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GNI Group and Catalyst Biosciences Signed Agreements to Advance Liver Fibrosis Drug Development

GNI Group Ltd., (TSE Growth listed code: 2160; “the Company”) is pleased to announce that the Company has agreed to enter into two transactions with Catalyst Biosciences, Inc. (Nasdaq listed code: CBIO; “CBIO”) to advance development of F351 for liver fibrosis in US, Europe and Japan.

In one transaction, the Company and its subsidiaries (“the Group”) will sell its F351’s intellectual property rights outside China to CBIO for USD 35 million in economic value in exchange for newly issued CBIO common shares and non-voting preferred shares, equivalent to 80.46% of CBIO’s outstanding shares. The accounting treatment of USD 35 million economic value for the fiscal year ending December 31, 2022 is under discussion with our auditor. This transaction has been completed upon signing the commercial agreement.

In the second and separate transaction, CBIO will issue new shares to GNI USA, Inc. (a 100% subsidiary of the Company, “GNI USA”) in exchange for controlling rights in Beijing Continent Pharmaceutical Co, Ltd. (“Continent”). GNI USA, together with the Group, will be the majority shareholder (85.18%) of publicly traded CBIO. CBIO will be the controlling shareholder of Continent. Closing of the second transaction will be subject to an approval by the CBIO shareholders meeting, which is expected to be in Q2 of 2023.

The above two transactions do not affect Continent’s main business. Continent continues to own F351 rights in mainland China and will continue on-going clinical developments including Phase III clinical trials for HBV-induced liver fibrosis. Continent will also continue manufacturing and marketing ETUARY^(r) in China. Following these two transactions, the Group will be a majority shareholder of CBIO and Continent and will consolidate financial results of CBIO and Continent.

“We believe that this set of transactions creates an attractive company with further upside for our stockholders; Continent is profitable with a robust fibrosis pipeline in various stages of development, including a Phase 3 study of F351 in HBV associated fibrosis and a Phase 2 study poised to initiate in NASH fibrosis,” said Nassim Usman, Ph.D., chief executive officer of CBIO.

Dr. Ying Luo, CEO of the Company added, “Continent has been able to fund its drug discovery programs in China using its own profits in the past. We are very excited with the positive results from the F351 Phase 2 clinical study of HBV associated liver fibrosis in China and are keenly interested in expanding the clinical development of F351 for NASH fibrosis in the U.S. This transaction enables GNI Group to accelerate the clinical development of F351.”

1) Purposes of the Transaction

First, the Group has been promoting a business model that leverages its cost-efficient R&D platform in China for global markets of Japan and the United States. This transaction will enable the Group to accelerate its clinical development in the US through CBIO.

Secondly, the Group has been investing into Continent since 2005. The value of the Group’s holdings in Continent will finally become visible to the Company shareholders in 2023.

Finally, the previous plan of listing Continent in Hong Kong has been delayed because the overall market sentiment to biotech companies deteriorated in late 2021 and the entire 2022. An IPO will cause a much larger dilution to the Group's holding in Continent under such conditions. In view of the robust profitability and the strong financial position of Continent that can support its growth without relying on fund raising from the capital market in the short run, these transactions are in the best interest of the Group shareholders.

2) About the Transactions

In the first transaction, the Group sells all right, title and interest to F351 (including intellectual property, data and regulatory filings, but excluding such intellectual property rights in Mainland China) for a combination of 6,266,521 shares of CBIO common stock and 12,340 shares of CBIO preferred stock, equivalent to 80.46% of the outstanding shares issued by CBIO.

In the second transaction, the Group and BC's other minority holders will receive in the aggregate approximately 1.11 billion shares of CBIO common stock, equivalent to 85.18% of CBIO's outstanding shares in return for 65.18% ownership of Continent that is transferred to CBIO.

Closing of the second transaction as well as conversion of CBIO preferred stock issued in the first transaction to common stock will be subject to CBIO stockholder approval at CBIO stockholders meeting expected to be held in the second quarter of 2023.

Approximately 35% of Continent shares are held by China-onshore shareholders. The Group intends to buy out these shares within the next two years.

3) Future Positioning of CBIO and Continent within the Group

These transactions will not affect Continent operation in China. Continent will continue R&D, manufacturing, and sales in China as before. The Group will continue to hold controlling shares of Continent through CBIO and sales/profits in China continue to be consolidated in the Company's consolidated financial statements after the transaction. For the latest financial results of Pharmaceutical Sector of China, please refer to the Company's previous disclosures.

After closing, R&D activities in the US related to Continent's current drug pipeline will be carried out by CBIO.

Inquiries about this disclosure

In order to ensure we appropriately answer the questions we receive on this disclosure, we will collate all the questions and publish the answers on "Information" page of our website. We will not answer each individual phone call or emails during that time. Thank you for your understanding.

Link to "Information" page of our website: [News Release | GNI GROUP LTD. \(gnipharma.com\)](https://www.gnipharma.com/news-release)

About GNI Group Ltd.:

The Company is a holding company of global healthcare company listed on the Growth Board of the Tokyo Stock Exchange and engaged in drug discovery, pharmaceutical development, biomaterial development, clinical studies, manufacturing, and sales in both the United States and China. For more information, please visit our website below:

<https://www.gnipharma.com/>

About Beijing Continent Pharmaceuticals Co, Ltd:

Continent is a profitable fully integrated specialty biopharmaceutical company with a focus in the organ fibrosis market. With global research and development capabilities, commercial-scale manufacturing facilities, a deep distribution network across China, and a sales and marketing team of 300 people, Continent is a leader selling ETUARY for the treatment of idiopathic pulmonary fibrosis (IPF). The company has a rich pipeline of potential assets, including F351 for HBV associated liver fibrosis which is in Phase 3 study in China. For more information, please visit Continent's website below:

<https://www.bjcontinent.com/en/>

About Catalyst Biosciences, Inc.:

CBIO is a biopharmaceutical company with expertise in protease engineering. Prior to ceasing research and

development activities in March 2022, CBIO had several protease assets that may address unmet medical needs in disorders of the complement or coagulation systems. CBIO is exploring several strategic alternatives to monetize CBIO's legacy assets and is focused on distributing its available cash, after paying or reserving for its obligations and liabilities, to stockholders. For more information, please visit Catalyst Biosciences' website below:
<https://www.catalystbiosciences.com/>

This material contains statements concerning the current plans, expectations and strategies of GNI Group Ltd. ("the Company"). Any statements contained herein that pertain to future operating performance and that are not historic facts are forward-looking statements. Forward-looking statements may include, but are not limited to, words such as "believe," "plan," "strategy," "expect," "forecast," "possibility" and similar words that describe future operating activities, business performance, events or conditions. Forward-looking statements, whether spoken or written, are based on judgments made by the management of the Company, based on information that is currently available to it. As such, these forward-looking statements are subject to various risks and uncertainties, and actual business results may vary substantially from the forecasts expressed or implied in forward-looking statements. Consequently, investors are cautioned not to place undue reliance on forward-looking statements.

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