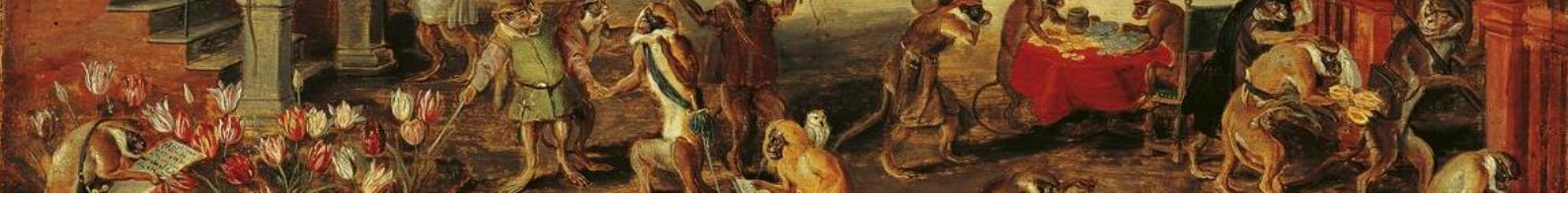


Athenex – Unpopular Operating Officer

While his resume appears impressive, Athenex Chief Operating Officer Jeffrey Yordon has always been in the proximity of disaster, including two class action lawsuits.

Athenex		
Exchange		NASDAQ
Ticker		ATNX
Shares Outstanding	m	77.3
Share Price	US$	11.12
Market Cap	**US$m**	**859.6**
Net Cash	US$m	78.7
NCI	US$m	11.7
EV	**US$m**	**769.2**
NTA	US$m	131.6
Licensing Revenue	US$m	87.2
Revenue Multiple	X	1.0
Viceroy Valuation	**US$m**	**218.8**
Viceroy Price Target	US$	2.83
Downside	%	-75%
*As at close of market - Oct 28, 2019		
NB: LTM/balance from Jun 30, 2019		

October 29, 2019 – As we move into the sixth installment of our coverage on Athenex, Viceroy reiterate our view that **Oraxol is obsolete in the modern medicine**, and that **Athenex will be effectively bankrupt by mid-2020 with no profitable operations** given management's overenthusiastic spending habits.

This report further exposes management's ties to impropriety and provides a broader summary of Athenex's management & director teams.

- Yordon's executive career started as President of **LyphoMed**, who's CEO was sued by acquiring entity, Fujisawa Pharmaceutical.
  - Fujisawa claimed LyphoMed filed false information with the FDA in connection with thirty five ANDAs. **Information was either misrepresented, destroyed or was not recorded where it concerned adverse test results**.
  - **LyphoMed's CEO was none other than John Kapoor of Insys Therapeutics fame**.
- Yordon claims to have founded **Gensia Pharmaceuticals**, when the business was in fact acquired from Kedall Co. while Yordon was employed at Gensia's topco.
  - Gensia's share price collapsed upon flagship heart medication showing no statistical benefits.
- While employed at American Pharmaceutical Partners, Yordon and other senior management were **sued for making misleading statements about the prospects of an anti-cancer drug.**
- While director of Sagent, shareholders sued the company **alleging that the board and its advisors failed to negotiate a fair deal for the company's shareholders in a sale; agreeing to certain terms which only benefitted management**.
  - **Yordon was CEO at the time of the engagement of the company's investment bankers and establishment of the board's "strategic committee" to evaluate such decisions.**

We have *already* highlighted **management's involvement in Sino Forest, GCL Silicon/Poly, Suntech, Chelsea Therapeutics, the world's largest illegal taxol smuggling operation, and now LyphoMed, Gensia and Sagent**. It is mind blowing that Athenex would continue to associate with any one of these farces, let alone a collection such as this.

In light of all of the issues and questions Viceroy have highlighted, it is also alarming to shareholders that Athenex have not addressed a single point, opting instead to simply state we have published "inaccurate information".

Where are the inaccuracies, Athenex?

Viceroy remain short Athenex.

