materials and continuously build a better, faster, and more comprehensive pan-PEG material platform. JenKem has formed a high-quality competitiveness with advanced technology level, independent and controllable core technologies, and strong industrialization expansion capability.

For PEG materials, JenKem selects products and technologies with market potential for research and development based on the industry trend of polymer materials and its downstream applications, in order to strengthen the technology reserves and the industrialization ability and ensure the sustained and stable

development of the company. During the reporting period, JenKem completed the process optimization and scale-up of 16 derivative products, the development of 106 derivatives with new structure and 179 analytical methods. The company also finished the registration of pharmaceutical excipients of 5 products in National Medical Products Administration Drug Evaluation Center (NMPA, CDE) and 15 Drug Master File (DMF) in the US Food and Drug Administration (FDA).

For PEG application innovation, JenKem announced the indications of its Category 1.1 anti-tumor drug, PEGylated irinotecan (JK1201I), which was independently developed by the company, have completed the analysis of phase II clinical trial data and achieved positive results. The statistical analysis results show that the second-line treatment of JK1201I for patients with extensive small cell lung cancer (SCLC) is safe, tolerable and tends to prolong their overall survival (OS), which is expected to benefit patients more from the treatment. Our innovative Class III medical device, cross-linked sodium hyaluronate gel for injection, has been submitted for registration and officially accepted by Center for Medical Device Evaluation (CMDE), National Medical Products Administration. In the future, JenKem will continue to ensure the investment on R&D, to continuously improve the productization ability of R&D projects and the manufacturing process of existing products. We will also focus on the expansion of the technical reserve of new technologies and new products with market foresight and cultivate an R&D team with rapid response ability to latest technology trends.

The downstream industries of pan-PEG materials can be subdivided into protein drug modification, small molecule drug modification, antibody drug modification, gene delivery, PEG derivative medical devices and etc. by application. Merging new applications continue to break the market ceiling of PEG materials. JenKem will maintain a favorable position in the technical competition in pan-PEG material by keeping on exploring new application scenarios of PEG materials, grasping the latest trends of the innovation of the materials, and accelerating the downstream application innovation of PEG related pharmaceutical and medical products. During the reporting period, We continuously improve our intellectual property system. At present, we have 1 full-time IP staff and 3 part-time staff. In 2023, 36 invention patents and 1 utility model patent were newly applied and 16 invention patents were approved. Excluding 12 invention patents that expired during the reporting period, the company has obtained 109 approved invention patents until December 31, 2023 and 86 pending patents application.

In 2024, JenKem will seize the key stage of continuous expansion of the PEG technology innovation in the global scope and the rapid follow-up in China, and make the following strategic plans for business development goals on the basis of company specialty combined with the status and trend of the industry:

## **TECHNOLOGY INNOVATION PLAN**

Technology innovation is the core element in the sustainable development and rapid growth of JenKem, as well as the key link in the formation of JenKem's new quality productive force. Based on the existing technology, JenKem will fully utilize the fundraising projects and self-owned fund to strengthen the research on fundamental technologies and the development of product related technologies. The company will continue to invest on advanced equipment, research projects and human resource, aiming for a

comprehensive promotion in the technological development ability and market respond speed of the R&D team, to ensure the advantage of the company in long-term competition.

## **PRODUCT DEVELOPMENT PLAN**

JenKem will keep adhere to the dual drive of PEG product sales and PEGylation technical services. We will strengthen the construction of independent intellectual property rights by speeding up the development of products with independent intellectual property and expanding the new downstream applications of pan-PEG materials in downstream fields, to open new market space. Additionally, JenKem will further improves our competitive downstream product series, enabling the technology services of innovative drugs and medical device to gradually become a new growth point for overall business.

## **MARKET DEVELOPMENT PLAN**

JenKem will continue to strengthen the investment in market marketing, consolidate and enhance the visibility of the company and PEGylation technology within the downstream industry, increase the brand exposure, and optimize existing service processes to improve our service quality. In 2024, JenKem has established a new business development team to connect and promote the formation of stakeholder relationships with upstream and parallel partners, seeking cooperation in more areas and striving for resources. The team will also focus on intelligence gathering efforts, collecting information related to market trends, competitive situations, and cutting-edge application directions in downstream industries from multiple sources. By strengthening the ability of data analysis and integration, JenKem will be able to have a clearer view of the status and trends of the industry, which may benefit the company's decision making in business development.

