Athenex – No Integrity

Athenex management's proliferation for fraud precedes them.

October 24, 2019 – Viceroy expose more managerial ties to established frauds, and address Athenex's response to our previous work, which addresses absolutely nothing. Management's response underestimates how many improprieties are recorded in the public domain – we have yet to scratch the tip of the iceberg.

Athenex, Inc.		
Exchange		NASDAQ
Ticker		ATNX
Shares Outstanding	m	77.3
Share Price*	US$	11.11
Market Cap	**US$m**	**858.803**
Net Cash	US$m	78.7
NCI	US$m	11.7
EV	**US$m**	**768.403**
NTA	US$m	131.6
Licensing Revenue	US$m	87.2
Revenue multiple	X	1.1
Viceroy Valuation		**218.8**
Viceroy Price Target	**US$**	**2.83053**
Downside	%	-74.5%

*As at close of market - Oct 23, 2019
NB: LTM/balance from Jun 30, 2019

- The company's response to Viceroy's research is a further slap in the face to investors: **the company has failed to address a single issue highlighted in any of our reports**.
  - Athenex's **two-paragraph rebuttal to Viceroy's reports indicates management refuse to address any improprieties we have uncovered**…to date. We believe Athenex will have a tough time explaining to shareholders why their **flagship drug is commercially unviable, justifying abusive related party transactions, and explaining why facility pictures are blatantly photoshopped**.
- **Athenex's rebuttal state that management "take pride" in its integrity. This is hilarious given management's track record of overseeing blatant frauds.**
- **In case Sino Forest and Suntech weren't enough, Viceroy now reveals direct ties between Athenex directors and more established frauds, responsible for evaporating billions of dollars of shareholder capital: GCL Poly/Silicon, China Lumena**.
- Several **individuals involved with Zhang's previous shady ventures are now embedded in the Athenex organization** including the Audit committee.
  - Viceroy reveal **Athenex Audit Committee member, John Koh, was also a director of Mandra, alongside Songyi Zhang, with direct fiduciary obligation to oversee Sino Forest.**
- **Zhang was previously a director of China Lumena**, which was found to have significantly **fabricated its revenues**. In addition to this**, a subsidiary that had fabricated ~90% of its revenues was sold to China Lumena by Zhang through several of his investment vehicles**.
- **Zhang was also previously at GCL Silicon** where he effectively front-ran an acquisition of that company by GCL-Poly Energy in concert with Zuo Gongshan, the CEO of the latter. **This netted Zhang a share in US$200m cash, US$350m in secured notes and a 5% stake in GCL-Poly.**
- SinoPhyto solutions, the side-hustle of Athenex Chief Medical Officer Rudolf Min-Fun Kwan and CEO/Chairman Johnson Lau purports to be a seller of traditional Chinese medicines. However, the company's New Jersey certificate indicates it is an investment company. SinoPhyto has only received one shipment. We question the true purpose of this entity.

Investors should not write off Viceroy's opinions. We present below a sample of our track record, and notably point our Athenex's directors have been connected to more fraud than any other group we have ever encountered. We only wished they had been our contras since the mid 2000's.

Company	Publication Date	Price at Publication	Price Now	Movement
Ebix	3/12/2018	46.12	40.96	-11%
MiMedx	20/09/2017	13.07	5.1	-61%
Pareteum	25/06/2019	2.48	0.3822	-85%
Prosieben	6/03/2018	29.94	13.9	-54%
Steinhoff	7/12/2017	180	10	-94%

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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The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.

1. Company response

Athenex issued a response to Viceroy Research's reports into significant issues with the company and its management. We view the company's response to the issues raised as completely inadequate and nothing less than a slap in the face to investors. Management do not even assert Viceroy's report is incorrect, vouching instead to "believe" our publications are misinformed. The response **in its entirety** is below:

Athenex Provides An Update to Shareholders

BUFFALO, N.Y., Oct. 24, 2019 (GLOBE NEWSWIRE) – Athenex, Inc. (Nasdaq: ATNX), a global biopharmaceutical company dedicated to the discovery, development and commercialization of novel therapies for the treatment of cancer and related conditions, today provides an update to its shareholders.

Short seller reports on Athenex were recently published and the Company believes these reports are unfounded and contain inaccurate information. The Company believes the reports are a malicious attempt by certain market participants attempting to coordinate a short seller attack, seeking to profit from a decline in the Company's stock price, and this has resulted in unwanted stock price volatility at the expense of legitimate shareholders.

Athenex would like to take this opportunity to reiterate its confidence in the Company's ability to execute on clinical development, regulatory and commercialization fronts, and to capture the potential opportunity of its oral paclitaxel and encequidar program as well as the broader oncology-focused pipeline.

Athenex also reiterates its firm commitment to strong corporate governance. The Board provides governance oversight to ensure fairness and transparency, and periodically reviews its governance policies and practices. In particular, when considering related party transactions, Athenex's Board of Directors has established special independent committees who retain independent legal counsel, financial advisors and other third-party experts as appropriate to ensure the fairness of any proposed transaction to the Company and its stockholders.