A link to Viceroy's previous reports are as follows:

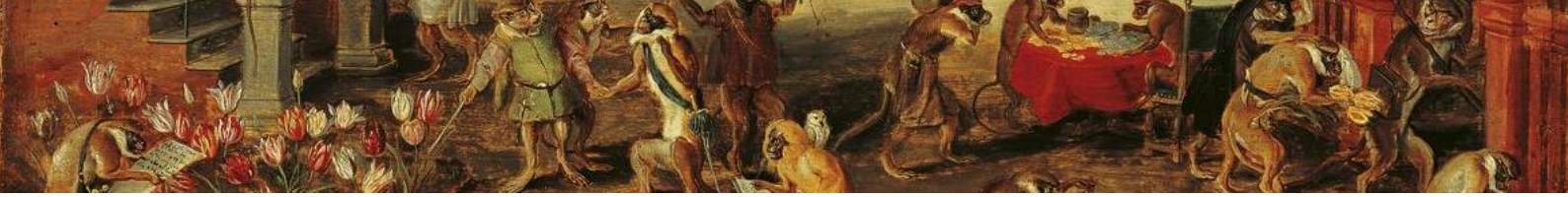
Report 1: https://viceroyresearch.org/2019/10/22/athenex-too-little-too-late/

Report 2: https://viceroyresearch.org/2019/10/23/athenex-where-theres-smoke/

Report 3: https://viceroyresearch.org/2019/10/24/athenex-no-integrity/

Report 4: https://viceroyresearch.org/2019/10/25/athenex-bonus-round/

Report 5: https://viceroyresearch.org/2019/10/28/athenex-rehash/



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Athenex, its affiliates or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

About Viceroy

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

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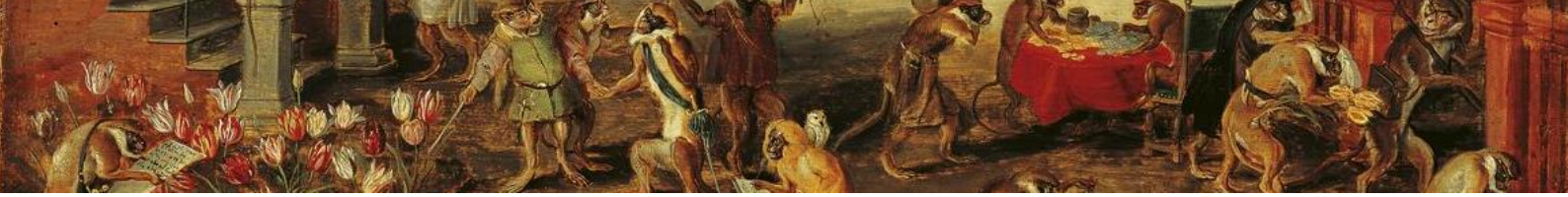
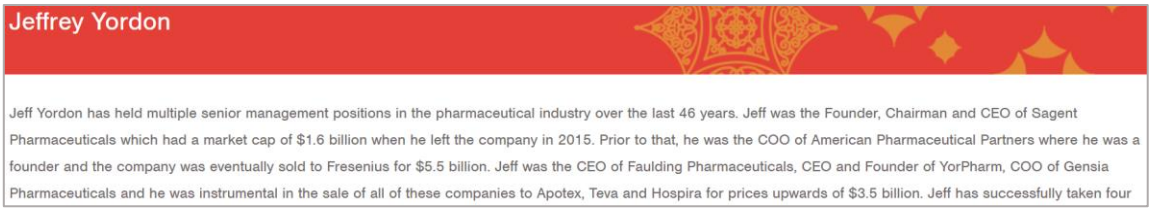


1. Jeffrey Yordon

Athenex's COO Jeffrey Yordon has mastered the art of leaving his history behind him.

While his resume appears impressive, it is clear upon further inspection that Yordon has always been in the proximity of disaster, including two class action lawsuits.


Jeffrey Yordon

Jeff Yordon has held multiple senior management positions in the pharmaceutical industry over the last 46 years. Jeff was the Founder, Chairman and CEO of Sagent Pharmaceuticals which had a market cap of $1.6 billion when he left the company in 2015. Prior to that, he was the COO of American Pharmaceutical Partners where he was a founder and the company was eventually sold to Fresenius for $5.5 billion. Jeff was the CEO of Faulding Pharmaceuticals, CEO and Founder of YorPharm, COO of Gensia Pharmaceuticals and he was instrumental in the sale of all of these companies to Apotex, Teva and Hospira for prices upwards of $3.5 billion. Jeff has successfully taken four

Figure 1 Jeffrey Yordon Biography

Yordon also has several inconsistencies in his resume over the years, declaring himself a "founding member" of a company not founded by him.