At the same time, JenKem will actively expand the target market. In the future, the company will continue to tap into the potential of the pharmaceutical and medical device market where we have already established a foothold, to increase our influence through the demonstration effect of outstanding projects on innovative applications and finally extend the applications of pan-PEG material related technology across the entire downstream industry.

## **TALENT CULTIVATION PLAN**

Talent is a key factor in maintaining JenKem's continuous innovation capability and healthy rapid development. We adheres to the philosophy of "respecting science and respecting talent," and will introduce suitable professional talent based on the business development plans and strategic layout of the company. JenKem will keep on optimizing the personnel structure, to establish and implement ongoing training programs, focusing on cultivating and reserving talent, and continuously improve the performance evaluation system and talent incentive mechanisms.

In addition, JenKem also pays attention to the healthy development of the employees. We insists on ensuring equal employment opportunities, and will continue to enrich the corporate culture and values, achieving a sustainable development of human resources.

## **ORGANIZATION DEVELOPMENT PLAN**

Based on the actual needs of the company's operation and development, JenKem will comprehensively enhance the governance level in corporate governance, internal production management, cost control, environmental protection, and labor security. We will continue to upgrade the company's organizational structure and functional settings, fully implement the internal audit system, optimize the decision-making and execution mechanism, and improve decision quality. These measures are expected to enhance our ability to withstand risks and improve the professionalism and efficiency of the company management. JenKem will earnestly implement the "Corporate Value and Return Enhancement Action" Plan, strengthen the responsibilities of the board of directors and enhance the compliance and effectiveness of the decision-making procedures. JenKem will value the communication with investors and protect the interests of the investors, especially small and medium shareholders, through a variety of measures, and ensure a continuous, healthy, and stable development of the company.

JenKem will keep on integrating with new development trends and demands in the field of biomedicine. Through independent innovation, we will continuously achieve new breakthroughs in the industrialization and innovative application fields of pan-PEG materials. We will continue to invest in R&D and cultivate professional technical talent, to strengthen the company's technical talent reserve, improve the R&D team's level and innovation capability, enhance the company's core competitiveness, and solidify the technical barriers of the company. We also adhere to fulfilling social responsibilities, aiming at the high-quality and sustained development of the company and the continuous reward of investors based on a health growth of our performance.



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# VALUE THE REASONABLE RETURNS OF THE INVESTORS

## PROFIT DISTRIBUTION POLICIES

Based on the solid financial foundation of the company, the profit distribution should value the reasonable returns of investors, and the policy should maintain continuity and stability. The profit distribution shall not exceed the range of cumulative distributable profits and must not harm the company's ability of continuous operation. The board of directors, supervisory board, and shareholders' meeting should fully consider the opinions of independent directors and public investors in the decision-making and deliberation process of the profit distribution policy.



### Profit Distribution Objective

The company insists on providing investors with continuous and stable cash dividend while meeting the conditions for distribution and ensuring the normal operations of the company.

### Plan Formulation

The profit distribution plan is formulated by the board of directors in conjunction with the company's articles and actual situation, taking into full consideration the opinions of independent directors, supervisors, and public investors.

### Cash Dividend Ratio

No less than 10% of the parent company's distributable profits for the year, and the cumulative cash dividends distributed over the past three years should not be less than 30% of the average annual distributable profits over the same period.

## FORMS AND PRIORITIES OF THE DEIVIDEND DISTRIBUTION

The company may distribute dividends in cash, shares, or other methods permitted by the laws. When the company meets the conditions for cash dividends, cash dividends for profit distribution will be prioritized.

## INTERVAL OF PROFIT DISTRIBUTION

When the company achieves profitability and has distributable profits for the year, the company should, in principle, conduct an annual profit distribution. The board of directors may propose interim profit distribution based on the company's profitability and cash needs.



