

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019

☐ ^{or}
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-38273

ACM Research, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

94-3290283

(I.R.S. Employer Identification No.)

42307 Osgood Road, Suite I
Fremont, California
(Address of Principal Executive Offices)

94539
(Zip Code)

Registrant's telephone number, including area code: (510) 445-3700

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Class A Common Stock, \$0.0001 par value per share	ACMR	Nasdaq Global Market

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Number of Shares Outstanding
Class A Common Stock, \$0.0001 par value	14,196,966 shares outstanding as of May 9, 2019
Class B Common Stock, \$0.0001 par value	1,895,090 shares outstanding as of May 9, 2019

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We conduct our business operations principally through ACM Research (Shanghai), Inc., or ACM Shanghai, a subsidiary of ACM Research, Inc., or ACM Research. Unless the context requires otherwise, references in this report to “our company,” “our,” “us,” “we” and similar terms refer to ACM Research, Inc. (including its predecessor prior to its redomestication from California to Delaware in November 2016) and its subsidiaries (including ACM Shanghai), collectively.

SAPS, TEBO and ULTRA C are our trademarks. For convenience, these trademarks appear in this report without ™ symbols, but that practice does not mean that we will not assert, to the fullest extent under applicable law, our rights to the trademarks. This report also contains other companies’ trademarks, registered marks and trade names, which are the property of those companies.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “might,” “will,” “objective,” “intend,” “should,” “could,” “can,” “would,” “expect,” “believe,” “anticipate,” “project,” “target,” “design,” “estimate,” “predict,” “potential,” “plan” or the negative of these terms, and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on our management’s belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future operational or financial performance, and involve known and unknown risks, uncertainties and other factors, including those described or incorporated by reference in “Item 1A. Risk Factors” of Part II of this report, that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Except as required by law, we assume no obligation to update these statements publicly or to update the reasons actual results could differ materially from those anticipated in these statements, even if new information becomes available in the future.

You should read this report, and the documents that we reference in this report and have filed as exhibits to this report, completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ACM RESEARCH, INC. Condensed Consolidated Balance Sheets

	March 31, 2019	December 31, 2018
	(unaudited)	
	(in thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,367	\$ 27,124
Accounts receivable, less allowance for doubtful accounts of \$0 as of March 31, 2019 and \$0 as of December 31, 2018 (note 3)	25,070	24,608
Other receivables	2,982	3,547
Inventories (note 4)	42,253	38,764
Prepaid expenses	1,833	1,985
Total current assets	99,505	96,028
Property, plant and equipment, net (note 5)	3,719	3,708
Operating lease right-of-use assets, net (note 8)	4,787	-
Intangible assets, net	263	274
Deferred tax assets (note 15)	1,669	1,637
Investment in affiliates, equity method (note 10)	1,476	1,360
Other long-term assets	-	40
Total assets	111,419	103,047
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings (note 6)	12,829	9,447
Accounts payable	13,333	16,673
Advances from customers	8,469	8,417
Income taxes payable	1,228	1,193
Other payables and accrued expenses (note 7)	11,834	10,410
Current portion of operating lease liability (note 8)	1,326	-
Total current liabilities	49,019	46,140
Long-term operating lease liability (note 8)	3,462	-
Other long-term liabilities (note 9)	3,296	4,583
Total liabilities	55,777	50,723
Commitments and contingencies (note 16)		
Stockholders' equity:		
Common stock – Class A, par value \$0.0001: 100,000,000 shares authorized as of March 31, 2019 and December 31, 2018. 14,176,690 shares issued and outstanding as of March 31, 2019 and 14,110,315 shares issued and outstanding as of December 31, 2018 (note 13)	1	1
Common stock—Class B, par value \$0.0001: 7,303,533 shares authorized as of March 31, 2019 and December 31, 2018. 1,898,423 shares issued and outstanding as of March 31, 2019 and 1,898,423 shares issued and outstanding as of December 31, 2018 (note 13)	-	-
Additional paid in capital	57,371	56,567
Accumulated deficit	(1,530)	(3,387)
Accumulated other comprehensive loss	(200)	(857)
Total stockholders' equity	55,642	52,324
Total liabilities and stockholders' equity	\$ 111,419	\$ 103,047

The accompanying notes are an integral part of these condensed consolidated financial statements.

ACM RESEARCH, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

	Three Months Ended March 31,	
	2019	2018
	<i>(Unaudited)</i>	
	<i>(In thousands, except share and per share data)</i>	
Revenue	\$ 20,479	\$ 9,743
Cost of revenue	11,653	4,621
Gross profit	8,826	5,122
Operating expenses:		
Sales and marketing	1,869	1,855
Research and development	2,765	1,541
General and administrative	1,941	3,630
Total operating expenses, net	6,575	7,026
Income (loss) from operations	2,251	(1,904)
Interest income	9	3
Interest expense	(139)	(103)
Other expense, net	(261)	(755)
Equity income in net income of affiliates	116	1
Income (loss) before income taxes	1,976	(2,758)
Income tax expense (note 15)	(119)	(22)
Net income (loss)	\$ 1,857	\$ (2,780)
Comprehensive income (loss):		
Net income (loss)	1,857	(2,780)
Foreign currency translation adjustment	657	705
Total comprehensive Income (loss) (note 2)	\$ 2,514	\$ (2,075)
Net income (loss) per common share (note 2):		
Basic	\$ 0.12	\$ (0.18)
Diluted	\$ 0.10	\$ (0.18)
Weighted average common shares outstanding used in computing per share amounts (note2):		
Basic	16,044,655	15,383,086
Diluted	18,225,317	15,383,086

The accompanying notes are an integral part of these condensed consolidated financial statements.

ACM RESEARCH, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity (Deficit)
(in thousands, except share and per share data)

	Common Stock Class A		Common Stock Class B		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at January 1, 2019	14,110,315	\$ 1	1,898,423	\$ -	\$ 56,567	\$ (3,387)	\$ (857)	\$ 52,324
Net income	-	-	-	-	-	1,857	-	1,857
Foreign currency translation adjustment	-	-	-	-	-	-	657	657
Exercise of stock option	66,375	-	-	-	60	-	-	60
Stock-based compensation	-	-	-	-	744	-	-	744
Balance at March 31, 2019	14,176,690	\$ 1	1,898,423	\$ -	\$ 57,371	\$ (1,530)	\$ (200)	\$ 55,642

	Common Stock Class A		Common Stock Class B		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance at January 1, 2018	12,935,546	\$ 1	2,409,738	\$ -	\$ 49,695	\$ (9,961)	\$ 122	\$ 39,857
Net income	-	-	-	-	-	(2,780)	-	(2,780)
Foreign currency translation adjustment	-	-	-	-	-	-	705	705
Exercise of stock option	57,222	-	-	-	64	-	-	64
Stock-based compensation	-	-	-	-	2,175	-	-	2,175
Exercise of common stock warrant issued to SMC	397,502	-	-	-	2,981	-	-	2,981
Balance at March 31, 2018	13,390,270	\$ 1	2,409,738	\$ -	\$ 54,915	\$ (12,741)	\$ 827	\$ 43,002

The accompanying notes are an integral part of these condensed consolidated financial statements.

ACM RESEARCH, INC.
Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2019	2018
	<i>(unaudited)</i>	
Cash flows from operating activities:		
Net income (loss)	\$ 1,857	\$ (2,780)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation and amortization	191	80
Equity income in net income of affiliates	(116)	(1)
Deferred income taxes	-	-
Stock-based compensation	744	2,175
Net changes in operating assets and liabilities:		
Accounts receivable	99	14
Other receivables	669	1,331
Inventory	(2,759)	(3,896)
Prepaid expenses	190	(1,791)
Other current assets	-	3
Accounts payable	(3,757)	(2,364)
Advances from customers	45	87
Income tax payable	15	-
Other payables and accrued expenses	1,013	27
Other long-term liabilities	(1,373)	(278)
Net cash used in operating activities	(3,182)	(7,393)
Cash flows from investing activities:		
Purchase of property and equipment	(115)	(395)
Purchase of intangible assets	(1)	-
Net cash used in investing activities	(116)	(395)
Cash flows from financing activities:		
Proceeds from short-term borrowings	8,285	7,387
Repayments of short-term borrowings	(5,084)	(2,306)
Proceeds from stock option exercise to common stock	60	62
Net cash provided by financing activities	3,261	5,143
Effect of exchange rate changes on cash and cash equivalents	\$ 280	\$ 150
Net (decrease) increase in cash and cash equivalents	\$ 243	\$ (2,495)
Cash and cash equivalents at beginning of period	27,124	17,681
Cash and cash equivalents at end of period	\$ 27,367	\$ 15,186
Supplemental disclosure of cash flow information:		
Interest paid	\$ 139	\$ 103

The accompanying notes are an integral part of these condensed consolidated financial statements

ACM RESEARCH, INC.
Notes to Condensed Consolidated Financial Statements (unaudited)
(in thousands, except share and per share data)

NOTE 1 – DESCRIPTION OF BUSINESS

ACM Research, Inc. (“ACM”) and its subsidiaries (collectively with ACM, the “Company”) develop, manufacture and sell single-wafer wet cleaning equipment used to improve the manufacturing process and yield for advanced integrated chips. The Company markets and sells its single-wafer wet-cleaning equipment, under the brand name “Ultra C,” based on the Company’s proprietary Space Alternated Phase Shift (“SAPS”) and Timely Energized Bubble Oscillation (“TEBO”) technologies. These tools are designed to remove random defects from a wafer surface efficiently, without damaging the wafer or its features, even at increasingly advanced process nodes.

ACM was incorporated in California in 1998, and it initially focused on developing tools for manufacturing process steps involving the integration of ultra low-K materials and copper. The Company’s early efforts focused on stress-free copper-polishing technology, and it sold tools based on that technology in the early 2000s.

In 2006 the Company established its operational center in Shanghai in the People’s Republic of China (the “PRC”), where it operates through ACM’s subsidiary ACM Research (Shanghai), Inc. (“ACM Shanghai”). ACM Shanghai was formed to help establish and build relationships with integrated circuit manufacturers in the PRC, and the Company initially financed its Shanghai operations in part through sales of non-controlling equity interests in ACM Shanghai.

In 2007 the Company began to focus its development efforts on single-wafer wet-cleaning solutions for the front-end chip fabrication process. The Company introduced its SAPS megasonic technology, which can be applied in wet wafer cleaning at numerous steps during the chip fabrication process, in 2009. It introduced its TEBO technology, which can be applied at numerous steps during the fabrication of small node two-dimensional conventional and three-dimensional patterned wafers, in March 2016. The Company has designed its equipment models for SAPS and TEBO solutions using a modular configuration that enables it to create a wet-cleaning tool meeting the specific requirements of a customer, while using pre-existing designs for chamber, electrical, chemical delivery and other modules. In August 2018, the Company introduced its Ultra-C Tahoe wafer cleaning tool, which can deliver high cleaning performance with significantly less sulfuric acid than typically consumed by conventional high-temperature single-wafer cleaning tools. The Company also offers a range of custom-made equipment, including cleaners, coaters and developers, to back-end wafer assembly and packaging factories, principally in the PRC.

In 2011 ACM Shanghai formed a wholly owned subsidiary in the PRC, ACM Research (Wuxi), Inc. (“ACM Wuxi”), to manage sales and service operations.

In November 2016 ACM redomesticated from California to Delaware pursuant to a merger in which ACM Research, Inc., a California corporation, was merged into a newly formed, wholly owned Delaware subsidiary, also named ACM Research, Inc.

In June 2017 ACM formed a wholly owned subsidiary in Hong Kong, CleanChip Technologies Limited (“CleanChip”), to act on the Company’s behalf in Asian markets outside the PRC by, for example, serving as a trading partner between ACM Shanghai and its customers, procuring raw materials and components, performing sales and marketing activities, and making strategic investments.

In August 2017 ACM purchased 18.77% of ACM Shanghai’s equity interests held by Shanghai Science and Technology Venture Capital Co., Ltd. On November 8, 2017, ACM purchased the remaining 18.36% of ACM Shanghai’s equity interest held by third parties, Shanghai Pudong High-Tech Investment Co., Ltd. (“PDHTT”) and Shanghai Zhangjiang Science & Technology Venture Capital Co., Ltd. (“ZSTVC”). At December 31, 2017, ACM owned all of the outstanding equity interests of ACM Shanghai, and indirectly through ACM Shanghai, owned all of the outstanding equity interests of ACM Wuxi.

ACM RESEARCH, INC.
Notes to Condensed Consolidated Financial Statements (unaudited)
(in thousands, except share and per share data)

On September 13, 2017, ACM effectuated a 1-for-3 reverse stock split of Class A and Class B common stock. Unless otherwise indicated, all share numbers, per share amount, share prices, exercise prices and conversion rates set forth in these notes and the accompanying condensed consolidated financial statements have been adjusted retrospectively to reflect the reverse stock split.

In December 2017 ACM formed a wholly owned subsidiary in the Republic of Korea, ACM Research Korea CO., LTD. (“ACM Korea”), to serve customers based in Republic of Korea and perform sales, marketing, research and development activities for new products and solutions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated accounts include ACM and its subsidiaries, ACM Shanghai, ACM Wuxi, CleanChip and ACM Korea. Subsidiaries are those entities in which ACM, directly and indirectly, controls more than one half of the voting power. All significant intercompany transactions and balances have been eliminated upon consolidation.

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the rules and regulations of the SEC for reporting on Form 10-Q. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements herein. The unaudited condensed consolidated financial statements herein should be read in conjunction with the historical consolidated financial statements of the Company for the year ended December 31, 2018 included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

The accompanying condensed consolidated balance sheet as of March 31, 2019, the condensed consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2019 and 2018, and the condensed consolidated statements of cash flows for the three months ended March 31, 2019 and 2018 are unaudited. In the opinion of management, the unaudited condensed consolidated financial statements of the Company reflect all adjustments that are necessary for a fair presentation of the Company’s financial position and results of operations. Such adjustments are of a normal recurring nature, unless otherwise noted. The balance sheet as of March 31, 2019 and the results of operations for the three months ended March 31, 2019 are not necessarily indicative of the results to be expected for any future period.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported revenue and expenses during the reported period in the condensed consolidated financial statements and accompanying notes. The Company’s significant accounting estimates and assumptions include, but are not limited to, those used for the valuation and recognition of stock-based compensation arrangements and warrant liability, realization of deferred tax assets, assessment for impairment of long-lived assets, allowance for doubtful accounts, inventory valuation for excess and obsolete inventories, lower of cost and market value or net realizable value of inventories, depreciable lives of property and equipment, and useful life of intangible assets. Management of the Company believes that the estimates, judgments and assumptions are reasonable, based on information available at the time they are made. Actual results could differ materially from those estimates.

ACM RESEARCH, INC.
Notes to Condensed Consolidated Financial Statements (unaudited)
(in thousands, except share and per share data)

Basic and Diluted Net Income (Loss) per Common Share

Basic and diluted net income (loss) per common share is calculated as follows:

	Three Months Ended March 31,	
	2019	2018
Numerator:		
Net income (loss)	\$ 1,857	\$ (2,780)
Denominator:		
Weighted average shares outstanding, basic	16,044,655	15,383,086
Effect of dilutive securities	2,180,662	-
Weighted average shares outstanding, diluted	18,225,317	15,383,086
Net income (loss) per common share:		
Basic	\$ 0.12	\$ (0.18)
Diluted	\$ 0.10	\$ (0.18)

ACM has been authorized to issue Class A and Class B common stock since redomesticating in Delaware in November 2016. The two classes of common stock are substantially identical in all material respects, except for voting rights. Since ACM did not declare any dividends during the three months ended March 31, 2019 and 2018, the net income (loss) per common share attributable to each class is the same under the “two-class” method. As such, the two classes of common stock have been presented on a combined basis in the condensed consolidated statements of operations and comprehensive income (loss) and in the above computation of net income (loss) per common share.

Diluted net income (loss) per common share reflects the potential dilution from securities that could share in ACM’s earnings. ACM’s potential dilutive securities consist of convertible preferred stocks, warrants and stock options for the three months ended March 31, 2019 and 2018. Certain potential dilutive securities were excluded from the net income (loss) per share calculation because the impact would be anti-dilutive.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). The amendments in ASU 2016-02 create Topic 842, *Leases*, and supersede the leases requirements in Topic 840, *Leases*. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between Topic 842 and Topic 840 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under Topic 840. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous GAAP.

Effective January 1, 2019, we adopted the ASU 2016-02, *Leases*, which requires the recognition of lease assets and these liabilities by leases for those leases classified as an operating lease under previous guidance. The original guidance required application on a modified retrospective basis with the earliest period presented. In August, 2018, the FASB issues ASU 2018-11, *Targeted Improvements to ASC 842*, which included an option to not restate comparative periods in transition and elect to use the effective date of ASC 842, *Leases*, as the date of initial application of transition which we elected. As a result of the adoption of ASC 842 on January 1, 2019, we recorded both operating lease right-of-use (“ROU”) assets of \$5,109 and lease liabilities of \$5,109. The adoption of ASC 842 had no impact on our profit or loss and cash flows for the three-month period ended March 31, 2019. In addition, we elected the package of practical expedients permitted under the transition guidance within the new standard which allowed us to carry forward the historical lease classification. Additional information and disclosures required by this new standard are contained in Note 8, ‘Operating lease right-of-use assets’.

ACM RESEARCH, INC.
Notes to Condensed Consolidated Financial Statements (unaudited)
(in thousands, except share and per share data)

In June 2018, the FASB issued ASU No. 2018-07, *Compensation — Stock Compensation (Topic 718) — Improvements to Nonemployee Share-Based Payment Accounting* (“ASU 2018-07”), which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation-Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. Some of the areas for simplification apply only to nonpublic entities. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. ASU 2018-07 also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under the New Revenue Standard.

Effective January 1, 2019, we adopted ASU 2018-07 and it did not have a material impact on our condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)* (“ASU 2018-13”), which eliminates, adds and modifies certain disclosure requirements for fair value measurements. The modified standard eliminates the requirement to disclose changes in unrealized gains and losses included in earnings for recurring Level 3 fair value measurements and requires changes in unrealized gains and losses be included in other comprehensive income for recurring Level 3 fair value measurements of instruments. The standard also requires the disclosure of the range and weighted average used to develop significant unobservable inputs and how weighted average is calculate for recurring and nonrecurring Level 3 fair value measurements. The amendment is effective for fiscal years beginning after December 15, 2019 and interim periods within that fiscal year with early adoption permitted. We are currently evaluating the impact of the adoption of ASU 2018-13 on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which removes Step 2 from the goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit’s carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. ASU 2017-04 does not amend the optional qualitative assessment of goodwill impairment. A business entity that is an SEC filer must adopt the amendments in ASU 2017-04 for its annual or any interim goodwill impairment test in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact of the adoption of ASU 2017-04 on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaced the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 requires use of a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Adoption of the standard requires using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date to align existing credit loss methodology with the new standard. We will adopt ASU 2016-13 effective January 1, 2020. We are currently evaluating the impact of this standard on our consolidated financial statements, including accounting policies, processes, and systems, but do not expect the standard will have a material impact on our consolidated financial statements.

ACM RESEARCH, INC.
Notes to Condensed Consolidated Financial Statements (unaudited)
(in thousands, except share and per share data)

NOTE 3 – ACCOUNTS RECEIVABLE

At March 31, 2019 and December 31, 2018, accounts receivable consisted of the following:

	March 31, 2019	December 31, 2018
Accounts receivable	\$ 25,070	\$ 24,608
Less: Allowance for doubtful accounts	-	-
Total	\$ 25,070	\$ 24,608

The Company reviews accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. No allowance for doubtful accounts was considered necessary at March 31, 2019 or December 31, 2018. At March 31, 2019 and December 31, 2018, accounts receivable of \$0 and \$1,457, respectively, were pledged as collateral for borrowings from financial institutions.

NOTE 4 – INVENTORIES

At March 31, 2019 and December 31, 2018, inventory consisted of the following:

	March 31, 2019	December 31, 2018
Raw materials	\$ 13,285	\$ 12,646
Work in process	15,981	9,631
Finished goods	12,987	16,487
Total inventory, gross	42,253	38,764
Inventory reserve	-	-
Total inventory, net	\$ 42,253	\$ 38,764

At March 31, 2019 and December 31, 2018, the Company did not have an inventory reserve and no inventory was pledged as collateral for borrowings from financial institutions. System shipments of first-tools to an existing or prospective customer, for which ownership does not transfer until customer acceptance, are classified as finished goods inventory and carried at cost until ownership is transferred.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT, NET

At March 31, 2019 and December 31, 2018, property, plant and equipment consisted of the following:

	March 31, 2019	December 31, 2018
Manufacturing equipment	\$ 9,894	\$ 9,703
Office equipment	549	512
Transportation equipment	129	184
Leasehold improvement	1,444	1,379
Total cost	12,016	11,778
Less: Total accumulated depreciation	(8,377)	(8,102)
Construction in progress	80	32
Total property, plant and equipment, net	\$ 3,719	\$ 3,708

Depreciation expense was \$175 and \$85 for the three months ended March 31, 2019 and 2018, respectively.

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NOTE 6 – SHORT-TERM BORROWINGS

At March 31, 2019 and December 31, 2018, short-term borrowings consisted of the following:

	March 31, 2019	December 31, 2018
Line of credit up to RMB 50,000 from Bank of Shanghai Pudong Branch, due on April 17, 2019 with an annual interest rate of 4.99%, guaranteed by the Company's CEO and fully repaid on March 27, 2019.	\$ -	\$ 3,133
Line of credit up to RMB 50,000 from Bank of Shanghai Pudong Branch, due on February 14, 2019 with an annual interest rate of 5.15%, guaranteed by the Company's CEO and fully repaid on February 14, 2019.	-	485
Line of credit up to RMB 50,000 from Bank of Shanghai Pudong Branch, due on January 23, 2020 with an annual interest rate of 5.22%, guaranteed by the Company's CEO and Cleanchip Technologies Limited.	668	
Line of credit up to RMB 30,000 from Bank of China Pudong Branch, due on June 06, 2019 with annual interest rate of 5.22%, secured by certain of the Company's intellectual property and the Company's CEO.	2,228	2,186
Line of credit up to RMB 30,000 from Bank of China Pudong Branch, due on June 13, 2019 with annual interest rate of 5.22%, secured by certain of the Company's intellectual property and the Company's CEO.	2,228	2,186
Line of credit up to RMB 10,000 from Shanghai Rural Commercial Bank, due on January 23, 2019 with an annual interest rate of 5.44%, guaranteed by the Company's CEO and pledged by accounts receivable, and fully repaid on January 23, 2019.	-	1,457
Line of credit up to RMB 20,000 from Shanghai Rural Commercial Bank, due on February 21, 2020 with an annual interest rate of 5.66%, guaranteed by the Company's CEO and pledged by accounts receivable.	1,485	
Line of credit up to RMB 20,000 from Bank of Communications, due on January 18, 2020 with an annual interest rate of 5.66%.	1,485	
Line of credit up to RMB 20,000 from Bank of Communications, due on January 22, 2020 with an annual interest rate of 5.66%.	743	
Line of credit up to RMB 20,000 from Bank of Communications, due on February 14, 2020 with an annual interest rate of 5.66%.	742	
Line of credit up to RMB 50,000 from China Everbright Bank, due on March 25, 2020 with an annual interest rate of 4.94%, guaranteed by the Company's CEO.	3,250	
Total	\$ 12,829	\$ 9,447

Interest expense related to short-term borrowings amounted to \$139 and \$103 for the three months ended March 31, 2019 and 2018, respectively.

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NOTE 7 – OTHER PAYABLE AND ACCRUED EXPENSES

At March 31, 2019 and December 31, 2018, other payable and accrued expenses consisted of the following:

	March 31, 2019	December 31, 2018
Lease expenses and payable for leasehold improvement due to a related party (note 11)	\$ -	\$ 53
Accrued commissions	2,663	2,931
Accrued warranty	2,017	1,710
Accrued payroll	1,240	626
Accrued professional fees	139	64
Accrued machine testing fees	2,978	3,076
Others	2,797	1,950
Total	<u>\$ 11,834</u>	<u>\$ 10,410</u>

NOTE 8 –LEASES

We lease space under non-cancelable operating leases for several office and manufacturing locations. These leases do not have significant rent escalation holidays, concessions, leasehold improvement incentives, or other build-out clauses. Further, the leases do not contain contingent rent provisions.

Most leases include one or more options to renew. The exercise of lease renewal options is typically at our sole discretion; therefore, the majority of renewals to extend the lease terms are not included in our right-of-use assets and lease liabilities as they are not reasonably certain of exercise. We regularly evaluate the renewal options and when they are reasonably certain of exercise, we include the renewal period in our lease term.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. We have a centrally managed treasury function; therefore, based on the applicable lease terms and the current economic environment, we apply a portfolio approach for determining the incremental borrowing rate.

The components of our lease expense are as follows:

	March 31, 2019
Operating lease cost	\$ 437
Short-term lease cost	18
Lease cost	<u>\$ 455</u>

Supplemental cash flow information related to our operating leases was as follows for the period ended March 31, 2019:

	Three months ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflow from operating leases	455

Maturities of our lease liabilities for all operating leases are as follows as of March 31, 2019:

	March 31, 2019
2019	\$ 1,057
2020	1,424
2021	1,456
2022	1,494
2023	53
2024	13
Total lease payments	5,497
Less: Interest	(710)
Present value of lease liabilities	\$ 4,787

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows as of March 31, 2019:

	March 31, 2019
Remaining lease term and discount rate:	
Weighted average remaining lease term (years)	3.80
Weighted average discount rate	5.43%

NOTE 9 – OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent government subsidies received from PRC governmental authorities for development and commercialization of certain technology but not yet recognized. As of March 31, 2019, and December 31, 2018, other long-term liabilities consisted of the following unearned government subsidies:

	March 31, 2019	December 31, 2018
Subsidies to Stress Free Polishing project, commenced in 2008 and 2017	\$ 1,449	\$ 1,483
Subsidies to Electro Copper Plating project, commenced in 2014	1,598	2,860
Subsidies to Polytetrafluoroethylene, commenced in 2018	171	178
Other	78	62
Total	\$ 3,296	\$ 4,583

NOTE 10 – EQUITY METHOD INVESTMENT

On September 6, 2017, ACM and Ninebell Co., Ltd. (“Ninebell”), a Korean company that is one of the Company’s principal materials suppliers, entered into an ordinary share purchase agreement, effective as of September 11, 2017, pursuant to which Ninebell issued to ACM ordinary shares representing 20% of Ninebell’s post-closing equity for a purchase price of \$1,200, and a common stock purchase agreement, effective as of September 11, 2017, pursuant to which ACM issued 133,334 shares of Class A common stock to Ninebell for a purchase price of \$1,000 at \$7.50 per share. The investment in Ninebell is accounted for under the equity method.

NOTE 11– RELATED PARTY BALANCES AND TRANSACTIONS

On August 18, 2017, ACM and Ninebell, its equity method investment affiliate (note 10), entered into a loan agreement pursuant to which ACM made an interest-free loan of \$946 to Ninebell, payable in 180 days or automatically extended another 180 days if in default. The loan was secured by a pledge of Ninebell’s accounts receivable due from ACM and all money that Ninebell received from ACM. Ninebell repaid the loan in March 2018. ACM purchased materials from Ninebell amounting to \$2,320 and \$970 during the three months ended March 31, 2019 and 2018. As of March 31, 2019 and December 31, 2018, accounts payable due to Ninebell were \$1,476 and \$1,477, respectively, and prepaid to Ninebell for material purchases were \$871 and \$572, respectively.

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In 2007 ACM Shanghai entered into an operating lease agreement with Shanghai Zhangjiang Group Co., Ltd. (“Zhangjiang Group”) to lease manufacturing and office space located in Shanghai, China. An affiliate of Zhangjiang Group holds 787,098 shares of Class A common stock that it acquired in September 2017 for \$5,903. Pursuant to the lease agreement, Zhangjiang Group provided \$771 to ACM Shanghai for leasehold improvements. In September 2016 the lease agreement was amended to modify payment terms and extend the lease through December 31, 2017. From January 1 to April 25, 2018, ACM Shanghai leased the property on a month-to-month basis. On April 26, 2018, ACM Shanghai entered into a renewed lease with Zhangjiang Group for the period from January 1, 2018 through December 31, 2022. Under the lease, ACM Shanghai would pay a monthly rental fee of approximately RMB 366 (equivalent to \$55). The required security deposit is RMB 1,077 (equivalent to \$163). The Company incurred leasing expenses under the lease agreement of \$150 and \$172 during the three months ended March 31, 2019 and 2018, respectively. As of March 31, 2019 and December 31, 2018, payables to Zhangjiang Group for lease expenses and leasehold improvements recorded as other payables and accrued expenses amounted to \$0 and \$53, respectively (note 7).

On December 9, 2016, ACM Shanghai received the SMC Investment from SMC for potential investment pursuant to terms to be subsequently negotiated (note 8). SMC is a limited partnership incorporated in the PRC, whose partners consist of employees of ACM Shanghai. On March 14, 2017, ACM, ACM Shanghai and SMC entered into a securities purchase agreement (the “SMC Agreement”) pursuant to which, in exchange for the SMC Investment, ACM issued to SMC a warrant exercisable, for cash or on a cashless basis, to purchase, at any time on or before May 17, 2023, all, but not less than all, of 397,502 shares of Class A common stock at a price of \$7.50 per share, for a total exercise price of \$2,981. On March 30, 2018, SMC exercised the warrant and purchased 397,502 shares of Class A common stock (note 12).

NOTE 12 – WARRANT LIABILITY

On December 9, 2016, Shengxin (Shanghai) Management Consulting Limited Partnership (“SMC”), a related party (note 11), delivered RMB 20,124 (approximately \$2,981 as of the close of business on such date) in cash (the “SMC Investment”) to ACM Shanghai for potential investment pursuant to terms to be subsequently negotiated.

On March 14, 2017, ACM, ACM Shanghai and SMC entered into a securities purchase agreement (the “SMC Agreement”) pursuant to which, in exchange for the SMC Investment, ACM issued to SMC a warrant exercisable, for cash or on a cashless basis, to purchase, at any time on or before May 17, 2023, all, but not less than all, of 397,502 shares of Class A common stock at a price of \$7.50 per share.

The warrant issued to SMC, while outstanding as of December 31, 2017, was classified as a liability as it was conditionally puttable in accordance with FASB ASC 480, *Distinguishing Liabilities from Equity*. The fair value of the warrant was adjusted for changes in fair value at each reporting period but could not be lower than the proceeds of the SMC Investment. The corresponding non-cash gain or loss of the changes in fair value was recorded in earnings. The methodology used to value the warrant was the Black-Scholes valuation model.