LyphoMed

Yordon was an original founding member of LyphoMed, a company later sued by acquiring entity Fujisawa Pharmaceutical Co. Ltd.

After acquisition in April 1990 Fujisawa claimed LyphoMed filed false information with the FDA between 1980 through 1989 in connection with thirty five ANDAs. **Information was either misrepresented, destroyed or was not recorded where it concerned adverse test results**[1].

Beginning in 1980 and continuing through 1989, Fujisawa claims Lyphomed filed false applications and information with the FDA in connection with thirty-five of its ANDAs. Fujisawa claims many Lyphomed ANDAs violated FDA rules because they contained normalized data without disclosing that fact[2] and that Lyphomed failed to disclose adverse test results and failed to record, or destroyed the results of, certain tests in violation of the FDA's ANDA regulations. Fujisawa alleges that Dr. Kapoor knew or should have known that Lyphomed had committed all these violations of FDA rules.

Figure 2 Fujisawa vs. Kapoor[2]

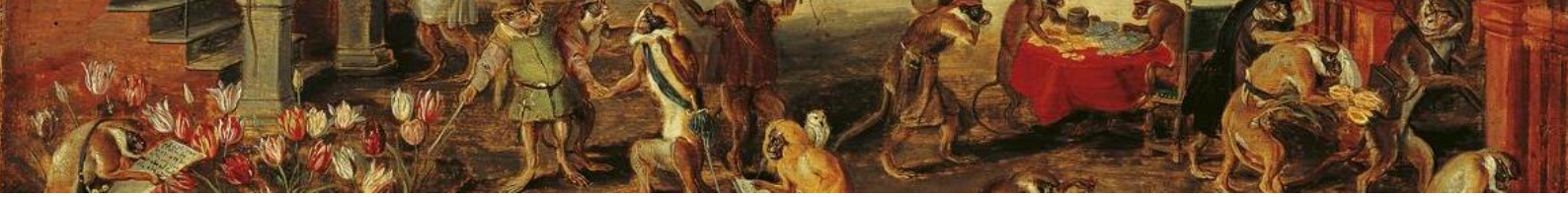
This is not a case of isolated executive malfeasance on the part of Kapoor: the situation at LyphoMed got so bad that at one point **the FDA said it would stop issuing new approvals until Good Manufacturing Practices were re-established.**

Practices ("GMP") problems at some of its plants.[3] By the end of 1988, Lyphomed had received eight FDA Observation Reports (known as Form 483s) and an FDA regulatory letter. Form 483s list observations made by an FDA inspector during an inspection of a plant. When a company receives a Form 483, it usually submits a written response to the FDA disputing or explaining the inspector's observations, or promising to correct the problem if the company agrees that it exists. Ordinarily, if the FDA finds the company's response acceptable, the FDA will take no further action. If the FDA finds the company's response unacceptable, the FDA may take further action such as the issuance of a regulatory letter.

The regulatory letter Lyphomed received as a result of the Form 483s was serious it informed Lyphomed that it would not be given any new approvals for generic or patented pharmaceutical products until Lyphomed cured the GMP deficiencies (which was subsequently done). In response to the letter, Dr. Kapoor and Lyphomed reassured

Figure 3 Fujisawa vs. Kapoor

[1] https://law.justia.com/cases/federal/district-courts/FSupp2/16/941/2460496/
[2] https://law.justia.com/cases/federal/district-courts/FSupp2/16/941/2460496/



Yordon is happy to trumpet his role at Lyphomed but neglects to mention that Fujisawa went on to sue former owner John Kapoor for US$805.6m. Yordon jumped ship shortly after Lyphomed's acquisition, appearing at Gensia, Inc in 1991.

As President of LyphoMed, we find it difficult to believe **Yordon was unaware of the Company's violations of FDA rules.**

For those who keep up with major pharma frauds**, LyphoMed CEO John Kapoor went on to take over the reigns at Insys Therapeutics, and was found guilty of RICO conspiracy, conspiracy to commit wire fraud, etc[3].**

Gensia

Yordon joined Gensia, Inc. as Vice President, Sales and Marketing announced on January 1, 1991[4]. Claims that he founded Gensia Pharmaceuticals (sometimes Gensia Laboratories) are slightly misleading considering this was a subsidiary acquired from Kendall Co. later that year[5,6].

Gensia's share price crashed in September 1992 after the phase 3 trials of its heart medication Arasine proved unclear with primary analysis failing to show any significant benefit.

