



January 4, 2019

New Year Greeting!

Dear shareholders, employees, customers, and friends of GNI Group Ltd.:

2018 concluded as a momentous year in the history of GNI Group. Etuary<sup>®</sup>, our flagship product, continued its strong sales growth in China. Insurance coverage enabled us to deliver this life-saving drug to a greater number of disadvantaged IPF patients. And our China sales team composed of dedicated professionals almost doubled in sized. F351, our next blockbuster drug for liver fibrosis, received a positive recommendation from the independent data monitoring committee for its Phase II clinical trial in China, in addition to the completion of its Phase I trial in the United States. This drug would be the first therapeutic solution in the world for millions of liver patients if approved. To prepare for the future growth of Etuary<sup>®</sup> sales and potential approval of F351, we have constructed a new factory on 50 acres of land in Cangzhou, Hebei Province, China. The new factory is set to begin production in the first half of 2019.

Progress was also made in our pipeline of other drug candidates. In 2018, the IND application for F573 was approved by the China Food and Drug Administration and we initiated the Etuary Phase III trial for CTD-ILD in China. Looking to the future, we made a key commitment to our drug development capabilities with the seed investment in Cullgen Inc., which utilizes a revolutionary targeted protein degradation technology for drug discovery. Cullgen has discovered more potent NCEs in the 2018 year than was achieved in the previous 17 year history of GNI. In 2019, we expect Cullgen to launch IND-enabling studies and further expand its research scope. Cullgen's drug discovery platform fits perfectly into the small molecule capabilities of GNI built up over the last decade.

From the beginning, my goal has been to make GNI a self-sustainable growth company on a global stage. We took concrete steps in 2018 to achieve this goal. We smoothly integrated Berkeley Advanced Biomaterial LLC (BAB) into our operation. BAB's contribution has become a stable source of income for GNI Group, enabling us to withstand future turmoil in the financial markets. Our investment in Irisys, LLC and Cullgen gave us another strong foothold in San Diego, California, providing sufficient geographic diversification against potential market risks.

For the fiscal year 2018, GNI is expected to achieve operating profits for its second consecutive fiscal year. This achievement is built on a balanced strategy of R&D spending versus profitability. It also represents GNI employees' dedication to the company by keeping administration costs at a minimum level. Certainly, our shareholders' support and understanding are key for the successful execution of this strategy. Notwithstanding the equity markets performance, the Company, management and employees successfully delivered on our objectives for 2018 and enter the New Year as a more advanced and stronger competitor in the global pharmaceutical industry.

Going forward, the Company will be supported by its three pillars: strong growth of drug sales, cutting-edge drug discovery technology, and stability of diversified income. These pillars will enable us to meet outside challenges and take advantage of certain opportunities in the coming years. With continued strong growth of Etuary<sup>®</sup> sales and new drugs pending approval in China, the future outlook is even more promising. At this time point, I am more optimistic and confident in GNI's future than any time in the past.

Ying Luo, PhD  
Director, Representative Executive Officer, President and CEO