



## Current Agreements

### Dealdoc

#### Joint venture agreement for Tianjin Kinnovata Pharmaceutical

Tianjin KingYork  
Tianjin Kinnovata  
Innovata HK  
Vectura

Jan 01 2013

# Joint venture agreement for Tianjin Kinnovata Pharmaceutical

<b>Companies:</b>	<a href="#">Tianjin KingYork</a> <a href="#">Tianjin Kinnovata</a> <a href="#">Innovata HK</a> <a href="#">Vectura</a>
<b>Announcement date:</b>	Jan 01 2013
<b>Deal value, US\$m:</b>	199.6 : sum of investment

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## Details

<b>Announcement date:</b>	Jan 01 2013
<b>Industry sectors:</b>	Pharmaceutical Specialty pharma
<b>Therapy areas:</b>	Respiratory » Asthma Respiratory » Chronic obstructive pulmonary disease
<b>Deal components:</b>	Joint venture
<b>Geographic focus:</b>	Asia » China

## Financials

<b>Deal value, US\$m:</b>	199.6 : sum of investment
<b>Upfront, US\$m:</b>	9.6 : sum of initial payment

## Termsheet

Tianjin KingYork Group Innovata HK Limited have gotten together to form a JV, which will be located in Tianjin Economic-Technological Development Area.

The new company, which will be known as Tianjin Kinnovata Pharmaceutical Company Limited, will produce powder inhalation drugs for asthma and COPD.

The JV has been funded with 60 million RMB (\$9.6 million) initially.

Over the longer term, the partners plan to invest 1.2 billion RMB (\$190 million) in the project.

## Press Release

13 May 2013

Vectura Group plc (VEC.L), Chinese Partners Form \$65 Million Respiratory JV

Vectura Establishes Strategic Partnership (Kinnovata) for New Respiratory Business in China

Chippenham, UK – 13 May 2013: Vectura Group plc (LSE: VEC) (“Vectura”), announces that it has established Tianjin Kinnovata Pharmaceutical Company Limited (“Kinnovata”) in China with two partners; Tianjin KingYork Group Company Limited (“KingYork”), a leading Chinese pharmaceutical company and specialist manufacturer of corticosteroid based products, and Zendex Bio Strategy Inc (“Zendex”), a private equity investor based in Hong Kong. Kinnovata will develop, manufacture and commercialise respiratory products for the rapidly growing

domestic Chinese and other regional markets in Asia. This new Company will initially exploit Vectura's Clickhaler® and Duohaler® dry powder inhaler (DPI) technology platforms to address current unmet needs in the Asian asthma and chronic obstructive pulmonary disease (COPD) markets. Recent estimates suggest the overall incidence of asthma in China is approximately 2.0%<sup>[i]</sup>; a patient population of more than 25 million people. COPD is an even bigger challenge, with approximately 42 million people suffering in China, and forecasts estimate that this number will increase to nearly 56 million by 2021<sup>[ii]</sup>.

Despite Government-led healthcare initiatives in recent years, there remains a pressing need for more affordable inhaled products in China. Both asthma and COPD are expected to increase significantly over the next twenty years, in part driven by population growth, increasing urbanisation and an ageing population coupled to the extremely high smoking rates among Chinese adults, especially men (approximately 75% of male adults in China are either current or former smokers)<sup>[iii]</sup>.

Kinnovata will be an independent company with its own development and manufacturing operations located in Tianjin. KingYork is expected to hold a 50% equity share; with Vectura holding 35% and Zendex and partners 15%. Vectura's holding is expected to have a nominal value of RMB 140 million (£14.6m) on close. Vectura will also receive royalties through to 2030 on certain products sold by Kinnovata. The equity stake and potential future royalty streams equate to the value attributed to the intangible and tangible assets relating to the Clickhaler® and Duohaler® devices. The assets include manufacturing equipment, formulation know-how and the regulatory dossiers for European approved products including salbutamol and budesonide delivered in Clickhaler.

KingYork and Zendex are expected to contribute assets of RMB 260 million (£27.1m) including cash of £19.8m, certain technology assets, intellectual property and land at KingYork's pharmaceutical business park in Tianjin where Kinnovata will establish its manufacturing facility. Mr Chris Chan, previously an advisor to Zendex, has been appointed CEO of the Company.