The Company issues the following statement: "We take pride in the integrity, acumen and vast experience of the entire Athenex management team and Board of Directors as we continue to build a world-class and fully-integrated biopharmaceutical company with strong governance that delivers long-term shareholder value. We are focused on our mission of becoming a global leader in bringing innovative cancer treatments to patients in need. We look forward to many clinical and other business updates ahead, including our data presentation at the San Antonio Breast Cancer Symposium in December, and we remain on track in our preparations for the NDA submissions for our two lead product candidates."

Shareholders should refer to the Company's disclosure documents filed with U.S. securities regulatory authorities, which are available online under the Company's EDGAR profile at www.sec.gov, and on the Company's website at www.athenex.com. Investors should exercise caution in relying on any information promoted by certain market participants who stand to profit from a decline in the Company's stock price.

Figure 1 Athenex Provides An Update to Shareholders[1]

The company has not responded to a single issue raised in our research. We take issue in particular to Athenex's "commitment to strong corporate governance".

Athenex's rebuttal state that management "take pride" in its integrity. This is hilarious given management's track record of overseeing blatant frauds.

In our first report on Athenex we detailed the involvement of several members of Athenex management with frauds Sino-Forest and Suntech. More recently, management flipped CDE in 6 weeks for a 262% profit. CEO Johnson Lau, Director Manson Fok and former Director Song-Yi Zhang took it further, flipping an arginase license for a 3,300% profit.

Yesterday, we detailed Athenex ongoing involvement with William Zuo and Xiaojing Wu Li, two individuals who facilitated an illegal taxol smuggling ring headed by Ms Wu Li's brother. Calling the consistency and brazenness of the management looting at Athenex "strong corporate governance" is a complete joke. We have uncovered even more evidence of past management issues, as addressed within this report and our prior work.

Athenex even refuse to address the blatant photoshopping of their major Chinese API facility!

[1] https://web.archive.org/web/20191024113118/https://ir.athenex.com/news-releases/news-release-details/athenex-provides-update-shareholders

2. China Lumena New Materials Corp

Song-Yi Zhang, former Director of Athenex[2] and party to cash siphoning business Avalon, was a non-executive director of China Lumena New Materials Corp (HK:0067,) from January 2, 2008 to April 1, 2011. As revealed by Glaucus Research in their report on the company, China Lumena had fabricated revenue and sales figures to a massive extent during this period as well as unjustly enriching insiders through selling them re-acquiring stakes in subsidiaries.

Zhang also held, and sold to China Lumena, shares in Sino Polymer through his vehicles Mandra Esop, Mandra Materials and Woo Foong Hong. Sino Polymer was one of China Lumena's key subsidiaries <u>whose operations' revenues were overstated by ~90%.</u>

> Under the provisions of the SFO, Mr. Zhang Songyi is deemed to have an interest in 507,449,001 Shares of which 498,249,001 Shares are Shares held by Mandra Esop Limited ("Mandra Esop"), a company incorporated in the BVI and Mandra Materials Limited, ("Mandra Materials"), a company incorporated in the BVI respectively, and 4,600,000 are share options held by Mr. Zhang Songyi.

> **Acquisition of up to 95% interests in Sino Polymer**
>
> As disclosed in the announcement (the "Announcement") of the Company dated 7 November 2010, on 19 October 2010, the Company, (i) Ascend and Mr. Suo Lang Duo Ji; (ii) Mandra Esop Limited; (iii) Mandra Materials Limited; (iv) Woo Foong Hong Limited; (v) Triple A Investments Limited; (vi) MS China 10 Limited; (vii) Ying Mei Group Limited; (viii) Sky Success Investments Ltd.; and (ix) Other Vendors (as defined in the Announcement and collectively, the "Vendors") entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Company agreed to acquire up to 95.00% but not less than 89.49% of the equity interest in Sino Polymer (the "Acquisition"). Pursuant to the Sale and Purchase Agreement, the consideration payable to each of the Vendors is calculated on the basis of (i) the number of shares of Sino Polymer held by the relevant Vendor on completion of the Acquisition (the "Completion") as a percentage of the entire share capital of Sino Polymer in issue on Completion and (ii) a total consideration for 100% of the share capital of Sino Polymer in issue on Completion amounting to HKD11,634,750,000 which is the agreed HKD equivalent of USD1,500,000,000.

Figure 2 China Lumena Annual Report 2009[3]

Zhang's tenure seems to have been centered around selling overpromoted assets to his buddies.

3. GCL Silicon

Zhang was more intimately involved with a larger cash and equity scan at GCL-Poly Energy Holdings(HK:3800) (GCL-Poly) where he effectively front-ran the company's acquisition of Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd (JZPTD). He did this with the company's CEO Zhu Gongshan who is well known for his ability to obtain financing from Chinese government-controlled banks[4].

Prior to this sale, GCL-Poly was principally concerned with the development, construction, management and operation of power plants.

