

Client: Chi Med
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=DJ UPDATE: Hutchison Chi-Med Rises On Sales Surge

(Adds detail, analyst comment)

By Jason Douglas Of DOW JONES NEWSWIRES

LONDON (Dow Jones)--Shares in Hutchison China MediTech Ltd. (HCM.LN), the London-listed healthcare unit of Asian conglomerate Hutchison Whampoa Ltd. (HUWHY), advanced Wednesday after it reported a 37% rise in first half sales and said full year results will be well ahead of 2007.

Analysts said investors can expect the company, which is 70%-owned by Hutchison Whampoa and has its considerable firepower at its disposal, to soon make acquisitions of quality assets in China that will further boost earnings.

Chi-Med, as it's known, said sales for the six months to June 30 rose to \$45.9 million from \$33.4 million a year earlier.

Sales growth was driven by the strong performance of its China Healthcare division, which provides products for the health food and pharmaceuticals markets in China. Sales there rose 36% to \$43.2 million, outpacing the annual 20% growth of the Chinese pharmaceutical industry, according to Chief Executive Officer Christian Hogg. He said that growth is going to continue as the Chinese government works to extend healthcare coverage beyond the 15% of China's 1.3 billion inhabitants that have it so far. Chi-Med reported a loss of \$5.1 million from a loss of \$5.6 million in 2007.

That's largely due to an increase in the operating loss at its drug discovery unit as it pushes its research programs, which include an experimental treatment for ulcerative colitis, into the later stages of development, Chi-Med said.

The company added it expects its full year results to reflect sales growth "well ahead" of last year.

At 1040 GMT, shares rose 8.5 pence, or 7.4%, to 120 pence, in a slightly higher London market. Its shares have lost 29% during the past 12 months as investors abandoned riskier drug stocks amid the credit crunch.

Ibraheem Mahmood, an analyst at Investec, said the stock has the potential for considerable upside as the company is on the hunt to acquire rival Chinese healthcare businesses. It will only pick good assets that will be earnings enhancing, he said.

Chi-Med specializes in drugs derived from traditional Chinese medicine, an approach that's attracted the interest of big pharma.

Big pharma is also increasingly looking to China as a place to do research thanks to its abundance of skilled scientists and lower costs.

Chi-Med's drug R & D division, Hutchison MediPharma Ltd., last year signed a deal with Eli Lilly & Co. (LLY) of the U.S., which is using its team of 180 scientists to do the preclinical development of four of its early stage drug candidates.

CEO Hogg said Chi-Med is hoping to persuade Eli Lilly to expand the collaboration and do early stage development work with more of its drug candidates with Chi-Med.

The company also has a deal with Merck KGaA (MKGAY) of Germany, which is screening Chi-Med's library of traditional ingredients for potential medicines for cancer and inflammation.

Hogg said Chi-Med will seek to partner its internal drug programs once they complete phase II testing towards the end of this year or early 2009.

Also Wednesday, Chi-Med said it's restructuring its Hutchison MediPharma. It's moving it into a new holding company in a bid to attract fresh cash from outside investors ahead of a potential listing, Hogg said.



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Company Web site: <http://www.chi-med.com>

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