## **SPECIFIC CONDITIONS AND RATIOS OF CASH DIVIDEND**

The specific conditions for the company's cash dividends are:

- 1) The distributable profits for the current year and the cumulative undistributed profits are positive.
- 2) The auditing institution issues an unqualified audit report for the financial statements of the current year.
- 3) There are no significant investment plans or major cash outflows (referring to investments or major cash outflows exceeding 50% of the company's most recent audited net assets).
- 4) The profit distribution shall not exceed the range of cumulative distributable profits and must not affect the company's continuous operation.

If cash dividends are in accordance with the conditions, the company should distribute cash dividends, with the annual cash dividends not less than 10% of the parent company's distributable profits for the year, and the cumulative cash dividends distributed over the past three years should not be less than 30% of the average annual distributable profits over the same period. If the company decides not to distribute cash dividends due to special circumstances, the board of directors should provide a special explanation for the specific reasons of the decision, the exact use of retained earnings, and the expected investment returns of the retained earnings. Such proposal should be submitted to the shareholders' meeting for review and disclosed on designated media for disclosure of the company.

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# VALUE INVESTOR COMMUNICATION

JenKem has always placed great emphasis on the work of information disclosure. In 2023, the company strictly followed the *Rules Governing the Review of Offering and Listing of Stocks on Shanghai Stock Exchange* and the company's Information Disclosure Management System and other relevant regulations to conscientiously fulfill its information disclosure obligations, disclosing significant information such as periodic reports and temporary announcements in a true, accurate, complete, standardized, timely, and sufficient manner.

The company will continue to maintain close communication with investors actively, rigorously, and compliantly, conveying the company's operational achievements, financial status, and other information to all market participants in a timely, fair, and transparent manner through various channels such as company announcements, investor meetings, performance meetings, investor research reception, SSE E-interaction, investor hotline, and IR email. With the compliance as a prerequisite, JenKem will further improve the readability and effectiveness of the disclosed information content, attempt to use more visual forms such as graphics and slides to interpret the periodic reports and temporary announcements, and display the company's operational situation, R&D pipelines, and product information to the investor community through multiple platforms. We will also continue to keep the effective management of insider information, ensuring the equality of information access to all investors.

At the same time, Jenkem will further optimize the working flows and content of investor relationship management. The company will achieve the goal of respecting, rewarding, and protecting investors through more diverse platforms and means of investor relationship activities, to explore a two-way channel for communication. In 2024, the company will organize at least 4 investor/analyst meetings or performance explanation meetings.



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## **STRENGTHEN THE INTEREST/RISK SHARING BETWEEN THE MANAGEMENT AND INVESTORS, AND ACTIVELY GUIDE THE “CRITICAL MINORITIES” TO TAKE INITIATIVE AND ASSUME RESPONSIBILITY**

The management team members are major shareholders of JenKem Technology. As of December 31, 2023, Dr. Xuan Zhao, the Chairman of the Board, CEO and the core technical personnel of JenKem, collectively held 14,881,610 shares of the company, accounting for approximately 24.55% of the total share capital, making him the largest shareholder and the actual controller of the company. Dr. Xuan Zhao, along with Ms. Rujun Zhang, the company’s director, deputy manager and the core technical personnel, Ms. Lihong Guo, the company’s director and deputy manager, Ms. Lei Han, the company’s director and CFO, Mr. Yuhe Zhao, the company’s director, Mr. Bin Chen, the Secretary of the Board, and Dr. Jinliang Wang, the core technical personnel of the company, controlled a total of 15,230,110 shares of the company through direct or indirect holdings, representing about 25.13% of the total share capital.

**JENKEM MANAGEMENT TEAM MEMBERS ARE MAJOR SHAREHOLDERS OF THE COMPANY. THE INTERESTS OF COMPANY MANAGEMENT IS HIGHLY ALIGNED WITH THE INTERESTS OF THE SHAREHOLDERS.**

In 2024, JenKem will continue to refine its enterprise management model, continuously optimize the compensation and incentive system of staff, and further strengthen the mechanism for the Win-win situation between the management and shareholders. We anticipate will stimulate the management to devote full passion and intelligence into the company operation, promoting the long-term and robust development of the company.