Step 1: Have your holding companies purchase an asset to be eventually acquired by the target company.

Jiangsu Zhongneng Polysilicon Technology Limited is a polysilicate manufacturer with operations in China. Later media statements that claim Gongshan founded the company himself in 2006[5] but he only held 65% of the company at its inception with several investment bodies holding the balance.

[2] https://www.globenewswire.com/news-release/2019/03/29/1790151/0/en/Athenex-Announces-Appointment-of-Jordan-S-Kanfer-to-Board-of-Directors.html

[3] Filings dated May 15, 2010 show Woo Foong Hong to be "wholly-owned by Moonchu Foundation for Culture & Education Limited (a tax exempt charity established, but not beneficially owned, by Mr. Zhang Songyi and his family)".

[4] https://www.bbc.com/news/business-14019376

[5] https://news.futunn.com/wiki/hk/03800.html

Ownership of Our Business

In March 2006, our operating subsidiary in China, JZPTD, was formed, as a limited liability company, by Guotai Energy Investments Ltd., or Guotai, Suyuan Group Ltd., or Suyuan, Beijing Zhongneng Renewable Energy Investments Ltd., or Beijing Zhongneng, Xuzhou Suyuan Group Ltd., or Xuzhou Suyuan, Nanjing Linyang Power Investment, or Nanjing Linyang and Hebei Jinglong Group Ltd., or Hebei Jinglong. At JZPTD's inception, Guotai, Suyuan, Beijing Zhongneng, Xuzhou Suyuan, Nanjing Linyang and Hebei Jinglong held 55%, 15%, 10%, 10%, 5% and 5%, respectively, of JZPTD. Guotai and Beijing Zhongneng were originally owned by Mr. Zhu Gongshan. In September 2007, Mr. Zhu Gongshan became our chairman as a result of the transactions described below.

Figure 3 GCL Silicon F-1

Enter Zhang, who purchases 64% of JZPTD from Gongshan. What follows is a year of convoluted and opaque dealings which drastically changes the ownership structure of JZPTD.

In November 2006, GCL Silicon Technology Holdings Limited, or GCL HK, was formed as a limited liability company in Hong Kong. Mr. Zhang Songyi owned a controlling interest in GCL HK through Happy Genius. GCL HK agreed to purchase 64% of JZPTD from Guotai and Beijing Zhongneng on November 29, 2006 and completed the purchase on December 13, 2006. In May 2007, our company was formed in the Cayman Islands and owned by Mr. Zhang Songyi through Happy Genius.

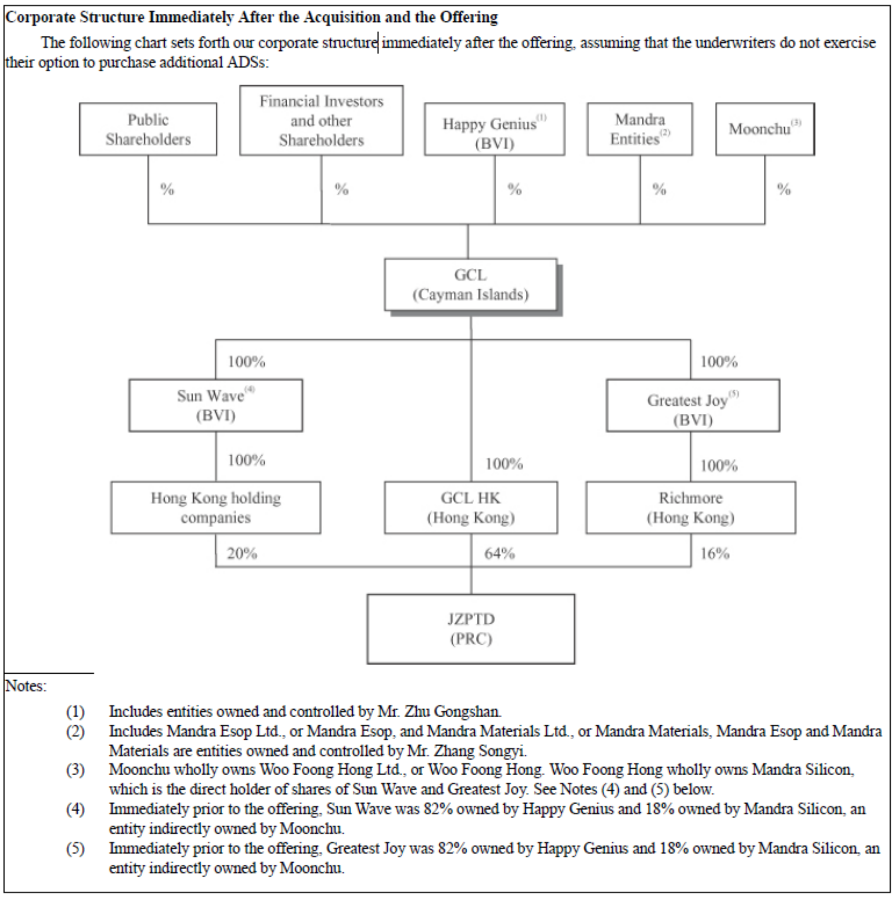
From December 2006 to April 2007, Mr. Zhang Songyi sold shares of Happy Genius to various individuals and institutional investors aggregating approximately 10% of the ownership of Happy Genius, a substantial majority of the proceeds of which were downstreamed through Happy Genius and GCL HK to JZPTD to finance the construction of our Phase I production facility and provide working capital. On August 10, 2007, Mr. Zhang Songyi agreed to sell the remaining shares of Happy Genius held by him, after completion of the reorganization discussed below, to Boulina Investments Limited, or Boulina, a company owned by Mr. Zhu Gongshan. On August 21, 2007, as part of the reorganization, the shareholders of Happy Genius exchanged approximately 25% of the ownership interest of Happy Genius for approximately 25% of our ordinary shares. Also, Happy Genius exchanged all of its ownership interest in GCL HK for approximately 75% of our shares. In September 2007, the previously agreed transfer of ownership of Happy Genius was completed from Mr. Zhang Songyi to Boulina. As a result of these transactions, Mr. Zhu Gongshan became the indirect owner of all the outstanding shares of Happy Genius, which owned approximately 75% of our ordinary shares, Mr. Zhang Songyi became the indirect owner of approximately 15% of our ordinary shares and other shareholders became the owners of an aggregate of approximately 10% of our shares. We became the indirect owner of 64% of the equity interest in JZPTD indirectly through GCL HK.

