

PHARMACEUTICALS

Nestle and Chi-Med form Chinese medicine alliance

Firms' partnership will focus on development of drugs based on botanical medicine

Bloomberg in London

Nestle and Hutchison China Meditech, a drugmaker controlled by Li Ka-shing, have agreed to form an alliance to develop gastro-intestinal treatments based on traditional Chinese medicine.

Nestle Health Science and Chi-Med will each own half of the Nutrition Science Partners (NSP) venture, the companies said yesterday.

NSP will also take on an experimental medicine known as HMPL-004 and oversee late-stage clinical trials on treatments for ulcerative colitis and Crohn's disease.

The collaboration gives Switzerland-based Nestle exclusive access to Chi-Med's botanical library of more than 1,500 purified natural products and 50,000 extracts from medicinal plants. Chi-Med entered into an agreement with AstraZeneca in December to develop an experimental cancer drug.

"We believe traditional Chinese medicine has a real potential to become part of innovative

solutions," said Luis Cantarell, chief executive of Nestle Health Science.

Nestle shares rose 0.75 per cent to 60.50 Swiss francs in late Zurich trading, for a gain this year of 12 per cent.

Chi-Med advanced 5.81 per cent in London, the most in almost four months, for a gain this year of 43 per cent.

The partnership may extend into metabolic diseases and brain health, the companies said.

The joint venture's initial focus will be on the United States, and Chi-Med has already been

discussing late-stage testing of HMPL-004 with regulators. The third and final phase of testing is expected to begin "early next year". The companies didn't disclose the amount of investment involved in the collaboration.

"Nestle seems to us to be a perfect partner for HMPL-004," given its investment potential in research and development, Savvas Neophytou, an analyst at Panmure Gordon, wrote in a research note.

"Although the deal structure revolves originally around gastrointestinal assets, it should be noted that a broader collaboration on the entire botanicals portfolio could materialise in coming years," he wrote.



Nestle will own half of the new research venture. Photo: Bloomberg