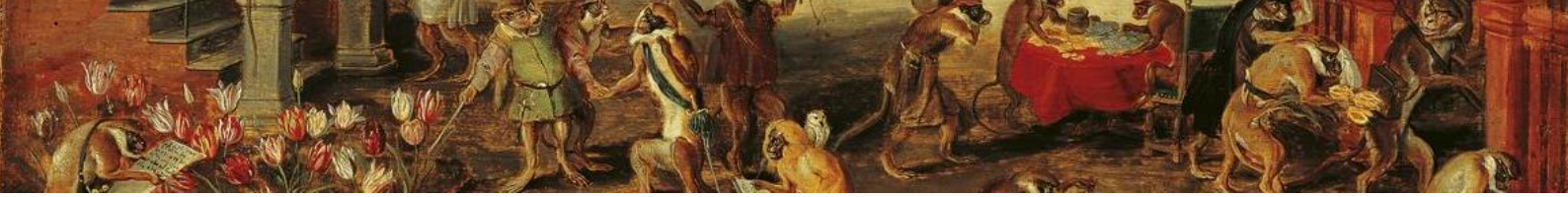
> Company officials, who were not available for comment Tuesday, said in a press release that a trial conducted in Canada and Europe produced data that "were not statistically significant," except in two important subgroups.
>
> Gensia's announcement clashed with results of an earlier, domestic trial that showed Arasine to have "clinically important and statistically significant benefits." The drug is designed to prevent heart attacks among patients undergoing heart surgery.

Figure 4 – Extract, NY Times[7]

This time Yordon appears to have stuck it out: the next move is to American Pharmaceutical Partners where Yordon signs a contract dated December 12, 1997[8].

How could Yordon be a "founding member" of Gensia Laboratories, considering it was acquired from Kendall Laboratories ?

[3] https://www.bloomberg.com/news/articles/2019-05-02/kapoor-is-convicted-of-racketeering-plot-to-drive-opioid-sales
[4] https://www.latimes.com/archives/la-xpm-1991-01-01-fi-7370-story.html
[5] /https://www.latimes.com/archives/la-xpm-1990-10-23-fi-3187-story.html
[6] https://www.nytimes.com/1991/11/27/business/gensia-pharmaceuticals-inc-reports-earnings-for-qtr-to-sept-30.html
[7] https://www.baltimoresun.com/news/bs-xpm-1992-09-23-1992267077-story.html
[8] https://contracts.onecle.com/app-pharmaceuticals/premier-purchasing-1997-12-12.shtml



American Pharmaceutical Partners

Yordon served as Co-Chief Operating Officer for American Pharmaceutical Partners (APP) from 1997 to 2005 including a period during which **Yordon and others were alleged to have made false and misleading statements about the prospects of an anti-cancer drug,** Abraxane. Plaintiffs alleged that Yordon and other officers of APP made misleading statements during the clinical trial process for Abraxane, a protein-bound paclitaxel formulation.

> 14. Jeffrey M. Yordon ("Yordon") served as Co-Chief Operating Officer and as a director of APP at all relevant times

Figure 5 William Morris et al v. American Bioscience, Soon-Shiong, Brown, Yordon & Williams

Originally company statements claimed the Abraxane regimen could be administered "without steroid pre-treatment", without growth factors, and be tolerated at a much higher dose than Taxol**. As was later revealed, none of these were true:**

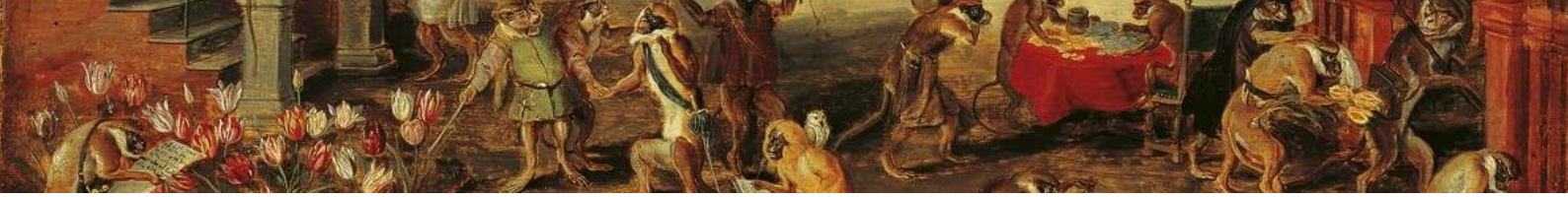
> b. Abraxane could not be safely tolerated at much higher doses than Taxol;
>
> c. In the clinical trials, Abraxane was not administered ***without*** steroid pre-treatment in the clinical trials but rather, was administered ***without routine*** steroid pretreatment. *i.e.* some patients received pre-treatment with steroids.
>
> d. even if the FDA approves Abraxane as a new drug, APP will not be in a position to successfully compete with other companies that are developing their own formulations of Taxol;
>
> e. The clinical trial results were not sufficiently conclusive to all for FDA approval of Abraxane.