In December 2007, Sun Wave and Greatest Joy, companies owned by entities affiliated with Mr. Zhu Gongshan and Moonchu, agreed to acquire 20% and 16% of JZPTD, respectively, from the remaining minority shareholders for an aggregate purchase price of $430.5 million. These purchases were completed in early May and early June 2008. Concurrently with the closing of this offering, we will acquire Sun Wave and Greatest Joy, which hold the remaining 36% of JZPTD. As a result, JZPTD will become our wholly-owned indirect subsidiary.

Figure 4 GCL Silicon F-1

Effectively Gongshan and Zhang wound up with 75% and 10% respective stakes in GCL Silicon, which now owned 64% of JZPTD. The remaining 36% of JTZPTD were owned 20% and 16% by Sun Wave and Greatest Joy, which were affiliated with Gongshan and Zhang respectively.

The terms of all the above are unknown to us but it appears as though Zhang bought in to the project, displacing existing shareholders JZPTD shareholders by solely paying Gongshan.



Corporate Structure Immediately After the Acquisition and the Offering

The following chart sets forth our corporate structure immediately after the offering, assuming that the underwriters do not exercise their option to purchase additional ADSs:

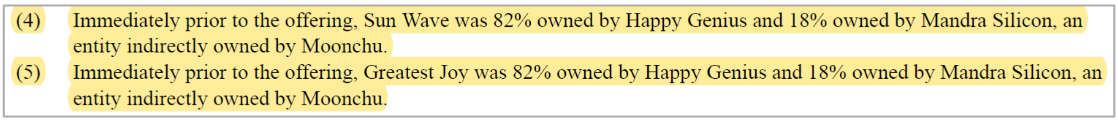
Notes:

(1) Includes entities owned and controlled by Mr. Zhu Gongshan.
(2) Includes Mandra Esop Ltd., or Mandra Esop, and Mandra Materials Ltd., or Mandra Materials, Mandra Esop and Mandra Materials are entities owned and controlled by Mr. Zhang Songyi.
(3) Moonchu wholly owns Woo Foong Hong Ltd., or Woo Foong Hong. Woo Foong Hong wholly owns Mandra Silicon, which is the direct holder of shares of Sun Wave and Greatest Joy. See Notes (4) and (5) below.
(4) Immediately prior to the offering, Sun Wave was 82% owned by Happy Genius and 18% owned by Mandra Silicon, an entity indirectly owned by Moonchu.
(5) Immediately prior to the offering, Greatest Joy was 82% owned by Happy Genius and 18% owned by Mandra Silicon, an entity indirectly owned by Moonchu.

Figure 5 GCL Silicon F-1

Step 2: Try to IPO the bogus company using the proceeds to pay yourself for the asset. Syphoning cash is what the related parties and directors of Athenex are used to.

On July 18, 2008, GCL Silicon Technology Holdings, Inc entered into a purchase agreement with Happy Genius Holdings Limited and Mandra Silicon Limited which held 82% and 12% of both Sun Wave and Greatest Joy, respectively.



(4) Immediately prior to the offering, Sun Wave was 82% owned by Happy Genius and 18% owned by Mandra Silicon, an entity indirectly owned by Moonchu.
(5) Immediately prior to the offering, Greatest Joy was 82% owned by Happy Genius and 18% owned by Mandra Silicon, an entity indirectly owned by Moonchu.

