TaiGen Biopharmaceuticals Holdings Limited

4157.TWO

November. 9, 2016
Safe Harbor Statement

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TaiGen HEC to Establish New Company for Hepatitis C

On October 30 2016, TaiGen and YiChang HEC signed an agreement to establish a new company in mainland China for the joint development and commercialization of direct-acting antiviral agents for treatment of chronic hepatitis C virus (HCV) infection in the Greater China region.

Shaoguan HEC TaiGen Pharmaceutical Co., Ltd.
TaiGen – Pioneer in New Chemical Entities in Greater China

- TaiGen Biotechnology Co., Ltd. is wholly owned by TaiGen Biopharmaceuticals Holdings Ltd. (Cayman)
- TaiGen Biotechnology Co., Ltd. was founded in 2001 with a focus on the discovery and development of NCEs (New Chemical Entities)
- TaiGen Biopharmaceuticals Beijing was established in 2004 with responsibilities in clinical development, interaction and regulatory submissions with China’s FDA
- TaiGen Biopharmaceuticals Holdings Ltd, IPO in Taiwan on Jan. 17, 2014
- Market capitalization around USD 683 million (as of 10/31/2016)
Taigexyn® – TaiGen’s first approved product

- Qualified for health insurance reimbursement calculation using cost method as part of the recently revised Article 17-1 by Taiwan National Health Insurance Administration

- The first class 1.1 new drug being approved after the implementation of self audit process by CFDA in summer 2015

- Launched in mainland China by our partner, Zhejiang Medicine Co., on October 23, 2016

- Partnered successfully in Russia, Commonwealth Independent States, Turkey, Mexico, Brazil and Latin America, for a total of 32 countries.
TaiGen’s Pipeline

**Burixafor**: Stem cells mobilizer and chemosensitizer is in clinical trial in the US and mainland China.

**Furaprevir**: Novel protease inhibitor for hepatitis C completing Phase 2 in Taiwan. Granted priority review by CFDA in April 2016 and received clinical trial authorization in August 2016.

**Research**: Pandemic influenza.
HEC Group

HEC Pharmaceutical Group is part of the HEC Group with businesses in materials, pharmaceuticals, healthcare, tourism and hospitality.

Materials
Aluminum, fluorine chemicals

Pharmaceuticals
Active Pharmaceutical Ingredients, Generics, Biosimilars, New Chemical Entities

Cosmetics and Nutraceuticals

Tourism and Hospitality
YiChang HEC ChangJiang Pharmaceutical

- YiChang HEC (1558.HK), focuses on the development, manufacturing and sales of pharmaceutical products in viral infections, endocrine, metabolic and cardiovascular diseases.
- HEC’s leading product, Kewei (oseltamivir phosphate) is the No. 1 selling influenza drug in China. Sales in first half of 2016 reaches RMB 460 million, a 70% increase compared to the same period in 2015.
- In December 2015, YiChang HEC IPO in the Hong Kong Stock Exchange and raised USD 160 million (HKD 1.255 billion).

### Financial Summary 2016 H1 (RMB thousands)

<table>
<thead>
<tr>
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<th>2016 H1</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>555,629</td>
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<tr>
<td>Gross profit</td>
<td>419,312</td>
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### Profitability Ratios 2016 H1 (to 2016/6/30)

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<tr>
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<th>2016 H1</th>
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<tbody>
<tr>
<td>Gross margin</td>
<td>75.5%</td>
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<tr>
<td>Operating profit</td>
<td>48.3%</td>
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<tr>
<td>Net profit</td>
<td>38.7%</td>
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Furaprevir (TG-2349)

- In-house discovered HCV NS3/4A protease inhibitor
- Completed one Phase 2 clinical trial in Taiwan under an US IND
- Class 1.1 new drug in mainland China
- Granted priority review by CFDA in April 2016 and received clinical trial authorization in August 2016
Yimitasvir (DAG-181)

- In-housed discovered NS5A inhibitor of HEC
- Designated as a National Science and Technology Major Project by Chinese Government
- Received clinical trial authorization in only 9 months
- Granted priority review by CFDA in October 2016
- The most advance domestically developed NS5A inhibitor
- Completed Phase 1 clinical trial in China
Progress of Chronic Hepatitis C Infection Leading to Fibrosis and Cancer
# All-oral DAA Treatment - Highly Effective and Low Side Effects

<table>
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<tr>
<th>Standard of care with interferon injections</th>
<th>All-oral interferon-free DAA treatment</th>
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<td>24-48 weeks with severe and intolerable side effects</td>
<td>12 week or less with low side effects</td>
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Competitive Advantages