Figure 6 William Morris et al v. American Bioscience, Soon-Shiong, Brown, Yordon & Williams

Clinical trials were administered without *routine* steroid pre-treatment, meaning some patients did in fact receive it.

Why did Athenex hire Yordon, who had already made false and misleading statements about another cancer drug in clinical trials?

How can Athenex investors trust Yordon given his past behaviour of deceiving investors?



Sagent

Yordon resigned as CEO and Chairman Sagent Pharmaceuticals in March 2015 but remained a director. Also announced was the departure of James Hussey, Sagent's president[9]. Both Yordon and Hussey migrated to Athenex: because it's much easier to take investors for a ride with a backup driver.

Before his departure as CEO, Sagent had already engaged two advisors to seek acquiring parties:

Background of the Proposed Transaction

34. According to the Solicitation Statement, in August 2014, the Board formed the Strategic Committee composed of three undisclosed members of the Board to facilitate the Board's review and evaluation of strategic opportunities that may arise from time to time.

35. In October 2014, Sagent engaged Perella Weinberg Partners LP ("Perella Weinberg") to assist the Board in identifying and evaluating potential strategic alternatives. In February 2015, Sagent engaged Morgan Stanley & Co. LLC ("Morgan Stanley") to further assist the Board in connection with evaluating potential strategic alternatives. The Solicitation

Figure 7 Case: 1:16-cv-07973

Sagent was later embroiled in a shareholder class action over the company's acquisition by Nichi-Iko Pharmaceutical Co. Ltd. **The complaint alleges that the board and its advisors Morgan Stanley and Perella Weinberg had failed to negotiate a fair deal for the company's shareholders; agreeing to certain terms which only benefitted management**.

We cannot be sure of what transpired at Sagent but it certainly fits a pattern of cashing out and leaving investors high and dry.

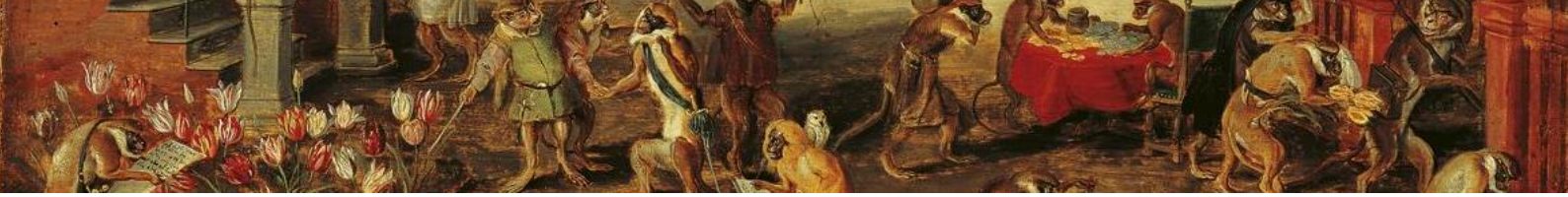
Why did Yordon hire two investment advisors at Sagent, whose omission of certain information led to a worse outcome for shareholders?

Key Takeaways

Athenex investors should be aware of Yordon's history of overpromising and under-delivering, often with disastrous results for everyone except themselves.

Yordon is not squirrelled away in some lab, he is front and center of the company's operations as Chief Operating Officer. His pal James Hussey jumped ship in May 2018 leaving his post as Executive Vice President, Athenex Pharmaceutical Division. We call Yordon out to detail in full his employment history and involvement with the events above.