Figure 6 GCL Silicon F-1

The purchase price for these assets was to be paid for through proceeds from the company's IPO[6], which never occurred due to "unfavourable market conditions"[7].

[6] https://www.reuters.com/article/gclsilicon-ipo/update-1-gcl-silicon-files-for-ipo-of-up-to-862-5-mln-idUSBNG22862020080721
[7] https://www.sec.gov/Archives/edgar/data/1439969/000119312509150695/drw.htm

"Purchase Price" means:

I. If the initial public offering price of the American depositary shares representing the Company's Ordinary Shares provides an effective price of at least $23.88 per Ordinary Share (as such Ordinary Shares are constituted as of July 15, 2008):

(a) US$240,625,000 in cash, paid to Happy Genius;

(b) US$446,875,000 principal amount of unsecured Convertible Bonds (with an agreed fair market value of US$558,200,000) to Happy Genius;

(c) 215,469,340 Ordinary Shares to Happy Genius; and

(d) 53,068,620 Ordinary Shares to Mandra.

II. If the initial public offering price of the American depositary shares representing the Company's Ordinary Shares provides an effective price of at less than $23.88 per Ordinary Share (as such Ordinary Shares are constituted as of July 15, 2008), the Purchase Price stated in I.(a) and I.(b) shall remain the same, and the number of Ordinary Shares in I.(c) and I.(d) shall be reduced by multiplying the number of Ordinary Shares in each case by the fraction of in which the numerator is the effective initial public offering price and the denominator is $23.88.

Figure 7 Purchase agreement between Mandra Silicon, Happy Genius Holdings and GCL Silicon Technology Holdings

Had the offering gone ahead it would have effectively placed the company under full control of Zhang and Gongshan, with the added bonus of a US$240m for Gongshan.

Step 3: Using your position as CEO of GCL-Poly, start doing business with GCL Silicon, never complete the work, and pocket some more money.

4 months later, GCL-Poly entered into an agreement with JZPTD for planning and preliminary work on a 2X25MW power plant for RMB10m (~US$1.5m).

On the same announcement dated 8 October 2008, the Company announced that it, through its wholly owned subsidiary, entered into a preliminary work entrusted agreement with 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*) ("Jiangsu Zhongneng") to provide services to Jiangsu Zhongneng for the planning and organizing of the preliminary work before commencement of construction of a 2x25MW power generation facility for a service fee of RMB10,000,000. Mr. Zhu Gong Shan, the Chairman, a Director and controlling shareholder of the Company, was interested in controlling more than 30% or more of the voting power at the general meetings of Jiangsu Zhongneng as at the date of the announcement. Hence, Jiangsu Zhongneng is an associate of Mr. Zhu Gong Shan and a connected person of the Company under the Listing Rules.

Such agreement was terminated and a termination agreement dated 2 March 2009 was executed by the same parties. The termination was due to the construction schedule of the power plant cannot meet Jiangsu Zhongneng's production schedule for the following two reasons: (i) the production schedule of Jiangsu Zhongneng has moved forward for about seven months; and (ii) the construction schedule of the power facility is delay for approximately six months due to the approval for environmental assessment appraisal for cogeneration plant project is required to be approved by the relevant department at the ministry level instead of the provincial level. As a result, only RMB4,000,000 was charged and paid by Jiangsu Zhongneng under the preliminary work entrusted agreement. Details of the termination of the preliminary work entrusted agreement was announced by the Company on 2 March 2009.

Figure 8 GCL-Poly Energy Holdings Limited 2008 Annual Report

5 months later, the agreement was cancelled as Jiangsu had run into scheduling problem; GCL-Poly still paid out RMB4m (US$0.6m).

Step 4: Once again using your position at GSL-Poly, reverse merge into GSL Silicon stripping yet more assets out of the company.

The big payday was still to come: on June 3, 2009 for a total consideration of HK$26,350m (US$3,399m) including US$200m in cash and the issue of US$350m secured notes. On July 31, 2009 GCL-Poly acquired the entire equity interest of JZPTD.

Pursuant to Acquisition Agreement A, the Company acquired an indirect equity interest of 64% in Jiangsu Zhongneng through the acquisitions of 1,033,356,685 ordinary shares and 16,667,000 series A convertible preferred shares of GCL Solar Energy Technology Holdings Inc. ("GCL Solar"), then the holding company of Jiangsu Zhongneng. Consideration for the Acquisition Agreement A is satisfied by the issuance of 9,051,242,615 new shares of the Company.

Pursuant to Acquisition Agreement B, the Company acquired an indirect equity interest of 36% in Jiangsu Zhongneng through the acquisitions of 100% of the issued share capital of Sun Wave Group Limited ("Sun Wave") and Greatest Joy International Limited ("Greatest Joy"), both of which are investment holding companies, and the intercompany current accounts in Sun Wave and Greatest Joy (the "Intercompany Current Accounts") were transferred to the Company. Consideration for the Acquisition Agreement B is satisfied as to (i) US$200 million (equivalent to approximately RMB 1,366,460,000) in cash; (ii) US$350 million (equivalent to approximately RMB2,391,305,000) by the issuance of the secured notes; and (iii) issuance of 988,530,112 new shares of the Company.

