Interview with Lebin Wu, Chairman, BioSino Bio-Technology & Science Inc

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BioSino has experienced many changes since it was first established and has taken on many different forms and functions. Can you provide a brief history of the company and the current structure of the company?

I would say there are four phases to BioSino's history. The roots of the company were actually as a research group for the Chinese Academy of Sciences Institute of Biophysics. Our main function at the time was working on tool enzymes for artificial synthesis of insulin and tRNA of yeast, a major successful event in Chinese biology history. Our second phase, we then became a state held company affiliated with the Institute of Biophysics. During this phase we became widely recognized as a innovator in clinic biochemical reagents here in China. From the late 1980s on into the next decade we won several prizes for our enzymatic clinical diagnostic reagents from both the Beijing New Technology development zone as well as the Chinese Academy of Sciences. The third phase began at the start of this decade as we transitioned from a state run system into a limited company. This was a difficult transition because it involved changing of share holders and taking on a more market based approach for our company and many were at first opposed to the idea. In the long-term this evolution has worked out very well for our company and increased the efficiency of our operations. In our fourth phase, we prepared the company for a public offering so we had to restructure some of the operations and increase the transparency of operations as well as prove we were a stand alone entity. We successfully underwent an IPO on the Growth Enterprise Market

for the Hong Kong exchange thus we are well established in this stage of the company.You have been an integral part of BioSino’s transition from a state run to a market based company.

Can you tell our readers about your experiences during this period and how you have turned the company into what it is today?

It was certainly not an easy process in the beginning, at the time I was deputy director of the Institute of Biophysics, in charge of technology transfer, Chairman of the company so I was not even the legal representative. However, I realized the need to reform the group and the importance of a limited company holding for our future operations. It was clear our operations were doing very well but we lacked a sustainable system and mechanism to truly take advantage of our technology and capture more of the market.I remember speaking between the management at the time and many were hesitant to change the structure of the company because operations were steadily positive and it seemed safe to stay a state run organization. In the end I had to persuade people with a pure concept and benefit technique, by opening our company to a market approach you can compensate people more for their work. The company was able to award our top innovative researchers in each department much more in bonuses which was a bottom up incentive to change the mindset of the company. On April 26th, 2001 we re-founded our company, whose name changed over from Zhongsheng Biotechnology Company to BioSino Bio-Technology & Science Inc, our founders being the Chinese Academy of Sciences Institute of Biophysics, Beijing Enterprise holdings and a Shanghai venture capital firm.

What is the scope of BioSino’s business model and what are your most performing products?

We are concentrated on the development to manufacturing end of the value chain; while our end-users are the hospitals we go through distributors to enter our product to the market. Our R & D is taken very seriously and we continuously are developing innovative and better quality diagnostic products. Annually, we invest 10% of revenues back into the research pipeline in order to ensure we continue to lead the field here in China and have the potential to compete against larger, more established international companies. Our products are similar in quality to Roche’s diagnostic reagents which lead the international sector but our price to the customer is on average a third less than theirs. In the 1980s China was importing all of their diagnostic analyzers from multinational companies and it became apparent that in order to become an independent, world leader in the economy we would have to develop our own facilities for the pharmaceutical industry. This obvious need is why we have worked so hard to create a domestic company that can provide what China requires.You currently cover 75% of the Chinese market and have in the past exported your products to 20 different countries.

What are your plans for future distribution and how will you expand?

Our initial intent is to provide for China, so I think we should first cover the entire market and reduce the cost of our products so that they are more readily available for everyone in the population. As you know the domestic market is expanding rapidly and we want meet the rising demand. However, we look to export production that is above China's need to countries that want our reagents and if have the opportunity to provide for other regions we will.

Would you ever consider entering Europe or the US at a later date?

I was asked this same question about three years ago from an interested British investor based in Hong Kong and debated it quite heavily at the time. While our products are of good quality they do not match the exact grade of the larger multinationals that cater to Europe and the US. The more appropriate market for us at the moment is in the range of low to mid level users that need an excellent product that works reliably. Each of our products is very robust in nature so while it may not meet the very detailed and fine requirements of Western produced drugs they are remarkably consistent for our users who require an inexpensive and quality product. We are in the phase of improving the quality of our product while maintaining a lower cost through intensive research. Our goal is to create a true bio diagnostic system so that our products can work together to serve the different requirements of our end-users in this market. It is important to have compatibility between your diagnostic products and we hope to offer a fully automated system for the market. The levels of diagnostic automation will continue to increase overtime and be pioneered at first by the most established in the industry but overtime we will reach this level. There are a lot of variables in this industry that are yet to be determined so it is always difficult to make a clear picture of future events. Much of our own success depends on our competition who is no doubt improving at a rapid rate as well but we are working very hard to push our own innovation forward.It has been said that throughout the industry there is a 'talent war' going on as innovative companies look to attract and maintain top talent from a limited pool.

How do you attract and retain the best researchers for BioSino?

In regard to retaining our talent, we believe in high compensation for high performing researchers. BioSino attracts top talent by linking the performance of our researchers to their salary and bonuses without a maximum level of achievement which is a standout characteristic in the industry. For new patented products we offer 15% of profit from its sale for 5 years application to the researcher who is responsible for its creation. This direct correlation between work and pay motivates our teams to work very diligently towards improving our current products and innovating

new ones that will expand the offering of our company. Moreover, our doors are always open to anyone that can bring new technology and offerings to our product line. We are committed to the success of this organization and want to ensure we explore every possibility for increasing our pipeline.

What are the goals and ambitions for BioSino in the coming five year period?

We want to encourage our researchers to continue their R & D and support the needs of the Chinese market. Our research is subdivided into three different product development segments: those that are new globally, those that exist from foreign innovation and those that exist everywhere but are not in our company. At the moment a majority of our research is concentrated on the second of these three categories and we heavily invest sales revenue back into the development of products that China needs. In the long-term we may play more of a role as a global innovator but in the near-term we want to develop a domestic option for the products needed here.I emphasize that we are still growing and developing so support and ideas are always welcome at BioSino.

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