

Press Cutting

Client: Chi-Med

Publication: Scrip

Date: 29 July 2010

Chi-Med moves closer to spinning off R&D division

Today

Sukaina Virji

sukaina.virji@informa.com

Hutchison China MediTech (Chi-Med) is edging closer to spinning off its drug R&D division as it posted another solid set of results, with group sales in the first half of 2010 up by 29% to \$73.2 million compared with the first half last year.

The strong performance was driven by the group's China Healthcare division, which showed an increase in revenues of 25% to \$66.5 million in the six-month period ending 30 June, continuing its record of 27% annual organic growth since the company floated on UK's AIM in 2006, group CEO Christian Hogg told *Scrip*.

The growth was boosted by the increase in Chinese state healthcare provisions, Mr Hogg explained, in addition to benefiting from price increases of key OTC products.

Gross profit was up by 33% to \$44.7 million, while operating profit leapt up to \$2.3 million from \$600,000 last time.

R&D

Chi-Med's R&D division – Hutchison MediPharma – has a strong pipeline, noted Mr Hogg, and its lead drug candidate HMPL-004 should be starting a global Phase III trial around the end of this year. Efforts are ongoing to find a co-development partner for the inflammatory bowel disease drug.

An anticancer drug candidate sulfatinib (HMPL-012) entered Phase I trials earlier this year (scripintelligence.com, 10 May 2010) and a Phase IIb multiple dose trial for the anti-inflammatory HMPL-011 has also begun in Australia following a successful Phase Ia study. Two INDs are also currently under review, said Mr Hogg, with another IND to be submitted shortly.

As the unit's pipeline progresses, taking the R&D business to a stand alone position makes more sense, said Mr Hogg. Although an IPO was "not imminent", it was on the "short-to-intermediate term" horizon. Earlier this year, Mr Hogg told *Scrip* he was aiming for a Nasdaq listing for the potential spinoff (scripintelligence.com, 4 March 2010).

Sales were up by 38% to \$2.6 million (from partner income) in the R&D unit, with operating loss up by 15% to \$6 million.

"We plan to continue to grow by expanding geographically, i.e. organic growth," concluded Mr Hogg, "and get swept along by the 20% annual growth rate in the region".

Chi-Med is majority-owned by the diversified Hong Kong conglomerate, Hutchison Whampoa.