Upon completion of the acquisition agreements (the "Acquisition"), the selling shareholders of GCL Solar, Sun Wave and Greatest Joy (together with their subsidiaries collectively the "Solar Group") received 10,039,772,727 ordinary shares of the Company as part of the consideration of the disposals, representing 90.7% of the enlarged share capital of the Company. As a result, the selling shareholders of the Solar Group received and owned the largest portion of the voting rights of the Company.

Figure 9 GCL-Poly Energy Holdings Limited Annual Report 2009

Note: GCL Solar Energy Technology is the successor company to GCL Silicon

Readers will note that 36% of JZPTD was still held by Sun Wave and Greatest Joy. After all this Zhang wound up with a 5.54% interest in the company and a share in US$200m in cash, US$350m in secured notes and at least 858m shares in GCL-Poly.

4. Previous associates

Several of Zhang's associates in the companies mentioned above and in previous reports are now embedded in senior positions at Athenex. According to crunchbase, Athenex is the most popular destination for Mandra Capital alumni[8].

John Koh – GCL, Mandra

John Koh is a current director of Athenex, appointed in April 2019[9], his bio in the GCL Silicon filings reads "differently" to the one at Athenex which fails to mention his directorship of Zhang's Mandra investment vehicles.

John Koh will become an independent director upon our listing. Mr. John Koh has over 25 years of experience in investment banking and law. From 2002 to 2007, he was a senior advisor to The Goldman Sachs Group. Prior to joining The Goldman Sachs Group, Mr. John Koh spent 18 years as a lawyer at Paul Weiss Rifkind Wharton & Garrison LLP, Milbank, Tweed, Hadley & McCloy LLP, J. Koh & Co, a Singapore law firm founded by himself and the Singapore Attorney General's office. Mr. John Koh has served on government committees in Singapore, most recently as a member of the Economic Review Committee's Services sub-committee on Service Industries. He is also the chairman of the Audit Committee of the Board of Directors of Natsteel Ltd, a publicly traded Singapore conglomerate, and a director of several private companies, such as Mapletree Industrial Fund Ltd. and Mandra Forestry Finance Limited, in which Mandra Resources Limited, a company controlled by Mr. Zhang Songyi and his wife, holds a majority shareholding. He holds a B.A. and an M.A. from the University of Cambridge and obtained an LL.M. from Harvard Law School.

[8] https://www.crunchbase.com/search/organizations/field/organizations/num_exits/mandra-capital
[9] https://www.globenewswire.com/news-release/2019/04/02/1795000/0/en/Athenex-Announces-Appointment-of-John-Koh-as-a-New-Board-Member.html

	Audit and Risk Management	Compensation Committee	Nominating and Corporate Governance Committee
Benson Tsang	Member	Chair	
Jordan Kanfer	Chair		
Stephanie Davis		Member	Chair
John Koh	Chair		
John M. Vierling		Chair	
Jinn Wu			Chair
Kim Campbell			Member

Figure 10 Athenex Audit Committee Composition.

Koh also sits on the Athenex audit committee, a complete breach of corporate governance considering his involvement with the Mandra entities and Athenex's failure to disclose it.

Koh made the spotlight in his 1995 representation of the infamous Barings rogue trader Nick Leeson, whose disastrous deals led to the collapse of the bank.

Ben Tang – Mandra

Ben Tang, Athenex's Business Advisor and Executive Assistant to the CEO[10], is also an employee of Mandra Capital. Tang is also the Vice President of Avalon Biomedical, the entity used by Lau, Fok and Zhang to flip licenses to Athenex and conduct margin-stripping operations.

Ben Tang
Vice President

Ben is a venture capitalist with more than 10 years of experience in direct investment, corporate finance and venture capital in Greater China and the US. At Mandra Capital, he is responsible for managing a portfolio of private company investments in the life science, technology and internet space from incubation to growth stage with successful track records in follow-on financings and exit events, and he is heavily involved in the investee companies' financing and strategic operation activities. In addition to his responsibilities at Mandra, Ben is currently a member of the IP Assessment Committee of the Hong Kong Polytechnic University, board director of a number of technology companies including Aurora Limited (big data analytics), Shicai Online (on-demand ingredients delivery), and Jimutour (Chinese overseas travel platform), as well as the Business Advisor and Executive Assistant to the CEO of Athenex Inc. (Nasdaq: ATNX). Ben started his career as an investment analyst with KGR Capital (now LGT Capital Partners) based in Hong Kong. Ben holds a Masters degree in engineering from Stanford University.

Figure 11 Ben Tang Biography – Avalon Biomedical

5. SinoPhyto Solutions

Founded by Rudolf Min-Fun Kwan on January 12, 2010. Johnson Lau has been presented as chairman at conferences. Treasurer is female relation Rosetta Chan and the address of the business appears to be Kwan's home address.