Vectura has been working with KingYork and Zendex since late 2011 on the development of the product pipeline. Vectura is also providing training and other expertise to Kinnovata as the Company prepares to undertake its first Clickhaler® clinical studies in Chinese patients. An application for the import of Asmasal® Clickhaler® (salbutamol) has been filed with the Chinese State Food and Drug Administration (SFDA).

In addition, a separate R&D Cooperation Agreement has been established between Kinnovata and the Shanghai Institute of Pharmaceutical Industry to undertake the development of a number of DPI products on behalf of Kinnovata.

Completion of the transaction is subject to final Government clearances in China. Vectura expects to record an exceptional non-cash gain of approximately £13.5m in relation to the acquisition of the 35% shareholding in Kinnovata. Kinnovata will be accounted for as an associate, with Vectura recording 35% of the profits or losses of Kinnovata on its income statement as a non-cash item. Kinnovata is expected to be loss-making for at least 24 months following establishment.

Dr Chris Blackwell, Chief Executive of Vectura commented: "There is a clear, large and growing need in China and other Asian markets for more affordable, locally-produced asthma and COPD products and, for some time, we have been looking for the best means of entry. Combining Vectura's established technology with KingYork's local regulatory expertise and experience in corticosteroid products, Kinnovata has an opportunity to capture a significant market share of the growing Asian respiratory market."

Chairman Lu Yanchang, of KingYork commented: "Vectura is an ideal partner for our venture, as it has a track record of innovation, successful partnerships with leading pharmaceutical companies and proven technology. With our help, Kinnovata has an opportunity to establish itself as a leading Chinese respiratory company. The majority of patients in China are not receiving adequate therapy for their asthma or COPD. We aim to introduce DPI products made in China using Vectura's proven technology."

Chris Chan, Kinnovata's Chief Executive commented: "There is a strong appetite in China for Western branded products and Kinnovata aims to introduce high quality affordable products made locally in China using Western technology."

#### Enquiries

Vectura Group plc +44 (0)1249 667700

Chris Blackwell, Chief Executive

Anne Hyland, Chief Financial Officer

Karl Keegan, Corporate Development Director

FTI Consulting +44 (0)20 7831 3113

John Dineen / Ben Atwell / Simon Conway

About Tianjin KingYork Group Company, Limited In November 2001, Tianjin KingYork Group Company Limited was established as part of the Tianjin Pharmaceuticals Group Company Limited, which was founded in 1939 and is a State Owned Enterprise (SOE). It has developed into a major enterprise with total assets of RMB 17 billion (£1.8 bn), and includes more than 40 companies. It is currently mainly engaged in the production of corticosteroid API & related products, amino acid API & products, and produces cardiovascular drugs, ointment, injections, tablets

and health food products totaling more than 350 products. In 2010, it ranked 7th of National Pharmaceuticals Industry Top 100 and is also one of the Top 500 National Manufacturing Enterprises in 2011. (Source: [www.kingyork.biz](http://www.kingyork.biz))

About Zendex Bio Strategy Inc Zendex is a leading private equity investor and advisor based in Hong Kong. Related funds include the Salim Group, Young Brothers and Incubate Ventures.

About Shanghai Institute of Pharmaceutical Industry Shanghai Institute of Pharmaceutical Industry (SIPI) was inaugurated in 1957, and is a large comprehensive research and development entity in the pharmaceutical industry system of China. Formerly, it was under the direct leadership of the State Drug Administration, and now is affiliated to the Central Enterprise Work Commission.

About Chris Chan, Chief Executive Officer of Kinnovata Mr Chan is an experienced senior pharmaceutical executive with a strong track record in launching products and establishing joint ventures in both China and Western markets. Stationed in China, Mr Chan was previously Vice President, Sales and Marketing for Bristol Myers Squibb China, Head of Sales & Marketing Pharmacia China, General Manager, China and Hong Kong for Monsanto Searle and Deputy General Manager for Bayer Healthcare Company Ltd. Mr Chan also has significant international business and management experience, having worked for Bayer and Merck & Co in the US. Mr Chan was an advisor to Zendex Bio Strategy Inc. prior to his appointment as Chief Executive Officer of Kinnovata.

