



January 6, 2017

Akemashite omeditou gozaimasu.

With a start of a brand new year, I would like to take this opportunity to thank all our shareholders for their ongoing support of the GNI Group. 2016 was truly a record year for the company, with a number of significant achievements in our sales activities, clinical development and corporate structure.

For our flagship Etuary[®] drug, our subsidiary Beijing Continent is projected to attain a 50% increase in sales on a year-on-year basis. A key factor for reaching this target was the shift to a direct sales force that was implement in the second half of the year. We fully expect our new sales team to continue expanding this sales growth in 2017, reaching a record number of IPF patients in the China market.

Our drug development pipeline realized a number of key milestone achievements, each with promising consequences for the company's future. In March of last year, GNI filed its first IND application in the United States for F351 with the FDA. We plan to refile the requested additional data in support of this IND in the first half of this year. In the third quarter of 2016, we received two new IND approvals for our Etuary[®] drug from the China FDA; a Phase II study for the treatment of diabetic nephropathy (DN); and a Phase III study for the treatment of two indications of Connective Tissue Disease Associated Interstitial Lung Disease (CTD-ILD), systemic sclerosis (scleroderma) and dermatomyositis (DM). These two new last stage clinical trial approvals justify the company's strategy of accelerating its drug development program via expanding indications for our established Etuary[®] product.

In the past year, we also further strengthened our corporate structure by increasing our investment in key subsidiaries. In June we increased our holding ratio in Beijing Continent to 53% and in October we announced the increase of our equity ownership in GNI-EPS (HONG KONG) HOLDINGS LIMITED (GEP Hong Kong) to 69.52% via capital injection. To meet any potential increase in demand for Etuary[®] in the future, Beijing Continent acquired additional land for its API manufacturing facilities in the Cangzhou Bohai New Area Biomedical Industrial Park, Hebei Province.

Our strong performance was recognized in December by Deloitte Touche Tohmatsu Limited 15th Asia Pacific Technology Fast 500 Asia Pacific Technology with a ranking of 119th for the GNI Group, reflecting the company's revenue growth of 454% based on past three according periods.

Looking forward to 2017, I am excited about the opportunities for GNI. While the global economic markets are uncertain, we fully expect our core healthcare business to exhibit

continued growth and stability. We are carefully monitoring the China insurance reform to be implemented early this year, with an objective to enabling more patient access to Etuary®. In addition, we are hopeful to achieve approvals in the New Year for our first license-in product Tamibarotene and our US IND for F351.

Best wishes for health, happiness and prosperity in the year of 2017.

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