

Press Cutting

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Hutchison Chi-Med Seeks R&D Investor As Loss Narrows

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LONDON (Dow Jones)--Drug maker **Hutchison China MediTech** Ltd. (HCM.LN) Thursday reported a sharply narrower pretax loss, buoyed by sales of antivirals and heart drugs in China, and said it is seeking investors to take a stake in its growing research and development unit.

The company, known as Chi-Med, said its China-based Hutchison MediPharma Ltd. unit is attracting the interest of global healthcare investors and pharmaceutical companies because of its low cost R&D, partnerships with drug makers like Eli Lilly & Co. (LLY) and pipeline of experimental medicines.

Chief Executive Christian Hogg told Dow Jones Newswires Chi-Med wants to sell a minority stake in the business--no more than 20%--to provide extra funds to advance the drug pipeline through clinical trials and to prepare the ground for an eventual flotation of the business in the next one or two years.

He added Chi-Med is confident it will ink a licensing deal for Hutchison MediPharma's most advanced drug, a treatment for ulcerative colitis, before the end of 2010.

Chi-Med, which is majority owned by Asian conglomerate Hutchison Whampoa Ltd. (0013.HK), reported a 2009 pretax loss of \$5 million, compared with a loss of \$14.8 million a year earlier.

The company's China Healthcare division, which sells over-the-counter and prescription drugs based on traditional Chinese medicines in China, is profitable, but its R&D unit and a consumer products business are loss-making.

Revenue rose 28% on the year to \$111 million. Revenue growth was driven by a 26% rise in sales at its China Healthcare division. Big sellers included Banlangen granules, an antiviral. Sales of Banlangen grew 42% because of swine flu fears, while sales of heart drug She Xiang Bao Xin advanced 41% to \$22 million.

Hogg said Chi-Med expects further growth in sales of She Xiang Bao Xin in 2010 because the Chinese government has added it to a list of essential medicines that must be stocked at hospitals and clinics. It is currently sold to about 6,000 or 7,000 hospitals--but China has 20,000, Hogg said. He added the company's manufacturing capacity will be able to cope with a rise in demand of about 30% to 40% a year.

Also in 2009, Chi-Med formed a joint venture with Hain Celestial Group Inc. (HAIN) to sell organic baby food in China. The venture is at an early stage, but analysts expect it to contribute significantly to Chi-Med's earnings in future. The market for infant milk formula in China, for example, is worth some \$2.6 billion a year.

Charles Stanley analysts said Chi-Med's 2009 results beat their expectations. They rate the stock "buy."

At 1023 GMT, shares in Chi-Med were up 5 pence or 2.5% at 206.5 pence, outperforming a 0.1% lower Dow Jones U.K. Smaller Companies index.

Company Web site: www.chi-med.com

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