The company appears to only sell 3 products, one of which is sold out: all these are products from Tianjin Zhongxin Pharmaceutical and there is a promotional piece on the site about Darentang, a company acquired by Tianjin Zhongxin Pharmaceutical in 2010. Several import websites suggest the company has only ever imported 1 batch of products, the same as those it is still selling[11].

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10 https://www.athenex.com/about-athenex/our-team/other-key-people/
11 https://www.importgenius.com/importers/sinophyto-solutions-llc

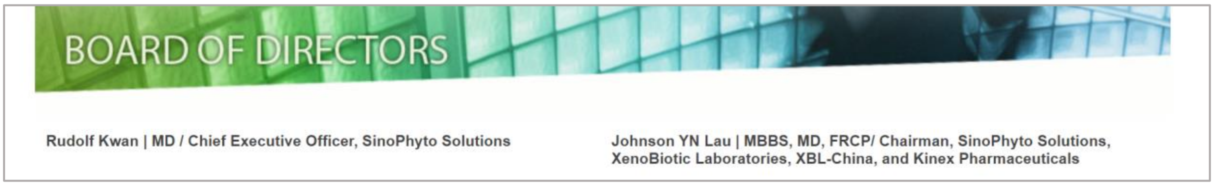
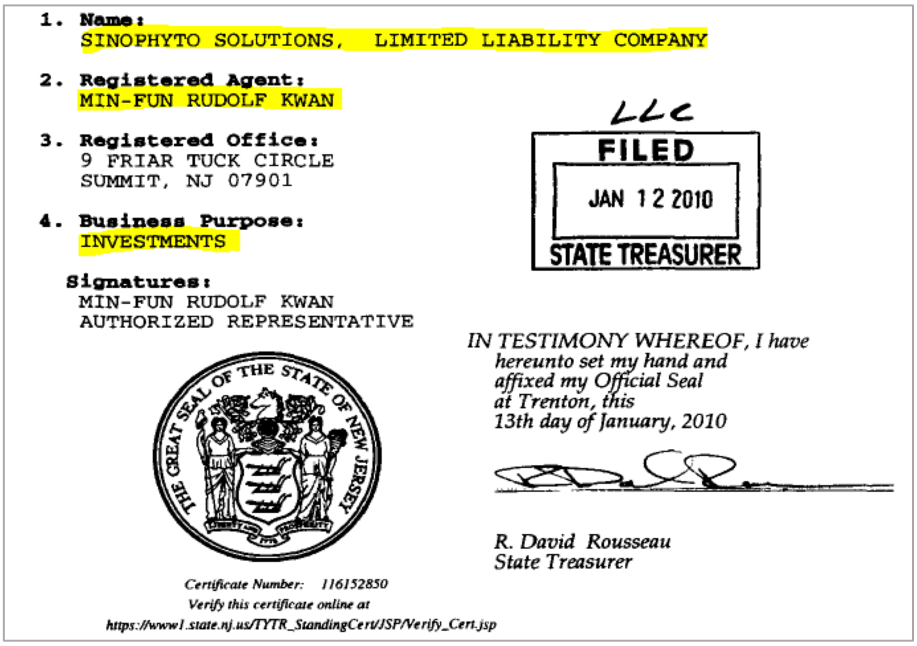


Figure XX SinoPhyto Management Overview[12]

The website has no means of online ordering or cart functionality and several links are broken, redirect to the home page or are under construction. We are unsure if SinoPhyto Solutions has ever done business.

The registration documents might explain this: they list the business purpose of SinoPhyto to be "investment" although online searches are bare of any investment made by this company. In addition to this the registered office of SinoPhyto is a residential address.



1. **Name:**
SINOPHYTO SOLUTIONS, LIMITED LIABILITY COMPANY

2. **Registered Agent:**
MIN-FUN RUDOLF KWAN

3. **Registered Office:**
9 FRIAR TUCK CIRCLE
SUMMIT, NJ 07901

4. **Business Purpose:**
INVESTMENTS

Signatures:
MIN-FUN RUDOLF KWAN
AUTHORIZED REPRESENTATIVE

LLC

FILED
JAN 12 2010
STATE TREASURER

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal at Trenton, this 13th day of January, 2010

R. David Rousseau
State Treasurer

THE GREAT SEAL OF THE STATE OF NEW JERSEY

Certificate Number: 116152850
Verify this certificate online at
https://www1.state.nj.us/TYTR_StandingCert/JSP/Verify_Cert.jsp

Figure 12 SinoPhyto Solutions, LLC Certificate of Formation

[12] http://www.sinophytosolutions.com/leadership.aspx

6. Summary

We believe it is fitting that re reiterate our previous summaries, and stand behind our work in its entirety, given management have decided not to address our data in specifics:

Viceroy value ATNX stock at US$2.83 – a 71% downside *–the sum of its tangible book value and 1x valuation on its licensing & consulting revenue streams, for the year ending June 30, 2019. With ATNX's questionable license acquisitions and management's precedent for overstated top line figures in previous ventures: this is optimistic.*