On March 30, 2018, ACM entered into a warrant exercise agreement with ACM Shanghai and SMC pursuant to which SMC exercised its warrant in full by issuing to ACM a senior secured promissory note in the principal amount of approximately \$3,000. ACM then transferred the SMC note to ACM Shanghai in exchange for an intercompany promissory note of ACM Shanghai in the principal amount of approximately \$3,000. Each of the two notes bears interest at a rate of 3.01% per annum and matures on August 17, 2023. As security for its performance of its obligations under its note, SMC granted to ACM Shanghai a security interest in the 397,502 shares of Class A common stock issued to SMC upon its exercise of the warrant. Upon the issuance of 397,502 shares of Class A common stock to SMC, the senior secured promissory note issued to AMC by SMC was offset against the SMC investment.

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NOTE 13 – COMMON STOCK

ACM is authorized to issue 100,000,000 shares of Class A common stock and 7,303,533 shares of Class B common stock, each with a par value of \$0.0001. Each share of Class A common stock is entitled to one vote, and each share of Class B common stock is entitled to twenty votes and is convertible at any time into one share of Class A common stock. Shares of Class A common stock and Class B common stock are treated equally, identically and ratably with respect to any dividends declared by the Board of Directors unless the Board of Directors declares different dividends to the Class A common stock and Class B common stock by getting approval from a majority of common stock holders.

At December 31, 2017, the number of shares of Class A common stock issued and outstanding was 12,935,546. At December 31, 2017, the number of shares of Class B common stock issued and outstanding was 2,409,738, respectively.

On March 30, 2018, SMC exercised its warrant (note 12) and purchased 397,502 shares of Class A common stock.

At March 31, 2018, the number of shares of Class A common stock issued and outstanding was 13,390,270. At March 31, 2018, the number of shares of Class B common stock issued and outstanding was 2,409,738. During the three months ended March 31, 2018, no share of Class B common stock was converted into Class A common stock.

At December 31, 2018, the number of shares of Class A common stock issued and outstanding was 14,110,315. At December 31, 2018, the number of shares of Class B common stock issued and outstanding was 1,898,423. During the three months ended March 31, 2019, the Company issued 66,375 shares of Class A common stock, respectively, upon options exercises by certain employees and non-employees. During the three months ended March 31, 2019, no shares of Class B common stock were converted into Class A common stock.

At March 31, 2019, the number of shares of Class A common stock issued and outstanding was 14,176,790. At March 31, 2019, the number of shares of Class B common stock issued and outstanding was 1,898,423.

NOTE 14– STOCK-BASED COMPENSATION

ACM's stock-based compensation awards consisting of employee and non-employee awards were issued under the 1998 Stock Option Plan and 2016 Omnibus Incentive Plan and as standalone options.

Employee Awards

The following table summarizes the Company's employee share option activities during the three months ended March 31, 2019:

	Number of Option Share	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2018	2,503,405	\$ 0.91	\$ 4.09	7.30 years
Granted	-	-	-	
Exercised	(11,375)	0.65	1.68	
Expired	(628)	0.55	3.00	
Forfeited	-	-	-	
Outstanding at March 31, 2019	2,491,402	\$ 1.53	\$ 4.10	7.06 years
Vested and exercisable at March 31, 2019	1,544,974			

During the three months ended March 31, 2019 and 2018, the Company recognized employee stock-based compensation expense of \$221 and \$93, respectively. As of March 31, 2019 and December 31, 2018, \$2,203 and \$2,424, respectively, of total unrecognized employee stock-based compensation expense, net of estimated forfeitures, related to stock-based awards were expected to be recognized over a weighted-average period of 1.41 years and 1.62 years, respectively. Total recognized compensation cost may be adjusted for future changes in estimated forfeitures.

No options were granted to employees during the three months ended March 31, 2019.

Non-employee Awards

The following table summarizes the Company's non-employee share option activities during the three months ended March 31, 2019:

	Number of Option Shares	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2018	1,212,374	\$ 0.78	\$ 2.57	6.66 years
Granted	-	-	-	
Exercised	(55,000)	0.32	0.75	
Expired	-	-	-	
Forfeited	-	-	-	
Outstanding at March 31, 2019	1,157,374	\$ 0.78	\$ 2.57	6.66 years
Vested and exercisable at March 31, 2019	950,237			

We adopted ASU 2018-07 on January 1, 2019 and the stock-based compensation expense for grants before the adoption of ASU 2018-07 is based on the grant date fair value as of December 31, 2018, which was the last business day before we adopted ASU 2018-07, for all nonemployee awards that have not vested as of December 31, 2018. Furthermore, for future awards, compensation expense is based on the market value of the shares at the grant date. Refer to "Note 2 - Summary of Significant Accounting Policies" for further discussion on our adoption of ASU 2018-07.

During the three months ended March 31, 2019 and 2018, the Company recognized stock-based compensation expense of \$523 and \$2,083 for the three months ended March 31, 2019 and 2018, respectively, related to share option vesting. As of March 31, 2019 and December 31, 2018, \$1,190 and \$1,713, respectively, of total unrecognized non-employee stock-based compensation expense, net of estimated forfeitures, related to stock-based awards were expected to be recognized over a weighted-average period of 1.37 years and 1.31 years, respectively. Total recognized compensation cost may be adjusted for future changes in estimated forfeitures.

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NOTE 15 – INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period during which such rates are enacted.

The Company considers all available evidence to determine whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become realizable. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carry-forward periods), and projected taxable income in assessing the realizability of deferred tax assets. In making such judgments, significant weight is given to evidence that can be objectively verified. Based on all available evidence, in particular the Company's three-year historical cumulative losses, recent operating results and U.S. pre-tax loss for the three months ended March 31, 2019, the Company recorded a valuation allowance against its U.S. net deferred tax assets. In order to fully realize the U.S. deferred tax assets, the Company will need to generate sufficient taxable income in future periods before the expiration of the deferred tax assets governed by the tax code.

In each period since inception, the Company has recorded a valuation allowance for the full amount of net deferred tax assets in the United States, as the realization of deferred tax assets is uncertain. ACM Shanghai has shown a three-year historical cumulative profit and has projections of future income. As a result, the Company maintained a partial consolidated valuation allowance for the three and nine months ended March 31, 2019 and December 31, 2018.

The Company accounts for uncertain tax positions in accordance with the authoritative guidance on income taxes under which the Company may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of the provision for income taxes.

The Company's effective tax rate differs from statutory rates of 21% for U.S. federal income tax purposes and 15% to 25% for Chinese income tax purposes due to the effects of the valuation allowance and certain permanent differences from book-tax differences. As a result, the Company recorded income tax expense of \$119 and \$22 during the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, the Company's total unrecognized tax benefits were approximately \$44, which would not affect the effective tax rate if recognized. The Company will recognize interest and penalties, when they occur, related to uncertain tax provisions as a component of tax expense. No interest or penalties were recognized for the three months ended March 31, 2019.

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The Company files income tax returns in the United States, and state and foreign jurisdictions. The federal, state and foreign income tax returns are under the statute of limitations subject to tax examinations for the tax years ended December 31, 1999 through December 31, 2017. This is due to the Company's tax attribute carry-forwards, the tax years in which the attribute was generated may still be adjusted upon examination by the U.S. Internal Revenue Service, state or foreign tax authorities to the extent utilized in a future period.

The Tax Cuts and Jobs Act (the "Tax Act"), enacted on December 22, 2017, introduced significant changes to U.S. income tax law. Effective January 1, 2018, the Tax Act reduced the U.S. statutory tax rate from 35% to 21% and created new taxes on certain foreign-sourced earnings and certain intercompany payments. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company made reasonable estimates of the effects and recorded provisional amounts in its financial statements as of December 31, 2017. There were no adjustments made in the three months ended March 31, 2019. The accounting for the tax effects of the Tax Act was completed in 2018.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Company leases offices under non-cancelable operating lease agreements. See note 12 for future minimum lease payments under non-cancelable operating lease agreements with initial terms of one year or more.

As of March 31, 2019, the Company did not have any capital commitments.

From time to time the Company is subject to legal proceedings, including claims in the ordinary course of business and claims with respect to patent infringements. As of March 31, 2019, the Company did not have any legal proceedings.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, or our Annual Report. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this report, particularly in the section titled “Item 1A. Risk Factors” in Part II below.

Overview

We supply advanced, innovative capital equipment developed for the global semiconductor industry. Fabricators of advanced integrated circuits, or chips, can use our single-wafer wet-cleaning tools in numerous steps to improve product yield, even at increasingly advanced process nodes. We have designed these tools for use in fabricating foundry, logic and memory chips, including dynamic random-access memory (or DRAM) and 3D NAND-flash memory chips. We also develop, manufacture and sell a range of advanced packaging tools to wafer assembly and packaging customers.

Selling prices for our single-wafer wet-cleaning tools range from \$2 million to more than \$5 million. Our customers for single-wafer wet-cleaning tools have included Semiconductor Manufacturing International Corporation, Shanghai Huali Microelectronics Corporation, SK Hynix Inc. and Yangtze Memory Technologies Co., Ltd. We recognized revenue from sales of single-wafer wet cleaning equipment totaling \$13.0 million, or 63% of total revenue, for the first three months of 2019 and \$9.5 million, or 98% of total revenue, for the first three months of 2018.

We focus our selling efforts on establishing a referenceable base of leading foundry, logic and memory chip makers, whose use of our products can influence decisions by other manufacturers. We believe this customer base will help us penetrate the mature chip manufacturing markets and build credibility with additional industry leaders. Using a “demo-to-sales” process, we have placed evaluation equipment, or “first tools,” with a number of selected customers. Since 2009 we have delivered more than 60 single-wafer wet cleaning tools, more than 50 of which have been accepted by customers and thereby generated revenue to us and the balance of which are awaiting customer acceptance should contractual conditions be met.

Since our formation in 1998, we have focused on building a strategic portfolio of intellectual property to support and protect our key innovations. Our wet-cleaning equipment has been developed using our key proprietary technologies:

- Space Alternated Phase Shift, or SAPS, technology for flat and patterned wafer surfaces, which employs alternating phases of megasonic waves to deliver megasonic energy in a highly uniform manner on a microscopic level;
- Timely Energized Bubble Oscillation, or TEBO, technology for patterned wafer surfaces at advanced process nodes, which provides effective, damage-free cleaning for 2D and 3D patterned wafers with fine feature sizes; and
- Tahoe technology for cost and environmental savings, which delivers high cleaning performance using significantly less sulfuric acid and hydrogen peroxide than is typically consumed by conventional high-temperature single-wafer cleaning tools.

We have been issued more than 220 patents in the United States, the People’s Republic of China or PRC, Japan, Korea, Singapore and Taiwan.

We conduct substantially all of our product development, manufacturing, support and services in the PRC. All of our tools are built to order at our manufacturing facilities in Shanghai, which encompass 86,000 square feet of floor space for production capacity. Our experience has shown that chip manufacturers in the PRC and throughout Asia demand equipment meeting their specific technical requirements and prefer building relationships with local suppliers. We will continue to seek to leverage our local presence to address the growing market for semiconductor manufacturing equipment in the region by working closely with regional chip manufacturers to understand their specific requirements, encourage them to adopt our SAPS, TEBO and Tahoe technologies, and enable us to design innovative products and solutions to address their needs.

Corporate Background

ACM Research was incorporated in California in 1998 and redomesticated in Delaware in 2016. We perform strategic planning, marketing, and financial activities at our global corporate headquarters in Fremont, California.

Initially we focused on developing tools for chip manufacturing process steps involving the integration of ultra-low-K materials and copper. In the early 2000s we sold tools based on stress-free copper polishing technology.

To help us establish and build relationships with chip manufacturers in the PRC, in 2006 we moved our operational center to Shanghai and began to conduct our business through our subsidiary ACM Shanghai. In 2007 we began to focus our development efforts on single-wafer wet-cleaning solutions for the front-end chip fabrication process.

In 2009 we introduced SAPS megasonic technology, which can be applied in wet wafer cleaning at numerous steps during the chip fabrication process. In 2016 we introduced TEBO technology, which can be applied at numerous steps during the fabrication of small node conventional two-dimensional and three-dimensional patterned wafers. In August 2018, we introduced the Ultra-C Tahoe wafer cleaning tool, which delivers high cleaning performance with significantly less sulfuric acid than typically consumed by conventional high temperature single-wafer cleaning tools.

In 2011 ACM Shanghai formed a wholly owned subsidiary in the PRC, ACM Research (Wuxi), Inc., to manage sales and service operations. In June 2017 we formed a wholly owned subsidiary in Hong Kong, CleanChip Technologies Limited, to act on our behalf in Asian markets outside the PRC by, for example, serving as a trading partner between ACM Shanghai and its customers, procuring raw materials and components, performing sales and marketing activities, and making strategic investments.

In December 2017 we formed a wholly owned subsidiary in the Republic of Korea, ACM Research Korea CO., LTD., to serve our customers based in the Republic of Korea and perform sales, marketing, and research and development activities. We currently conduct the majority of our product development, support and services, and substantially all of our manufacturing at ACM Shanghai. Our Shanghai operations position us to be near many of our current and potential new customers in the PR (including Taiwan), Korea and throughout Asia, providing convenient access and reduced shipping and manufacturing costs.

In September 2018, we announced the opening of a second factory in the Pudong region of Shanghai. The new facility has a total of 50,000 square feet of available floor space for production capacity. This is in addition to our first factory in the Pudong Region of Shanghai, which has a total of 36,000 square feet of available floor space.

PRC Government Research and Development Funding

ACM Shanghai has received four grants from local and central governmental authorities in the PRC. The first grant, which was awarded in 2008, relates to the development and commercialization of 65nm to 45nm stress-free polishing technology. The second grant was awarded in 2009 to fund interest expense on short-term borrowings. The third grant was made in 2014 and relates to the development of electro copper-plating technology. The fourth grant was made in June 2018 and related to development of polytetrafluoroethylene. PRC governmental authorities provide the majority of the funding, although ACM Shanghai is also required to invest certain amounts in the projects.

The PRC governmental grants contain certain operating conditions, and we are required to go through a government due diligence process once the project is complete. The grants therefore are recorded as long-term liabilities upon receipt, although we are not required to return any funds we receive. Grant amounts are recognized in our statements of operations and comprehensive income as follows:

- Government subsidies relating to current expenses are reflected as reductions of those expenses in the periods in which they are reported. Those reductions totaled \$1.3 million in the first three months of 2019, as compared to \$0.2 million in the first three months of 2018.
- Government grants used to acquire depreciable assets are transferred from long-term liabilities to property, plant and equipment when the assets are acquired and then the recorded amounts of the assets are credited to other income over the useful lives of the assets. Related government subsidies recognized as other income totaled less than \$0.1 million in the first three months of 2019 and 2018.

How We Evaluate Our Operations

We present information below with respect to four measures of financial performance:

- We define “shipments” of tools to include (a) a “repeat” delivery to a customer of a type of tool that the customer has previously accepted, for which we recognize revenue upon delivery, and (b) a “first-time” delivery of a tool to a customer on an approval basis, for which we may recognize revenue in the future if contractual conditions are met and customer acceptance is received.
- We define “adjusted EBITDA” as our net income excluding interest expense (net), income tax benefit (expense), depreciation and amortization, and stock-based compensation. We define adjusted EBITDA to also exclude restructuring costs, although we have not incurred any such costs to date.
- We define “free cash flow” as net cash provided by operating activities less purchases of property and equipment (net of proceeds from disposals) and of intangible assets.
- We define “adjusted operating income (loss)” as our income (loss) from operations excluding stock-based compensation.

These financial measures are not based on any standardized methodologies prescribed by accounting principles generally accepted in the United States, or GAAP, and are not necessarily comparable to similarly titled measures presented by other companies.

We have presented shipments, adjusted EBITDA, free cash flow and adjusted operating income (loss) because they are key measures used by our management and board of directors to understand and evaluate our operating performance, to establish budgets and to develop operational goals for managing our business. We believe that these financial measures help identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude. In particular, we believe that the exclusion of the expenses eliminated in calculating adjusted EBITDA and adjusted operating income (loss) can provide useful measures for period-to-period comparisons of our core operating performance and that the exclusion of property and equipment purchases from operating cash flow can provide a usual means to gauge our capability to generate cash. Accordingly, we believe that these financial measures provide useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision-making.

Shipments, adjusted EBITDA, free cash flow and adjusted operating income (loss) are not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP.

Shipments

Shipments consist of two components:

- a shipment to a customer of a type of tool that the customer has previously-accepted, for which we recognize revenue when the tool is delivered; and
- a shipment to a customer of a type of tool that the customer is receiving and evaluating for the first time, in each case a “first tool,” for which we may recognize revenue at a later date, subject to the customer’s acceptance of the tool upon the tool’s satisfaction of applicable contractual requirements.

“First tool” shipments can be made to either an existing customer that not previously accepted that specific type of tool in the past — for example, a delivery of SAPS V tool to a customer that previously had received only SAPS II tools — or to a new customer that has never purchased any tool from us.

Shipments in the three months ended March 31, 2019 totaled \$14 million, as compared to \$10 million in the three months ended March 31, 2018 and \$32 million in the three months ended December 31, 2018.

The dollar amount attributed to a “first tool” shipment is equal to the consideration we expect to receive if any and all contractual requirements are satisfied and the customer accepts the tool. There are a number of limitations related to the use of shipments in evaluating our business, including that customers have significant discretion in determining whether to accept our tools and their decision not to accept delivered tools is likely to result in our inability to recognize revenue from the delivered tools.

Adjusted EBITDA

There are a number of limitations related to the use of adjusted EBITDA rather than net income (loss), which is the nearest GAAP equivalent. Some of these limitations are:

- adjusted EBITDA excludes depreciation and amortization and, although these are non-cash expenses, the assets being depreciated or amortized may have to be replaced in the future;
- we exclude stock-based compensation expense from adjusted EBITDA and adjusted operating income (loss), although (a) it has been, and will continue to be for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy and (b) if we did not pay out a portion of our compensation in the form of stock-based compensation, the cash salary expense included in operating expenses would be higher, which would affect our cash position;
- the expenses and other items that we exclude in our calculation of adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from adjusted EBITDA when they report their operating results;
- adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- adjusted EBITDA does not reflect interest expense, or the requirements necessary to service interest or principal payments on debt;
- adjusted EBITDA does not reflect income tax expense (benefit) or the cash requirements to pay taxes;
- adjusted EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- although depreciation and amortization charges are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements; and
- adjusted EBITDA includes expense reductions and non-operating other income attributable to PRC governmental grants, which may mask the effect of underlying developments in net income (loss), including trends in current expenses and interest expense, and free cash flow includes the PRC governmental grants, the amount and timing of which can be difficult to predict and are outside our control.

The following table reconciles net income (loss), the most directly comparable GAAP financial measure, to adjusted EBITDA:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Adjusted EBITDA Data:		
Net income (loss)	\$ 1,857	\$ (2,780)
Interest expense, net	130	100
Income tax expense	119	22
Depreciation and amortization	191	80
Stock based compensation	744	2,175
Adjusted EBITDA	\$ 3,041	\$ (403)

Adjusted EBITDA in the three months ended March 31 2019, increased by \$3.4 million as compared to the same period in 2018, due to an increase of \$4.6 million in net income, an increase of \$30,000 in interest expense, an increase of \$97,000 in income tax expense, and an increase of \$111,000 in depreciation and amortization, offset by a decrease of \$1.4 million in stock-based compensation expense. We do not exclude from adjusted EBITDA expense reductions and non-operating other income attributable to PRC governmental grants because we consider and incorporate the expected amounts and timing of those grants in incurring expenses and capital expenditures. If we did not receive the grants, our cash expenses therefore would be lower, and our cash position would not be affected, to the extent we have accurately anticipated the amounts of the grants. For additional information regarding our PRC grants, please see “—Key Components of Results of Operations—PRC Government Research and Development Funding.”

Free Cash Flow

The following table reconciles net cash provided by operating activities, the most directly comparable GAAP financial measure, to free cash flow:

	Three Months Ended March 31,	
	2019	2018
	(in thousands)	
Free Cash Flow Data:		
Net cash used in operating activities	\$ (3,182)	\$ (7,393)
Purchase of property and equipment	(115)	(395)
Purchase of intangible assets	(1)	-
Free cash flow	\$ (3,298)	\$ (7,788)

Free cash flow in the three months ended March 31, 2019, improved by \$4.5 million as compared with the same period in 2018, due to a reduction of \$4.2 million of cash used in operating activities and a decrease of \$280,000 in purchase of property and equipment. Consistent with our methodology for calculating adjusted EBITDA, we do not adjust free cash flow for the effects of PRC government subsidies, because we take those subsidies into account in incurring expenses and capital expenditures.

Adjusted Operating Income (Loss)

Adjusted operating income (loss) excludes stock-based compensation from income (loss) from operations. Although stock-based compensation is an important aspect of the compensation of our employees and executives, determining the fair value of certain of the stock-based instruments we utilize involves a high degree of judgment and estimation and the expense recorded may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. Furthermore, unlike cash compensation, the value of stock options, which is an element of our ongoing stock-based compensation expense, is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. Management believes it is useful to exclude stock-based compensation in order to better understand the long-term performance of our core business and to facilitate comparison of our results to those of peer companies. The use of non-GAAP financial measures excluding stock-based compensation has limitations, however. If we did not pay out a portion of our compensation in the form of stock-based compensation, the cash salary expense included in operating expenses would be higher and our cash holdings would be less. The following tables reflect the exclusion of stock-based compensation, or SBC, from line items comprising income (loss) from operations:

	Three Months Ended March 31,					
	2019			2018		
	Actual (GAAP)	SBC	Adjusted (Non-GAAP)	Actual (GAAP)	SBC	ADJUSTED (Non-GAAP)
	(in thousands)					
Revenue	\$ 20,479	\$ -	\$ 20,479	\$ 9,743	\$ -	\$ 9,743
Cost of revenue	(11,653)	(30)	(11,623)	(4,621)	(8)	(4,613)
Gross profit	8,826	(30)	8,856	5,122	(8)	5,130
Operating expenses:						
Sales and marketing	(1,869)	(34)	(1,835)	(1,855)	(34)	(1,821)
Research and development	(2,765)	(86)	(2,679)	(1,541)	(27)	(1,514)
General and administrative	(1,941)	(594)	(1,347)	(3,630)	(2,106)	(1,524)
Income (loss) from operations	\$ 2,251	\$ (744)	\$ 2,995	\$ (1,904)	\$ (2,175)	\$ 271
Net income (loss)	\$ 1,857	\$ (744)	\$ 2,601	\$ (2,780)	\$ (2,175)	\$ (605)

Adjusted operating income for the three months ended on March 31, 2019, as compared with the same period in 2018, reflected a \$1.4 million decrease in stock-based compensation expense.

Critical Accounting Policies and Significant Judgments and Estimates

There were no significant changes in our critical accounting policies or significant judgments or estimates during the three months ended March 31, 2019 to augment the critical accounting estimates disclosed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report, other than those described in the Notes to the condensed consolidated financial statements included in this report, including the adoption of the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-02, *Leases (Topic 842)* effective January 1, 2019. As a result of our adoption of the new lease standard, we re-assessed the estimates, assumptions, and judgments that are most critical in our recognition of lease and have revised our lease critical accounting policy. For information regarding the impact of recently adopted accounting standards, refer to note 2 to the condensed financial statements included in this report.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements is included in our Annual Report and is updated in note 2 to the condensed consolidated financial statements included in this report.

Results of Operations

The following table sets forth our results of operations for the periods presented, as percentages of revenue.

	Three Months Ended March 31,	
	2019	2018
Revenue	100.0%	100.0%
Cost of revenue	56.9	47.4
	43.1	52.6
Operating expenses:		
Sales and marketing	9.1	19.0
Research and development	13.5	15.8
General and administrative	9.5	37.3
Total operating expenses, net	32.1	72.1
Income (loss) from operations	11.0	(19.5)
Interest expense, net	(0.6)	(1.0)
Other expense, net	(1.3)	(7.8)
Equity income in net income of affiliates	0.6	-
Income (loss) before income taxes	9.7	(28.3)
Income tax expense	(0.6)	(0.2)
Net income (loss)	9.1%	(28.5%)

Comparison of Three Months Ended March 31, 2019 and 2018

Revenue

	Three Months Ended March 31,		% Change
	2019	2018	
	(in thousands)		
Revenue	\$ 20,479	\$ 9,743	110.2%

The increase in revenue of \$10.7 million in the three months ended March 31, 2019 as compared to the same period in 2018 reflected increases in revenue of \$3.3 million from single-wafer cleaning equipment, and a \$7.4 million increase in revenue from back-end equipment and spares. The revenue increase reflected an increased number of tools shipped, coupled with higher selling prices associated with the equipment sold and customer acceptances from prior period shipments received and recognized as revenue during the three month ended March 31, 2019.

Cost of Revenue and Gross Margin

	Three Months Ended March 31,		% Change 2019 v 2018
	2019	2018	
	(in thousands)		
Cost of revenue	\$ 11,653	\$ 4,621	152.2%
Gross profit	\$ 8,826	\$ 5,122	72.3
Gross margin	43.1%	52.6%	(9.5)

Cost of revenue increased \$7.0 million and gross profit increased \$3.7 million in the three months ended March 31, 2019, as compared to the corresponding period in 2018, primarily due to increased sales volume. Gross margin declined by 9.5 percentage points during the three months ended March 31, 2019, from the comparable period in 2018. Gross margin in the 2018 period was elevated primarily due to contribution from three higher-margin SAPs tools.

Gross margin may vary from period to period, primarily related to the level of utilization and the timing and mix of purchase orders. We expect gross margin to be between 40.0% and 45.0% for the foreseeable future, with direct manufacturing costs approximating 50.0% to 55.0% of revenue and overhead costs totaling 5.0% of revenue.

Operating Expenses

	Three Months Ended March 31,		% Change 2019 v 2018
	2019	2018	
	(in thousands)		
Sales and marketing expense	\$ 1,869	\$ 1,855	0.8%
Research and development expense	2,765	1,541	79.4
General and administrative expense	1,941	3,630	(46.5)
Total operating expenses	\$ 6,575	\$ 7,026	(6.4)

Sales and marketing expense increased by \$14,000 in the three months ended March 31, 2019, as compared to the corresponding period in 2018. Sales and marketing expense consists primarily of:

- compensation of personnel associated with pre and aftersales support and other sales and marketing activities, including stock-based compensation;
- sales commissions paid to independent sales representatives;
- fees paid to sales consultants;
- shipping and handling costs for transportation of products to customers;

- cost of trade shows;
- travel and entertainment; and
- allocated overhead for rent and utilities.

Research and development expense increased by \$1.2 million in the three months ended March 31, 2019 as compared to the corresponding period in 2018, principally as a result of increases in testing fees and personnel costs. Research and development expense represented 13.5% and 15.8% of our revenue in the three months ended March 31, 2019 and 2018, respectively. Without reduction by grant amounts received from PRC governmental authorities (see “—Key Components of Results of Operations—PRC Government Research and Development Funding”), gross research and development expense totaled \$4.1 million, or 20.0% of revenue, in the three months ended March 31, 2019 and \$1.8 million, or 18.1% of revenue, in the three months ended March 31, 2018. Research and development expense relates to the development of new products and processes and encompasses our research, development and customer support activities. Research and development expense consists primarily of:

- compensation of personnel associated with our research and development activities, including stock based compensation;
- costs of components and other research and development supplies;
- travel expense associated with customer support;
- amortization of costs of software used for research and development purposes; and
- allocated overhead for rent and utilities.

General and administrative expense decreased by \$1.7 million in the three months ended March 31, 2019 as compared to the corresponding period in 2018. Expenses in the first quarter of 2018 were elevated in part due to expenses related to our initial public offering of Class A common stock, or the IPO. General and administrative expense consists primarily of:

- compensation of executive, accounting and finance, human resources, information technology, and other administrative personnel, including stock-based compensation;
- professional fees, including accounting and legal fees;
- other corporate expenses; and
- allocated overhead for rent and utilities.

We expect that, for the foreseeable future, general and administrative expenses will increase in absolute dollars, as we incur additional costs associated with growing our business and operating as a public company

Other Income and Expenses

	Three Months Ended March 31,		% Change 2019 v 2018
	2019	2018	
	<i>(in thousands)</i>		
Interest expense, net	\$ (130)	\$ (100)	30.0%
Other expense, net	(261)	(755)	(65.4)

Interest expense consists of interest incurred from outstanding short-term borrowings. Interest expense increased by \$30,000 in the three months ended March 31, 2019 as compared to the three months ended March 31, 2018, principally as a result of increased borrowings under short-term bank loans. We earn interest income from depositary accounts. Interest income was nominal in the three months ended March 31, 2019 and 2018.

Non-operating income (expense), net primarily reflects (a) gains or losses recognized from the impact of exchange rates on our foreign currency-denominated working-capital transactions and (b) depreciation of assets acquired with government subsidies, as described under “—Key Components of Results of Operations—PRC Government Research and Development Funding” above. Our non-operating expense was (\$261,000) in the three months ended March 31, 2019 due to a the strengthening of the RMB to US dollar exchange rate during the quarter, compared to non-operating expense of (\$755,000) loss in the three months ended March 30, 2018 due to an even greater strengthening of RMB to US dollar exchange rate during the quarter.

Income Tax Expense

The following presents components of income tax expense for the indicated periods:

	Three Months Ended March 31,	
	2019	2018
	<i>(in thousands)</i>	
Current:		
U.S. federal	\$ -	\$ -
U.S. state	-	-
Foreign	-	-
Total current tax expense	-	-
Deferred:		
U.S. federal	-	-
U.S. state	-	-
Foreign	(119)	(22)
Total deferred tax expense	(119)	(22)
Total income tax expense	\$ (119)	\$ (22)

On December 22, 2017, the Tax Cuts and Jobs Act, or the Tax Act, was enacted into law. The new legislation contains several key tax provisions that affect us, including a one-time mandatory transition tax on accumulated foreign earnings and a reduction of the corporate income tax rate to 21% effective January 1, 2018. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements as of December 31, 2017. There were no adjustments made in the three months ended March 31, 2019. The accounting for the tax effects of the Tax Act was completed in 2018.

As we collect and prepare necessary data, and interpret the Tax Act and any additional guidance issued by the U.S. Treasury Department, the Internal Revenue Service, and other standard-setting bodies, we may make adjustments to the provisional amounts. Those adjustments may materially affect our provision for income taxes and effective tax rate in the period in which the adjustments are made. There were no adjustments made in the first nine months of 2018.

