

Holista CollTech is about to sell sheep collagen to China, share price surges 12pc

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Perth-based natural wellness company, [Holista CollTech \(ASX:HTC\)](#) is about to market its ovine (sheep) collagen into China.

The company's subsidiary, Holista Biotech, has just announced an exclusive distribution partnership with Malaysia-based Mutiara to make this happen.

Mutiara believes there is strong demand for Holista's cosmetic grade collagen in China as a replacement product, after the country banned the use of Epidermal Growth Factor (EGF) in cosmetic products since the start of the year.

Mutiara has in-depth knowledge of the Chinese market, having spent over 20 years supplying ingredients to Chinese cosmetics and food companies.

Potential orders

The agreement with Mutiara will only come into effect subject to a successful outcome of trials and Chinese regulatory approval.

Chinese cosmetic manufacturers, which are part of state-owned enterprises, will conduct and fund the trials. No funding will be provided by Holista.

The whole process of testing, validation and licencing is expected to take several months.

Upon the granting of approval, Mutiara will commit to purchase the entire 48-ton annual production capacity of Holista's existing Collie Plant in WA, over the following 12 months.

The minimum annual order requirement for Mutiara to retain its exclusivity in China over the five-year agreement increases to 144 tons in year two, 288 tons in year three, and 576 tons in years four and five.

The agreed price for Holista's collagen is \$75 per kilogram.

Why ovine collagen is an ideal substitute for EGF

Holista believes its ovine collagen is regarded as an ideal substitute for EGF, because Australia is the only country in the world with sheep that are disease free.

Further, the company says China's significant Buddhist and Muslim populations would shun the use of cattle and pork-based products for religious reasons.

Holista also says its use of patented proprietary technologies, developed and refined over 15 years, has allowed it to make a premium product more efficiently.

Further updates on the trials will be announced by Holista in due course.

Holista CollTech share price chart:

