Interview with Bingshen Li, CEO, SinoGenoMax

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SinoGenoMax was founded in 1998 with the purpose of participating in the Human Genome Project. Could you give us an overview of the company's activities since then and the transformation of the company over the past 11 years?

SinoGenoMax was initially incorporated in 1998 as a joint investment between the Beijing Municipal Science and Technology Commission and a venture capital group known as Beijing Bio-Boda Sci-Tech. That same year our affiliate institute, the Chinese National Human Genome Center of Beijing was established in our facility. As you may know China participated approximately 1% of the Human Genome Project and since our original commission was to aid in this project we completed 20% of the work here in our labs. When the project came to a close we realized the need to integrate our biology research and find a way to transfer our knowledge into industry. There is a high concentration of genetically related diseases in China and so with government support in 2001 we began collecting 25,000 unique samples from individuals to provide a testing library at our facility. Since our affiliate is one of the two main centers for genomics research we have always had an advantage in this field. Additionally, the government has always supported us through various project grants to conduct our studies which have been the main source of funding for our operations. Over the past 10 years we have been very successful and have issued 50 patents as well as 160 national publications for the industry. We are independent from the research center, yet until four years all of our company funding came from government sources. Today, our private investment numbers are improving and we broke even just last year and are no longer fully dependant on grants, but we still need to do more to become a fully commercially oriented

organization. Our sequencing abilities are no doubt mature; we performed over 1 million reactions last year but in order to position SinoGenoMax as a biotech service provider to the industry we need to expand our platform offering. You spent quite a few years doing research in both Sweden and England before returning to setup your own company five years ago.

What motivated you to return to China and how did you become involved in SinoGenoMax's operations?

I originally returned five years ago to start my own company based on research I had done while in England. This company was started with the help of an angel investor and is oriented in gene therapy where we have dedicated our efforts to one product for cancer patients. While working on this project I was contacted by Lei Ting who is the Executive Committee Chairman for the Alliance of Bio-Box Outsourcing. He told me there was an executive position available that required someone with an international and biology background that was also a capable manager. I happened to fit those needs very well so I came to SinoGenoMax to help orient the company in a more commercial direction. I found that like most government organizations, efficiency was the key issue facing our development so I have been bringing in more market oriented managers. The second issue that has taken most of my time has been emphasizing international level quality control up to GLP standards in order to ensure we are competitive at a global level.For years SinoGenoMax's operations have been closely linked to government demand and stimulus.

How do you see this connection playing out as you look to commercialize the institution and take on a market orientation?

Our customers have historically been various government institutes who require our research capabilities so I cannot say we will be able to change this in the near-term. However, it is difficult to be a true market oriented and independent company without distancing ourselves to some degree from our government involvement. I believe we need to see the government as regular customer rather than one supports our entire profitability. I aim to take SinoGenoMax public in the next five years so to do this we need to expand our field of services for the market place in order take on more differentiated cliental. That being said, we are currently continuing our negotiations with government institutes for research projects. Originally with the Human Genome Project, SinoGenoMax was focused on DNA sequencing.

Recently, you have expanded into molecular as well as protein biology platforms, which segment do you believe will be the most important moving forward and will provide the most growth?

We need more platforms to become a comprehensive biotech service company that can succeed in the long-term. At the moment I see two segments with high growth and revenue potential for us in the future. Advanced gene sequencing will likely boom in the coming years and with our history and experience in sequencing we are well positioned to take advantage of this market. The government especially will be interested in this field and because of our ties with them and the Human Genome Research Center of Beijing we will likely be able to accept many grants for research in this sector. The other sector of interest is gene examination for patients either at risk for genetic diseases or those with them who need to find what cures will work better for their genetic structure. We currently have the technology to predict this kind of risk so as this method comes to market more and more we will be ready to take advantage. Currently, we are in talks with hospitals who will be the main customer for our products before it reaches the end-user. In the past year you entered into a partnership with Cogenics based in the USA.

What synergies does this combination provide and how do you plan on collaborating in the future?

Cogenics and our company have very similar business models for sequencing and I believe the partnership is developing well. They are currently restructuring having previously been part of Clinical Data and now the Genomics division of Beckman Coulter. Their director has visited us twice, once in April and another time in July when the CEO of Beckman came as well. There is a good understanding of what both sides can offer one another and communication has been positive since the beginning of our partnership.We can play an active role in the trials for many international companies with our partnered operations. For example, Boehringer Ingelheim has a new drug that currently is going through clinical trials in China. They require a company that can do the genotyping samples for this process which includes detailed analysis and guaranteed quality. A partnership with Cogenics and international standards of our own lab ensure customers we have the service they are looking for.Strategic collaborations such as these are a window to the international market for our company so we will do our best to continue to develop these paths. SinoGenoMax has done this before successfully on the research side so our goal is to develop a market equivalent of these opportunities.Top class innovative companies require the top talent researchers to perform and differentiate themselves in the market. Currently in China there is a large amount of research firms and institutions with a small pool of innovative talent available.

What is SinoGenoMax doing to attract and retain the best researchers for its operations?

Researchers are of course a key issue to service providers and luckily we are linked to a prestigious gene researching center. Our strong relationship with the government and company structure is an advantage for attracting talented researchers to our operations. We have the grants to keep

advanced talent and the facilities to support their research in genomics. There is a lot of collaboration between our staff and the research center so the opportunities to learn through projects and seminars are numerous. I have to emphasize the fact that while we are a separate company there is only one management team between the organizations so we have the ability to see where the best developments can be made.

In the coming five years what are your ambitions and vision for SinoGenoMax?

I would like to see this company qualified to go public as I was brought in to orient the company in a more market based and independent direction. Revenues are very important for any company and I want to increase the inflows of SinoGenoMax by 30% annually for the coming period so that in five years we will have approximately RMB 80 million in annual turnover. Of this I want to see 30% coming from collaborations and services for multinational companies so that we can truly compete on the global level. The key to all of this will be the next generation of gene sequencing and leveraging our capabilities.

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