Our effective tax rate differs from statutory rates of 21% for U.S. federal income tax purposes and 15% to 25% for Chinese income tax purposes due to the effects of the valuation allowance and certain permanent differences as it pertains to book-tax differences in the value of client equity securities received for services. Our two PRC subsidiaries, ACM Shanghai and ACM Wuxi, are liable for PRC corporate income taxes at the rates of 15% and 25%, respectively. Pursuant to the Corporate Income Tax Law of the PRC, our PRC subsidiaries generally would be liable for PRC corporate income taxes as a rate of 25%. According to Guoshuihan 2009 No. 203, an entity certified as an “advanced and new technology enterprise” is entitled to a preferential income tax rate of 15%. ACM Shanghai was certified as an “advanced and new technology enterprise” in 2012 and again in 2016, with an effective period of three years..

We file income tax returns in the United States and state and foreign jurisdictions. Those federal, state and foreign income tax returns are under the statute of limitations subject to tax examinations for 2009 through 2016. To the extent we have tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service or state or foreign tax authorities to the extent utilized in a future period.

Liquidity and Capital Resources

During the first three months of 2019 we funded our technology development and operations principally through application of proceeds from the IPO and concurrent private placements in November 2017 and, to a lesser extent, from short-term borrowings by ACM Shanghai from local financial institutions. During the three-month period ended March 31, 2019, our operations used cash flow of \$3.2 million and we did not receive any research and development grants from local and central PRC governmental authorities.

We believe our existing cash and cash equivalents, our cash flow from operating activities, and short-term bank borrowings by ACM Shanghai will be sufficient to meet our anticipated cash needs for at least the next twelve months. We do not expect that our anticipated cash needs for the next twelve months will require our receipt of any PRC government subsidies. Our future working capital needs will depend on many factors, including the rate of our business and revenue growth, the payment schedules of our customers, and the timing of investment in our research and development as well as sales and marketing. To the extent our cash and cash equivalents, cash flow from operating activities and short-term bank borrowings are insufficient to fund our future activities in accordance with our strategic plan, we may determine to raise additional funds through public or private debt or equity financings or additional bank credit arrangements. We also may need to raise additional funds in the event we determine in the future to effect one or more acquisitions of businesses, technologies and products. If additional funding is necessary or desirable, we may not be able to obtain bank credit arrangements or to affect an equity or debt financing on terms acceptable to us or at all.

Sources of Funds

Equity and Equity-Related Securities. During the three months of 2019 we received proceeds of \$60,000 from sales of common stock pursuant to option exercises.

Indebtedness. ACM Shanghai is a party to lines of credit with five banks, as follows:

Lender	Agreement Date	Maturity Date	Annual Interest Rate	Maximum Borrowing Amount (1)	Amount Outstanding at March 31, 2019
<i>(in thousands)</i>					
Bank of China Pudong Branch	August 2018	August 2019	5.22%	RMB30,000	RMB30,000
				\$4,456	\$4,456
Bank of Shanghai Pudong Branch	January 2019	January 2020	5.22%	RMB50,000	RMB4,500
				\$7,425	\$668
Shanghai Rural Commercial Bank	February 2019	January 2020	5.66%	RMB 20,000	RMB 10,000
				\$2,970	\$1,485
Bank of Communications	January 2019	January 2020	5.66%	RMB20,000	RMB20,000
				\$2,970	\$2,970
China Everbright Bank	February 2019	February 2020	4.94%	RMB50,000	RMB21,893
				\$7,425	\$3,250
				RMB170,000	RMB86,393
				\$25,246	\$12,829

(1) Converted from RMB to dollars as of March 31, 2019.

All of the amounts owing under the line of credit with Bank of China Pudong Branch are secured by ACM Shanghai's intellectual property and guaranteed by Dr. David Wang, our Chair of the Board, Chief Executive Officer and President. All of the amounts owing under the lines of credit with Bank of Shanghai Pudong Branch are guaranteed by Dr. Wang and Cleanship Technologies Ltd. All of the amounts owing under the line of credit with Shanghai Rural Commercial Bank are secured by accounts receivable and guaranteed by Dr. Wang. All of the amounts owing under the lines of credit with China Everbright Bank are guaranteed by Dr. Wang.

Working Capital. The following table sets forth selected working capital information:

	March 31, 2019
	<i>(in thousands)</i>
Cash and cash equivalents	\$ 27,367
Accounts receivable, less allowance for doubtful amounts	25,070
Inventory	42,253
Working capital	<u>\$ 94,690</u>

Our cash and cash equivalents at March 31, 2019 were unrestricted and held for working capital purposes. ACM Shanghai, our only direct PRC subsidiary, is, however, subject to PRC restrictions on distributions to equity holders. We currently intend for ACM Shanghai to retain all available funds any future earnings for use in the operation of its business and do not anticipate its paying any cash dividends. We have not entered into, and do not expect to enter into, investments for trading or speculative purposes. Our accounts receivable balance fluctuates from period to period, which affects our cash flow from operating activities. Fluctuations vary depending on cash collections, client mix, and the timing of shipment and acceptance of our tools.

Uses of Funds

Cash Flow from Operating Activities. Our operations used cash flow of \$3.2 million in the first three months of 2019. Our cash flow from operating activities is influenced by (a) the amount of cash we invest in personnel and technology development to support anticipated future growth in our business, (b) the magnitude of our product sales and associated gross profits, and (c) the amount and timing of payments by customers.

Capital Expenditures. We estimate that our capital expenditures in 2019 will total approximately \$2.4 million. We have entered into certain capital purchase contracts related to future capital expenditures. We incurred \$117,000 of capital expenditures during the three months ended March 31, 2019 and had no unpaid capital commitment as of March 31, 2019.

Contractual Obligations and Requirements. Our contractual obligations and other commercial commitments are summarized in the section captioned “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations and Requirements” in our Annual Report. Other than changes that occurred in the ordinary course of business, we had no material changes to our contractual obligations reported in our Annual Report during the first three months of 2019. For additional discussion, see note 16 to our condensed consolidated financial statements included elsewhere in this report.

Effects of Inflation

Inflation and changing prices have not had a material effect on our business, and we do not expect that they will materially affect our business in the foreseeable future. Any impact of inflation on cost of revenue and operating expenses, especially employee compensation costs, may not be readily recoverable in the price of our product offerings.

Off-Balance Sheet Arrangements

As of March 31, 2019, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K of the Securities and Exchange Commission or SEC, except the operating lease commitment disclosed in the unaudited condensed consolidated financial statements.

Emerging Growth Company Status

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act, or JOBS Act, and may take advantage of provisions that reduce our reporting and other obligations from those otherwise generally applicable to public companies. We may take advantage of these provisions until the earliest of December 31, 2022 or such time that we have annual revenue greater than \$1.0 billion, the market value of our capital stock held by non-affiliates exceeds \$700 million or we have issued more than \$1.0 billion of non-convertible debt in a three-year period. We have chosen to take advantage of some of these provisions, and as a result we may not provide stockholders with all of the information that is provided by other public companies. We have, however, irrevocably elected not to avail ourselves, as would have been permitted by Section 107 of the JOBS Act, of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 for complying with new or revised accounting standards, and we therefore will be subject to the same new or revised accounting standards as public companies that are not emerging growth companies

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in foreign exchange rates and interest rates. We do not hold or issue financial instruments for trading purposes.

Foreign Exchange Risk

Although our financial statements and product pricing are denominated in U.S. dollars, a sizable portion of our costs are denominated in other currencies, primarily the Renminbi. The Renminbi is not freely convertible into foreign currencies for capital account transactions. The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in the PRC's political and economic conditions and by the PRC's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and September 2010, this appreciation subsided and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since September 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. dollar in the future. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk.

Interest Rate Risk

At March 31, 2019, we had unrestricted cash and cash equivalents totaling \$27.4 million. These amounts were held for working capital purposes and were held primarily in checking accounts of various banks. We believe we do not have any material exposure to changes in our cash balance as a result of changes in interest rates. Declines in interest rates, however, would reduce future interest income.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and interim chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2019, our chief executive officer and interim chief financial officer concluded that, as of such date, our disclosure controls and procedures over financial reporting were effective.

Changes in Internal Control over Financial Reporting

During the three months ended March 31, 2019, no changes were identified to our internal control over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Investing in Class A common stock involves a high degree of risk. You should consider and read carefully all of the information contained in this report, including the consolidated financial statements and related notes set forth in “Item 1. Financial Statements” of Part I above, before making an investment decision. You should also review carefully the risk factors set forth in “Item 1A. Risk Factors” of Part I of our Annual Report. There have been no material changes to those risk factors since the filing of our Annual Report with the SEC on March 14, 2019. The occurrence of any of the risks described in our Annual Report, or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial, could materially and adversely affect our business, financial condition, results of operations or cash flows. In any such case, the trading price of Class A common stock could decline, and you may lose all or part of your investment.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Equity Securities

In March of 2019 we issued and sold to employees and consultants an aggregate of 65,000 unregistered shares of Class A common stock upon the exercise of stock options at per share exercise prices between \$0.75 and \$1.50. These transactions did not involve any underwriters, any underwriting discounts or commissions, or any public offering. We believe the offers, sales and issuances of these shares were exempt from registration under the Securities Act of 1933 by virtue of Section 4(a)(2) thereof (or Regulation D promulgated thereunder) because the issuance of securities to the recipients did not involve a public offering or in reliance on Rule 701 under said Act because the transactions were pursuant to a contract relating to compensation as provided under such rule. The recipients of the shares represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the shares issued in these transactions. The recipients had adequate access, through a relationship with us, to information about us. The sales of these shares were made without any general solicitation or advertising.

Use of IPO Proceeds

The net proceeds of the IPO, after deducting underwriting discounts and commissions and offering expenses, were \$17.3 million. There has been no material change in the planned use of IPO proceeds from that described in the final prospectus filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act of 1933 on November 3, 2017. To date we have applied \$10.8 million of the IPO proceeds to purchase inventory and an additional \$2.1 million in the ordinary course of business operations.

Item 6. Exhibits

The following exhibits are being filed as part of this report:

Exhibit Number	Description
10.01	Line of Credit Agreement dated February 25, 2019 between ACM Research (Shanghai), Inc. and Bank of Shanghai Pudong Branch
10.02	Line of Credit Agreement dated February 19, 2019 between ACM Research (Shanghai), Inc. and Shanghai Rural Commercial Bank
10.03	Line of Credit Agreement dated January 24, 2019 between ACM Research (Shanghai), Inc. and Bank of Communications Shanghai Zhangjiang Branch
10.04	Line of Credit Agreement dated January 24, 2019 between ACM Research (Shanghai), Inc. and Bank of Communications Shanghai Zhangjiang Branch
10.05	Line of Credit Agreement dated February 19, 2019 between ACM Research (Shanghai), Inc. and Bank of Communications Shanghai Zhangjiang Branch
10.06	Line of Credit Agreement dated January 30, 2019 between ACM Research (Shanghai), Inc. and China Everbright Branch
10.07	Lease Amendment dated February 4, 2019 between ACM Research, Inc. and D&J Construction Inc.
31.01	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACM RESEARCH, INC.

Date: May 14, 2019

By: /s/ Lisa Feng

Lisa Feng
Interim Chief Financial Officer, Chief Accounting
Officer and Treasurer (Principal Financial Officer)

Comprehensive Credit Line Contract
(2018 version)

Bank of Shanghai

Comprehensive Credit Line Contract (2018 version)

Contract number: 201190100

Grantee: <u>ACM Research (Shanghai) Inc.</u>	Phone: <u>50808868</u>
Registered address: <u>Building #4, No. 1690, Cailun Rd.</u>	Postal code: <u>201203</u>
Main business address (mailing address): <u>Building #4, No. 1690, Cailun Rd.</u>	Postal code: <u>201203</u>
Legal representative (person in charge): <u>Hui Wang</u>	Phone: <u>13774451853</u>
Bank of Basic Account:	Account Number:
Contact:	Fax:
Contact: <u>Bi Anyun</u>	Phone: <u>13818946646</u>
E-mail:	Company homepage:
Creditor: Bank of Shanghai Co., Ltd. <u>Pudong Branch</u>	Phone:
Main business address (mailing address) <u>No. 699, Zhangyang Rd.</u>	Postal code:
Legal representative (person in charge): <u>Ding Bing</u>	Phone:
Contact:	Fax:
Contact:	Phone:
E-mail:	Company homepage:

Because the grantee applied for a comprehensive credit line from the creditor, in order to clarify the rights and responsibilities of both parties, this contract is formulated by both parties after consultation according to the provisions of relevant laws and regulations, such as the "Contract Law of the People's Republic of China", the "Commercial Bank Law of the People's Republic of China", and the "Tentative Measure for the Management of Loans and Credit Lines of Commercial Banks".

(Note: ☐ in the contract represents selections, with ☒ indicating the choice is selected and ☒ indicating the choice is not selected)

Chapter 1 Credit Line

Article 1 In the validity period of credit line specified in this contract (hereinafter referred to as the "term of credit line"), the grantee can apply for and use a credit line equal to the value of RMB Fifty Million Yuan.

The credit line referred in this contract is the highest comprehensive credit line that can be used by the grantee according to the terms of this contract.

When the currency actually used in the business of comprehensive credit line is different from the currency specified in this contract, the actually used credit line shall be converted to the currency specified in this contract using exchange rate determined by Bank of Shanghai. When the exchange rate changes, the creditor has the right to convert the credit line based on the exchange rate to determine the use of credit line.

Article 2 The credit line specified in this contract can be used for a single of multiple items of credit line services listed below:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Liquid fund loans; | <input checked="" type="checkbox"/> Acceptance of bills |
| <input checked="" type="checkbox"/> Commercial acceptance bill discount; | <input checked="" type="checkbox"/> Commercial bill acceptance; |
| <input checked="" type="checkbox"/> Non-financing guarantee; | <input checked="" type="checkbox"/> Loan on export letter of credit; |
| <input checked="" type="checkbox"/> Open a letter of credit; | <input checked="" type="checkbox"/> Documentary bills on import; |
| <input checked="" type="checkbox"/> Documentary bills on export letter of credit; | |
| <input checked="" type="checkbox"/> Documentary bills on outward collection; | |
| <input checked="" type="checkbox"/> Export factoring; | <input checked="" type="checkbox"/> Other: / |

Article 3 The maximum credit limit and/or the margin ratio in each of the above individual credit line services is agreed as follows: The balance of all credit line services at any time point shall not exceed the value equal to RMB Fifty Million Yuan. The unpaid balance shall not exceed the value equal to RMB Fifty Million Yuan.

Chapter 2 Credit Period

Article 4 The term of credit line stipulated in this contract shall be from the date of February 25, 2019 to the date of January 23, 2020.

Article 5 The creditor has the right to check the use of the credit line specified in this contract at any time and has the right to unilaterally stipulate the premature termination of the remaining credit line and term of credit line in the event that the grantee violates the

provisions of Article 29 of this contract.

Chapter 3 Use of Credit Lines

Article 6 Within the term of credit line and the amount of credit line stipulated in this contract, the grantee shall apply in writing to the creditor for using the credit line. The written application shall specify the type of credit, the period of use, and the amount of use. If the creditor approves the application, it shall sign a specific business contract/agreement (hereinafter referred to as "specific business contract") with the grantee with respect to the corresponding credit line business.

Article 7 The grantee shall apply for the use of credit line when the following conditions are satisfied:

- (1) This contract and its guarantee contract (if any) have been in force and continue to be valid;
- (2) The grantee has submitted to the creditor the application for using the credit line and the relevant information requested by the creditor;
- (3) The grantee's business and financial status have not undergone any significant and adverse changes;
- (4) The grantee's statement and claim are true, accurate, complete and effective, and the grantee can fulfill the responsibilities stipulated in this contract. In addition, there shall not be violations or potential violations of this contract.

Article 8 The balance of the credit line used by the grantee (i.e., the amount of the credit line that is being used but not yet paid) shall not exceed the credit line at any time within the term of credit line. Within the term of credit line, the grantee can reapply for the revolving use of credit line that has been paid, except for those with other agreement stipulated in this contract or specific business agreement. All remaining credit line not used in the term of credit line will automatically terminate by the end of the term of credit line.

Article 9 If this contract stipulates the maximum credit line for a single credit line service, the grantee shall ensure that, in addition to abiding the agreement in article 8, the use of credit line of the single credit line service shall not exceed its corresponding maximum limit at any time within the term of credit line.

Article 10 In the contract period of comprehensive credit line, specific business contracts shall be signed. The date of each business in specific business contracts shall not occur later than January 23, 2020. The termination date of each specific business may exceed the above date depending on the stipulation in specific business contracts.

If the term of credit line is terminated early, the termination date shown above will also be changed accordingly.

Chapter 4 Fees

Article 11 The creditor shall provide the grantee with a comprehensive credit service in accordance with relevant laws and regulations, and shall charge a "fee for the idle credit line" according to % of the amount of idle credit line. The calculation formula for the fee is:

The amount of fee = \sum (the amount of idle credit line * fee rate * the number of days of idle credit line/360), of which: the amount of idle credit line = the amount of the credit line – account balance

Article 12 The grantee shall, in accordance with the fee calculation formula of Article 11, choose one of the following methods to pay the fee for the idle credit line:

☒ "Quarterly Charge": After the contract comes into effect, the creditor charge the grantee the fee for the idle credit line based on the actual amount and number of days corresponding to the idle credit line in the calendar quarter;

☒ "One-time after-charge": The creditor will charge the grantee the fee for the idle credit line based on the amount and number of days corresponding to the idle credit line in one installment on the expiration date of the credit line;

☒ Other agreements:

_____ /

Article 13 The interest rate, exchange rate, discount rate and other fees related to specific credit line service of this contract shall be agreed up by the grantee and the creditor in specific business contracts.

Chapter 5 Guarantee

Article 14 When the grantee and the creditor sign this contract, the following one or multiple guarantees are provided, or no guarantee is provided:

☒ Guarantor Hui Wang (Cleanchip Technologies Limited) and Creditor (i.e., lender) signed a "Maximum Guarantee Contract" with a number of ZDB20119010001, ZDB20119010002;

☒ Mortgagor / and Creditor (i.e., mortgagee) signed a "Maximum Mortgage Contract" with a number of _____;

☒ Pledgor and Creditor (i.e., pledgee) signed a "Maximum Pledge Contract" with a number of _____;

☒ This contract is for credit line and does not need guarantee.

If there is mortgage (pledge), the creditor has the right to ask the guarantor to restore the value of collateral if the value of such collateral reduces or if the collateral is damaged. Otherwise, the guarantee provided by the guarantor will be reduced accordingly.

Article 15 When the grantee and the creditor sign a specific business contract stipulated in this contract, the creditor has the right to ask the grantee to provide other guarantee in addition to those specified in Article 13 of this contract.

Chapter 6 Statement and Guarantee of the Grantee

Article 16 A grantee is an enterprise, institute or other organization that is established legally according to Chinese laws and is still valid. The grantee shall be able to fulfill its obligations and bear its civil responsibilities in its name.

Article 17 The signing and implementing of this contract are the true intention of the grantee and have obtained necessary agreement, approval and authorization. There shall be no legal defects.

Article 18 All files, financial reports, documents and information provided by the grantee to the creditor during the signing and implementing of this contract are true, accurate, complete and effective. The grantee has not concealed may affect information that may affect its financial status and ability to fulfill the contract.

Chapter 7 Responsibilities and Commitments of the Grantee

Article 19 The use of credit line by the grantee shall comply with the agreement in this

contract and specific business contracts. The creditor has the right to check the implementation of specific business contracts by the grantee.

Article 20 Within the term of credit line, according to the requirements of the creditor, the grantee shall submit to the creditor true and complete financial reports, all of its bank accounts and balances of deposits and loans.

Article 21 Within the term of credit line, the grantee shall obtain the approval from the creditor before major events, such as foreign investment, substantial increase of debt and financing, merger, separation, and transfer of shares.

Article 22 The grantee shall ensure that its attribute or scope of business will not change substantially after the signing of this contract.

Article 23 Within the term of credit line, the grantee shall notify the creditor in writing in 30 days in advance prior to the following major events: any form of asset restructuring via mergers, acquisitions or separations, any change in corporate business via contracting or leasing, activities resulting in change of corporate structure or business, changes in registered capital and shareholding structure, and major investments. If the change will affect the grantee's ability to repay the loan, the grantee shall take appropriate remedial measures according to the creditor's request.

Article 24 If the grantee undergoes changes, such as the change in the domicile address or business address of the legal person (responsible person), the creditor shall be notified in writing within 30 working days before such changes.

Article 25 The grantees shall pay the principal and interest of the funds, related expenses and other payables on time according to the agreement specified in this contract and specific business contracts.

Article 26 The grantee shall not refuse to pay to the creditor any amount, which has been paid by the creditor or shall be paid by the grantee, for any reasons including commercial dispute.

Article 27 For the payables of the grantee that have matured under this contract and specific business contracts (including all amounts with early maturity), the creditor has the right to directly withdraw the fund from any accounts opened by the grantee at Bank of Shanghai Co., Ltd. (including branches) without prior consent from the grantee.

Article 28 The grantee shall promptly report to the creditor any relevant transactions valuing more than 10% of the net assets of the grantee, including but not limited to: the relations among parties participating in the transaction, the description and nature of the transaction, the corresponding proportion of financing of the transaction, the pricing policy (including transaction with a symbolic amount only).

Article 29 The grantee will treat the creditor as the primary collaborating band and will make the following commitment:

(1) In the term of credit line, the grantee shall complete at least RMB ____ of import and export transactions with the creditor. Among them, the export transactions shall not be less than RMB /.

(2) Other agreements: /

Chapter 8 Breach of Contract and Relief

Article 30 The grantee constitutes a breach of contract when any of the following occurs:

(1) The grantee fails to pay matured debt on time, including but not limited to the principal,

- interest or other expenses agreed upon in this contract or specific business contracts;
- (2) The grantee fails to use the credit fund in accordance with this contract or specific business contracts signed with the creditor;
 - (3) The grantee fails to implement or completely implement the agreement specified in this contract or specific business contracts signed with the creditor and subsequently cause damaging effect on the creditor's interests;
 - (4) The grantee fails to implement or completely implement the agreement specified in loan contracts, guarantee contracts and credit line contracts signed by the grantee and third parties;
 - (5) The grantee experiences bankrupt, liquidation, insolvency or other situations that impair its ability to repay the debt;
 - (6) The grantee experiences any major events related to this contract that threaten and damage the creditor's interests, and the grantee fails to take corresponding remedy measures per the requests of the creditor.
 - (7) The ability of guarantor (if any) to fulfill its obligation is significantly insufficient, the collateral is damaged, or the value of collateral reduces significantly, and the guarantor fails to take corresponding remedy measures per the requests of the creditor.
 - (8) The grantee fails to pay the commitment fee of idle credit line as agreed.

Article 31 After the occurrence of a contract violation, according to the severity of violation, the creditor has the right to adjust or terminate the remaining credit line or the term of credit line specified in this contract, and has the right to take some or all of the following measures:

- (1) Declare that all debts specified in this contract and specific business contracts mature prematurely, and request immediate loan repayment from the grantee;
- (2) Require the grantee to bear all expenses (including but not limited to legal fees and lawyer fees) incurred during the process of enforcing the obligations of this contract;
- (3) Require the grantee to increase the value of collaterals, which include but not limited to guarantee, mortgage and pledge;
- (4) Take other measures complying with the provisions of relevant laws and finance supervision regulations as well as the agreement of this contract

Chapter 9 Agreement on Value Added Tax (VAT)

Article 32 All the prices and expenses (such as handling fees) involved in this contract are prices including taxes, including but not limited to VAT. During the implementation of this contract, if the tax rate of China is adjusted, the creditor has the right to use the new tax rate to adjust the price and expenses of all services listed in this contract.

Article 33 The grantee may require the creditor to issue a corresponding VAT invoice according to relevant national laws and regulations within 90 calendar days after the payment (including the date of payment). **If the grantee requests an invoice exceeding the aforementioned period, the creditor has the right to refuse to issue the invoice.**

Article 34 If the grantee requests the creditor to issue a VAT invoice, it shall first register the customer information with the creditor and provide the corresponding taxpayer identification document and billing information. The grantee shall confirm that its billing materials and related information are true and accurate. If the information of the grantee changes, the grantee shall promptly submit an application to the creditor to change its billing information. **If the invoice is issued in error or if the grantee fails to deduct the tax because the aforementioned information is wrong and false or because the**

grantee fails to update its billing information timely, the grantee shall bear the relevant responsibilities.

Article 35 If the creditor fails to issue a VAT invoice due to force majeure such as natural disasters, government actions and social anomalies, the creditor shall not bear the relevant responsibilities.

Article 36 If a VAT invoice is lost, damaged or overdue after the VAT invoice is received by the grantee or after the creditor has handed it over to a third party for shipment, so that the grantee fails to receive the invoice or to deduct the tax, the grantee shall bear the relevant responsibility.

Article 37 In the event a VAT invoice should be forfeited or a special VAT invoice is needed, the parties of the contract shall operate in accordance with the relevant laws, regulations and policy documents.

Chapter 10 Terms of Delivery

Article 38 Both parties of the contract shall use writing to deliver the notice of relevant matters, documents such as agreements, documents related to contract dispute, and legal documents.

☒ Using the main business address (mailing address) listed on the first page of this contract as the delivery address;

☒ Deliver to following address and contact person:

Delivery address of the creditor: _____ Contact: _____

Delivery address of the grantee: _____ Contact: _____

The above-mentioned delivery addresses also apply to the non-litigation stage as well as the first trial, second trial, appeal and implementation stages of litigation.

Article 39 If the address and contact person of the grantee are changed, the creditor shall be notified in writing within two working days at the latest.

If the grantee fails to perform the notification obligation as described above, the above confirmed delivery address is still considered a valid delivery address. If the creditor is not notified about the change of the grantee's delivery address in time and if the creditor delivers to the original delivery address, or if the delivery is returned because the modified delivery address provided by the grantee is inaccurate, the delivery is deemed to be successful. If a delivered is made by post mail, the date of delivery is the postmark date of the registered mail; if a delivered is made by a courier, the date of delivery is the date of receipt by the grantee.

Chapter 11 Effective Date of Contract

Article 40 This contract comes into force after it is signed by the legal representative (responsible person) or authorized agent of both parties and affixed with the official seals of both parties. When this contract is signed by the authorized agent, the written authorization of the legal representative (responsible person) shall be obtained.

Chapter 12 Resolution of Disputes

Article 41 This contract shall be implemented at the location of creditor. In case of disputes occurring during the implementation of this contract by both parties, such disputes can be resolved by negotiation. In case the negotiation fails to solve the disputes, any party of the contract may file a law suit to the People's Court at the location where the contract is implemented. During the negotiation or litigation, the articles of this contract not involved in the dispute shall still be honored.

Chapter 13 Supplementary Provisions

Article 42 The rights and obligations of the creditor specified in this contract can be enjoyed and implemented by the creditor specified in this contract. They can also be enjoyed and implemented by the supervisory agency of the creditor.

Article 43 All notices related to this contract shall be delivered in writing to the main business addresses listed in this contract. When the notices specified in this contract are delivered by a courier, the date of delivery is the date of receipt by the recipient. If the documents are delivered by telegraph or fax, the date of delivery is the date when the telegraph or fax reaches the recipient. If the documents are delivered by postal mail, the date of delivery is 3 days after the date of the postmark stamped on the registered mail.

Article 44 All specific business contracts signed by the grantee and the creditor according to this contract are integral components of this contract. If specific business contracts are different from this contract, specific business contracts shall prevail.

Article 45 There are Five copies of the main text of this contract. The grantee has One copy, the creditor has Two copies, and the guarantor Hui Wang (Clean chip technologies Limited) has Two copies. All copies have the same legal effect.

Article 46 Other issues agreed by two parties

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Article 47 At the time of signing this contract, the creditor has explained to the grantee in full terms of the contract. Both parties have no doubts on all the terms of the contract, and both parties have accurate understanding about the legal meaning of articles regarding to the restriction or exemption of relevant rights, obligations and responsibilities.

(There is no text below)

(Signature page)
Grantee: ACM Research (Shanghai) Inc.
(Official seal)

Legal representative (responsible person) or authorized agent: HUI WANG
(Signature/Stamp)

Creditor: Bank of Shanghai Co., Ltd. Pudong Branch
(Official seal)

Legal representative (responsible person) or authorized agent: Ding Bing
(Signature/Stamp)

Date of Signing: February 25, 2019
Place of Signing: No. 699, Zhangyang Rd.

Notary Certificate

(2019) Shanghai Puzheng Jingzi No. 525

Applicant:

Grantee: ACM Research (Shanghai) Inc.

Address: Building #4, No. 1690, Cailun Road, China (Shanghai) Pilot Free Trade Zone;

Legal representative: HUI WANG, Male, born on November 14, 1961, holding a US passport (number: 545822421).

(hereinafter referred to as "Party A")

Creditor: Bank of Shanghai Co., Ltd., Pudong Branch, Address: No. 699, Zhangyang Road, Pudong New Area, Shanghai;

Person in charge: Ding Bing (hereinafter referred to as "Party B")

Item of Notarization: Contract of comprehensive credit line

The applicants, ACM Research (Shanghai) Inc. and Bank of Shanghai Co., Ltd., Pudong Branch, applied to this Notary Office on February 25, 2019 for the notarization of the above "Contract of Comprehensive Credit Line".

Our notary office reviewed and informed of the above "Contract of Comprehensive Credit Line" and Party A and Party B, and confirmed the contract and the notarization of the contract with both parties of the contract. We have found the following facts:

1. According to the legal documents, identification documents and relevant rights certification materials submitted by Party A and Party B to this notary office, both Party A and Party B have the capability of civil rights and obligations to sign this contract according to law.

2. This contract stipulates the agreements in respect of main contents such as the credit line, the term of credit line, the use of the credit line, the fees, the guarantee, the statement and guarantee of the grantee, the obligations and commitments of the grantee, breach of contract, remedy for breach of contract, agreement for value-added tax, the terms of delivery, the effective date of contract, and dispute resolution. The terms of the contract are clear and specific.

3. Party A and party B confirm to this notary office: The contents of the contract are fully known and both parties have reached agreement regarding all terms of the contract, and the intention of both parties is true.

Based on the above facts, it is hereby proved that the legal representative, WANG HUI, of Party A, ACM Research (Shanghai) Inc., and the responsible person, Ding Bing, of Party B, Bank of Shanghai Co., Ltd., Pudong Branch, signed the above "Contract of Comprehensive Credit Line" on February 25, 2019. The signing by both parties is in accordance with the provisions of Article 143 of the "General Principles of the Civil Law of the People's Republic of China", and the content of this contract is in compliance with the relevant provisions of the "Contract Law of the People's Republic of China". The seals of both parties on the contract are true.

Shanghai Pudong Notary Office

Notary Officer: Zhu Yuwei

March 11, 2019

[Seal: Shanghai Pudong Notary Office]

Shanghai Rural Commercial Bank

No.: 31440194170020

Contract for Maximum Financing

Contract for Maximum Financing

General Terms

Signee:

Financing Bank: The name is described in the special agreement article 1

Financing Applicant: The name is described in the special agreement article 1

According to relevant national laws and regulations, both parties have formulated this contract by consensus.

Article 1 The maximum amount of financing

1. The maximum amount of financing agreed upon in this contract refers to the maximum amount of financing balance provided by the lender to the financing applicant for various types of on-balance sheet and off-balance sheet activities (hereinafter collectively referred to as "financing"), such as loan, trade financing (including but not limited to packaged export loans, import and export documentary bills, etc.), bill acceptance and discount, factoring, opening of credit letter, and opening of the letter of guarantee.

2. The financing bank has the right to reduce the maximum amount of financing specified in this contract at any time according to the operating conditions and credit status of the financing applicant. The financing applicant agrees to use the financing within the amount of financing reduced by the financing bank. If the currency used in a specific business specified in this contract is inconsistent with the currency of the maximum financing, it shall be converted into the currency of the maximum financing according to the exchange rate determined by the financing bank for the purpose of determining the amount of financing. When the exchange rate changes, the financing bank has the right to convert at the changed exchange rate to determine the maximum amount of financing.

Article 2 The period of maximum financing

1. See the special agreement article 3 for the period of maximum financing. During this period, the financing applicant shall submit an application to the financing bank for the amount of financing to be used, and the financing bank shall not accept the application for using the quota if the application is submitted by the financing applicant on a day later than the expiration date of the financing period. **The maturation date of each specific business that occurs during the above period shall not exceed six months after the expiration date of the financing period agreed in this contract.**

2. During the maximum financing period, the specific starting date and maturation date of each business occurring within the amount of maximum financing shall be based on the specific business contract, the specific financing certificate or the relevant creditor's certificate (specific business contract, specific financing certificate and the relevant creditor's certificate are collectively referred to as the "business contract" below).

Article 3 Use of the maximum amount of financing

1. Unless otherwise expressly agreed, the financing under this contract is non-committed, that is, at any time during the financing period, the financing bank has the right to refuse to approve the specific business application of the applicant or the extension of the contract based on market conditions, funding, its own business needs, the ability of the financing applicant to perform or its financial status; or suspend, cancel, change or terminate all or

part of the financing under this contract, and require the financing applicant to immediately repay any or all of the unexpired financing, even if the maximum amount of financing specified in this contract or the amount of the limited financing for a specific business has not been fully withdrawn, used or exceeded. This contract will always apply unless the financing applicant and the relevant guarantor (if involved) properly sign the new maximum financing contract issued by the financing bank or if the amount of financing is terminated or cancelled by the financing bank. If the financing bank terminates or cancels the financing according to the provisions of this contract, the date of termination or cancellation shall be the expiration of the financing period, and the financing applicant shall immediately repay all balance under this contract. If the financing applicant has expected liabilities and contingent liabilities after the suspension, termination or cancellation of the financing, the financing bank has the right to require the financing applicant to immediately provide cash guarantee for the expected liabilities and contingent liabilities.

During the financing period, the financing applicant shall abide by the guarantees/commitments and other obligations stipulated in this contract. If the financing applicant violates any commitments or obligations under this contract, including but not limited to the failure to use the financing as agreed, failure to repay the financing according to agreed methods, non-compliance with commitments, violation of agreed financial indicators, cross-defaults (if involved) and fraudulent loan documents, the financing bank has the right to suspend, cancel or terminate all or part of the financing under this contract and require the financing applicant to repay the financing in advance. The compliance of the financing applicant with such guarantees/commitments and obligations does not impair or affect the non-committed nature of the contract and the above rights of the financing bank. Upon signing this contract, the financing applicant has confirmed that although the contract contains guarantees/commitments and other obligations, the financing bank may suspend, cancel or terminate at any time and require early repayment of all or any part of the financing, regardless of whether or not the financing applicant has violated any such guarantees/commitments or obligations.

2. For a specific business and its amount under the maximum amount of financing, the financing applicant can use it in a revolving fashion. However, each financing must be applied one by one and be approved by the financing bank before it can be used.

3. The interest rate, discount rate and/or other rates applicable to each specific business incurred in this contract shall be agreed upon between the financing bank and the financing applicant in a specific business contract.

4. According to the actual business needs, if the business contract involved in a specific business is inconsistent with this contract, the business contract shall prevail.

Article 4 Guarantee Terms

See Special Agreement Article IV.

Article 5 Rights and Obligations of the Financing Applicant

1. The financing applicant has the right to request the financing bank keep the information of production, operation, asset and account provided by the financing applicant confidential, except as otherwise stipulated by law.

2. The financing applicant assumes the following obligations:

(1) Shall provide true documents requested by the financing bank, as well as the balance of all bank accounts, account numbers and deposits and financing. In addition, the financing

applicant shall cooperate with the financing bank in its investigation, review and inspection.

(2) Shall accept the annual review and supervision of the financing bank regarding its use of credit funds, relevant production operations, and financial activities.

(3) The financing shall be used in accordance with the agreed terms specified in each business contract.

(4) The principal and interest of the financing and/or advance payment shall be repaid in full and on time in accordance with this contract and each business contract.

(5) The obligations shall be fulfilled in accordance with this contract and each business contract.

(6) The financing applicant shall immediately notify the financing bank of the following situations and actively cooperate with the financing bank to implement safeguard measures, so that the principal and interest of all financing and related expenses borrowed from the financing bank can be repaid:

1) The occurrence of a major financial loss, asset loss or other financial crisis;

2) Misappropriation of financing funds and other violations of this contract and business contracts;

3) Significant changes in the market related to the operations of the financing applicant that will affect its normal operations;

4) Provide financing or guarantees for the benefit of third parties or for the protection of benefit of third parties against losses, or provide a collateral guarantee(pledge) with own property (rights);

5) Major changes that have already taken place or may have taken place in the form of management systems or property rights organizations, including but not limited to the implementation of contracting, lease operations, joint ventures, mergers, acquisitions, divisions and joint ventures (cooperation), transfer of production (shares) rights, and shareholding system reforms;

6) Dispose of all or most of assets, or reduce the registered capital via sale, donation, lease, lending, transfer, mortgage, pledge or other methods;

7) Circumstances such as already occurred or pending business suspension, revocation or cancelation of business license, and voluntary or forced application (including pre-application) for bankruptcy or dissolution;

8) A major crisis has occurred in the operation or finance of its controlling shareholder or other related companies, thus affecting the normal operation of the financing applicant;

9) A major connected transaction with its controlling shareholder or other related companies, thus affecting the normal operation of the financing applicant;

10) Any litigation, arbitration or criminal or administrative penalty that exerts a material adverse effect on the business or asset status of the financing applicant;

11) Make foreign investment and substantially increase debt financing;

12) Other matters that may affect the ability of the financing applicant to pay debts.

Article 6 Rights and Obligations of the Financing Bank

1. The financing bank has the following rights:

(1) The right to require the financing applicant to timely repay the principal and interest of the financing and advance payment specified in this contract and business contracts.

(2) The right to require the financing applicant to provide information related to the use of the maximal amount of financing.

(3) The right to know the production operation, financial activities and credit status of the financing applicant.

(4) The right to supervise the use of the financing and/or other funds by the financing applicant according to this contract and business contracts. The right to require the financing applicant to fulfill the obligations stipulated in this contract and business contracts.

(5) If the financing applicant fails to fulfill the obligations stipulated in this contract and/or each business contract, the financing bank has the right to terminate this contract and to decide to stop providing or cancel the financing or other unused funds of the financing applicant within the maximum financing amount. The right to require the financing applicant to repay the financing prematurely that has been issued within the maximum amount of financing or to require the financing applicant to deposit a corresponding amount of fund.

2. The financing bank shall keep confidential the assets, finance, production and operation information as well as the personal information of the legal representative/responsible person, the actual owner and/or the senior management of the financing applicant, except as otherwise stipulated by law.

Article 7 The financing applicant specifically guarantees the following:

1. The financing applicant is an independent civil entity established in accordance with law and has all necessary rights and capabilities to sign this contract, fulfill the obligations specified in this contract and bear corresponding civil liabilities in its own name.

2. The signing and implementation of this contract have been fully authorized by the shareholders (general) meeting, the board of directors or any other authorized institutions.

3. The documents, materials, and certificates provided by the financing applicant regarding the financing applicant, the guarantor, the mortgagor (the pledger), and the collateral (the pledge) are true, accurate, complete and valid, and do not contain any major mistakes that do not match the facts or any omissions of material facts.

4. At the time of signing this contract, there were no litigation, arbitration, and criminal or administrative penalties with major adverse consequences to the financing applicant or the financing applicant's main assets, and it is expected that such litigation, arbitration, and criminal or administrative penalties will not occur during the execution of this contract. If such litigation, arbitration, and criminal or administrative penalties have occurred, the financing applicant shall immediately notify the financing bank.

5. Strictly abide by various national laws/regulations and the specified scope of business to carry out business operations. Timely handle the annual inspection procedures for the registration of corporate legal person.

6. Maintain or improve the current level of management to ensure the preservation and appreciation of existing assets. Do not waive any matured debts and do not dispose of existing major assets with unpaid or other inappropriate means.

7. At the time of signing this contract, the financing applicant did not experience any major events that could affect its fulfillment of the obligations specified in this contract.

Article 8 Other expenses

For all costs of credit investigations, inspections, notary services and insurance related to this contract, and in the event that the financing applicant cannot timely repay the debts owed to the financing bank specified in this contract, the financing bank has the right to request the financing applicant to bear all expenses arising from

the realization of the credits via the financing activity, including but not limited to the lawyer fees, travel expenses, legal fees, preservation fees, asset disposal fees and other expenses borne by the financing applicant for realizing the credits via the financing activity. The financing applicant confirms its irrevocable commitment to confirm that the financing bank can collect the expenses from the financing applicant by means of the business contract, agreement or the invoice or receipt issued by relevant organizations, and the financing applicant shall not disagree with the amount of the expenses and shall make the payment in accordance with the requirements of the financing bank.

Article 9 Breach of Contract and Handling

1. When the financing applicant, guarantor, or matters of mortgage/pledge violate the provisions of this contract or business contracts, or when the financing applicant violates other contracts, agreements or legal documents signed between the financing applicant and the financing bank, it constitutes a breach of contract.

2. In the event of breach of contract, the financing bank has the right to take the following measures separately or simultaneously, and the financing applicant has no objection to the measures shown below:

- (1) Stop issuing financing that have not been used by the financing applicant within the maximum amount of financing.
 - (2) Announce that the financing already issued within the maximum amount of financing have matured in advance and collect the principal, interest and related expenses of the financing that have been issued within the maximum amount of financing.
 - (3) Unilaterally cancel the maximum amount of financing and terminate this contract simultaneously.
 - (4) For accepted drafts or letters of credit/letters of guarantee that have been opened during the maximum financing period, the financing bank may require the financing applicant to increase the amount of security deposit regardless of whether the financing bank has made advanced payment.
 - (5) Exercise relevant rights of guarantee (if any);
 - (6) Recourse in accordance with this contract.
3. If the mortgagor who provides the guarantee for the loan under the contract has sold, transferred, donated, and re-mortgage the collateral, used the collateral to pay off other debts, or used the collateral as a trust property without the prior written consent of the financing bank, the financing bank has the right to immediately cancel all or part of the loan, declare that the contract and/or the loan under this contract expires in advance, and has the right to recover the loan principal, corresponding interest and other expenses in advance.
4. If the pledger who provides the guarantee for the loan under the contract has sold, transferred, donated, and re-mortgage the pledge, used the pledge to pay off other debts, or used the pledge as a trust property without the prior written consent of the financing bank, the financing bank has the right to immediately cancel all or part of the loan, declare that the contract and/or the loan under this contract expires in advance, and has the right to recover the loan principal, corresponding interest and other expenses in advance.

Article 10 Change and Cancellation of the Contract

This contract may be changed or cancelled after the financing bank and the financing applicant have reached a consensus and formulated a written contract. The terms of this

contract remain in effect until a written contract for change or cancellation is reached. Neither party may unilaterally change, modify or cancel this contract without authorization.

Article 11 Anti-corruption and anti-bribery provision

The financing applicant and its guarantor will faithfully perform anti-bribery obligations, including but not limited to: the financing applicant and its guarantor are not aware of and have not taken any action that may directly or indirectly lead to violation of any applicable anti-bribery laws, and understand that any director, manager, agent, or employee of the financing applicant and its guarantor or its subsidiaries, or other persons acting on behalf of the financing applicant and the guarantor or its subsidiaries are also unaware of and have not taken any of these actions.

Article 12: Compliance Actions

1. The financing bank is required to comply with laws, regulations and requirements that are related to:

(1) Prevent money laundering, terrorist financing, corruption, tax evasion or the providence of financing and other services to individuals or entities who may be subject to economic or trade sanctions; or

(2) Investigate, prosecute or exercise rights as a result of any person violating any laws and regulations.

2. The financing bank may take and may instruct other members of the financing system to take actions that the financing bank considers appropriate ("Compliance Actions") to prevent or investigate criminal acts or potential violations of the sanction policies, or comply with relevant laws, regulations, sanctions policies, international standards, procedures within the relevant financing system, and/or public, regulatory or industry directives s related to members of any financing system. These compliance actions include: interception and investigation of any payment, communication or instruction; and initialization of further inquiries as to whether an individual or entity is bound by the sanction policies;

3. For experience of any party that is in whole or in part due to:

(1) Any action taken by the financing bank, or delay in performance or non-performance of any obligations of the financing bank under this agreement, or

(2) Any loss (including direct or indirect losses, or loss of income, data or benefits) or delays caused by any action taken by the financing bank or any member of the financing bank group in accordance with the "compliance action", the financing bank and any member of the financing bank group does not need to bear any responsibility to the financing applicant.

Article 13 Group Credit

The financing applicant guarantees that it will report in writing to the financing bank any connected transaction whose total amount exceeds 10% of its total net assets. These reports should include at least the following information:

1. The relationship between the parties involved in the reported connected transaction;

2. The details and nature of the reported connected transactions;

3. The amount of the transaction and its proportion to the total value of the net assets;

4. Pricing policies for connected transactions (including transactions with zero amount or only nominal fees).

Article 14 Other matters

1. During the validity period of this contract, any actions of the financing bank carried out to forgive, extend or delay the implementation of the financing bank's rights and benefits specified in this contract in the event of contract violation and delay by the financing applicant shall not impair, affect or restrict all relevant rights and benefits of the financing bank specified in this contract and in compliance with legal provisions. The above actions shall not be deemed as permission by the financing bank for any breach of this contract, nor shall they be deemed as that the financing bank waives the right of action against current or future violations of the contract.

2. If this contract becomes legally invalid for any reason, or if some of the terms are invalid, the financing applicant shall still bear the responsibility of repaying all the debts owed to the financing bank as specified in this contract. If this happens, the financing bank has the right to terminate this contract and can immediately collect all debts owed by the financing applicant as specified in this contract.

3. All matters related to this contract shall be delivered to the other party in writing according to the mailing address listed on the first page of this contract (if one party has notified the other party in writing to change the address, the new address shall be used).

4. If a notice is delivered by a courier, the date of receipt by the other party shall be deemed as the date the notice is delivered to the other party; if a notice is delivered by postal mail, the third working day from the date the mail is sent shall be deemed as the date the notice is delivered to the other party.

5. The contact address and electronic terminal (including mobile phone, fax number, E-mail address) provided by the financing applicant will serve as the delivery address of its respective agency for dispute resolution. The confirmed delivery address is applicable to each stage of dispute resolution including first trial, second trial, retrial, and execution.

6. If the delivery address changes during the performance of this contract, the financing applicant should promptly inform the financing bank of the changed address.

7. In addition to the above, effective delivery shall be deemed when the court of appeal or other agencies for dispute resolution deliver to the delivery address by mail. If the address is changed during the dispute resolution period, the financing applicant shall promptly inform the financing bank and the agencies for dispute resolution regarding the address change.

8. If the provided delivery address is inaccurate and the changed address is not promptly notified, or the legal document is not actually received by the addressee because the addressee or the recipient designated by the addressee refuses to sign the delivery, the date of return of the legal document is deemed to be the date of delivery.

9. The written supplementary contract reached between the financing bank and the financing applicant for unfinished or changed matters of this contract by consensus constitutes an integral part of this contract.

10. The title of this contract is for convenience only and should not affect the validity of this contract and the interpretation to the terms of this contract.

11. Definition

Business day: Refers to the day when the financing bank is engaged in general business operations (except Saturdays and Sundays and other statutory holidays).

Group customer: Refers to the recipient of enterprise/corporate loan/credit with the following characteristics:

- (1) Directly or indirectly control legal persons of other enterprises and corporations or be controlled by legal persons of other enterprises and corporations in terms of equity right or business decision-making;
 - (2) Jointly controlled by the legal person of a third party enterprise and corporation;
 - (3) Directly or indirectly controlled by the main investor, key management personnel or their close relatives (including the direct family members within three generations and the kinship relationship within two generations) jointly;
 - (4) There are other related relationships and the assets and profits may not be transferred according to the fair price principle, or when the bank believes that it should be treated as a group customer for credit management.
12. For other matters agreed by the parties, see Special Agreement Article 5.
13. For the number of contracts, see Special Agreement Article 6.

Article 15 Dispute Resolution

1. The formulation, implementation, interpretation and validity of this contract shall be governed by the laws of the People's Republic of China (for the purposes of this contract, excluding laws of the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan).
2. **Any dispute arising from or in connection with this contract shall be settled through friendly negotiation. If it cannot be settled through negotiation, it shall be submitted to the people's court in the competent jurisdiction at the location of the financing bank for litigation.**
3. If the financing bank and the financing applicant decide to apply for the notarization of various business contracts with the effect of compulsory enforcement, such notarization shall be handled in accordance with the specific agreement of each business contract.

Article 16 Effectiveness of this contract

This contract shall become effective on the date when it is signed by both parties, and shall automatically expire on the date when all debts and other related expenses owed by the financing applicant to the financing bank are paid in full.

**Contract for Maximum Financing
Special Terms**

No. 31440194170020

I. Instructions about the signee:

Financing bank: Shanghai Rural Commercial Bank Inc. Ltd., Zhangjiang Hi-tech Branch

Legal representative (person in charge): Ji Rong

Mailing Address: Fax:

Landline telephone: Postal Code:

Financing applicant: ACM Research (Shanghai) Inc.

Legal representative: Hui Wang

Mailing Address: Fax:

Landline telephone: Postal Code:

Mobile phone: E-mail:

II. The financing bank provides the financing applicant with the maximum amount of financing equal to (capital letters) RMB Twenty Million Yuan (numbers) 20,000,000 (when the capital letters are inconsistent with the numbers, the capital letters shall prevail). The specific variety of business and amount can be found in the specific business contract as agreed by the financing bank.

III. The maximum financing period is 12 months, that is, from February 19, 2019 to January 13, 2020. The first transaction of business shall not be later than May 19, 2019. The financing bank has the right to terminate this contract if the date of first transaction exceeds the date specified above. The date of first loan usage shall not be later than May 19, 2019, otherwise the financing bank has the right to terminate this contract.

IV. Terms of guarantee

1. All debts owed to the financing bank by the financing applicant specified in this contract shall be guaranteed by _____ (if the number of identification card is applicable)

_____ with its property or the property that can be disposed of by it legally (related property) as the collateral for mortgage. The guarantor and the financing bank will sign a maximum mortgage contract (contract number: _____).

2. All debts owed by the financing applicant to the financing bank specified in this contract shall be guaranteed by _____ as a joint guarantor of liability. The guarantor and the financing bank will sign a maximum guarantee contract (contract number: _____).

3. All debts owed by the financing applicant to the financing bank specified in this contract shall be guaranteed by _____ (if the number of identification card is applicable)

_____ with its property or the property that can be disposed of by it legally (related property) as the collateral for pledge. The guarantor and the financing bank will sign a maximum pledge contract (contract number: _____).

4. All debts owed by the financing applicant to the financing bank specified in this contract shall be guaranteed by Hui Wang identification card number Passport No.: 545822421 as a joint guarantor of liability (natural person). The guarantor has issued a personal certificate of guarantee for the maximum amount of guarantee (contract number: 31440194410020).

5. All debts owed by the financing applicant to the financing bank specified in this contract

shall be guaranteed by _____ (if the number of identification card is applicable)
_____ as the guarantor. The contract of guarantee shall be signed when
corresponding business contracts are signed.

V. Other agreed matters

VI. This contract has Four copies. The financing bank and the financing applicant shall
each hold two copies, and all other relevant parties shall each hold / copy. / copy shall be
archived. Each copy has the same legal effect.
(There is no text below)

(This page is a signature page)

Special reminder This contract consists of general terms and special terms. The lender has requested the financing applicant to gain a full and accurate understanding of the printed general terms and filled special terms included in this contract, especially the bold and underlined articles included in the general terms. The lender has fully advised the borrower to pay attention to the bold and underlined articles of this contract, and has provided corresponding explanation of these terms at the request of the financing applicant. Both signing parties agreed on the meaning of this contract and the terms of each agreement.

Financing bank (Seal): Shanghai Rural Commercial Bank, Zhangjiang Hi-tech Branch
(Special stamp for credit contract)

Legal representative (responsible person) or attorney (Signature/Seal): Ji Rong

Financing Applicant (Signature/Seal): ACM Research (Shanghai) Inc.

Legal representative (responsible person) or attorney (Signature/Seal): Hui Wang

Date of Signing: February 19, 2019

Place of Signing: Shanghai

No.: Z1901LN15661418

Liquidity Loan Contract

(applicable to 531)

Bank of Communications

Liquidity Loan Contract

Important Reminder

The borrower is requested to read the full text of this contract, especially the terms marked with ▲▲. If there is any doubt, please promptly ask the lender for explanation.

In view of the borrower's application for a liquidity loan credit line from the lender, this contract is established upon the agreement from the borrower and the lender to clarify the rights and obligations of the two parties.

Article 1 Definition

“Credit line” refers to the maximum amount of the loan balance (under the revolving quota) or the total loan amount (under the one-time quota) that the lender may issue to the borrower in accordance with this contract. The amount may be a revolving amount or a one-time quota according to the contract (can be used one-time only or used multiple times).

“Revolving quota” means that the borrower may apply for the use of the quota multiple times in accordance with this contract to obtain the loan, but the loan balance cannot exceed the agreed amount.

“One-time quota” means that the borrower may apply for the use of the loan in one or more times in accordance with the contract, but the total amount of the loan may not exceed the agreed amount.

“Loan balance” means the sum of the loan principal amount obtained by the borrower under this contract that has not yet been settled.

“Credit line balance” refers to the amount after deducting the loan balance (under the revolving quota) or the total loan amount (under the one-time quota) from the total credit line.

“Credit period” refers to the period during which the lender issues the loan to the borrower based on the borrower's application and the agreement of this contract. It is the period when a loan remains active rather than the loan term.

“Loan term” refers to the term of each loan determined by both parties in the corresponding “Application for the Use of the Bank of Communications' Loan Quota” (hereinafter referred to as “Application for the Use of Quota”).

“Bank business day” and “business day” refer to when the bank opens for public business at the location to the lender, excluding statutory holidays and weekends (except for the days when the bank opens for public business due to holiday adjustments). If the dates for obligation fulfillment such as the loan date, repayment date, interest payment date and expiration date are not applicable to the bank business day, the corresponding date will be postponed accordingly to the next business day.

Terms such as related parties, connected transactions, and major individual investors have the same meaning as that in the “Accounting Standards for Business Enterprises No. 36-Disclosure by Related Parties” issued by the Ministry of Finance (Accounting [2006] No. 3) and subsequent amendments to the standards.

Article 2 Use of Quota

2. 1 When the borrower needs to use the quota, it should apply to the lender in at least 5 business days in advance. When applying, the borrower should fill out the “Application for the Use of Quota” and use the quota after review and approval by the lender.

▲ ▲ 2.2 The quota of each use should meet all of the following conditions:

- (1) The loan balance (under the revolving quota) or the total loan amount (under the one-time quota) does not exceed the quota;
 - (2) The loan amount applied for does not exceed the balance of the quota;
 - (3) The application date and the loan issue date are within the credit period;
 - (4) The loan term and the maturity date of the loan are in accordance with this contract;
 - (5) The guarantee contract (if any) under this contract has entered into force and continues to be effective. If the guarantee contract is a mortgage contract and/or a pledge contract, the security property has been established and continues to be valid;
 - (6) When the borrower has completed the application for the loan, it must obtain the government approval, license, and registration required by law and the lender, and such license, approval or registration shall continue to be valid;
 - (7) After the contract takes effect, the borrower’s operating status and financial status have not undergone any material adverse changes;
 - (8) The borrower’s application meets the requirements of the relevant rules and regulations of the lender;
 - (9) The borrower has not acted in violation of the agreement stipulated in this contract;
-

(10) The payment method of the loan is in accordance with this contract. If the lender is entrusted to pay, the lender agrees to pay;

(11) Where a foreign currency loan is used, the borrower has provided supporting documents for the loan in compliance with relevant foreign exchange management policies, including but not limited to valid foreign exchange use certificates or registration documents;

(12) The borrower has designated special fund returning accounts and signed an account management agreement as required by the lender.

▲ 2.3 If the lender agrees to issue the loan, the final loan information is subject to the contents in the printed column of the "Application for the Use of Quota". The "Application for the Use of Quota" is used as the "Loan Certificate".

▲ ▲ 2.4 When the currency in the "Application for the Use of Quota" is inconsistent with the currency of the quota, the currency will be converted according to the daily exchange rate of the Bank of Communications at the beginning of the day only for the purpose of determining the quota balance. If there is no exchange rate that can be used directly, it shall be converted based on the exchange rate determined by the Bank of Communications in a reasonable manner.

▲ ▲ 2.5 After the borrower becomes the shareholder of the guarantor or its "actual controller" as defined in the "Company Law", the lender has the right to suspend or cancel the loan amount that the borrower has not used before the guarantor provides the lender a resolution indicating that the shareholders' meeting of the guarantor agrees to provide guarantee for the borrower.

Article 3 Calculation of Interest Rates and Payment of Interest

3.1 Basic rules for determining interest rates

3.1.1 The interest rate is agreed between the two parties in the "Application for the Use of Quota" after each use of the quota. Unless the parties agree on the specific value of the interest rate in the "Application for the Use of Quota", the specific interest rate of each loan will be based on the type of benchmark interest rate, the applicable date of the benchmark interest rate, and the magnitude of interest rate increase (decrease)/point value increase (decrease), interest rate floating rule, interest rate floating period, unit of interest rate floating period and start date (if required) for interest rate floating on a specific date stipulated in the corresponding "Application for the Use of Quota".

3.1.2 Types and definitions of "benchmark interest rate": (1) "benchmark interest rate of PBOC loan" refers to the benchmark interest rate of RMB loans for financial institutions issued by the People's Bank of China; (2) LPR quotes of Bank of Communications refer to the basic interest rate for loans quoted on the official website of Bank of Communications; (3) The average interest rate of the LPR quote refers to the loan base rate issued by the National Interbank Lending Center.

3.1.3 When the currency is RMB, daily interest rate = monthly interest rate/30, monthly interest rate = annual interest rate/12; when the currency is Hong Kong dollar, British pound and Australian dollar, daily interest rate = annual interest rate/365; when the currency is the US dollar, the Euro, the Japanese yen and other foreign currencies accepted by the lender, the daily interest rate = annual interest rate/360.

▲ ▲ 3.2 Lending rate

The lending interest rate at the time of each loan lending is determined based on the benchmark interest rate of the agreed "date applicable to benchmark rate" and the magnitude of floating interest increase (decrease)/increase (decrease) point of interest rate. Using the "date applicable to benchmark rate" as day T, the benchmark interest rate used to determine the lending rate of a loan is calculated according to the following rules:

When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;

When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date.

When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

3.3 Adjustment of interest rates

3.3.1 When a fixed interest rate is recorded in the "Application for the Use of Quota", the loan is executed according to this recorded interest rate during the loan term.

▲ ▲ 3.3.2 When a floating interest rate is recorded in the "Application for the Use of Quota", the date of loan interest rate adjustment for the loan is determined according to the interest rate floating rule, the interest rate floating period, the unit of interest rate floating period and start date (if required) for interest rate floating on a specific date stipulated in the corresponding "Application for the Use of Quota". The adjusted interest rate will be applied after the date of loan interest rate adjustment.

3.3.2.1 In the case of adjustment of the benchmark interest rate during the loan term, the period of the loan interest rate adjustment will be calculated starting from the date of "entry date of loan into account" or "the starting date of floating interest on specific date" based on "floating according to the entry date of loan into account" or "floating according to the starting date of

floating interest on specific date" selected in the option of "interest rate floating rule". The number of cycles in which the interest rate floats is filled in the blank column for the cycles of floating interest rate, and the unit of interest rate floating cycles can be selected by day or by month. If the number of interest rate floating cycles is "1" and the unit of floating cycle is "by day", the date of benchmark interest rate adjustment is the date when the loan interest rate is adjusted. If the number of interest rate floating cycles is "3" and the unit of floating cycle is "by day", the date of loan interest rate adjustment is 3 days from the date of "entry date of loan into account" or "the starting date of floating interest on specific date". If the number of interest rate floating cycles is "1" and the unit of floating cycle is "by month", the date of loan interest rate adjustment is 1 month from the date of "entry date of loan into account" or "the starting date of floating interest on specific date". If the number of interest rate floating cycles is "3" and the unit of floating cycle is "by month", the date of loan interest rate adjustment is 3 months from the date of "entry date of loan into account" or "the starting date of floating interest on specific date", and so on.

3.3.2.2 The loan interest rate on the date of loan interest rate adjustment is determined based on the benchmark interest rate on the date of loan interest rate adjustment. The magnitude of interest increase (decrease)/increase (decrease) point is unchanged except such changes are agreed by both parties. Taking the "date of loan interest rate adjustment" as day T, the benchmark interest rate used to determine the adjusted loan interest rate is determined according to the following rules:

When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;

When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date;

When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

▲▲3.3.3 when the "PBOC loan benchmark interest rate" is selected as the benchmark interest rate and if the adjusted PBOC loan benchmark interest rate is a floating rate or when the benchmark interest rate is abolished, the two parties will negotiate and adjust the loan interest rate separately, but the adjusted interest rate shall not be lower than the applicable interest rate at the time. If the two parties have not reached an agreement on the adjustment of interest rate 1

month after the date of PBOC adjustment, the lender has the right to declare that the loan has matured earlier.