- All-oral interferon-free DAA treatment is becoming the standard of care for HCV treatment ex-Greater China

- TaiGen’s and HEC’s drugs have already been granted priority review by the CFDA and will significantly shorten the time to market

- The mechanisms of action of Furaprevir and Yimitasvir complements each other by reducing mutant generation and leading to complete viral eradication and eventually cure
TaiGen will Received Both Cash and Equity

- **First USD 20M**
  - Within 3 months of establishing the new company

- **Second USD 20M**
  - Payable at the completion of Phase 1. Revenue will be recognized if SVR12 > 90% at the completion of Phase 2

- **40% equity in Newco**
  - 40% equity in Newco

- **RMB 1.8 million**
  - TaiGen will lead clinical development and receive reimbursement from Newco for 5 FTEs for 3 years

- **In addition to the above**
  - USD 30M of operating expenses fully paid for by HEC
  - Retain development rights ex-Greater China
  - Option to buy back 9% Newco shares before the initiation of Phase 3

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Global Sales of DAA Reaches Blockbuster Status

Sales (USD, Hundred millions)

- 2013
- 2014
- 2015
- 2016

*to Q3 2016

Source: IMS consulting

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Potential and Niche of the HCV Market in China

- An estimate of 10-40 million HCV patients translate to a market hundreds of billion RMB
- No DAA have been approved to market yet
- Important role of the Chinese Government:
  - the Notice #44 released in August 2015 placed special attention on prevention and treatment of serious infectious diseases including hepatitis C
  - Increase medical and insurance coverage to the masses
  - Determination to promote the domestic pharmaceutical industry and provide special incentives to local enterprises
- The improvement of economy and transportation, increase the willingness of patients to receive screening and treatment.
Chinese Domestic Company will Overtake Multinational

It is estimated that the HCV market will reach RMB 28.3 billion. Domestic company will have a market share of 66.2%, around RMB 18.7 billion.

Source: IMS consulting · TaiGen
Proportion of Chinese Patients using Domestic DAA

Proportion of Chinese Patients using DAA from Domestic companies will increase

Source: IMS consulting
Projected Timeline

- **Phase 1**: 2017/1 IND application
- **Phase 1**: 2017/9 Phase 1
- **Phase 2**: 2018/6 Phase 2
- **Phase 3**: 2019/7 Phase 3
- **NDA**: 2020 Q4 NDA
- **Launched**: 2022 Launch

Target

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Financial Benefits
New Business Model (Monetization of IP rights)

In the past TaiGen’s business model is through out-licensing of IP rights

- IP creation through R&D
- NDA approval and product launch
- Upfront payment + milestones + royalties throughout licensing
- Equity in JV
- Cash
- Revenue and JV profit sharing upon product sale
- Taigexyn partnership in 32 countries
Deal Structure of TaiGen-HEC Partnership

**Step 1:** TGBJ will purchase Furaprevir IP rights in Greater China from TGTW for USD 50 M

**Step 2:** TGBJ will use the IP rights of Furaprevir in Greater China as contribution in kind for 49% equity in Newco

**Step 3:** TGBJ will transfer 9% equity to HEC for USD 20M

Upon the completion of share transfer, HEC will hold 60% and TGBJ will hold 40% equity in Newco

**Step 4:** TGBJ will receive an additional USD 20M from HEC if SVR12 > 90% at the completion of Phase 2

Yichang HEC’s parent company HEC Pharm and provide USD 30M for operating expenses of Newco

Newco will in-licensed Yimitasvir from YiChang HEC’s parent company HEC Pharm and provide USD 30M for operating expenses of Newco
Monetization of IP rights

- Investment in R&D to produce results
- R&D results as in kind contribution
- Share disposal for cash
- Product launch and revenue sharing of Newco
Conclusion: Improve Operational Efficiency and Increase Shareholder Value

- The TaiGen-HEC JV demonstrated that TaiGen can successfully monetize the IP created through R&D.
- TaiGen’s management will use flexible business models and creative strategic alliances to monetize/commercialize IP rights to increase shareholder value.

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<th>JV Company Ownership</th>
<th>JV Company Revenue</th>
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<td>Increase Equity Value</td>
<td>Increase shareholder equity through Newco ownership</td>
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- USD 20-40 M cash into TaiGen’s coffers
- 40% equity in Newco
- Product launch and revenue sharing
Thank You

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