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Eli Lilly, Chi-Med Team Up on Cancer Drugs

Eli Lilly & Co. announced it will work with a unit of **Hutchison China MediTech Ltd.**, known as Chi-Med, to develop drugs to treat cancer and inflammatory diseases.

Lilly will hand over preclinical research and development on several compounds to the pharmaceuticals company. Chi-Med, which is listed on London's Alternative Investment Market, is a subsidiary of **Hutchison Whampoa Ltd.**, the conglomerate controlled by Hong Kong billionaire Li Ka-shing.

Lilly agreed to pay between \$20 million and \$29 million for each compound developed through the partnership, as well as an upfront fee and continuing research support. Chi-Med would get a slice of royalties from any successful drugs developed through the collaboration.

Chi-Med has been drawing attention from some of the world's largest pharmaceuticals companies eager to tap Chi-Med's research expertise, low-cost base and library of 10,000 traditional Chinese herbal compounds that may have applications in Western medicine.

The company has struck similar partnerships with several other Western companies, including **Procter & Gamble Co.** and **Merck KGaA** of Germany.

"The Lilly deal is a sign of the quality of the work that's being done in China," says Ibraheem Mahmood of Investec Securities in London. "Big pharmaceutical companies can see there are research capabilities there, and a burgeoning pipeline of new products."

Dr. Mahmood estimates the rate at which Chi-Med burns

through its capital is about a quarter of a typical European biotech firm. Running clinical trials in China is also far cheaper, costing between one-quarter and one-eighth as much as in the U.S.

Chi-Med is the holding company for several health-care companies. **Hutchison MediPharma R&D Ltd.**, the Chi-Med unit that struck the deal with Lilly, is the company's pharmaceuticals arm. It aims to develop new drugs for the global market based on botanical ingredients from traditional Chinese medicine. The company's management team and many of its top scientists have been recruited from top U.S. drug companies, including **Pfizer Inc.** and **Johnson & Johnson**. The company's chief executive, Christian Hogg, is a veteran of P&G.