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# REPURCHASE COMPANY SHARES

Based on the confidence in the company's future prospects, the recognition of the company's value, and the fulfillment of social responsibility, JenKem's actual controller and Chairman of the Board, Dr. XUAN ZHAO proposes that the company repurchase a portion of the issued RMB common shares (A-share) through continuous auction, in order to implement the "investor-centric" development philosophy of listed companies and to safeguard the interests of all company shareholders.

On February 21, 2024, in the 7th meeting of the third board of directors, the directors reviewed and all passed the proposal on the plan to repurchase the company's shares through continuous auction. This proposal was based on the confidence in JenKem's sustainable and robust development and the recognition of the company's long-term value, aiming at protecting the interests of the company investors, especially small and medium investors, enhancing investor confidence, and promoting the company's continuous and healthy development. After a comprehensive consideration of the company's performance in stock market, financial status, future profitability and development prospects, the company plans to repurchase a portion of the issued RMB common shares (A-share) through continuous auction in accordance with relevant laws and regulations. The repurchase period will not exceed 12 months from the date the board of directors reviewed and passed this share repurchase plan. The price range for the repurchase plan will not exceed RMB 125.22 per share (inclusive), which is no higher than 150% of the average transaction price of the company's shares in the 30 trading days prior to repurchase plan was approved by the board of directors. The specific repurchase price will be determined by the company's management, authorized by the board of directors, based on the stock prices in the stock market during the implementation period of the plan. If any ex-rights and ex-interests adjustments are implemented during the repurchase period, such as the conversion of capital reserves into additional share capital, cash dividends, distribution of stock dividends, rights issue, stock split or consolidation, etc., the company will adjust the upper limit of the repurchase price in accordance with the relevant regulations of the China Securities Regulatory Commission (CSRC) and the Shanghai Stock Exchange. The total funds used for this repurchase plan will be no less than RMB 10 million (inclusive) and no more than RMB 20 million (inclusive), sourced from the company's own funds.

Calculated with the maximum repurchase fund amount of RMB 20 million and the maximum repurchase price of RMB 125.22 per share, the estimated number of shares to be repurchased is approximately 159,718, representing about 0.26% of the company's total share capital. With the minimum repurchase fund amount of RMB 10 million and the maximum repurchase price of RMB 125.22 per share, the estimated number of shares to be repurchased is approximately 79,859, representing about 0.13% of the company's total share capital.

The specific repurchase amount and its proportion in the total share capital of the company in this repurchase plan are subject to the actual repurchase situation of the company when the repurchase is

completed or the repurchase implementation period expires. If ex-dividend matters, such as capitalization of capital reserve fund, dividend distribution, share splitting, share reduction or share allotment, etc., is implemented by the company during the repurchase period, the company will adjust the number of repurchased shares accordingly according to the relevant regulations of China Securities Regulatory Commission and Shanghai Stock Exchange.

The shares repurchased this time will all be used to implement the equity incentive or employee stock ownership plans (ESOP) at an appropriate time in the future, and will be used up within 3 years after the company discloses the announcement of the implementation results of share repurchase and share change; If it is not fully used within the prescribed time limit, the board of directors will perform the procedure of reducing the registered capital according to law, and the repurchased shares that have not been used will be cancelled. If the relevant laws, regulations or policies change during the period, this repurchase plan will be modified accordingly according to the revised laws, regulations or policies.

<b>PURPOSE FOR REPURCHASE</b>	<b>ESTIMATED NUMBER OF REPURCHASE (SHARE)</b>	<b>ESTIMATED PROPORTION OF REPURCHASE (%)</b>	<b>ESTIMATED FUND AMOUNT FOR REPURCHASE</b>	<b>IMPLEMENT PERIOD</b>
Equity Incentive or Employee Stock Ownership Plans	79,859~159,718	0.13~0.26	RMB 10~20 Million	12 months from the d repurchase plan approved by the board



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# OPTIMIZE THE CORPORATE GOVERNANCE AND ENSURE THE STANDARDIZED OPERATION