If the "LPR quote of Bank of Communications" or the "average interest rate of LPR quote" is selected as the benchmark interest rate and if the relevant benchmark interest rate is cancelled according to regulatory requirements, the two parties will negotiate and adjust the interest rate of the loan separately, but the adjusted interest rate shall not be lower than the applicable interest rate at the time. If the two parties have not reached an agreement on the adjustment of interest rate 1 month after the date of PBOC adjustment, the lender has the right to declare that the loan has matured earlier.

▲▲ 3.3.4 Both parties can adjust the magnitude of interest increase (decrease)/increase (decrease) point of the corresponding loan interest rate after negotiation on the date of interest rate adjustment.

3.4 If the loan currency is RMB, the penalty interest rate of the overdue loan will increase by 50% from the agreed interest rate in this contract, and the penalty interest rate of misappropriated loan will increase by 100% from the agreed interest rate in this contract. If the floating rate loan is adjusted in accordance with the adjustment of the benchmark interest rate, the lender has the right to adjust the penalty interest rate applicable to each loan accordingly, and the new penalty interest rate will be calculated from the adjustment date of the loan interest rate agreed in the corresponding "Application for the Use of Quota".

3.5 Calculation of interests

3.5.1 Normal interest = the interest rate stipulated in the contract × the amount of the loan × the number of days of loan occupancy.

The number of days of loan occupancy is calculated from the date of loan release (inclusive) to the maturity date (excluding), and the maturity date is postponed if it falls on a non-business day. The day of postponement is included in the loan occupancy period and the interest is still calculated according to the contract.

3.5.2 The penalty interest on overdue loans and misappropriated loans shall be calculated based on the amount of overdue or misappropriation and the actual number of days (from the date of overdue or misappropriation (inclusive) to the date on which the principal and interest are paid (excluding)).

3.5.3 In the event that the calculated interest/penalty interest rate is greater than two decimal places, the lender will retain the two decimal places by rounding off.

▲▲ 3.6 If the borrower repays the loan in advance or if the lender withdraws the loan prematurely according to the contract, the corresponding level of interest rate will not be adjusted and will still be the interest rate stipulated in this contract.

3. If the loan currency is a foreign currency, the determination and adjustment of the interest rate, as well as the penalty interest rate for overdue and misappropriated loan shall be subject to the provisions of Article 17 of this contract.

Article 4 Payment of Loans

4.1 If the loan issuance account designated by the borrower is a special loan issuance account opened with the lender, the issuance and payment of the loan shall be handled through this account. This account is only used for the issuance of loan funds and external payment. It can only be used for the certificate of "Billing Business Application" and is not allowed to apply for checks, money orders, bank acceptance drafts, etc. It may not be used for other settlements. When the borrower pays for or transfers the loan funds independently, such transactions must be handled at the counter of the bank branch where the account was opened. The deposit interest on this account is credited to the borrower's repayment account.

4.2 When the borrower proposes to use the loan according to the contract, it shall specify the payment method (either the lender is entrusted to pay or the borrower pays independently), and each payment can only adopt one payment method.

4.3 The lender's entrusted payment means that the lender can directly pay the loan funds through the borrower's account to the borrower's counterparty in accordance with the contractual purposes, according to the power of attorney for the borrower's entrusted payment.

If the amount of a single payment exceeds the self-payment limit or meets one of the provisions of Article 19.3, the loan entrusted payment method shall be adopted.

Where the lender is entrusted to pay, the borrower shall submit to the lender the application for quota use, the corresponding power of attorney for entrusted payment and other materials required by the lender (including but not limited to transaction documents such as commercial contracts, invoices and receipts). The amount of the loan to be used and the recipient of the payment (amount) all be clearly stated, and the amount of the loan to be used shall be equal to the total amount of the payment.

▲▲ If the borrower's proposed payment does not comply with this contract or the corresponding commercial contract or if there are any other defects, the lender has the right to refuse the payment and return the power of attorney for entrusted payment submitted by the borrower.

▲▲ If the lender agrees to pay but the payment cannot be made since the information provided by the borrower is incorrect or a refund is made, the borrower must resubmit the relevant documents and materials containing the correct information within the time limit specified by the lender. If the payment is delayed or unsuccessful due to above reasons, the lender will not be liable.

4.4 Borrower's independent payment means that the lender will release the loan funds to the borrower's account according to the contract, and the borrower will pay the borrower's counterparty in accordance with the contractual purposes.

If the borrower uses borrower's independent payment, the borrower must submit to the lender the application for quota use, the instructions for the use of the funds and other materials required by the lender. The borrower shall report the payment of the loan funds to the lender on time. The lender has the right to verify whether the loan payment conforms to the agreed use by means of account analysis, voucher inspection, on-site investigation, etc., and the borrower must cooperate with the lender's inspection.

Article 5 Repayment of Loans

5.1 The borrower shall repay the loan according to the repayment date and amount as stated in the corresponding Application for the Use of Quota.

▲▲ 5.2 The borrower cannot repay the loan in advance without the written consent of the lender.

▲▲ 5.3 The repayment arrangement of the principal and interest agreed by the borrower and the lender in the "Application for the Use of Quota" is a true meaning expressed on a voluntary basis after negotiation between the two parties. Under the repayment arrangement chosen by both parties, regardless of whether the principal is repaid before interest, the borrower's repayment obligation for interest payable is not affected and the borrower may not argue against the repayment of interest payable. Under any repayment arrangement, the borrower shall be responsible for the repayment of all principal and interest payable.

▲▲ 5.4 When the borrower's repayment (including the borrower's voluntary repayment and the lender's deduction of proceeds according to this contract) cannot fully settle the borrower's entire debt:

(1) It should be used first to settle the expenses that are due and not paid. If the principal and interest are overdue for less than 90 days, the balance after the fee is paid is used to offset the unpaid interest or penalty interest and compound interest that have matured, and then used to cover the unpaid principal that has matured; if the principal or interest is overdue for 90 days, the balance after the fee is paid is used to offset the unpaid principal that has matured, and then used to cover the unpaid interest or penalty interest and compound interest that have matured;

(2) When the borrower has multiple debts (including the debts of the borrower to the lender under other contracts), the lender has the right to determine the order of settlement of the debts of the borrower as long as the order of settlement does not violate the mandatory provisions of applicable laws, regulations, rules and related regulatory requirements applicable to the lender. The lender should inform the borrower of the outcome of the debt settlement, except as otherwise agreed by the parties for such matters.

Article 6 Statement and Guarantee of the Borrower

6.1 The borrower shall be legally established and legally existing, possess all necessary rights and capabilities, and be able to perform the obligations of this contract and bear civil liability in its own name.

6.2 Signing and execution of this contract is the true meaning of the borrower and have obtained all necessary consents, approvals and authorizations without any legal flaw.

6.3 The borrower's production and operation are legal and compliant. The borrower has the ability to continue to operate, has a legitimate source of repayment, does not involve significant environmental and social risks, and has no records of significant bad credits. The senior management of the borrower has no bad records.

6.4 All documents, statements, materials and information provided by the borrower to the lender during the signing and performance of this contract are true, accurate, complete and valid, and no information is hidden from the lender that may affect the borrower's financial status and repayment ability. The borrower's financial position has not undergone any material adverse changes since the date of its latest financial statements.

▲▲ 6.5 The borrower and its related parties are not enterprises or individuals in the sanctions list of the UN, EU or the United States, and are not located in countries and regions that are sanctioned by the UN, EU or the United States.

Article 7 Rights and Obligations of the Lender

7. 1 The lender has the right to recover the loan principal and interest (including compound interest and penalty interest for overdue and misappropriated loan) in accordance with this contract, to collect the fees payable by the borrower, and to recollect the loan in advance according to the borrower's fund collection status. The lender has can exercise its other rights as stipulated by legal provisions or this contract.

▲▲ 7.2 During the performance of this contract, the lender will only conduct a nominal review of the information provided by the borrower. The lender shall not be liable if the material provided by the borrower is untrue, inaccurate or incomplete, or if the borrower violates this contract so that the lender fails to complete the entrusted payment in a timely manner.

▲▲ 7. 3 The lender shall issue the loan and handle the payment according to the contract. If the lender fails to pay the loan or handle the payment on time due to any of the following reasons, the lender will not be liable, but the borrower will be notified in time: the borrower's designated lending account is frozen, the account of payment recipient is frozen, force majeure, communication or network failure, and system failure of the lender, etc., except as otherwise agreed in this contract.

Article 8 Obligations of the Borrower

8.1 The borrower shall repay the loan principal and interest rate according to the time, amount, currency and interest recorded in this contract and the corresponding Application for the Use of Quota.

If the borrower's designated fund collection account is used to collect the corresponding sales income or planned repayment funds, and if the corresponding sales income is settled in a non-cash manner, the borrower shall ensure that the funds are returned to the account in time after receiving the payment. The borrower should follow the lender's requirements to provide the information regarding the deposit and withdrawal of funds from the account.

8.2 The borrower shall use the quota according to the purposes stipulated in this contract and use the loan according to the purpose determined by the corresponding "Application for the Use of Quota". The loan shall not be used for other purposes, fixed assets investment, equity investment, or any areas and purposes of production and operation prohibited by the government.

The borrower shall use the loan funds in accordance with the agreed method, and shall not evade the lender's entrusted payment by breaking up the entire payment into sub-payments; if the borrower pays independently, the borrower shall use the loan within a reasonable timeframe as required by the lender's supervisory authority. Payment of funds shall be in accordance with this contract.

▲▲ 8.3 The borrower shall bear the settlement fee (if any) of the loan fund payment (including the lender's entrusted payment and the borrower's independent payment), and the specific charges shall be calculated according to laws, regulations, rules, regulatory requirements and the valid List of Service Charges of the Bank of Communications issued by the lender.

The lending account is a special loan issuing account. When the loan fund is paid (including the lender's entrusted payment and the borrower's self-payment) to a receiving account that was not opened with the Bank of Communications, the fund payment may be processed through the PBOC payment system or the intra-city exchange system.

When the loan account is not a special loan issuance account and when the loan fund is paid (including the lender's entrusted payment and the borrower's self-payment) to a receiving account of another bank located in another city, all fund payment is handled through the PBOC payment system.

▲▲ 8.4 The borrower shall cooperate with the lender to manage the loan payment, to supervise and inspect the use of the loan and the operation of the borrower, and to timely provide the financial statements, loan capital usage records and materials, information of related parties and connected transactions, environmental and social risk reports, and other materials and

information required by the lender for post-loan risk management. The borrower shall ensure that all documents, materials and information provided are true, complete and accurate.

▲▲8.5 When the borrower experiences any of the following matters, it should notify the lender in writing at least 30 days in advance, and should not take any action before settling all loan principal and interest stipulated under this contract or providing a repayment plan and guarantee approved by the lender:

- (1) Sell, donate, lease, lend, transfer, mortgage, pledge or use other means to dispose of all or most of the assets or important assets;
- (2) Significant changes in the operating system or the form of property rights organization, including but not limited to the implementation of contracting, leasing, joint operation, corporate restructuring, joint-stock reform, corporate sales, mergers (acquisitions), joint ventures (cooperation), separation, establishment of subsidiary, equity transfer, transfer of property rights, capital reduction, etc.
- (3) Foreign investment or increased debt financing exceeds the agreed limit.

▲▲8.6 The borrower shall notify the Lender in writing within 7 days of the occurrence or possible occurrence of the following:

- (1) The borrower or its related parties amend their articles of association, change the business name of the company, change the items of industrial and commercial registration such as the legal representative (responsible person), residence, mailing address or business scope, or make decisions that have a significant impact on their finances and personnel;
 - (2) The borrower, its related party or guarantor intends to file for bankruptcy, or may or may have been filed for bankruptcy by its creditor;
 - (3) The borrower or its related parties involve major litigation, arbitration, administrative measures, or their main assets or the collateral under this contract are taken for property preservation or subject to other enforcement measures, the safety status of the main assets or collateral under this contract is affected or may be affected, or their value may be reduced or is reduced;
 - (4) The borrower or its related parties provide a guarantee to a third party and therefore experience a material adverse effect on their economic condition, financial condition or ability to fulfill its obligations under this contract;
 - (5) The borrower or its related parties sign a contract that has a significant impact on their business and financial conditions;
-

- (6) The borrower pays off any outstanding debts in advance or prioritizes the settlement of other debts in maturity, adds collateral for other existing debts, etc., or makes any arrangements with similar effects or signs relevant documents;
- (7) The borrower, its related parties or guarantor is suspended, closed down, disbanded, closed for internal rectification, or has its business licenses cancelled or revoked;
- (8) The borrower or its related parties, the main individual investors of the borrower or its related parties, the legal representative (responsible person), director or the main manager of the borrower or its related parties are missing, have broken the law or violated regulations, have violated applicable exchange rules or have undergone abnormal changes;
- (9) The borrower or its related parties have serious difficulties in operating, or their financial condition has deteriorated, or experienced other events that have a negative impact on the operation, financial condition, solvency or economic status of the borrower or its related parties;
- (10) A connected transaction occurs and the transaction amount reaches or exceeds 10% of the recently audited net assets;
- (11) Before all the debts under this contract have been settled, the borrower becomes or may become the shareholder of the guarantor or its "actual controller" as defined in the "Company Law";
- (12) The borrower or its related parties are responsible for accidents or be exposed by the media due to violations of laws, regulations, regulatory requirements, national policies or industry standards;
- (13) The borrower or its related parties have encountered a safety or environmental accident;
- (14) The control relationship between the borrower and its related parties has changed;
- (15) A major equity change has occurred to the borrower or related parties;
- (16) The borrower's external auditor's audit opinion on its financial statements has not reached a standard unqualified opinion;
- (17) The borrower is or may be investigated, punished or otherwise dealt with by the competent authority for violation of laws, regulations and/or regulatory requirements;
- (18) The borrower or related parties are included in the sanction list of the UN, EU or US, or their countries and regions are included in the sanction list of the UN, EU or US;
- (19) Other significant adverse events affecting the solvency of the borrower or its related parties.
-

▲▲8.7 When the guarantee stipulated in this contract experiences changes not conducive to the creditor's rights, the borrower shall promptly provide other guarantees approved by the lender upon request.

The term "changes" used in this article include but are not limited to: the guarantor's merger, division, suspension, closure, dissolution, suspension of business for rectification, revocation, revocation of business license, or application for or being applied for the bankruptcy of the guarantor; the guarantor's business or financial position is changed significantly, guarantor is involved in major litigation, arbitration, administrative measures, or property preservation or other enforcement measures for its main assets; the security status of the collateral is affected or may be affected; the value of the collateral is reduced or may be reduced or may be subject to property protection and other compulsory measures; the guarantor or its legal representative (responsible person) or key management personnel are involved in violation of law/regulations or violation of the applicable exchange rules; when the guarantor is an individual, the guarantor is missing or dead (declared death); the guarantor committed an act of breach of contract under the guarantee contract; the guarantor has a dispute with the borrower; the guarantor requests the termination of the guarantee contract; the guarantee contract has not become effective, has been invalidated or has been revoked; the collateral has not been established or is invalid; or other events affecting the security of the lender's claims.

▲▲8.8 Borrower's commitment: From the signing of the contract to when all the loan principal/interest and related expenses under this contract have been settled, the borrower's financial indicators, external agency rating and production operation qualification/license always conform to the provisions of the contract. If the borrower's production business qualification/license requires annual review, it shall pass the annual review on time.

8.9 The borrower guarantees to abide by the national laws, regulations and related policy requirements against money laundering. The borrower guarantees to not engage in activities involving money laundering and terrorist financing. The borrower guarantees to actively cooperate with the lender to carry out anti-money laundering tasks such as customer identification, archiving of transaction records, and reports for large sum and suspicious transactions.

8. The borrower guarantees that the borrower and the borrower's employees and agents do not provide, give, solicit or accept any form of material interest (including but not limited to cash, gift cards and travel) or other non-material benefits from the lender or lender's employees other than as agreed in this contract. The funds or services provided by the lender shall not be used in any form directly or indirectly for activities related to corruption or bribery; if the borrower is aware of any violation of this agreement, the lenders should be provided with clues and relevant information in a timely, truthful, complete and accurate manner, and the borrower shall cooperate for relevant matters according to the requirements of the lender.

▲ ▲ Article 9 Quota Adjustment, Early Loan Maturity and Risk Re-pricing

9.1 Any of the following events shall be deemed as “events for early loan maturity” of this contract:

- (1) The borrower fails to repay the loan principal or interest according to any of the “Application for the Use of Quota” under this contract;
- (2) The statements and warranties made by the borrower under this contract are untrue;
- (3) Any matter that should be notified as set out in Article 8.6 actually occurs and has affected or may affect the security of the lender's claim;
- (4) The changes in laws, regulations and regulatory policies that render the issuance of loans by the lender as agreed in this contract illegal or violating the regulations;
- (5) When the borrower performs another contract with the lender or a contract with a third party, there is an act of violation or the debt may or may have been declared mature prematurely;
- (6) The borrower violates other agreements in this contract.

9.2 When any “events for early loan maturity” occurs, the lender has the right to take one, more or all of the following measures:

- (1) Reduce, suspend or cancel the quota under this contract;
- (2) Stop issuing loans that the borrower has not yet applied for;
- (3) Stop paying the loan that the borrower has applied for but has not used yet;
- (4) Requiring the borrower to negotiate with the lender to replenish the conditions for loan issuance and payment within a limited timeframe;
- (5) Requiring the borrower to change the payment method according to the requirements of the lender;
- (6) Re-pricing of the risk of loan performance as stipulated in Article 9.3;
- (7) Unilaterally declaring that the principal of the loan issued under the contract expires prematurely and requiring the borrower to immediately repay all due principal of the loan and settle the interest.

9.3 According to the production and operation of the borrower at the time of signing this contract, both parties have agreed on the interest rate and its adjustment stipulated in this contract. The borrower agrees that in the event of any “events for early loan maturity”, the lender has the right to re-price the risk of loan performance in accordance with this Article.

9.3.1 Risk re-pricing includes two methods, i.e., re-pricing via negotiation and direct increase of loan interest rate. The risk re-pricing method adopted in this contract is stipulated by the two parties in Article 21.

9.3.2 "Re-pricing via negotiation" means that the lender has the right to require the borrower to negotiate with the lender to increase the loan interest rate within the timeframe. Two parties will determine the "re-pricing date" and specific terms of relevant interest rate by means of a supplementary agreement.

9.3.3 "Direct increase of loan interest rate" means that the lender has the right to directly increase the loan interest rate in accordance with this Article and Article 21.

9.3.3.1 From the "re-pricing date" notified to the borrower by the lender in writing, the increased loan interest rate will be applied to each loan that the borrower has not repaid as of the "re-pricing date".

9.3.3.2 When the loan currency is RMB and if the benchmark interest rate of each loan remains unchanged, the increased loan interest rate is determined according to the magnitude of interest increase (decrease)/increase (decrease) point agreed in Article 21 and the benchmark interest rate on the "re-pricing date".

With the "re-pricing date" is day T, the benchmark interest rate used to determine the raised loan interest rate is determined according to the following rules:

1. When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;
2. When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date;
3. When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

9.3.3.3 If the loan currency is a foreign currency, the raised loan interest rate shall be determined in accordance with the clause in Article 21.

9.3.4 After the lender performs risk re-pricing according to the foregoing agreement, the new interest rate will be executed starting from the "re-pricing date". On the basis of this interest rate, the floating rate adjustment is still carried out according to the provisions stipulated in Article 3

of this contract. If the two parties change the relevant agreement by consensus, the floating rate adjustment shall be executed according to the changed agreement. If the loan is overdue (including when the borrower fails to repay on time or when the loan is announced by the lender as expiring prematurely) or misappropriated, the penalty interest rate for overdue and misappropriated loans shall be determined on the basis of the new interest rate (including the adjusted floating interest rate as stipulated in this contract). The calculation for compound interest rate is also adjusted accordingly.

9.3.5 The implementation of “risk re-pricing” should not be considered or interpreted as a lender’s waiver of other rights as stipulated by laws/regulations and this contract. The lender has the right to take other credit protection measures in accordance with laws/regulations and this contract, including but not limited to the measures agreed in Article 9.

▲ ▲ Article 10 Breach of Contract

10. If the borrower fails to repay the loan principal in full or pay the interest on time, or if the borrower fails to use the loan in accordance with the contract, the lender shall charge the penalty interest rate for the overdue or misappropriated loans and compound interest for unpaid interest. If the penalty interest rates are adjusted according to the contract, the compound interest rate will be adjusted accordingly.

10.2 If the borrower fails to repay the loan principal and interest on time, it shall bear the collection fee, litigation fee (or arbitration fee), preservation fee, announcement fee, execution fee, lawyer’s fee, travel expenses and other expenses incurred by the lender to realize its creditor’s rights.

▲ ▲ Article 11 Deduction Agreement

11.1 With the authorization of the borrower, when there is loan principal, interest, penalty interest, compound interest or other expenses due, the lender has the right to deduct the expenses from the funds in any account opened by the borrower at any branch of Bank of Communications for repayment.

11.2 After the fund deduction, the lender shall notify the borrower of the account number, the contract number, the No. of “Application for the Use of Quota”, the amount of the deduction and the amount of the remaining debt.

11.3 When the proceeds from the fund deduction are insufficient to pay off the borrower’s entire debts, the amount of the debts to be settled shall be determined in accordance with this contract.

11.4 If the currency of the deduced fund is inconsistent with the currency of the debt to be repaid, it shall be converted into the amount of the debt according to the exchange rate announced by the Bank of Communications at the time of fund deduction. If it is necessary to handle the

procedures for foreign exchange settlement, the borrower is obliged to assist the lender upon request, and the risk of exchange rate is borne by the borrower.

Article 12 Notice

12.1 The contact information (including the communication address, contact phone number, fax number, etc.) filled in by the borrower in the contract is all true and valid. In the event of any change in any contact information, the borrower shall immediately send/deliver the information of such changes in writing to the lender's mailing address shown in this contract. Such information changes will become effective after they are received by the lender.

12.2 Unless otherwise expressly agreed in this contract, the lender has the right to deliver the lender's notice to the borrower by any of the means listed below. The lender has the right to choose the method of notification that it deems appropriate and is not liable for any errors, omissions or delays in delivery caused by mail post, fax, telephone or any other communication systems. When the lender chooses multiple notification methods at the same time, the faster one will prevail.

(1) Announcement, the delivery date is deemed to be the date when the lender issues the announcement via its website, online banking, telephone banking or business outlets;

(2) Designated delivery, the delivery date is deemed to be the date when the delivery is received and signed by the borrower;

(3) For postal mail (including express mail, regular mail, registered mail) sent to the borrower's latest address known by the lender, the delivery date is deemed to be the 3rd day (the same city)/5th day (different cities) after the date of postmark;

(4) For fax, mobile phone text messages or delivery via other electronic communications to the borrower's latest fax number known by the lender or the mobile phone number/e-mail address designated by the borrower, the date of sending the message is deemed as the delivery date.

12.3 The borrower agrees that unless the lender receives a written notice from the borrower regarding the change of the communication address, the borrower's address in this contract is the address for the court to serve judicial document and other written documents to the borrower. In the dispute resolution process of the contract, when the court delivers the judicial documents or other written documents to the borrower's latest mailing address known by the lender via post (including express mail, regular mail, or registered mail), the delivery date is deemed to be the date when the borrower signs the delivery certificate. If the borrower fails to sign the delivery certificate, the delivery date is deemed to be the 3rd day (the same city)/5th day (different cities) after the date of postmark.

Except for judgments, rulings, and reconciliation agreements, the court has the right to deliver any notice of the borrower through any communication method stipulated in Article 12.2.

The court has the right to choose the communication method it deems appropriate and is not liable for transmission errors, omissions or delays caused by postal mail, fax, telephone, telex or any other communication systems. When the court chooses multiple notification methods at the same time, the faster one will prevail.

▲ ▲ Article 13 Information Disclosure and Confidentiality

13.1 For the undisclosed information and materials of the borrower acquired and known during the signing and implementation of this contract, the lender's use of relevant information and materials shall not violate laws, regulations and regulatory requirements, and the lender shall bear confidentiality obligations according to law. The lender shall not disclose such information and materials to third parties except in the following cases:

- (1) Applicable laws and regulations require disclosure;
- (2) The judicial department or regulatory agency requires disclosure in accordance with law;
- (3) When the borrower fails to repay the principal of the loan and/or interest on time, and the lender need to disclose the information to the external professional consultant of the lender and allow the external professional consultant of the lender to use the information under confidentiality to reclaim creditor's rights;
- (4) The borrower agrees or authorizes the lender to disclose it.

13.2 The borrower confirms that it has signed the "Authorization Letter for Credit Information Enquiry". The lender will search, use and maintain the borrower's credit information within the scope of the authorization.

13.3 In addition to the circumstances specified in Articles 13.1 and 13.2 of this contract, the borrower further agrees that Bank of Communications may use or disclose the borrower's information and materials, including but not limited to borrower's basic information, credit transaction information, bad credit information and other relevant information and materials, and the borrower is willing to bear all the consequences:

For business outsourcing agencies, third party service providers, other financial institutions and other institutions or individuals deemed necessary by the lender, including but not limited to other branches of Bank of Communications or subsidiaries partially or fully owned by Bank of Communications, disclose and allow them to use such information and materials under confidentiality for the following purposes: 1. To carry out bank credit business or related to bank credit business, such as promoting credit business of Bank of Communications, collecting borrowers' debts, and transfer the creditor's rights of the bank's credit business; 2. Allow the lender to provide or potentially provide the borrower with new products/services or further services.

The applicability of Article 13.3 shall be subject to the provisions of Article 24 of this contract.

Article 14: Applicable Law and Dispute Resolution

This contract adopts the laws of the People's Republic of China (the laws of Hong Kong, Macao and Taiwan are not included for the purpose of this contract). The dispute under this contract shall be brought to the court of competent jurisdiction of the lender, except as otherwise agreed in this contract. During the dispute, the parties shall continue to perform the uncontroversial terms.

Article 15: Validity and Composition of Contract

15.1 This contract shall become effective after it has been signed (or stamped) by the legal representative (responsible person) or authorized representative of the borrower and affixed with the official seal, and signed (or stamped) by the responsible person or authorized representative of the lender and affixed with the official seal.

15.2 The "Application for the Use of Quota" signed when using the quota stipulated in this contract and other relevant documents and materials are inseparable components of this contract.

15.3 The "Application for the Use of Quota" is a supplement to this contract. Except as otherwise stipulated in the "Application for the Use of Quota", the rights and obligations between the borrower and the lender as well as other related matters shall still be implemented in accordance with this contract.

Article 16: The Specific Description of the Quota

16.1 Currency of the quota: RMB; Amount in uppercase letters: Ten Million Yuan; Can be used for ☒ RMB ☐ / (foreign currency); the quota is ☐ Revolving quota ☐ One-time quota (can be used in multiple times) ☒ One-time quota (one-time use only).

16.2 Quota is use for: business turnover.

16.3 The credit period is from January 4, 2019 to January 4, 2020.

Article 17: Interest Rate Agreement

When the loan currency is a foreign currency, the interest rate determination and adjustment as well as the penalty interest rates for overdue and misappropriated loan are agreed as follows:

/

Article 18: Account Agreement

18.1 The borrower has designated the following account as a loan issuance account, which ☐ Yes ☒ Not a special loan issuance account opened by the borrower at the lender. If both parties agree

otherwise in the corresponding "Application for the Use of Quota", the agreement in the "Application for the Use of Quota" shall prevail.

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

18.2 Designated by the borrower:

(1) The loan repayment account is

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

(2) The fund collection account is:

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

Article 19: Specific Agreements for the Issuance, Payment and Repayment of Loans

19.1 The term of each loan released under this contract shall not be longer than **12 Months**, and the maturity date of all loans shall be no later than **July 4, 2020**.

19.2 The quota for independent payment made by the borrower under this contract is **0** RMB.

19.3 The lender's entrusted payment is used when one of the following conditions is fulfilled:

/

/

19. If the borrower makes the payment independently, the borrower shall report the payment of the loan fund to the lender within / day after the loan is issued.

Article 20: Financial Restrictions, External Agency Ratings and Production and Operation Qualification/License

20.1 The borrower's foreign investment limit is **RMB 300 million**; the limit for increased debt financing is **RMB 300 million**.

20.2 Contractual agreement on borrower's financial indicators:

- (1) /
- (2) /
- (3) /

20.3 Specific agreements on external agency ratings:

- (1) /
- (2) /

20.4 Specific agreement on borrower's production and operation qualification/license:

- (1) /
- (2) /

▲ ▲ Article 21: Specific Agreement on Risk Re-pricing

21.1 This contract adopts the risk re-pricing method in (1): **(1) re-pricing via negotiation**; (2) direct increase in loan interest rate.

21.2 When the method of "direct increase in loan interest rate" is adopted:

21.2.1 When the loan currency is RMB, the magnitude of interest increase (decrease)/increase (decrease) point is: ☐ Benchmark interest rate (no increase (decrease) point) ☐ Increase by % ☐ Decrease by % ☐ Add by % ☐ Reduce by %. If a loan has other agreements, the magnitude of interest increase (decrease)/increase (decrease) point shall be based on the records in the Application for the Use of Quota.

21.2.2 When the loan currency is a foreign currency, the raised loan interest rate is: /

Article 22 Contact Information

The contact methods for the borrower to receive the notice stipulated in Article 12 include:

Mailing Address: Building 4, 1690 Cailun Road, China (Shanghai) Pilot Free Trade Zone

Recipient: Bi Anyun

Recipient: Bi Anyun

Postal code:

Phone: 021-50808868

Mobile phone: 13818946646

Fax:

Email address: anyun.bi@acmrcsh.com

Article 23: Number of Contracts

This contract has **Three** copies. Each of Party A, Party B and the guarantor (if any) keeps **One** copy.

Article 24: Other Agreed Matters

24.1 Both parties agree that Article 13.3 ☒ applies ☐ Does not apply to this contract.

24.2 The payment method of the loan under this contract shall be subject to the "Application for the Use of Quota" signed by the lender.

24.3 The lender will provide legally compliant VAT invoices in accordance with relevant laws and regulations. The specific time and method for delivering VAT invoices will be determined by both parties.