[9] https://www.globenewswire.com/news-release/2015/03/26/719068/10126443/en/Sagent-Pharmaceuticals-Announces-Leadership-Changes.html



2. Appendix: Keeping score

Johnson Yiu Nam Lau – CEO and Chairman

- Undisclosed anti-cancer side business Taivex developing compounds in parallel with Athenex, created during time at Athenex
- Owns a share in the Avalon entities:
    - Bought shares in CDE just before Athenex acquired it for a 262% profit in 6 weeks
    - Avalon Polytom flipped the arginase license to Athenex for a 3,300% return
    - Avalon HepaPOC sells galactose meters to Athenex for 10% more than it pays from a manufacturer, a margin stealing drop shipping operation
- Undisclosed ownership of Sinophyto Solutions with Rudolf Kwan a Traditional Chinese Medicine company that has only received one shipment with its purpose listed as "investment"

Rudolf Min-Fun Kwan – Chief Medical Officer

- Owns a share in ZenRx, a CRO conducting Athenex's Oraxol clinical trials in New Zealand. ZenRx also has several rights to Oraxol in certain geographies
- Took part in flipping CDE to Athenex
- Undisclosed ownership of Sinophyto Solutions with Johnson Lau

Jeffrey Yordon – Chief Operating Officer

- Former Chief Operating Officer of American Pharmaceutical Partners where he misled investors about the prospects and abilities of their Abraxane drug.
- Formerly of Lyphomed where data related to 35 ANDA studies was tampered with or misrepresented.

Song-Yi Zhang – Former director and large shareholder

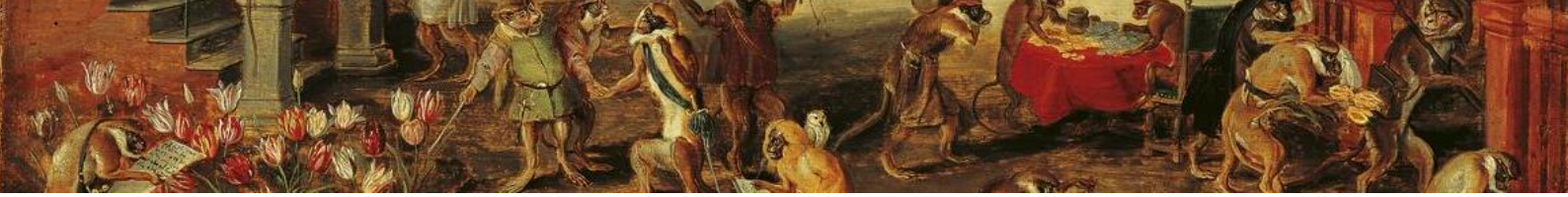
- Owns a share in the Avalon entities
    - See Johnson Lau
- Head of audit committee at Suntech when it was pledged fake german bonds, the non-existence of which later cause bankruptcy
- Sold Mandra Forestry to Sino-Forest on the verge of collapse after multiple loan defaults
- Sold Sino Polymer to China Lumena; Sino Polymer's revenues overstated by ~90%
- Displaced investors in GCL Silicon then siphoned cash out of GCL-Poly with the company's CEO.
- Several alumni and employees of investment vehicle, Mandra Capital, embedded at key positions at Athenex.

Manson Fok – Director

- Owns a share in the Avalon entities
    - See Johnson Lau

William Zuo – President, China Operations

- Likely liaison of taxol smuggling operation out of China into the US, Director of Yunnan Hande's US operations during the relevant time
- Sold Yunnan Hande US successor company Polymed to Athenex
- CEO of Inovachem, whose only activity was to purchase goods and services from Polymed with investor's money.
- CEO of Chinese Operations for Fibrocell for 3 years in which Fibrocell had no Asian operations after a Chiense joint venture failed to obtain state approval.



Simon Pedder – Vice President of Corporate Strategy and Business Development

- Former CEO of Chelsea Therapeutics whose Northera's NDA was rejected by the FDA based on lack of credibility of its clinical studies.
- Effectively data mined a short trial to meet drug endpoints where all other trials had failed.
- Routinely misled investors about Northera's prospects of success and the FDA's view of the clinical trials.

Nick Riehle – Former CFO

- Former CFO of Chelsea Therapeutics, see Simon Pedder.
- Left Athenex unexpectedly citing retirement, now seeking work as a consultant.

Xiaojing Wu Li – Senior Vice President, Polymed Therapeutics

- Sister to Wu XiaoJing, Chairman of Yunnan Hande. Significant investor in Yunnan Hande, the largest world's largest illegal taxol smuggling operation.
- Director, Vice President and Corporate Secretary of Inovachem