Jenkem has established a corporate governance structure consisting of the shareholders' meeting, the board of directors, the board of supervisors and the management in accordance with the *Rules Governing the Review of Offering and Listing of Stocks on Shanghai Stock Exchange*. The company has established a clear mechanism for coordination and checks and balances, ensuring that responsibilities and rights of different parties are well-defined and operations are standardized. This mechanism covers the power structure, decision-making bodies, supervisory institutions, and the management level. This will continuously strengthen the company's internal controls, ensuring that the shareholders' meeting, board of directors, supervisory board, and senior management can diligently fulfill their responsibilities. Furthermore, JenKem is dedicated to the ongoing standardization of the rights and obligations of the management to prevent it from exploiting its position to the detriment of the company and the interests of small and medium investors. Through these measures, JenKem aims to uphold a governance structure that is fair, transparent and efficient, ensuring the rights and interests of all stakeholders are properly protected and balanced.

In August 2023, the China Securities Regulatory Commission (CSRC) issued the "*Measures for the Management of Independent Directors of Listed Companies*", aiming to further refine the independent director system. In response, JenKem promptly took action, demonstrating a high sense of responsibility and a proactive attitude towards the reform in independent director system. By December 2023, the company had completed the revision of a series of relative management systems, including the "Company Charter," "Rules of Procedure for the Board of Directors," "Rules of Procedure for the Shareholders' Meeting," "Working System of Independent Directors," "Rules of Procedure for the Remuneration and Assessment Committee of the Board," "Rules of Procedure for the Nomination Committee of the Board," "Rules of Procedure for the Audit Committee of the Board" and "Rules of Procedure for the Independent Directors' Special Meeting Work Rules."

Additionally, the company meticulously organized the selection and adjustment for independent directors, ensuring that all serving independent directors strictly meet the qualifications and conditions set forth in the "*Measures for the Management of Independent Directors of Listed Companies*" by CSRC and the company's "Independent Directors' Working System." These measures not only reflect the company's strict adherence to regulatory requirements but also highlight its unwavering commitment to enhancing its governance structure, increasing transparency, and safeguarding the rights and interests of investors.

In 2024, JenKem is committed to continuously optimizing and improving its governance structure to ensure that shareholders' rights and interests are fully protected and respected. Our goal is to establish a transparent, efficient, and responsible management environment where the board of directors, special

committees, the supervisory board, independent directors, and management all fulfill their duties diligently, working together to safeguard the fundamental interests of the company and its broad base of small and medium shareholders.

In response to the guidance and requirements of relevant authorities, JenKem will actively optimize the selection process for audit agencies, aiming to establish a more rigorous and fair audit agency selection system. This move will help to enhance the quality and independence of the audit work, which will further strengthen the transparency and credibility of the company's financial reporting.

The role and responsibilities of independent directors will also be continuously clarified and optimized. We will regularly assess their independence to ensure that independent directors can play a key role in corporate governance, providing independent and objective opinions for the company's decision-making process, thereby better protecting the interests of shareholders.

Furthermore, JenKem will continue to advance the construction of risk management and internal control systems. By optimizing the risk management environment, improving relevant control systems, and strengthening supervision and inspection, we will keep on enhancing the effectiveness of internal control and risk management. These measures aim to effectively prevent and respond to various potential risks, internal or external, ensuring the company's robust operations and sustainable development.

In summary, Jenkem will make unremitting efforts to create long-term value for shareholders through a series of practical measures, while also promoting the company's continuous progress on a path of health and stability. We firmly believe that through these efforts, the company will be better able to adapt to market changes, seize new development opportunities, and achieve our long-term goals.



# CONTINUOUS ACTION

JenKem will continue to evaluate the implementation of the "CORPORATE VALUE AND RETURN ENHANCEMENT" action plan and promptly fulfill our information disclosure obligations. We will remain dedicated to our core business, enhancing the core competitiveness, profitability and risk management capabilities. Through sound business management, standardized corporate governance, and proactive investor returns, JenKem is committed to protecting the interests of investors, fulfilling the responsibilities and obligations as a public company, reciprocating investor trust, maintaining a positive market image, and assisting the stable and healthy development of the stock market.

All plans and development strategies mentioned in this report are forward-looking statements that have not yet become facts and do not constitute a substantive commitment from JenKem to investors. Investors are advised to be aware of the associated risks.