Borrower: ACM Research (Shanghai) Inc.

Legal representative (person in charge): HUI WANG

Legal address: Building 4, 1690 Cailun Road, China (Shanghai) Pilot Free Trade Zone

Lender: Bank of Communications Shanghai New District branch

Person in charge: Cai Yue

Mailing address: 260 Xin Jinqiao Road

The borrower has read through all the terms of the contract, and the lender has made a detailed explanation at the request of the borrower. When the borrower signs this contract, there is no doubt or objection to any content, and the borrower understands the meaning and legal consequences of the terms of the contract, especially the terms marked by ▲▲.

(No text below on this page)

Borrower (Official Seal)

ACM Research (Shanghai) Inc.

Legal representative (responsible person) or authorized representative (signature or stamp)

HUI WANG

Date of Signing: January 24, 2019

Lender: (Official Seal)

Bank of Communications, Shanghai New District branch

[Special Stamp for Credit Line Contracts]

Legal representative (responsible person) or authorized representative (signature or stamp)

Cao Pei

Date of Signing: January 24, 2019

No.: Z1901LN15657602

Liquidity Loan Contract

(applicable to 531)

Bank of Communications

Liquidity Loan Contract

Important Reminder

The borrower is requested to read the full text of this contract, especially the terms marked with ▲▲. If there is any doubt, please promptly ask the lender for explanation.

In view of the borrower's application for a liquidity loan credit line from the lender, this contract is established upon the agreement from the borrower and the lender to clarify the rights and obligations of the two parties.

Article 1 Definition

“Credit line” refers to the maximum amount of the loan balance (under the revolving quota) or the total loan amount (under the one-time quota) that the lender may issue to the borrower in accordance with this contract. The amount may be a revolving amount or a one-time quota according to the contract (can be used one-time only or used multiple times).

“Revolving quota” means that the borrower may apply for the use of the quota multiple times in accordance with this contract to obtain the loan, but the loan balance cannot exceed the agreed amount.

“One-time quota” means that the borrower may apply for the use of the loan in one or more times in accordance with the contract, but the total amount of the loan may not exceed the agreed amount.

“Loan balance” means the sum of the loan principal amount obtained by the borrower under this contract that has not yet been settled.

“Credit line balance” refers to the amount after deducting the loan balance (under the revolving quota) or the total loan amount (under the one-time quota) from the total credit line.

“Credit period” refers to the period during which the lender issues the loan to the borrower based on the borrower's application and the agreement of this contract. It is the period when a loan remains active rather than the loan term.

“Loan term” refers to the term of each loan determined by both parties in the corresponding “Application for the Use of the Bank of Communications' Loan Quota” (hereinafter referred to as “Application for the Use of Quota”).

“Bank business day” and “business day” refer to when the bank opens for public business at the location to the lender, excluding statutory holidays and weekends (except for the days when the bank opens for public business due to holiday adjustments). If the dates for obligation fulfillment such as the loan date, repayment date, interest payment date and expiration date are not applicable to the bank business day, the corresponding date will be postponed accordingly to the next business day.

Terms such as related parties, connected transactions, and major individual investors have the same meaning as that in the “Accounting Standards for Business Enterprises No. 36-Disclosure by Related Parties” issued by the Ministry of Finance (Accounting [2006] No. 3) and subsequent amendments to the standards.

Article 2 Use of Quota

2. 1 When the borrower needs to use the quota, it should apply to the lender in at least 5 business days in advance. When applying, the borrower should fill out the “Application for the Use of Quota” and use the quota after review and approval by the lender.

▲ ▲ 2.2 The quota of each use should meet all of the following conditions:

- (1) The loan balance (under the revolving quota) or the total loan amount (under the one-time quota) does not exceed the quota;
 - (2) The loan amount applied for does not exceed the balance of the quota;
 - (3) The application date and the loan issue date are within the credit period;
 - (4) The loan term and the maturity date of the loan are in accordance with this contract;
 - (5) The guarantee contract (if any) under this contract has entered into force and continues to be effective. If the guarantee contract is a mortgage contract and/or a pledge contract, the security property has been established and continues to be valid;
 - (6) When the borrower has completed the application for the loan, it must obtain the government approval, license, and registration required by law and the lender, and such license, approval or registration shall continue to be valid;
 - (7) After the contract takes effect, the borrower’s operating status and financial status have not undergone any material adverse changes;
 - (8) The borrower’s application meets the requirements of the relevant rules and regulations of the lender;
 - (9) The borrower has not acted in violation of the agreement stipulated in this contract;
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(10) The payment method of the loan is in accordance with this contract. If the lender is entrusted to pay, the lender agrees to pay;

(11) Where a foreign currency loan is used, the borrower has provided supporting documents for the loan in compliance with relevant foreign exchange management policies, including but not limited to valid foreign exchange use certificates or registration documents;

(12) The borrower has designated special fund returning accounts and signed an account management agreement as required by the lender.

▲ 2.3 If the lender agrees to issue the loan, the final loan information is subject to the contents in the printed column of the "Application for the Use of Quota". The "Application for the Use of Quota" is used as the "Loan Certificate".

▲ ▲ 2.4 When the currency in the "Application for the Use of Quota" is inconsistent with the currency of the quota, the currency will be converted according to the daily exchange rate of the Bank of Communications at the beginning of the day only for the purpose of determining the quota balance. If there is no exchange rate that can be used directly, it shall be converted based on the exchange rate determined by the Bank of Communications in a reasonable manner.

▲ ▲ 2.5 After the borrower becomes the shareholder of the guarantor or its "actual controller" as defined in the "Company Law", the lender has the right to suspend or cancel the loan amount that the borrower has not used before the guarantor provides the lender a resolution indicating that the shareholders' meeting of the guarantor agrees to provide guarantee for the borrower.

Article 3 Calculation of Interest Rates and Payment of Interest

3.1 Basic rules for determining interest rates

3.1.1 The interest rate is agreed between the two parties in the "Application for the Use of Quota" after each use of the quota. Unless the parties agree on the specific value of the interest rate in the "Application for the Use of Quota", the specific interest rate of each loan will be based on the type of benchmark interest rate, the applicable date of the benchmark interest rate, and the magnitude of interest rate increase (decrease)/point value increase (decrease), interest rate floating rule, interest rate floating period, unit of interest rate floating period and start date (if required) for interest rate floating on a specific date stipulated in the corresponding "Application for the Use of Quota".

3.1.2 Types and definitions of "benchmark interest rate": (1) "benchmark interest rate of PBOC loan" refers to the benchmark interest rate of RMB loans for financial institutions issued by the People's Bank of China; (2) LPR quotes of Bank of Communications refer to the basic interest rate for loans quoted on the official website of Bank of Communications; (3) The average interest rate of the LPR quote refers to the loan base rate issued by the National Interbank Lending Center.

3.1.3 When the currency is RMB, daily interest rate = monthly interest rate/30, monthly interest rate = annual interest rate/12; when the currency is Hong Kong dollar, British pound and Australian dollar, daily interest rate = annual interest rate/365; when the currency is the US dollar, the Euro, the Japanese yen and other foreign currencies accepted by the lender, the daily interest rate = annual interest rate/360.

▲ ▲ 3.2 Lending rate

The lending interest rate at the time of each loan lending is determined based on the benchmark interest rate of the agreed "date applicable to benchmark rate" and the magnitude of floating interest increase (decrease)/increase (decrease) point of interest rate. Using the "date applicable to benchmark rate" as day T, the benchmark interest rate used to determine the lending rate of a loan is calculated according to the following rules:

When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;

When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date.

When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

3.3 Adjustment of interest rates

3.3.1 When a fixed interest rate is recorded in the "Application for the Use of Quota", the loan is executed according to this recorded interest rate during the loan term.

▲ ▲ 3.3.2 When a floating interest rate is recorded in the "Application for the Use of Quota", the date of loan interest rate adjustment for the loan is determined according to the interest rate floating rule, the interest rate floating period, the unit of interest rate floating period and start date (if required) for interest rate floating on a specific date stipulated in the corresponding "Application for the Use of Quota". The adjusted interest rate will be applied after the date of loan interest rate adjustment.

3.3.2.1 In the case of adjustment of the benchmark interest rate during the loan term, the period of the loan interest rate adjustment will be calculated starting from the date of "entry date of loan into account" or "the starting date of floating interest on specific date" based on "floating according to the entry date of loan into account" or "floating according to the starting date of

floating interest on specific date" selected in the option of "interest rate floating rule". The number of cycles in which the interest rate floats is filled in the blank column for the cycles of floating interest rate, and the unit of interest rate floating cycles can be selected by day or by month. If the number of interest rate floating cycles is "1" and the unit of floating cycle is "by day", the date of benchmark interest rate adjustment is the date when the loan interest rate is adjusted. If the number of interest rate floating cycles is "3" and the unit of floating cycle is "by day", the date of loan interest rate adjustment is 3 days from the date of "entry date of loan into account" or "the starting date of floating interest on specific date". If the number of interest rate floating cycles is "1" and the unit of floating cycle is "by month", the date of loan interest rate adjustment is 1 month from the date of "entry date of loan into account" or "the starting date of floating interest on specific date". If the number of interest rate floating cycles is "3" and the unit of floating cycle is "by month", the date of loan interest rate adjustment is 3 months from the date of "entry date of loan into account" or "the starting date of floating interest on specific date", and so on.

3.3.2.2 The loan interest rate on the date of loan interest rate adjustment is determined based on the benchmark interest rate on the date of loan interest rate adjustment. The magnitude of interest increase (decrease)/increase (decrease) point is unchanged except such changes are agreed by both parties. Taking the "date of loan interest rate adjustment" as day T, the benchmark interest rate used to determine the adjusted loan interest rate is determined according to the following rules:

When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;

When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date;

When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

▲▲3.3.3 when the "PBOC loan benchmark interest rate" is selected as the benchmark interest rate and if the adjusted PBOC loan benchmark interest rate is a floating rate or when the benchmark interest rate is abolished, the two parties will negotiate and adjust the loan interest rate separately, but the adjusted interest rate shall not be lower than the applicable interest rate at the time. If the two parties have not reached an agreement on the adjustment of interest rate 1

month after the date of PBOC adjustment, the lender has the right to declare that the loan has matured earlier.

If the "LPR quote of Bank of Communications" or the "average interest rate of LPR quote" is selected as the benchmark interest rate and if the relevant benchmark interest rate is cancelled according to regulatory requirements, the two parties will negotiate and adjust the interest rate of the loan separately, but the adjusted interest rate shall not be lower than the applicable interest rate at the time. If the two parties have not reached an agreement on the adjustment of interest rate 1 month after the date of PBOC adjustment, the lender has the right to declare that the loan has matured earlier.

▲▲ 3.3.4 Both parties can adjust the magnitude of interest increase (decrease)/increase (decrease) point of the corresponding loan interest rate after negotiation on the date of interest rate adjustment.

3.4 If the loan currency is RMB, the penalty interest rate of the overdue loan will increase by 50% from the agreed interest rate in this contract, and the penalty interest rate of misappropriated loan will increase by 100% from the agreed interest rate in this contract. If the floating rate loan is adjusted in accordance with the adjustment of the benchmark interest rate, the lender has the right to adjust the penalty interest rate applicable to each loan accordingly, and the new penalty interest rate will be calculated from the adjustment date of the loan interest rate agreed in the corresponding "Application for the Use of Quota".

3.5 Calculation of interests

3.5.1 Normal interest = the interest rate stipulated in the contract × the amount of the loan × the number of days of loan occupancy.

The number of days of loan occupancy is calculated from the date of loan release (inclusive) to the maturity date (excluding), and the maturity date is postponed if it falls on a non-business day. The day of postponement is included in the loan occupancy period and the interest is still calculated according to the contract.

3.5.2 The penalty interest on overdue loans and misappropriated loans shall be calculated based on the amount of overdue or misappropriation and the actual number of days (from the date of overdue or misappropriation (inclusive) to the date on which the principal and interest are paid (excluding)).

3.5.3 In the event that the calculated interest/penalty interest rate is greater than two decimal places, the lender will retain the two decimal places by rounding off.

▲▲ 3.6 If the borrower repays the loan in advance or if the lender withdraws the loan prematurely according to the contract, the corresponding level of interest rate will not be adjusted and will still be the interest rate stipulated in this contract.

3. If the loan currency is a foreign currency, the determination and adjustment of the interest rate, as well as the penalty interest rate for overdue and misappropriated loan shall be subject to the provisions of Article 17 of this contract.

Article 4 Payment of Loans

4.1 If the loan issuance account designated by the borrower is a special loan issuance account opened with the lender, the issuance and payment of the loan shall be handled through this account. This account is only used for the issuance of loan funds and external payment. It can only be used for the certificate of "Billing Business Application" and is not allowed to apply for checks, money orders, bank acceptance drafts, etc. It may not be used for other settlements. When the borrower pays for or transfers the loan funds independently, such transactions must be handled at the counter of the bank branch where the account was opened. The deposit interest on this account is credited to the borrower's repayment account.

4.2 When the borrower proposes to use the loan according to the contract, it shall specify the payment method (either the lender is entrusted to pay or the borrower pays independently), and each payment can only adopt one payment method.

4.3 The lender's entrusted payment means that the lender can directly pay the loan funds through the borrower's account to the borrower's counterparty in accordance with the contractual purposes, according to the power of attorney for the borrower's entrusted payment.

If the amount of a single payment exceeds the self-payment limit or meets one of the provisions of Article 19.3, the loan entrusted payment method shall be adopted.

Where the lender is entrusted to pay, the borrower shall submit to the lender the application for quota use, the corresponding power of attorney for entrusted payment and other materials required by the lender (including but not limited to transaction documents such as commercial contracts, invoices and receipts). The amount of the loan to be used and the recipient of the payment (amount) all be clearly stated, and the amount of the loan to be used shall be equal to the total amount of the payment.

▲▲ If the borrower's proposed payment does not comply with this contract or the corresponding commercial contract or if there are any other defects, the lender has the right to refuse the payment and return the power of attorney for entrusted payment submitted by the borrower.

▲▲ If the lender agrees to pay but the payment cannot be made since the information provided by the borrower is incorrect or a refund is made, the borrower must resubmit the relevant documents and materials containing the correct information within the time limit specified by the lender. If the payment is delayed or unsuccessful due to above reasons, the lender will not be liable.

4.4 Borrower's independent payment means that the lender will release the loan funds to the borrower's account according to the contract, and the borrower will pay the borrower's counterparty in accordance with the contractual purposes.

If the borrower uses borrower's independent payment, the borrower must submit to the lender the application for quota use, the instructions for the use of the funds and other materials required by the lender. The borrower shall report the payment of the loan funds to the lender on time. The lender has the right to verify whether the loan payment conforms to the agreed use by means of account analysis, voucher inspection, on-site investigation, etc., and the borrower must cooperate with the lender's inspection.

Article 5 Repayment of Loans

5.1 The borrower shall repay the loan according to the repayment date and amount as stated in the corresponding Application for the Use of Quota.

▲▲ 5.2 The borrower cannot repay the loan in advance without the written consent of the lender.

▲▲ 5.3 The repayment arrangement of the principal and interest agreed by the borrower and the lender in the "Application for the Use of Quota" is a true meaning expressed on a voluntary basis after negotiation between the two parties. Under the repayment arrangement chosen by both parties, regardless of whether the principal is repaid before interest, the borrower's repayment obligation for interest payable is not affected and the borrower may not argue against the repayment of interest payable. Under any repayment arrangement, the borrower shall be responsible for the repayment of all principal and interest payable.

▲▲ 5.4 When the borrower's repayment (including the borrower's voluntary repayment and the lender's deduction of proceeds according to this contract) cannot fully settle the borrower's entire debt:

(1) It should be used first to settle the expenses that are due and not paid. If the principal and interest are overdue for less than 90 days, the balance after the fee is paid is used to offset the unpaid interest or penalty interest and compound interest that have matured, and then used to cover the unpaid principal that has matured; if the principal or interest is overdue for 90 days, the balance after the fee is paid is used to offset the unpaid principal that has matured, and then used to cover the unpaid interest or penalty interest and compound interest that have matured;

(2) When the borrower has multiple debts (including the debts of the borrower to the lender under other contracts), the lender has the right to determine the order of settlement of the debts of the borrower as long as the order of settlement does not violate the mandatory provisions of applicable laws, regulations, rules and related regulatory requirements applicable to the lender. The lender should inform the borrower of the outcome of the debt settlement, except as otherwise agreed by the parties for such matters.

Article 6 Statement and Guarantee of the Borrower

6.1 The borrower shall be legally established and legally existing, possess all necessary rights and capabilities, and be able to perform the obligations of this contract and bear civil liability in its own name.

6.2 Signing and execution of this contract is the true meaning of the borrower and have obtained all necessary consents, approvals and authorizations without any legal flaw.

6.3 The borrower's production and operation are legal and compliant. The borrower has the ability to continue to operate, has a legitimate source of repayment, does not involve significant environmental and social risks, and has no records of significant bad credits. The senior management of the borrower has no bad records.

6.4 All documents, statements, materials and information provided by the borrower to the lender during the signing and performance of this contract are true, accurate, complete and valid, and no information is hidden from the lender that may affect the borrower's financial status and repayment ability. The borrower's financial position has not undergone any material adverse changes since the date of its latest financial statements.

▲▲ 6.5 The borrower and its related parties are not enterprises or individuals in the sanctions list of the UN, EU or the United States, and are not located in countries and regions that are sanctioned by the UN, EU or the United States.

Article 7 Rights and Obligations of the Lender

7. 1 The lender has the right to recover the loan principal and interest (including compound interest and penalty interest for overdue and misappropriated loan) in accordance with this contract, to collect the fees payable by the borrower, and to recollect the loan in advance according to the borrower's fund collection status. The lender has can exercise its other rights as stipulated by legal provisions or this contract.

▲▲ 7.2 During the performance of this contract, the lender will only conduct a nominal review of the information provided by the borrower. The lender shall not be liable if the material provided by the borrower is untrue, inaccurate or incomplete, or if the borrower violates this contract so that the lender fails to complete the entrusted payment in a timely manner.

▲▲ 7. 3 The lender shall issue the loan and handle the payment according to the contract. If the lender fails to pay the loan or handle the payment on time due to any of the following reasons, the lender will not be liable, but the borrower will be notified in time: the borrower's designated lending account is frozen, the account of payment recipient is frozen, force majeure, communication or network failure, and system failure of the lender, etc., except as otherwise agreed in this contract.

Article 8 Obligations of the Borrower

8.1 The borrower shall repay the loan principal and interest rate according to the time, amount, currency and interest recorded in this contract and the corresponding Application for the Use of Quota.

If the borrower's designated fund collection account is used to collect the corresponding sales income or planned repayment funds, and if the corresponding sales income is settled in a non-cash manner, the borrower shall ensure that the funds are returned to the account in time after receiving the payment. The borrower should follow the lender's requirements to provide the information regarding the deposit and withdrawal of funds from the account.

8.2 The borrower shall use the quota according to the purposes stipulated in this contract and use the loan according to the purpose determined by the corresponding "Application for the Use of Quota". The loan shall not be used for other purposes, fixed assets investment, equity investment, or any areas and purposes of production and operation prohibited by the government.

The borrower shall use the loan funds in accordance with the agreed method, and shall not evade the lender's entrusted payment by breaking up the entire payment into sub-payments; if the borrower pays independently, the borrower shall use the loan within a reasonable timeframe as required by the lender's supervisory authority. Payment of funds shall be in accordance with this contract.

▲▲ 8.3 The borrower shall bear the settlement fee (if any) of the loan fund payment (including the lender's entrusted payment and the borrower's independent payment), and the specific charges shall be calculated according to laws, regulations, rules, regulatory requirements and the valid List of Service Charges of the Bank of Communications issued by the lender.

The lending account is a special loan issuing account. When the loan fund is paid (including the lender's entrusted payment and the borrower's self-payment) to a receiving account that was not opened with the Bank of Communications, the fund payment may be processed through the PBOC payment system or the intra-city exchange system.

When the loan account is not a special loan issuance account and when the loan fund is paid (including the lender's entrusted payment and the borrower's self-payment) to a receiving account of another bank located in another city, all fund payment is handled through the PBOC payment system.

▲▲ 8.4 The borrower shall cooperate with the lender to manage the loan payment, to supervise and inspect the use of the loan and the operation of the borrower, and to timely provide the financial statements, loan capital usage records and materials, information of related parties and connected transactions, environmental and social risk reports, and other materials and

information required by the lender for post-loan risk management. The borrower shall ensure that all documents, materials and information provided are true, complete and accurate.

▲▲8.5 When the borrower experiences any of the following matters, it should notify the lender in writing at least 30 days in advance, and should not take any action before settling all loan principal and interest stipulated under this contract or providing a repayment plan and guarantee approved by the lender:

- (1) Sell, donate, lease, lend, transfer, mortgage, pledge or use other means to dispose of all or most of the assets or important assets;
- (2) Significant changes in the operating system or the form of property rights organization, including but not limited to the implementation of contracting, leasing, joint operation, corporate restructuring, joint-stock reform, corporate sales, mergers (acquisitions), joint ventures (cooperation), separation, establishment of subsidiary, equity transfer, transfer of property rights, capital reduction, etc.
- (3) Foreign investment or increased debt financing exceeds the agreed limit.

▲▲8.6 The borrower shall notify the Lender in writing within 7 days of the occurrence or possible occurrence of the following:

- (1) The borrower or its related parties amend their articles of association, change the business name of the company, change the items of industrial and commercial registration such as the legal representative (responsible person), residence, mailing address or business scope, or make decisions that have a significant impact on their finances and personnel;
 - (2) The borrower, its related party or guarantor intends to file for bankruptcy, or may or may have been filed for bankruptcy by its creditor;
 - (3) The borrower or its related parties involve major litigation, arbitration, administrative measures, or their main assets or the collateral under this contract are taken for property preservation or subject to other enforcement measures, the safety status of the main assets or collateral under this contract is affected or may be affected, or their value may be reduced or is reduced;
 - (4) The borrower or its related parties provide a guarantee to a third party and therefore experience a material adverse effect on their economic condition, financial condition or ability to fulfill its obligations under this contract;
 - (5) The borrower or its related parties sign a contract that has a significant impact on their business and financial conditions;
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- (6) The borrower pays off any outstanding debts in advance or prioritizes the settlement of other debts in maturity, adds collateral for other existing debts, etc., or makes any arrangements with similar effects or signs relevant documents;
- (7) The borrower, its related parties or guarantor is suspended, closed down, disbanded, closed for internal rectification, or has its business licenses cancelled or revoked;
- (8) The borrower or its related parties, the main individual investors of the borrower or its related parties, the legal representative (responsible person), director or the main manager of the borrower or its related parties are missing, have broken the law or violated regulations, have violated applicable exchange rules or have undergone abnormal changes;
- (9) The borrower or its related parties have serious difficulties in operating, or their financial condition has deteriorated, or experienced other events that have a negative impact on the operation, financial condition, solvency or economic status of the borrower or its related parties;
- (10) A connected transaction occurs and the transaction amount reaches or exceeds 10% of the recently audited net assets;
- (11) Before all the debts under this contract have been settled, the borrower becomes or may become the shareholder of the guarantor or its "actual controller" as defined in the "Company Law";
- (12) The borrower or its related parties are responsible for accidents or be exposed by the media due to violations of laws, regulations, regulatory requirements, national policies or industry standards;
- (13) The borrower or its related parties have encountered a safety or environmental accident;
- (14) The control relationship between the borrower and its related parties has changed;
- (15) A major equity change has occurred to the borrower or related parties;
- (16) The borrower's external auditor's audit opinion on its financial statements has not reached a standard unqualified opinion;
- (17) The borrower is or may be investigated, punished or otherwise dealt with by the competent authority for violation of laws, regulations and/or regulatory requirements;
- (18) The borrower or related parties are included in the sanction list of the UN, EU or US, or their countries and regions are included in the sanction list of the UN, EU or US;
- (19) Other significant adverse events affecting the solvency of the borrower or its related parties.
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▲▲8.7 When the guarantee stipulated in this contract experiences changes not conducive to the creditor's rights, the borrower shall promptly provide other guarantees approved by the lender upon request.

The term "changes" used in this article include but are not limited to: the guarantor's merger, division, suspension, closure, dissolution, suspension of business for rectification, revocation, revocation of business license, or application for or being applied for the bankruptcy of the guarantor; the guarantor's business or financial position is changed significantly, guarantor is involved in major litigation, arbitration, administrative measures, or property preservation or other enforcement measures for its main assets; the security status of the collateral is affected or may be affected; the value of the collateral is reduced or may be reduced or may be subject to property protection and other compulsory measures; the guarantor or its legal representative (responsible person) or key management personnel are involved in violation of law/regulations or violation of the applicable exchange rules; when the guarantor is an individual, the guarantor is missing or dead (declared death); the guarantor committed an act of breach of contract under the guarantee contract; the guarantor has a dispute with the borrower; the guarantor requests the termination of the guarantee contract; the guarantee contract has not become effective, has been invalidated or has been revoked; the collateral has not been established or is invalid; or other events affecting the security of the lender's claims.

▲▲8.8 Borrower's commitment: From the signing of the contract to when all the loan principal/interest and related expenses under this contract have been settled, the borrower's financial indicators, external agency rating and production operation qualification/license always conform to the provisions of the contract. If the borrower's production business qualification/license requires annual review, it shall pass the annual review on time.

8.9 The borrower guarantees to abide by the national laws, regulations and related policy requirements against money laundering. The borrower guarantees to not engage in activities involving money laundering and terrorist financing. The borrower guarantees to actively cooperate with the lender to carry out anti-money laundering tasks such as customer identification, archiving of transaction records, and reports for large sum and suspicious transactions.

8. The borrower guarantees that the borrower and the borrower's employees and agents do not provide, give, solicit or accept any form of material interest (including but not limited to cash, gift cards and travel) or other non-material benefits from the lender or lender's employees other than as agreed in this contract. The funds or services provided by the lender shall not be used in any form directly or indirectly for activities related to corruption or bribery; if the borrower is aware of any violation of this agreement, the lenders should be provided with clues and relevant information in a timely, truthful, complete and accurate manner, and the borrower shall cooperate for relevant matters according to the requirements of the lender.

▲ ▲ Article 9 Quota Adjustment, Early Loan Maturity and Risk Re-pricing

9.1 Any of the following events shall be deemed as "events for early loan maturity" of this contract:

- (1) The borrower fails to repay the loan principal or interest according to any of the "Application for the Use of Quota" under this contract;
- (2) The statements and warranties made by the borrower under this contract are untrue;
- (3) Any matter that should be notified as set out in Article 8.6 actually occurs and has affected or may affect the security of the lender's claim;
- (4) The changes in laws, regulations and regulatory policies that render the issuance of loans by the lender as agreed in this contract illegal or violating the regulations;
- (5) When the borrower performs another contract with the lender or a contract with a third party, there is an act of violation or the debt may or may have been declared mature prematurely;
- (6) The borrower violates other agreements in this contract.

9.2 When any "events for early loan maturity" occurs, the lender has the right to take one, more or all of the following measures:

- (1) Reduce, suspend or cancel the quota under this contract;
- (2) Stop issuing loans that the borrower has not yet applied for;
- (3) Stop paying the loan that the borrower has applied for but has not used yet;
- (4) Requiring the borrower to negotiate with the lender to replenish the conditions for loan issuance and payment within a limited timeframe;
- (5) Requiring the borrower to change the payment method according to the requirements of the lender;
- (6) Re-pricing of the risk of loan performance as stipulated in Article 9.3;
- (7) Unilaterally declaring that the principal of the loan issued under the contract expires prematurely and requiring the borrower to immediately repay all due principal of the loan and settle the interest.

9.3 According to the production and operation of the borrower at the time of signing this contract, both parties have agreed on the interest rate and its adjustment stipulated in this contract. The borrower agrees that in the event of any "events for early loan maturity", the lender has the right to re-price the risk of loan performance in accordance with this Article.

9.3.1 Risk re-pricing includes two methods, i.e., re-pricing via negotiation and direct increase of loan interest rate. The risk re-pricing method adopted in this contract is stipulated by the two parties in Article 21.

9.3.2 "Re-pricing via negotiation" means that the lender has the right to require the borrower to negotiate with the lender to increase the loan interest rate within the timeframe. Two parties will determine the "re-pricing date" and specific terms of relevant interest rate by means of a supplementary agreement.

9.3.3 "Direct increase of loan interest rate" means that the lender has the right to directly increase the loan interest rate in accordance with this Article and Article 21.

9.3.3.1 From the "re-pricing date" notified to the borrower by the lender in writing, the increased loan interest rate will be applied to each loan that the borrower has not repaid as of the "re-pricing date".

9.3.3.2 When the loan currency is RMB and if the benchmark interest rate of each loan remains unchanged, the increased loan interest rate is determined according to the magnitude of interest increase (decrease)/increase (decrease) point agreed in Article 21 and the benchmark interest rate on the "re-pricing date".

With the "re-pricing date" is day T, the benchmark interest rate used to determine the raised loan interest rate is determined according to the following rules:

1. When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;
2. When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date;
3. When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

9.3.3.3 If the loan currency is a foreign currency, the raised loan interest rate shall be determined in accordance with the clause in Article 21.

9.3.4 After the lender performs risk re-pricing according to the foregoing agreement, the new interest rate will be executed starting from the "re-pricing date". On the basis of this interest rate, the floating rate adjustment is still carried out according to the provisions stipulated in Article 3

of this contract. If the two parties change the relevant agreement by consensus, the floating rate adjustment shall be executed according to the changed agreement. If the loan is overdue (including when the borrower fails to repay on time or when the loan is announced by the lender as expiring prematurely) or misappropriated, the penalty interest rate for overdue and misappropriated loans shall be determined on the basis of the new interest rate (including the adjusted floating interest rate as stipulated in this contract). The calculation for compound interest rate is also adjusted accordingly.

9.3.5 The implementation of “risk re-pricing” should not be considered or interpreted as a lender’s waiver of other rights as stipulated by laws/regulations and this contract. The lender has the right to take other credit protection measures in accordance with laws/regulations and this contract, including but not limited to the measures agreed in Article 9.

▲ ▲ Article 10 Breach of Contract

10. If the borrower fails to repay the loan principal in full or pay the interest on time, or if the borrower fails to use the loan in accordance with the contract, the lender shall charge the penalty interest rate for the overdue or misappropriated loans and compound interest for unpaid interest. If the penalty interest rates are adjusted according to the contract, the compound interest rate will be adjusted accordingly.