Management – A Company of Rogues

- Several members of **Athenex's management team have a history of what appears to be either gross incompetence in fiduciary duties or clever mismanagement in infamous frauds internationally**, collectively resulting in billions of dollars of write-offs including **Sino Forest and Suntech.**
- **ATNX directors have also acted as sellers and drop-shippers to rip off Athenex shareholders with margin-stealing exercises through their investment entity: Avalon Global**. **Cash has consistently exited the business via similar related party deals.**
- Breaches in corporate governance principles: **Athenex directors screwed investors by purchasing CDE for themselves and flipping it to Athenex for a 262% profit in 6 weeks**. The company failed to report the circumstances of the transaction in any meaningful way.
- In a separate instance, **Directors pocketed a 3,300% profit by flipping an "anti-cancer mechanism" license to Athenex for US$5m, for which** they paid just US$150,000 just 6 months earlier.
- **Directors award themselves millions of dollars' worth of stock at no cost** through the issuance of promissory notes that are cancelled on a time-vested basis.
- Athenex directors have an uncanny ability to **avoid any disclosure or reference to their involvement in historical fraud or related party deals**. It's Viceroy's view that if investors were aware, they **would not have bought $ATNX in the first place.**
- Athenex's CFO J. Nick Riehle **left unexpectedly for a "planned" retirement**, just 10 months after joining the company but is now seeking work as a consultant.
- Our investigations have found ties between Polymed and its management team's **ties to the largest taxol smuggling ring in history Hande Yunnan, resulting in 50 arrests and 32 imprisonments**. Major **perpetrators and shareholders of this scheme now work for Athenex**.
- Polymed appears to continue sourcing its taxol from Hande Yunnan, despite the fact that our investigations show Hande Yunnan no longer produce taxol.
- Further inspection of Polymed's management show inconsistencies in prior executive roles, specifically of William Zuo. **Zuo was also the US liaison of bringing smuggled taxol to the USA**.
- A deep dive into Chinese regulatory notes from the Ministry of Emergency Management, coupled with Polymed's history of objectionable site inspections by Chinese regulators and the FDA, lead us to believe that **Polymed's manufacturing facility suspension was anything but voluntary.** In any event, Athenex's manufacturing facility does not manufacture anything.
- Viceroy dismantles **photoshopped Polymed advertisements for its facilities and expose chemical manufacturing facilities we believe are non-existent or outsourced.**

Oraxol – Flagship or Shipwreck?

Athenex has been reliant on the marketed prospect of Oraxol in order to obtain access to capital**, having received going concern qualifications from Deloitte since 2016 and current yearly cash-burn rates of ~$100m. The company has raised ~US$360m in equity and US$80m in debt since 2017. **Even if R&D costs are removed from the equation, Athenex's licensing and consulting segments are operationally loss-making.

- After consultation with industry specialists and oncologists, Viceroy believes Athenex's flagship paclitaxel drug, **Oraxol, cannot compete with the current standard of care available in the USA**.
- Oraxol's clinical trial's **control dosing regimen of IV paclitaxel as monotherapy is an outdated treatment schedule dating from the 1990's.**
- **Oraxol's marketed quality of life improvements are redundant**. Patients will still require IV /treatment post-treatment, alongside complications from oral treatment.
- Oraxol's side effects appear more severe than those of the current US standard of care, Abraxane, and **may require hospitalization due to their life-threatening nature.** Reported adverse effects grade 4 neutropenia, grade 3 vomiting and unspecified GI complications were more severe than IV paclitaxel intake.
- **None of Oraxol's clinical trials have included a US patient component.** While the FDA does allow data overseas trials, these results are treated with much higher scrutiny. **Viceroy believe ATNX studies are being conducted in South America due to a lower local standard of care**: US patients could not be enticed to trial a drug against an outdated active control regimen.
- Athenex's Orascovery program – key to its marketed value proposition – was purchased for just US$7.5m upfront in 2011 after its previous owner experienced **decade-long development delays with little headway into development. The Orascovery platform is busted**.
- Through consultation with experts, we believe Athenex's pursuit of the 505b(2) pathway for Oraxol will be hampered by the fact that its paclitaxel delivery mechanism, **HM30181A, has never been approved by the FDA**. The **FDA may require Athenex to pursue a further NDA for HM30181A**.
- Viceroy have identified what we believe to be **Intellectual Property Theft from UK company Immunocore.** XLifeSc's flagship technology (in which ATNX put $35m upfront) **may already be owned by GSK and further along the development pipeline:** GSK's solution is currently undergoing phase 2 trials in the US.

Athenex's operational and R&D cash-burn rate is over US$100m a year – the company would be lucky to survive until HY 2020 without needing a further cash injection from investors. Even if Athenex scrapped its R&D completely, the company's revenue streams operate at a substantial loss.

Accordingly, we believe our valuation of $2.83 is optimistic, and will be realized in the short term. We do not see a future for the company in its current state.