Advisors to Vectura BioStrategy Management Inc (<http://www.biostrategy.ca>) acted as an advisor on this transaction. Founded by Dr. Andre Uddin, BioStrategy Management Inc. is a management consultancy firm serving the biotechnology, medical device and pharmaceutical industries.

About Clickhaler® Clickhaler is a marketed, reservoir-based, multi-dose, passive dry powder inhalation device that offers the benefits of ease of use, a dose counter, locking ability as well as a quality look and feel. The products developed in Clickhaler to date, have been designed to be directly comparable to the originator drug, to ensure confidence when switching patients to the lower cost product.

Five products have gained regulatory approvals for the treatment of asthma that are delivered using Clickhaler. Asmasal® and Asmabec® are marketed by Recipharm in the UK, France and Ireland. Asmasal® contains salbutamol, a short-acting beta2-agonist for the rapid relief of asthma symptoms. Asmabec® contains beclometasone, an inhaled steroid used as standard preventative therapy for asthma. Meptin® (procaterol) is a short-acting beta2-agonist for the rapid relief of mild, intermittent asthma symptoms, marketed by Otsuka Pharmaceutical in Japan. Regulatory approvals have also been received for Clickhaler® budesonide in Germany, the Netherlands and New Zealand, with approvals for Clickhaler® formoterol received in Denmark, the Netherlands, South Africa and New Zealand; these products are not currently marketed.

About Duohaler® Duohaler is a breath actuated, dry powder inhaler with a novel dual reservoir system that is specifically designed for the co-delivery of two separate formulations of active ingredients for combination therapy. The formulations of the two active ingredients remain separate until the point of delivery, but the formulations are designed to give the same delivery dynamics as co-formulated combinations of active ingredients. The co-delivery of two independent formulations simplifies development and manufacturing and also gives options for delivery of triple therapies and high powder masses. Its novel patented airway design enables the efficient aerosolisation of two formulations with a single inhalation, so that the product remains easy to use.

About Vectura Vectura Group plc develops inhaled therapies principally for the treatment of respiratory diseases. Vectura's main products target diseases such as asthma and chronic obstructive pulmonary disease (COPD), a growing market that is currently estimated to be worth in excess of \$25bn.

Vectura has seven products marketed by its partners and a portfolio of drugs in clinical and pre-clinical development, a number of which have been licensed to major pharmaceutical companies. Vectura has development collaborations and licence agreements with several pharmaceutical companies, including Novartis, Sandoz (the generics arm of Novartis), Baxter and GlaxoSmithKline (GSK).

Vectura seeks to develop certain programmes itself where this will optimise value. Vectura's formulation and inhalation technologies are available to other pharmaceutical companies on an out-licensing basis where this complements Vectura's business strategy. For further information, please visit Vectura's website at [www.vectura.com](http://www.vectura.com).

Forward-looking statements This press release contains forward-looking statements, including statements about the discovery, development and commercialisation of products. Various risks may cause Vectura's actual results to differ materially from those expressed or implied by the forward-looking statements, including: adverse results in clinical development programmes; failure to obtain patent protection for inventions; commercial limitations imposed by patents owned or controlled by third parties; dependence upon strategic alliance partners to develop and commercialise products and services; difficulties or delays in obtaining regulatory approvals to market products and services resulting from development efforts; the requirement for substantial funding to conduct research and development and to expand commercialisation activities; and product initiatives by competitors. As a result of these factors, prospective investors are cautioned not to rely on any forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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1 January 2013

Tianjin KingYork Group Co. and Innovata HK Limited have gotten together to form a JV, which will be located in Tianjin Economic-Technological Development Area (TEDA).

The new company, which will be known as Tianjin Kinnovata Pharmaceutical Company Limited, will produce powder inhalation drugs for asthma and COPD. The JV has been funded with 60 million RMB (\$9.6 million) initially. Over the longer term, the partners plan to invest 1.2 billion RMB (\$190 million) in the project.

### **Filing Data**

*Not available.*

### **Contract**

*Not available.*