10.2 If the borrower fails to repay the loan principal and interest on time, it shall bear the collection fee, litigation fee (or arbitration fee), preservation fee, announcement fee, execution fee, lawyer’s fee, travel expenses and other expenses incurred by the lender to realize its creditor’s rights.

▲ ▲ Article 11 Deduction Agreement

11.1 With the authorization of the borrower, when there is loan principal, interest, penalty interest, compound interest or other expenses due, the lender has the right to deduct the expenses from the funds in any account opened by the borrower at any branch of Bank of Communications for repayment.

11.2 After the fund deduction, the lender shall notify the borrower of the account number, the contract number, the No. of “Application for the Use of Quota”, the amount of the deduction and the amount of the remaining debt.

11.3 When the proceeds from the fund deduction are insufficient to pay off the borrower’s entire debts, the amount of the debts to be settled shall be determined in accordance with this contract.

11.4 If the currency of the deduced fund is inconsistent with the currency of the debt to be repaid, it shall be converted into the amount of the debt according to the exchange rate announced by the Bank of Communications at the time of fund deduction. If it is necessary to handle the

procedures for foreign exchange settlement, the borrower is obliged to assist the lender upon request, and the risk of exchange rate is borne by the borrower.

Article 12 Notice

12.1 The contact information (including the communication address, contact phone number, fax number, etc.) filled in by the borrower in the contract is all true and valid. In the event of any change in any contact information, the borrower shall immediately send/deliver the information of such changes in writing to the lender's mailing address shown in this contract. Such information changes will become effective after they are received by the lender.

12.2 Unless otherwise expressly agreed in this contract, the lender has the right to deliver the lender's notice to the borrower by any of the means listed below. The lender has the right to choose the method of notification that it deems appropriate and is not liable for any errors, omissions or delays in delivery caused by mail post, fax, telephone or any other communication systems. When the lender chooses multiple notification methods at the same time, the faster one will prevail.

(1) Announcement, the delivery date is deemed to be the date when the lender issues the announcement via its website, online banking, telephone banking or business outlets;

(2) Designated delivery, the delivery date is deemed to be the date when the delivery is received and signed by the borrower;

(3) For postal mail (including express mail, regular mail, registered mail) sent to the borrower's latest address known by the lender, the delivery date is deemed to be the 3rd day (the same city)/5th day (different cities) after the date of postmark;

(4) For fax, mobile phone text messages or delivery via other electronic communications to the borrower's latest fax number known by the lender or the mobile phone number/e-mail address designated by the borrower, the date of sending the message is deemed as the delivery date.

12.3 The borrower agrees that unless the lender receives a written notice from the borrower regarding the change of the communication address, the borrower's address in this contract is the address for the court to serve judicial document and other written documents to the borrower. In the dispute resolution process of the contract, when the court delivers the judicial documents or other written documents to the borrower's latest mailing address known by the lender via post (including express mail, regular mail, or registered mail), the delivery date is deemed to be the date when the borrower signs the delivery certificate. If the borrower fails to sign the delivery certificate, the delivery date is deemed to be the 3rd day (the same city)/5th day (different cities) after the date of postmark.

Except for judgments, rulings, and reconciliation agreements, the court has the right to deliver any notice of the borrower through any communication method stipulated in Article 12.2.

The court has the right to choose the communication method it deems appropriate and is not liable for transmission errors, omissions or delays caused by postal mail, fax, telephone, telex or any other communication systems. When the court chooses multiple notification methods at the same time, the faster one will prevail.

▲ ▲ Article 13 Information Disclosure and Confidentiality

13.1 For the undisclosed information and materials of the borrower acquired and known during the signing and implementation of this contract, the lender's use of relevant information and materials shall not violate laws, regulations and regulatory requirements, and the lender shall bear confidentiality obligations according to law. The lender shall not disclose such information and materials to third parties except in the following cases:

- (1) Applicable laws and regulations require disclosure;
- (2) The judicial department or regulatory agency requires disclosure in accordance with law;
- (3) When the borrower fails to repay the principal of the loan and/or interest on time, and the lender need to disclose the information to the external professional consultant of the lender and allow the external professional consultant of the lender to use the information under confidentiality to reclaim creditor's rights;
- (4) The borrower agrees or authorizes the lender to disclose it.

13.2 The borrower confirms that it has signed the "Authorization Letter for Credit Information Enquiry". The lender will search, use and maintain the borrower's credit information within the scope of the authorization.

13.3 In addition to the circumstances specified in Articles 13.1 and 13.2 of this contract, the borrower further agrees that Bank of Communications may use or disclose the borrower's information and materials, including but not limited to borrower's basic information, credit transaction information, bad credit information and other relevant information and materials, and the borrower is willing to bear all the consequences:

For business outsourcing agencies, third party service providers, other financial institutions and other institutions or individuals deemed necessary by the lender, including but not limited to other branches of Bank of Communications or subsidiaries partially or fully owned by Bank of Communications, disclose and allow them to use such information and materials under confidentiality for the following purposes: 1. To carry out bank credit business or related to bank credit business, such as promoting credit business of Bank of Communications, collecting borrowers' debts, and transfer the creditor's rights of the bank's credit business; 2. Allow the lender to provide or potentially provide the borrower with new products/services or further services.

The applicability of Article 13.3 shall be subject to the provisions of Article 24 of this contract.

Article 14: Applicable Law and Dispute Resolution

This contract adopts the laws of the People's Republic of China (the laws of Hong Kong, Macao and Taiwan are not included for the purpose of this contract). The dispute under this contract shall be brought to the court of competent jurisdiction of the lender, except as otherwise agreed in this contract. During the dispute, the parties shall continue to perform the uncontroversial terms.

Article 15: Validity and Composition of Contract

15.1 This contract shall become effective after it has been signed (or stamped) by the legal representative (responsible person) or authorized representative of the borrower and affixed with the official seal, and signed (or stamped) by the responsible person or authorized representative of the lender and affixed with the official seal.

15.2 The "Application for the Use of Quota" signed when using the quota stipulated in this contract and other relevant documents and materials are inseparable components of this contract.

15.3 The "Application for the Use of Quota" is a supplement to this contract. Except as otherwise stipulated in the "Application for the Use of Quota", the rights and obligations between the borrower and the lender as well as other related matters shall still be implemented in accordance with this contract.

Article 16: The Specific Description of the Quota

16.1 Currency of the quota: RMB; Amount in uppercase letters: Five Million Yuan; Can be used for ☒ RMB ☐ / (foreign currency); the quota is ☐ Revolving quota ☐ One-time quota (can be used in multiple times) ☒ One-time quota (one-time use only).

16.2 Quota is use for: business turnover.

16.3 The credit period is from January 4, 2019 to January 4, 2020.

Article 17: Interest Rate Agreement

When the loan currency is a foreign currency, the interest rate determination and adjustment as well as the penalty interest rates for overdue and misappropriated loan are agreed as follows:

/

Article 18: Account Agreement

18.1 The borrower has designated the following account as a loan issuance account, which ☐ Yes ☒ Not a special loan issuance account opened by the borrower at the lender. If both parties agree

otherwise in the corresponding "Application for the Use of Quota", the agreement in the "Application for the Use of Quota" shall prevail.

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

18.2 Designated by the borrower:

(1) The loan repayment account is

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

(2) The fund collection account is:

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

Article 19: Specific Agreements for the Issuance, Payment and Repayment of Loans

19.1 The term of each loan released under this contract shall not be longer than **12 Months**, and the maturity date of all loans shall be no later than **July 4, 2020**.

19.2 The quota for independent payment made by the borrower under this contract is **Five Million Yuan** RMB.

19.3 The lender's entrusted payment is used when one of the following conditions is fulfilled:

/

/

19. If the borrower makes the payment independently, the borrower shall report the payment of the loan fund to the lender within / day after the loan is issued.

Article 20: Financial Restrictions, External Agency Ratings and Production and Operation Qualification/License

20.1 The borrower's foreign investment limit is RMB 300 million; the limit for increased debt financing is RMB 300 million.

20.2 Contractual agreement on borrower's financial indicators:

- (1) /
- (2) /
- (3) /

20.3 Specific agreements on external agency ratings:

- (1) /
- (2) /

20.4 Specific agreement on borrower's production and operation qualification/license:

- (1) /
- (2) /

▲ ▲ Article 21: Specific Agreement on Risk Re-pricing

21.1 This contract adopts the risk re-pricing method in (1): **(1) re-pricing via negotiation**; (2) direct increase in loan interest rate.

21.2 When the method of "direct increase in loan interest rate" is adopted:

21.2.1 When the loan currency is RMB, the magnitude of interest increase (decrease)/increase (decrease) point is: ☐ Benchmark interest rate (no increase (decrease) point) ☐ Increase by % ☐ Decrease by % ☐ Add by % ☐ Reduce by %. If a loan has other agreements, the magnitude of interest increase (decrease)/increase (decrease) point shall be based on the records in the Application for the Use of Quota.

21.2.2 When the loan currency is a foreign currency, the raised loan interest rate is: /.

Article 22 Contact Information

The contact methods for the borrower to receive the notice stipulated in Article 12 include:

Mailing Address: Building 4, 1690 Cailun Road, China (Shanghai) Pilot Free Trade Zone

Recipient: Bi Anyun

Recipient: Bi Anyun

Postal code:

Phone: 021-50808868

Mobile phone: 13818946646

Fax:

Email address: anyun.bi@acmrcsh.com

Article 23: Number of Contracts

This contract has **Three** copies. Each of Party A, Party B and the guarantor (if any) keeps **One** copy.

Article 24: Other Agreed Matters

24.1 Both parties agree that Article 13.3 ☒ applies ☐ Does not apply to this contract.

24.2 The payment method of the loan under this contract shall be subject to the "Application for the Use of Quota" signed by the lender.

24.3 The lender will provide legally compliant VAT invoices in accordance with relevant laws and regulations. The specific time and method for delivering VAT invoices will be determined by both parties.

Borrower: ACM Research (Shanghai) Inc.

Legal representative (person in charge): HUI WANG

Legal address: Building 4, 1690 Cailun Road, China (Shanghai) Pilot Free Trade Zone

Lender: Bank of Communications Shanghai New District branch

Person in charge: Cai Yue

Mailing address: 260 Xin Jinqiao Road

The borrower has read through all the terms of the contract, and the lender has made a detailed explanation at the request of the borrower. When the borrower signs this contract, there is no doubt or objection to any content, and the borrower understands the meaning and legal consequences of the terms of the contract, especially the terms marked by ▲▲.

(No text below on this page)

Borrower (Official Seal)

ACM Research (Shanghai) Inc.

Legal representative (responsible person) or authorized representative (signature or stamp)

HUI WANG

Date of Signing: January 24, 2019

Lender: (Official Seal)

Bank of Communications, Shanghai New District branch

[Special Stamp for Credit Line Contracts]

Legal representative (responsible person) or authorized representative (signature or stamp)

Cao Pei

Date of Signing: January 24, 2019

No.: Z1902LN15674003

Liquidity Loan Contract

(applicable to 531)

Bank of Communications

Liquidity Loan Contract

Important Reminder

The borrower is requested to read the full text of this contract, especially the terms marked with ▲▲. If there is any doubt, please promptly ask the lender for explanation.

In view of the borrower's application for a liquidity loan credit line from the lender, this contract is established upon the agreement from the borrower and the lender to clarify the rights and obligations of the two parties.

Article 1 Definition

“Credit line” refers to the maximum amount of the loan balance (under the revolving quota) or the total loan amount (under the one-time quota) that the lender may issue to the borrower in accordance with this contract. The amount may be a revolving amount or a one-time quota according to the contract (can be used one-time only or used multiple times).

“Revolving quota” means that the borrower may apply for the use of the quota multiple times in accordance with this contract to obtain the loan, but the loan balance cannot exceed the agreed amount.

“One-time quota” means that the borrower may apply for the use of the loan in one or more times in accordance with the contract, but the total amount of the loan may not exceed the agreed amount.

“Loan balance” means the sum of the loan principal amount obtained by the borrower under this contract that has not yet been settled.

“Credit line balance” refers to the amount after deducting the loan balance (under the revolving quota) or the total loan amount (under the one-time quota) from the total credit line.

“Credit period” refers to the period during which the lender issues the loan to the borrower based on the borrower's application and the agreement of this contract. It is the period when a loan remains active rather than the loan term.

“Loan term” refers to the term of each loan determined by both parties in the corresponding “Application for the Use of the Bank of Communications' Loan Quota” (hereinafter referred to as “Application for the Use of Quota”).

“Bank business day” and “business day” refer to when the bank opens for public business at the location to the lender, excluding statutory holidays and weekends (except for the days when the bank opens for public business due to holiday adjustments). If the dates for obligation fulfillment such as the loan date, repayment date, interest payment date and expiration date are not applicable to the bank business day, the corresponding date will be postponed accordingly to the next business day.

Terms such as related parties, connected transactions, and major individual investors have the same meaning as that in the “Accounting Standards for Business Enterprises No. 36-Disclosure by Related Parties” issued by the Ministry of Finance (Accounting [2006] No. 3) and subsequent amendments to the standards.

Article 2 Use of Quota

2. 1 When the borrower needs to use the quota, it should apply to the lender in at least 5 business days in advance. When applying, the borrower should fill out the “Application for the Use of Quota” and use the quota after review and approval by the lender.

▲ ▲ 2.2 The quota of each use should meet all of the following conditions:

- (1) The loan balance (under the revolving quota) or the total loan amount (under the one-time quota) does not exceed the quota;
 - (2) The loan amount applied for does not exceed the balance of the quota;
 - (3) The application date and the loan issue date are within the credit period;
 - (4) The loan term and the maturity date of the loan are in accordance with this contract;
 - (5) The guarantee contract (if any) under this contract has entered into force and continues to be effective. If the guarantee contract is a mortgage contract and/or a pledge contract, the security property has been established and continues to be valid;
 - (6) When the borrower has completed the application for the loan, it must obtain the government approval, license, and registration required by law and the lender, and such license, approval or registration shall continue to be valid;
 - (7) After the contract takes effect, the borrower’s operating status and financial status have not undergone any material adverse changes;
 - (8) The borrower’s application meets the requirements of the relevant rules and regulations of the lender;
 - (9) The borrower has not acted in violation of the agreement stipulated in this contract;
-

(10) The payment method of the loan is in accordance with this contract. If the lender is entrusted to pay, the lender agrees to pay;

(11) Where a foreign currency loan is used, the borrower has provided supporting documents for the loan in compliance with relevant foreign exchange management policies, including but not limited to valid foreign exchange use certificates or registration documents;

(12) The borrower has designated special fund returning accounts and signed an account management agreement as required by the lender.

▲ 2.3 If the lender agrees to issue the loan, the final loan information is subject to the contents in the printed column of the "Application for the Use of Quota". The "Application for the Use of Quota" is used as the "Loan Certificate".

▲ ▲ 2.4 When the currency in the "Application for the Use of Quota" is inconsistent with the currency of the quota, the currency will be converted according to the daily exchange rate of the Bank of Communications at the beginning of the day only for the purpose of determining the quota balance. If there is no exchange rate that can be used directly, it shall be converted based on the exchange rate determined by the Bank of Communications in a reasonable manner.

▲ ▲ 2.5 After the borrower becomes the shareholder of the guarantor or its "actual controller" as defined in the "Company Law", the lender has the right to suspend or cancel the loan amount that the borrower has not used before the guarantor provides the lender a resolution indicating that the shareholders' meeting of the guarantor agrees to provide guarantee for the borrower.

Article 3 Calculation of Interest Rates and Payment of Interest

3.1 Basic rules for determining interest rates

3.1.1 The interest rate is agreed between the two parties in the "Application for the Use of Quota" after each use of the quota. Unless the parties agree on the specific value of the interest rate in the "Application for the Use of Quota", the specific interest rate of each loan will be based on the type of benchmark interest rate, the applicable date of the benchmark interest rate, and the magnitude of interest rate increase (decrease)/point value increase (decrease), interest rate floating rule, interest rate floating period, unit of interest rate floating period and start date (if required) for interest rate floating on a specific date stipulated in the corresponding "Application for the Use of Quota".

3.1.2 Types and definitions of "benchmark interest rate": (1) "benchmark interest rate of PBOC loan" refers to the benchmark interest rate of RMB loans for financial institutions issued by the People's Bank of China; (2) LPR quotes of Bank of Communications refer to the basic interest rate for loans quoted on the official website of Bank of Communications; (3) The average interest rate of the LPR quote refers to the loan base rate issued by the National Interbank Lending Center.

3.1.3 When the currency is RMB, daily interest rate = monthly interest rate/30, monthly interest rate = annual interest rate/12; when the currency is Hong Kong dollar, British pound and Australian dollar, daily interest rate = annual interest rate/365; when the currency is the US dollar, the Euro, the Japanese yen and other foreign currencies accepted by the lender, the daily interest rate = annual interest rate/360.

▲ ▲ 3.2 Lending rate

The lending interest rate at the time of each loan lending is determined based on the benchmark interest rate of the agreed "date applicable to benchmark rate" and the magnitude of floating interest increase (decrease)/increase (decrease) point of interest rate. Using the "date applicable to benchmark rate" as day T, the benchmark interest rate used to determine the lending rate of a loan is calculated according to the following rules:

When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;

When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date.

When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

3.3 Adjustment of interest rates

3.3.1 When a fixed interest rate is recorded in the "Application for the Use of Quota", the loan is executed according to this recorded interest rate during the loan term.

▲ ▲ 3.3.2 When a floating interest rate is recorded in the "Application for the Use of Quota", the date of loan interest rate adjustment for the loan is determined according to the interest rate floating rule, the interest rate floating period, the unit of interest rate floating period and start date (if required) for interest rate floating on a specific date stipulated in the corresponding "Application for the Use of Quota". The adjusted interest rate will be applied after the date of loan interest rate adjustment.

3.3.2.1 In the case of adjustment of the benchmark interest rate during the loan term, the period of the loan interest rate adjustment will be calculated starting from the date of "entry date of loan into account" or "the starting date of floating interest on specific date" based on "floating according to the entry date of loan into account" or "floating according to the starting date of

floating interest on specific date" selected in the option of "interest rate floating rule". The number of cycles in which the interest rate floats is filled in the blank column for the cycles of floating interest rate, and the unit of interest rate floating cycles can be selected by day or by month. If the number of interest rate floating cycles is "1" and the unit of floating cycle is "by day", the date of benchmark interest rate adjustment is the date when the loan interest rate is adjusted. If the number of interest rate floating cycles is "3" and the unit of floating cycle is "by day", the date of loan interest rate adjustment is 3 days from the date of "entry date of loan into account" or "the starting date of floating interest on specific date". If the number of interest rate floating cycles is "1" and the unit of floating cycle is "by month", the date of loan interest rate adjustment is 1 month from the date of "entry date of loan into account" or "the starting date of floating interest on specific date". If the number of interest rate floating cycles is "3" and the unit of floating cycle is "by month", the date of loan interest rate adjustment is 3 months from the date of "entry date of loan into account" or "the starting date of floating interest on specific date", and so on.

3.3.2.2 The loan interest rate on the date of loan interest rate adjustment is determined based on the benchmark interest rate on the date of loan interest rate adjustment. The magnitude of interest increase (decrease)/increase (decrease) point is unchanged except such changes are agreed by both parties. Taking the "date of loan interest rate adjustment" as day T, the benchmark interest rate used to determine the adjusted loan interest rate is determined according to the following rules:

When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;

When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date;

When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

▲▲3.3.3 when the "PBOC loan benchmark interest rate" is selected as the benchmark interest rate and if the adjusted PBOC loan benchmark interest rate is a floating rate or when the benchmark interest rate is abolished, the two parties will negotiate and adjust the loan interest rate separately, but the adjusted interest rate shall not be lower than the applicable interest rate at the time. If the two parties have not reached an agreement on the adjustment of interest rate 1

month after the date of PBOC adjustment, the lender has the right to declare that the loan has matured earlier.

If the “LPR quote of Bank of Communications” or the “average interest rate of LPR quote” is selected as the benchmark interest rate and if the relevant benchmark interest rate is cancelled according to regulatory requirements, the two parties will negotiate and adjust the interest rate of the loan separately, but the adjusted interest rate shall not be lower than the applicable interest rate at the time. If the two parties have not reached an agreement on the adjustment of interest rate 1 month after the date of PBOC adjustment, the lender has the right to declare that the loan has matured earlier.

▲▲ 3.3.4 Both parties can adjust the magnitude of interest increase (decrease)/increase (decrease) point of the corresponding loan interest rate after negotiation on the date of interest rate adjustment.

3.4 If the loan currency is RMB, the penalty interest rate of the overdue loan will increase by 50% from the agreed interest rate in this contract, and the penalty interest rate of misappropriated loan will increase by 100% from the agreed interest rate in this contract. If the floating rate loan is adjusted in accordance with the adjustment of the benchmark interest rate, the lender has the right to adjust the penalty interest rate applicable to each loan accordingly, and the new penalty interest rate will be calculated from the adjustment date of the loan interest rate agreed in the corresponding “Application for the Use of Quota”.

3.5 Calculation of interests

3.5.1 Normal interest = the interest rate stipulated in the contract × the amount of the loan × the number of days of loan occupancy.

The number of days of loan occupancy is calculated from the date of loan release (inclusive) to the maturity date (excluding), and the maturity date is postponed if it falls on a non-business day. The day of postponement is included in the loan occupancy period and the interest is still calculated according to the contract.

3.5.2 The penalty interest on overdue loans and misappropriated loans shall be calculated based on the amount of overdue or misappropriation and the actual number of days (from the date of overdue or misappropriation (inclusive) to the date on which the principal and interest are paid (excluding)).

3.5.3 In the event that the calculated interest/penalty interest rate is greater than two decimal places, the lender will retain the two decimal places by rounding off.

▲▲ 3.6 If the borrower repays the loan in advance or if the lender withdraws the loan prematurely according to the contract, the corresponding level of interest rate will not be adjusted and will still be the interest rate stipulated in this contract.

3. If the loan currency is a foreign currency, the determination and adjustment of the interest rate, as well as the penalty interest rate for overdue and misappropriated loan shall be subject to the provisions of Article 17 of this contract.

Article 4 Payment of Loans

4.1 If the loan issuance account designated by the borrower is a special loan issuance account opened with the lender, the issuance and payment of the loan shall be handled through this account. This account is only used for the issuance of loan funds and external payment. It can only be used for the certificate of "Billing Business Application" and is not allowed to apply for checks, money orders, bank acceptance drafts, etc. It may not be used for other settlements. When the borrower pays for or transfers the loan funds independently, such transactions must be handled at the counter of the bank branch where the account was opened. The deposit interest on this account is credited to the borrower's repayment account.

4.2 When the borrower proposes to use the loan according to the contract, it shall specify the payment method (either the lender is entrusted to pay or the borrower pays independently), and each payment can only adopt one payment method.

4.3 The lender's entrusted payment means that the lender can directly pay the loan funds through the borrower's account to the borrower's counterparty in accordance with the contractual purposes, according to the power of attorney for the borrower's entrusted payment.

If the amount of a single payment exceeds the self-payment limit or meets one of the provisions of Article 19.3, the loan entrusted payment method shall be adopted.

Where the lender is entrusted to pay, the borrower shall submit to the lender the application for quota use, the corresponding power of attorney for entrusted payment and other materials required by the lender (including but not limited to transaction documents such as commercial contracts, invoices and receipts). The amount of the loan to be used and the recipient of the payment (amount) all be clearly stated, and the amount of the loan to be used shall be equal to the total amount of the payment.

▲▲ If the borrower's proposed payment does not comply with this contract or the corresponding commercial contract or if there are any other defects, the lender has the right to refuse the payment and return the power of attorney for entrusted payment submitted by the borrower.

▲▲ If the lender agrees to pay but the payment cannot be made since the information provided by the borrower is incorrect or a refund is made, the borrower must resubmit the relevant documents and materials containing the correct information within the time limit specified by the lender. If the payment is delayed or unsuccessful due to above reasons, the lender will not be liable.

4.4 Borrower's independent payment means that the lender will release the loan funds to the borrower's account according to the contract, and the borrower will pay the borrower's counterparty in accordance with the contractual purposes.

If the borrower uses borrower's independent payment, the borrower must submit to the lender the application for quota use, the instructions for the use of the funds and other materials required by the lender. The borrower shall report the payment of the loan funds to the lender on time. The lender has the right to verify whether the loan payment conforms to the agreed use by means of account analysis, voucher inspection, on-site investigation, etc., and the borrower must cooperate with the lender's inspection.

Article 5 Repayment of Loans

5.1 The borrower shall repay the loan according to the repayment date and amount as stated in the corresponding Application for the Use of Quota.

▲▲ 5.2 The borrower cannot repay the loan in advance without the written consent of the lender.

▲▲ 5.3 The repayment arrangement of the principal and interest agreed by the borrower and the lender in the "Application for the Use of Quota" is a true meaning expressed on a voluntary basis after negotiation between the two parties. Under the repayment arrangement chosen by both parties, regardless of whether the principal is repaid before interest, the borrower's repayment obligation for interest payable is not affected and the borrower may not argue against the repayment of interest payable. Under any repayment arrangement, the borrower shall be responsible for the repayment of all principal and interest payable.

▲▲ 5.4 When the borrower's repayment (including the borrower's voluntary repayment and the lender's deduction of proceeds according to this contract) cannot fully settle the borrower's entire debt:

(1) It should be used first to settle the expenses that are due and not paid. If the principal and interest are overdue for less than 90 days, the balance after the fee is paid is used to offset the unpaid interest or penalty interest and compound interest that have matured, and then used to cover the unpaid principal that has matured; if the principal or interest is overdue for 90 days, the balance after the fee is paid is used to offset the unpaid principal that has matured, and then used to cover the unpaid interest or penalty interest and compound interest that have matured;

(2) When the borrower has multiple debts (including the debts of the borrower to the lender under other contracts), the lender has the right to determine the order of settlement of the debts of the borrower as long as the order of settlement does not violate the mandatory provisions of applicable laws, regulations, rules and related regulatory requirements applicable to the lender. The lender should inform the borrower of the outcome of the debt settlement, except as otherwise agreed by the parties for such matters.

Article 6 Statement and Guarantee of the Borrower

6.1 The borrower shall be legally established and legally existing, possess all necessary rights and capabilities, and be able to perform the obligations of this contract and bear civil liability in its own name.

6.2 Signing and execution of this contract is the true meaning of the borrower and have obtained all necessary consents, approvals and authorizations without any legal flaw.

6.3 The borrower's production and operation are legal and compliant. The borrower has the ability to continue to operate, has a legitimate source of repayment, does not involve significant environmental and social risks, and has no records of significant bad credits. The senior management of the borrower has no bad records.

6.4 All documents, statements, materials and information provided by the borrower to the lender during the signing and performance of this contract are true, accurate, complete and valid, and no information is hidden from the lender that may affect the borrower's financial status and repayment ability. The borrower's financial position has not undergone any material adverse changes since the date of its latest financial statements.

▲▲ 6.5 The borrower and its related parties are not enterprises or individuals in the sanctions list of the UN, EU or the United States, and are not located in countries and regions that are sanctioned by the UN, EU or the United States.

Article 7 Rights and Obligations of the Lender

7. 1 The lender has the right to recover the loan principal and interest (including compound interest and penalty interest for overdue and misappropriated loan) in accordance with this contract, to collect the fees payable by the borrower, and to recollect the loan in advance according to the borrower's fund collection status. The lender has can exercise its other rights as stipulated by legal provisions or this contract.

▲▲ 7.2 During the performance of this contract, the lender will only conduct a nominal review of the information provided by the borrower. The lender shall not be liable if the material provided by the borrower is untrue, inaccurate or incomplete, or if the borrower violates this contract so that the lender fails to complete the entrusted payment in a timely manner.

▲▲ 7. 3 The lender shall issue the loan and handle the payment according to the contract. If the lender fails to pay the loan or handle the payment on time due to any of the following reasons, the lender will not be liable, but the borrower will be notified in time: the borrower's designated lending account is frozen, the account of payment recipient is frozen, force majeure, communication or network failure, and system failure of the lender, etc., except as otherwise agreed in this contract.

Article 8 Obligations of the Borrower

8.1 The borrower shall repay the loan principal and interest rate according to the time, amount, currency and interest recorded in this contract and the corresponding Application for the Use of Quota.

If the borrower's designated fund collection account is used to collect the corresponding sales income or planned repayment funds, and if the corresponding sales income is settled in a non-cash manner, the borrower shall ensure that the funds are returned to the account in time after receiving the payment. The borrower should follow the lender's requirements to provide the information regarding the deposit and withdrawal of funds from the account.

8.2 The borrower shall use the quota according to the purposes stipulated in this contract and use the loan according to the purpose determined by the corresponding "Application for the Use of Quota". The loan shall not be used for other purposes, fixed assets investment, equity investment, or any areas and purposes of production and operation prohibited by the government.

The borrower shall use the loan funds in accordance with the agreed method, and shall not evade the lender's entrusted payment by breaking up the entire payment into sub-payments; if the borrower pays independently, the borrower shall use the loan within a reasonable timeframe as required by the lender's supervisory authority. Payment of funds shall be in accordance with this contract.

▲▲ 8.3 The borrower shall bear the settlement fee (if any) of the loan fund payment (including the lender's entrusted payment and the borrower's independent payment), and the specific charges shall be calculated according to laws, regulations, rules, regulatory requirements and the valid List of Service Charges of the Bank of Communications issued by the lender.

The lending account is a special loan issuing account. When the loan fund is paid (including the lender's entrusted payment and the borrower's self-payment) to a receiving account that was not opened with the Bank of Communications, the fund payment may be processed through the PBOC payment system or the intra-city exchange system.

When the loan account is not a special loan issuance account and when the loan fund is paid (including the lender's entrusted payment and the borrower's self-payment) to a receiving account of another bank located in another city, all fund payment is handled through the PBOC payment system.

▲▲ 8.4 The borrower shall cooperate with the lender to manage the loan payment, to supervise and inspect the use of the loan and the operation of the borrower, and to timely provide the financial statements, loan capital usage records and materials, information of related parties and connected transactions, environmental and social risk reports, and other materials and

information required by the lender for post-loan risk management. The borrower shall ensure that all documents, materials and information provided are true, complete and accurate.

▲▲8.5 When the borrower experiences any of the following matters, it should notify the lender in writing at least 30 days in advance, and should not take any action before settling all loan principal and interest stipulated under this contract or providing a repayment plan and guarantee approved by the lender:

- (1) Sell, donate, lease, lend, transfer, mortgage, pledge or use other means to dispose of all or most of the assets or important assets;
- (2) Significant changes in the operating system or the form of property rights organization, including but not limited to the implementation of contracting, leasing, joint operation, corporate restructuring, joint-stock reform, corporate sales, mergers (acquisitions), joint ventures (cooperation), separation, establishment of subsidiary, equity transfer, transfer of property rights, capital reduction, etc.
- (3) Foreign investment or increased debt financing exceeds the agreed limit.

