

TARGET

Intelligence Report

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SHANGHAI HENLIUS BIOTECH INCORPORATED

MANAGEMENT WAS TRUE TO ITS PROGNOSTICATIONS:

THE 2019 INTERIM REPORT PRODUCED FURTHER (and larger) LOSSES

On Friday, September 27, 2019, Shanghai Henlius Biotech Incorporated () (Code: 2696, Main Board, The Stock Exchange of Hongkong Ltd), produced its Financial Results in respect of the six months, ended June 30, 2019.

Management informed shareholders that the Company had recorded a Net Loss Attributable to Shareholders of 316,930,000.000 renminbi (about \$HK348,914,576.00).

With regard to the like period in the 2018 Financial Year, the 2019-Year's Interim Net Loss Attributable to Shareholders was an increase, Year-On-Year, of about 65.36 percent.

During the first six months of the 2018 Financial Year, the Company recorded no Revenue, but, during the first six months of the 2019 Financial Year, the Company recorded Revenues of 17,039,000.00 renminbi (about \$HK18,758,576.00).

On scanning the Condensed Consolidated Statements of Profit and Loss with regard to the First Half of the Current Financial Year, it was noted that the Gross Profit came in at 5,743,000.00 renminbi (about \$HK6,322,584.00).

Cost of Sales, at 11,296,000.00 renminbi (about \$HK12,435,992.00), shaved down the Revenues by about 66 percent.

At Page Nine of the 2019 Interim Report, under the heading, ‘**MANAGEMENT DISCUSSION AND ANALYSIS**’, it was stated:

‘The revenue of the Group for the six months ended 30 June 2019 was approximately RMB17.0 million, representing an increase of approximately RMB17.0 million as compared with that for the six months ended 30 June 2018, which was mainly due to the growth in sales of the Group’s core products, of which we have delivered 20,638 vials of HLX01 to our commercialisation partner Fosun Pharma. According to the cooperation arrangement with Fosun Pharma, Fosun Pharma fully reimbursed the related expenditures incurred for clinical trials of HLX01 (®) conducted by the Group after the signing of relevant cooperation agreement. After the commercialisation of HLX01 (®), the Group was responsible for the production and the supply of HLX01 (®) to Fosun Pharma in China, and equally (50-50) shared all of the net profit from the sales of HLX01 (®) in China with Fosun Pharma Industrial Development, while the marketing and selling expenses incurred during the commercialisation were undertaken by Fosun Pharma. (®) has recorded a revenue of RMB13.3 million in accordance to the above profit sharing arrangement with its partners. We intend to further raise public awareness of HLX01 by ramping up our marketing and sales efforts. We also plan to market our drug products through our commercialisation partners under well-established strategies.’

EDITORS NOTE

The above mention of ‘Fosun Pharma’ is the short form of Shanghai Fosun Pharmaceutical (Group) Company Ltd ([]) (Code: 2196, Main Board, The Stock Exchange of Hongkong Ltd).

Shanghai Fosun Pharmaceutical (Group) Company Ltd is the Controlling Shareholder of Shanghai Henlius Biotech Incorporated, owning, beneficially, 49.33 percent of the entire Issued and Fully Paid-Up Share Capital.

HLX01 ()

Rituximab Injection, a MabThera biosimilar.

HLX01 () received NDA (New Drug Application) approval from the NMPA (the National Medical Products Administration of the Government of the PRC) on February 22, 2019 for the non-Hodgkin lymphoma (“NHL”) indication, becoming the first biosimilar drug approved and commercially launched in China in accordance with the Biosimilar Guidelines.

At Page 18 of the 2019 Interim Report, it was stated that, as at June 30, 2019, Shanghai Henlius Biotech Incorporated had cash and cash equivalents of 352,157,000.00 renminbi (about \$HK387,696,484.00), a decrease of about 63.28 percent, compared to the situation that existed as at December 31, 2018.

Interest-bearing bank and other borrowings stood at 307,763,000.00 renminbi (about \$HK338,822,442.00), an increase of about 116 percent, compared to the situation that existed as at December 31, 2018.

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