▲▲8.6 The borrower shall notify the Lender in writing within 7 days of the occurrence or possible occurrence of the following:

- (1) The borrower or its related parties amend their articles of association, change the business name of the company, change the items of industrial and commercial registration such as the legal representative (responsible person), residence, mailing address or business scope, or make decisions that have a significant impact on their finances and personnel;
 - (2) The borrower, its related party or guarantor intends to file for bankruptcy, or may or may have been filed for bankruptcy by its creditor;
 - (3) The borrower or its related parties involve major litigation, arbitration, administrative measures, or their main assets or the collateral under this contract are taken for property preservation or subject to other enforcement measures, the safety status of the main assets or collateral under this contract is affected or may be affected, or their value may be reduced or is reduced;
 - (4) The borrower or its related parties provide a guarantee to a third party and therefore experience a material adverse effect on their economic condition, financial condition or ability to fulfill its obligations under this contract;
 - (5) The borrower or its related parties sign a contract that has a significant impact on their business and financial conditions;
-

- (6) The borrower pays off any outstanding debts in advance or prioritizes the settlement of other debts in maturity, adds collateral for other existing debts, etc., or makes any arrangements with similar effects or signs relevant documents;
- (7) The borrower, its related parties or guarantor is suspended, closed down, disbanded, closed for internal rectification, or has its business licenses cancelled or revoked;
- (8) The borrower or its related parties, the main individual investors of the borrower or its related parties, the legal representative (responsible person), director or the main manager of the borrower or its related parties are missing, have broken the law or violated regulations, have violated applicable exchange rules or have undergone abnormal changes;
- (9) The borrower or its related parties have serious difficulties in operating, or their financial condition has deteriorated, or experienced other events that have a negative impact on the operation, financial condition, solvency or economic status of the borrower or its related parties;
- (10) A connected transaction occurs and the transaction amount reaches or exceeds 10% of the recently audited net assets;
- (11) Before all the debts under this contract have been settled, the borrower becomes or may become the shareholder of the guarantor or its "actual controller" as defined in the "Company Law";
- (12) The borrower or its related parties are responsible for accidents or be exposed by the media due to violations of laws, regulations, regulatory requirements, national policies or industry standards;
- (13) The borrower or its related parties have encountered a safety or environmental accident;
- (14) The control relationship between the borrower and its related parties has changed;
- (15) A major equity change has occurred to the borrower or related parties;
- (16) The borrower's external auditor's audit opinion on its financial statements has not reached a standard unqualified opinion;
- (17) The borrower is or may be investigated, punished or otherwise dealt with by the competent authority for violation of laws, regulations and/or regulatory requirements;
- (18) The borrower or related parties are included in the sanction list of the UN, EU or US, or their countries and regions are included in the sanction list of the UN, EU or US;
- (19) Other significant adverse events affecting the solvency of the borrower or its related parties.
-

▲▲8.7 When the guarantee stipulated in this contract experiences changes not conducive to the creditor's rights, the borrower shall promptly provide other guarantees approved by the lender upon request.

The term "changes" used in this article include but are not limited to: the guarantor's merger, division, suspension, closure, dissolution, suspension of business for rectification, revocation, revocation of business license, or application for or being applied for the bankruptcy of the guarantor; the guarantor's business or financial position is changed significantly, guarantor is involved in major litigation, arbitration, administrative measures, or property preservation or other enforcement measures for its main assets; the security status of the collateral is affected or may be affected; the value of the collateral is reduced or may be reduced or may be subject to property protection and other compulsory measures; the guarantor or its legal representative (responsible person) or key management personnel are involved in violation of law/regulations or violation of the applicable exchange rules; when the guarantor is an individual, the guarantor is missing or dead (declared death); the guarantor committed an act of breach of contract under the guarantee contract; the guarantor has a dispute with the borrower; the guarantor requests the termination of the guarantee contract; the guarantee contract has not become effective, has been invalidated or has been revoked; the collateral has not been established or is invalid; or other events affecting the security of the lender's claims.

▲▲8.8 Borrower's commitment: From the signing of the contract to when all the loan principal/interest and related expenses under this contract have been settled, the borrower's financial indicators, external agency rating and production operation qualification/license always conform to the provisions of the contract. If the borrower's production business qualification/license requires annual review, it shall pass the annual review on time.

8.9 The borrower guarantees to abide by the national laws, regulations and related policy requirements against money laundering. The borrower guarantees to not engage in activities involving money laundering and terrorist financing. The borrower guarantees to actively cooperate with the lender to carry out anti-money laundering tasks such as customer identification, archiving of transaction records, and reports for large sum and suspicious transactions.

8. The borrower guarantees that the borrower and the borrower's employees and agents do not provide, give, solicit or accept any form of material interest (including but not limited to cash, gift cards and travel) or other non-material benefits from the lender or lender's employees other than as agreed in this contract. The funds or services provided by the lender shall not be used in any form directly or indirectly for activities related to corruption or bribery; if the borrower is aware of any violation of this agreement, the lenders should be provided with clues and relevant information in a timely, truthful, complete and accurate manner, and the borrower shall cooperate for relevant matters according to the requirements of the lender.

▲ ▲ Article 9 Quota Adjustment, Early Loan Maturity and Risk Re-pricing

9.1 Any of the following events shall be deemed as “events for early loan maturity” of this contract:

- (1) The borrower fails to repay the loan principal or interest according to any of the “Application for the Use of Quota” under this contract;
- (2) The statements and warranties made by the borrower under this contract are untrue;
- (3) Any matter that should be notified as set out in Article 8.6 actually occurs and has affected or may affect the security of the lender's claim;
- (4) The changes in laws, regulations and regulatory policies that render the issuance of loans by the lender as agreed in this contract illegal or violating the regulations;
- (5) When the borrower performs another contract with the lender or a contract with a third party, there is an act of violation or the debt may or may have been declared mature prematurely;
- (6) The borrower violates other agreements in this contract.

9.2 When any “events for early loan maturity” occurs, the lender has the right to take one, more or all of the following measures:

- (1) Reduce, suspend or cancel the quota under this contract;
- (2) Stop issuing loans that the borrower has not yet applied for;
- (3) Stop paying the loan that the borrower has applied for but has not used yet;
- (4) Requiring the borrower to negotiate with the lender to replenish the conditions for loan issuance and payment within a limited timeframe;
- (5) Requiring the borrower to change the payment method according to the requirements of the lender;
- (6) Re-pricing of the risk of loan performance as stipulated in Article 9.3;
- (7) Unilaterally declaring that the principal of the loan issued under the contract expires prematurely and requiring the borrower to immediately repay all due principal of the loan and settle the interest.

9.3 According to the production and operation of the borrower at the time of signing this contract, both parties have agreed on the interest rate and its adjustment stipulated in this contract. The borrower agrees that in the event of any “events for early loan maturity”, the lender has the right to re-price the risk of loan performance in accordance with this Article.

9.3.1 Risk re-pricing includes two methods, i.e., re-pricing via negotiation and direct increase of loan interest rate. The risk re-pricing method adopted in this contract is stipulated by the two parties in Article 21.

9.3.2 "Re-pricing via negotiation" means that the lender has the right to require the borrower to negotiate with the lender to increase the loan interest rate within the timeframe. Two parties will determine the "re-pricing date" and specific terms of relevant interest rate by means of a supplementary agreement.

9.3.3 "Direct increase of loan interest rate" means that the lender has the right to directly increase the loan interest rate in accordance with this Article and Article 21.

9.3.3.1 From the "re-pricing date" notified to the borrower by the lender in writing, the increased loan interest rate will be applied to each loan that the borrower has not repaid as of the "re-pricing date".

9.3.3.2 When the loan currency is RMB and if the benchmark interest rate of each loan remains unchanged, the increased loan interest rate is determined according to the magnitude of interest increase (decrease)/increase (decrease) point agreed in Article 21 and the benchmark interest rate on the "re-pricing date".

With the "re-pricing date" is day T, the benchmark interest rate used to determine the raised loan interest rate is determined according to the following rules:

1. When the benchmark interest rate is the benchmark interest rate of the People's Bank of China, the benchmark interest rate is the benchmark interest rate of the People's Bank of China applicable on day T;
2. When the benchmark interest rate is an LPR quote of the Bank of Communications, the benchmark interest rate is the LPR value released on the last business day before day T. When the LPR is not released on the last business day before day T, the benchmark interest rate is the LPR value released on the most recent business day before that date;
3. When the benchmark interest rate is the average interest rate of LPR quote, the benchmark interest rate is the LPR value released on the most recent business day before day T. When the LPR is not released on the most recent business day, the benchmark interest rate is the LPR value released on the most recent business day before that date.

9.3.3.3 If the loan currency is a foreign currency, the raised loan interest rate shall be determined in accordance with the clause in Article 21.

9.3.4 After the lender performs risk re-pricing according to the foregoing agreement, the new interest rate will be executed starting from the "re-pricing date". On the basis of this interest rate, the floating rate adjustment is still carried out according to the provisions stipulated in Article 3

of this contract. If the two parties change the relevant agreement by consensus, the floating rate adjustment shall be executed according to the changed agreement. If the loan is overdue (including when the borrower fails to repay on time or when the loan is announced by the lender as expiring prematurely) or misappropriated, the penalty interest rate for overdue and misappropriated loans shall be determined on the basis of the new interest rate (including the adjusted floating interest rate as stipulated in this contract). The calculation for compound interest rate is also adjusted accordingly.

9.3.5 The implementation of “risk re-pricing” should not be considered or interpreted as a lender’s waiver of other rights as stipulated by laws/regulations and this contract. The lender has the right to take other credit protection measures in accordance with laws/regulations and this contract, including but not limited to the measures agreed in Article 9.

▲ ▲ Article 10 Breach of Contract

10. If the borrower fails to repay the loan principal in full or pay the interest on time, or if the borrower fails to use the loan in accordance with the contract, the lender shall charge the penalty interest rate for the overdue or misappropriated loans and compound interest for unpaid interest. If the penalty interest rates are adjusted according to the contract, the compound interest rate will be adjusted accordingly.

10.2 If the borrower fails to repay the loan principal and interest on time, it shall bear the collection fee, litigation fee (or arbitration fee), preservation fee, announcement fee, execution fee, lawyer’s fee, travel expenses and other expenses incurred by the lender to realize its creditor’s rights.

▲ ▲ Article 11 Deduction Agreement

11.1 With the authorization of the borrower, when there is loan principal, interest, penalty interest, compound interest or other expenses due, the lender has the right to deduct the expenses from the funds in any account opened by the borrower at any branch of Bank of Communications for repayment.

11.2 After the fund deduction, the lender shall notify the borrower of the account number, the contract number, the No. of “Application for the Use of Quota”, the amount of the deduction and the amount of the remaining debt.

11.3 When the proceeds from the fund deduction are insufficient to pay off the borrower’s entire debts, the amount of the debts to be settled shall be determined in accordance with this contract.

11.4 If the currency of the deduced fund is inconsistent with the currency of the debt to be repaid, it shall be converted into the amount of the debt according to the exchange rate announced by the Bank of Communications at the time of fund deduction. If it is necessary to handle the

procedures for foreign exchange settlement, the borrower is obliged to assist the lender upon request, and the risk of exchange rate is borne by the borrower.

Article 12 Notice

12.1 The contact information (including the communication address, contact phone number, fax number, etc.) filled in by the borrower in the contract is all true and valid. In the event of any change in any contact information, the borrower shall immediately send/deliver the information of such changes in writing to the lender's mailing address shown in this contract. Such information changes will become effective after they are received by the lender.

12.2 Unless otherwise expressly agreed in this contract, the lender has the right to deliver the lender's notice to the borrower by any of the means listed below. The lender has the right to choose the method of notification that it deems appropriate and is not liable for any errors, omissions or delays in delivery caused by mail post, fax, telephone or any other communication systems. When the lender chooses multiple notification methods at the same time, the faster one will prevail.

(1) Announcement, the delivery date is deemed to be the date when the lender issues the announcement via its website, online banking, telephone banking or business outlets;

(2) Designated delivery, the delivery date is deemed to be the date when the delivery is received and signed by the borrower;

(3) For postal mail (including express mail, regular mail, registered mail) sent to the borrower's latest address known by the lender, the delivery date is deemed to be the 3rd day (the same city)/5th day (different cities) after the date of postmark;

(4) For fax, mobile phone text messages or delivery via other electronic communications to the borrower's latest fax number known by the lender or the mobile phone number/e-mail address designated by the borrower, the date of sending the message is deemed as the delivery date.

12.3 The borrower agrees that unless the lender receives a written notice from the borrower regarding the change of the communication address, the borrower's address in this contract is the address for the court to serve judicial document and other written documents to the borrower. In the dispute resolution process of the contract, when the court delivers the judicial documents or other written documents to the borrower's latest mailing address known by the lender via post (including express mail, regular mail, or registered mail), the delivery date is deemed to be the date when the borrower signs the delivery certificate. If the borrower fails to sign the delivery certificate, the delivery date is deemed to be the 3rd day (the same city)/5th day (different cities) after the date of postmark.

Except for judgments, rulings, and reconciliation agreements, the court has the right to deliver any notice of the borrower through any communication method stipulated in Article 12.2.

The court has the right to choose the communication method it deems appropriate and is not liable for transmission errors, omissions or delays caused by postal mail, fax, telephone, telex or any other communication systems. When the court chooses multiple notification methods at the same time, the faster one will prevail.

▲ ▲ Article 13 Information Disclosure and Confidentiality

13.1 For the undisclosed information and materials of the borrower acquired and known during the signing and implementation of this contract, the lender's use of relevant information and materials shall not violate laws, regulations and regulatory requirements, and the lender shall bear confidentiality obligations according to law. The lender shall not disclose such information and materials to third parties except in the following cases:

- (1) Applicable laws and regulations require disclosure;
- (2) The judicial department or regulatory agency requires disclosure in accordance with law;
- (3) When the borrower fails to repay the principal of the loan and/or interest on time, and the lender need to disclose the information to the external professional consultant of the lender and allow the external professional consultant of the lender to use the information under confidentiality to reclaim creditor's rights;
- (4) The borrower agrees or authorizes the lender to disclose it.

13.2 The borrower confirms that it has signed the "Authorization Letter for Credit Information Enquiry". The lender will search, use and maintain the borrower's credit information within the scope of the authorization.

13.3 In addition to the circumstances specified in Articles 13.1 and 13.2 of this contract, the borrower further agrees that Bank of Communications may use or disclose the borrower's information and materials, including but not limited to borrower's basic information, credit transaction information, bad credit information and other relevant information and materials, and the borrower is willing to bear all the consequences:

For business outsourcing agencies, third party service providers, other financial institutions and other institutions or individuals deemed necessary by the lender, including but not limited to other branches of Bank of Communications or subsidiaries partially or fully owned by Bank of Communications, disclose and allow them to use such information and materials under confidentiality for the following purposes: 1. To carry out bank credit business or related to bank credit business, such as promoting credit business of Bank of Communications, collecting borrowers' debts, and transfer the creditor's rights of the bank's credit business; 2. Allow the lender to provide or potentially provide the borrower with new products/services or further services.

The applicability of Article 13.3 shall be subject to the provisions of Article 24 of this contract.

Article 14: Applicable Law and Dispute Resolution

This contract adopts the laws of the People's Republic of China (the laws of Hong Kong, Macao and Taiwan are not included for the purpose of this contract). The dispute under this contract shall be brought to the court of competent jurisdiction of the lender, except as otherwise agreed in this contract. During the dispute, the parties shall continue to perform the uncontroversial terms.

Article 15: Validity and Composition of Contract

15.1 This contract shall become effective after it has been signed (or stamped) by the legal representative (responsible person) or authorized representative of the borrower and affixed with the official seal, and signed (or stamped) by the responsible person or authorized representative of the lender and affixed with the official seal.

15.2 The "Application for the Use of Quota" signed when using the quota stipulated in this contract and other relevant documents and materials are inseparable components of this contract.

15.3 The "Application for the Use of Quota" is a supplement to this contract. Except as otherwise stipulated in the "Application for the Use of Quota", the rights and obligations between the borrower and the lender as well as other related matters shall still be implemented in accordance with this contract.

Article 16: The Specific Description of the Quota

16.1 Currency of the quota: RMB; Amount in uppercase letters: Five Million Yuan; Can be used for ☒ RMB ☐ / (foreign currency); the quota is ☐ Revolving quota ☐ One-time quota (can be used in multiple times) ☒ One-time quota (one-time use only).

16.2 Quota is use for: business turnover.

16.3 The credit period is from January 4, 2019 to January 4, 2020.

Article 17: Interest Rate Agreement

When the loan currency is a foreign currency, the interest rate determination and adjustment as well as the penalty interest rates for overdue and misappropriated loan are agreed as follows:

/

Article 18: Account Agreement

18.1 The borrower has designated the following account as a loan issuance account, which ☐ Yes ☒ Not a special loan issuance account opened by the borrower at the lender. If both parties agree

otherwise in the corresponding "Application for the Use of Quota", the agreement in the "Application for the Use of Quota" shall prevail.

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

18.2 Designated by the borrower:

(1) The loan repayment account is

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

(2) The fund collection account is:

Account Name: ACM Research (Shanghai) Inc.

Account Number: 310066865018010208452

Bank of Account: Bank of Communications Shanghai Zhangjiang Branch

Article 19: Specific Agreements for the Issuance, Payment and Repayment of Loans

19.1 The term of each loan released under this contract shall not be longer than 12 Months, and the maturity date of all loans shall be no later than July 4, 2020.

19.2 The quota for independent payment made by the borrower under this contract is 0 RMB.

19.3 The lender's entrusted payment is used when one of the following conditions is fulfilled:

/

/

19. If the borrower makes the payment independently, the borrower shall report the payment of the loan fund to the lender within / day after the loan is issued.

Article 20: Financial Restrictions, External Agency Ratings and Production and Operation Qualification/License

20.1 The borrower's foreign investment limit is RMB 300 million; the limit for increased debt financing is RMB 300 million.

20.2 Contractual agreement on borrower's financial indicators:

- (1) /
- (2) /
- (3) /

20.3 Specific agreements on external agency ratings:

- (1) /
- (2) /

20.4 Specific agreement on borrower's production and operation qualification/license:

- (1) /
- (2) /

▲ ▲ Article 21: Specific Agreement on Risk Re-pricing

21.1 This contract adopts the risk re-pricing method in (1): **(1) re-pricing via negotiation**; (2) direct increase in loan interest rate.

21.2 When the method of "direct increase in loan interest rate" is adopted:

21.2.1 When the loan currency is RMB, the magnitude of interest increase (decrease)/increase (decrease) point is: ☐ Benchmark interest rate (no increase (decrease) point) ☐ Increase by % ☐ Decrease by % ☐ Add by % ☐ Reduce by %. If a loan has other agreements, the magnitude of interest increase (decrease)/increase (decrease) point shall be based on the records in the Application for the Use of Quota.

21.2.2 When the loan currency is a foreign currency, the raised loan interest rate is: /

Article 22 Contact Information

The contact methods for the borrower to receive the notice stipulated in Article 12 include:

Mailing Address: Building 4, 1690 Cailun Road, China (Shanghai) Pilot Free Trade Zone

Recipient: Bi Anyun

Recipient: Bi Anyun

Postal code:

Phone: 021-50808868

Mobile phone: 13818946646

Fax:

Email address: anyun.bi@acmrcsh.com

Article 23: Number of Contracts

This contract has **Three** copies. Each of Party A, Party B and the guarantor (if any) keeps **One** copy.

Article 24: Other Agreed Matters

24.1 Both parties agree that Article 13.3 ☒ applies ☐ Does not apply to this contract.

24.2 The payment method of the loan under this contract shall be subject to the "Application for the Use of Quota" signed by the lender.

24.3 The lender will provide legally compliant VAT invoices in accordance with relevant laws and regulations. The specific time and method for delivering VAT invoices will be determined by both parties.

Borrower: ACM Research (Shanghai) Inc.

Legal representative (person in charge): HUI WANG

Legal address: Building 4, 1690 Cailun Road, China (Shanghai) Pilot Free Trade Zone

Lender: Bank of Communications Shanghai New District branch

Person in charge: Cai Yue

Mailing address: 260 Xin Jinqiao Road

The borrower has read through all the terms of the contract, and the lender has made a detailed explanation at the request of the borrower. When the borrower signs this contract, there is no doubt or objection to any content, and the borrower understands the meaning and legal consequences of the terms of the contract, especially the terms marked by ▲▲.

(No text below on this page)

Borrower (Official Seal)

ACM Research (Shanghai) Inc.

Legal representative (responsible person) or authorized representative (signature or stamp)

HUI WANG

Date of Signing: February 19, 2019

Lender: (Official Seal)

Bank of Communications, Shanghai New District branch

[Special Stamp for Credit Line Contracts]

Legal representative (responsible person) or authorized representative (signature or stamp)

Cao Pei

Date of Signing: February 19 2019

2016 edition

No. 3675012019002

Comprehensive Credit Agreement

China Everbright Bank

Chapter 1 Definition and Interpretation

Chapter 2 Maximum Credit Line and Specific Credit Line

Chapter 3 Credit Period

Chapter 4 Use of the Maximum Credit Line and Specific Credit Line

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Chapter 6 Adjustment of the Maximum Credit Line and Specific Credit Line

Chapter 7 Guarantee

Chapter 8 Party B's Commitment

Chapter 9 Party A's Commitment

Chapter 10 Agreement Execution

Chapter 11 Disputes and Resolution

Chapter 12 Integrity of the Agreement

Chapter 13 Supplementary Provisions

Comprehensive Credit Agreement

Grantee: (Party A) ACM Research (Shanghai) Inc.

Residence: Building #4, No. 1690, Cailun Rd.

Legal representative: Hui Wang

Phone: 50808868

Fax: 50808860

Creditor (Party B): China Everbright Bank Shanghai Changli Branch

Residence: No. 280, Qihe Rd.

Phone: 63795272

Fax: 63795250

According to the "Commercial Bank Law of the People's Republic of China", "Interim Measures for Authorization and Credit Management of Commercial Banks", and "Guidelines for Risk Management of Credit Business with Group Customers of Commercial Banks", the grantee (hereinafter referred to as Party A) and the creditor (hereinafter referred to as Party B) has agreed to be bound by this agreement in accordance with the principle of equality, voluntariness, and honesty.

Chapter 1 Definition and Interpretation

Article 1 Unless otherwise required by this Agreement, the meanings of following terms in this Agreement are:

Comprehensive credit: Refers to the conditional commitment of Party B to provide one or several types of credit support to Party A.

Specific business: Refers to the specific credit business, such as loans, bank acceptance bills, trade financing, etc., provided by Party B to Party A based on the comprehensive credit granted by Party B.

Maximum credit line: Refers to the maximum amount of debt principal, which is determined in accordance with the comprehensive credit, formed by a specific business through which Party A can apply to Party B within the effective period of the comprehensive credit agreement.

Specific credit line: Refers to the maximum balance of the debt principal, which is determined in accordance with the comprehensive credit, formed by a specific business through which Party A can apply to Party B within the effective period of the comprehensive credit agreement.

Used credit line: Refers to the sum of the debt principal balance of a specific business within the specific credit line that has not been settled by Party A within the validity period of the comprehensive credit agreed in this agreement.

Specific business contract: Refers to the corresponding contract or agreement signed by both Party A and Party B for a specific business and the use of a specific credit line.

Chapter 2 Maximum Credit Line and Specific Credit Line

Article 2 (1) The maximum credit line provided by Party B to Party A under this Agreement (the total amount in Chinese and foreign currency, and the foreign currency shall be converted into RMB according to the base exchange rate on the signing date of this Agreement): uppercase RMB Fifty Million Yuan (lowercase RMB 50,000,000.00).

(2) Both Party B and Party A agree that the maximum credit line under this agreement covers the unsettled amount of credit in the original comprehensive credit agreement (agreement No.: /).

Article 3 In the above-mentioned maximum credit line, the specific credit lines for various specific businesses are as follows:

(1) General loan: specific credit line RMB Fifty Million Yuan

(2) Bank acceptance bill: specific credit line /

(3) Trade financing: specific credit line /

For the use of the specific credit line for the trade financing business, Party B and Party A shall sign a separate trade financing comprehensive credit agreement (No. /) or / agreement (No. /).

(4) Bank acceptance bill (pay first and check later) discount: specific credit line /

(5) Discounted bills: (When Party A issues the bill as the payer and the bill holder applies to the China Everbright Bank for commercial bill discount, it will occupy the bill discount credit line of Party A under this agreement. The specific credit line /

(6) Others: / Specific credit line /

(7) Other agreement:

With the agreement of both parties, the specific business varieties (including but not limited to the above business varieties) can still be adjusted and changed, and the credit line for different business varieties can also be exchanged within the maximum credit line of this agreement.

Chapter 3 Credit Period

Article 4 The effective period for the use of the maximum credit line is: from February 25, 2019 to February 24, 2020

The term for specific businesses is subject to the specific business contract, but the beginning of the use of the specific credit line in each specific business shall not be later than the expiration date (inclusive) of the above-mentioned maximum credit line.

Chapter 4 Use of the Maximum Credit Line and Specific Credit Line

Article 5 Within the maximum credit line and its effective use period stipulated in this agreement, Party A may apply to Party B for each specific credit line at one time or in batches; Party B shall determine the name, amount and duration of credit line for the specific business applied by Party A according to this agreement, Party A's credit status and Party B's credit policy.

Article 6 Provisions on recycling: Within the effective period of the maximum credit line stipulated in this Agreement, Party A may re-use the specific credit line, that is, after the debt under any specific business item is fully settled, the specific credit line occupied by the specific business may continue to be used by new and similar businesses, except for those that are not recyclable according to Party B's requirements.

Article 7 When handling specific business, Party A and Party B shall sign specific business contracts. If the specific business contracts are inconsistent with the provisions of this agreement, the specific business contracts shall prevail. If Party A is a group customer identified by Party B in accordance with the "Guidelines for Risk Management of Credit Business with Group Customers of Commercial Banks" and other relevant laws and regulations, and if the circumstances for the breach of contract specified in the specific business contracts do not include the situation listed in Article 9 of this contract, the circumstances listed in Article 9 of this contract shall be considered as the circumstances for the breach of specific business contracts.

Chapter 5 Rates

Article 8 The interest rates, exchange rates, fee rates, and various expenses to be determine for each specific business under this Agreement, as well as the charges to be collected by Party B, shall all be separately agreed by Party B and Party A in specific business contracts based on each specific business contract signed by both parties.

Chapter 6 Adjustment of the Maximum Credit Line and Specific Credit Line

Article 9 When one of the following circumstances occurs during the performance of this contract or a specific business contract by Party A, Party B has the right to adjust the maximum credit line, the specific credit line and the credit period, and has the right to terminate the

provision of comprehensive credit line to Party A, to unilaterally stop providing Party A with the remaining credit line that has not been used, to reclaim part or all of the credit line used in advance, and to take other measures according to law:

- (1) When the country's monetary policy has undergone major adjustments;
 - (2) The occurrence or potential of major financial risks in the area where Party A is located;
 - (3) Significant changes in the market related to the business of Party A;
 - (4) Party A is experiencing or is about to suffer major operational difficulties or risks;
 - (5) Party A has undergone major institutional changes such as major acquisitions, acquisition and restructuring, divisions, mergers, and terminations, which Party B believes may affect the safety of the loans;
 - (6) Refuse to accept Party B's supervision and inspection of its use of credit funds and related business financial activities;
 - (7) Arbitrarily change the original purpose of the loan without the consent of the lender, misappropriate the loan or use bank loans to engage in illegal transactions;
 - (8) Provide false materials or conceal important business financial facts;
 - (9) Party A engages in the act of transferring property, withdrawing funds, and evading debts;
 - (10) As Party B's group customer identified in accordance with the relevant laws and regulations such as the "Guidelines for Risk Management of Credit Business with Group Customers of Commercial Banks", Party A uses false contracts with related parties to provide rights such as debt collection and notes receivable with no real trade background to apply for bill discount or pledge from Party B, and subsequently deceive Party B for funds or credits; or to evade bank's creditor's rights through related party transactions.
 - (11) Party A violates the commitments stipulated in this agreement;
 - (12) The guarantor of this agreement has a serious shortage of funds or major operational difficulties, which seriously affect its guarantee ability;
 - (13) The collateral or pledge used for guarantee is damaged or lost, endangering the security of Party B's debt rights;
 - (14) Any other event or any other situation that has caused or will cause Party A's solvency to decline or damage Party B's rights and interests according to the analysis or judgment of Party B;
 - (15) Party A has not fulfilled its obligations under any specific business contract.
-

Article 10 After signing this agreement, Party A may apply in writing to adjust the specific credit line. The specific credit line may be adjusted with the written consent of Party B without being bound by the above article. Party A's written application and Party B's written approval are deemed as amendments to Article 3 of this Agreement and have the same legal effect as this Agreement.

Chapter 7 Guarantee

Article 11 In order to ensure that the creditor's rights under this agreement can be settled, the following guarantee methods are adopted:

- (1) The guarantor /_ and the Party B signed a "Maximum Guarantee Contract" with a No. of /_.
- (2) The mortgagor /_ and the Party B signed a "Maximum Mortgage Contract" with a No. of /_.
- (3) The pledgor /_ and the Party B signed a "Maximum Pledge Contract" with a No. of /_.
- (4) Other methods /_

Article 12 Although this chapter stipulates the guarantee method of creditor's rights, when Party A and Party B handle specific business, if Party B deems it necessary, it still has the right to request Party A to provide another guarantee. Party A shall not disagree to provide another guarantee because of the agreement of the guarantee in this chapter.

Chapter 8 Party B's Commitment

Article 13 Party A shall apply for the use of a specific credit line in accordance with this agreement. Party B shall review the Party A according to the laws and regulations of the People's Republic of China Commercial Bank Law, the General Rules of Loans, and the credit management policies of Party B, and shall independently determine whether to grant Party A the credit line as well as the amount and duration of the credit line based on the results of the review. The results of the review and approval shall be promptly notified to Party A.

Chapter 9 Party A's Commitment

Article 14 The debts shall be settled on time and in accordance with the agreement of the specific business contract, and all fees payable shall be paid on schedule.

Article 15 The use of funds within a specific credit line shall comply with the provisions of laws and regulations as well as the provisions of this agreement and specific business contracts, and shall be subject to inspection by Party B at any time.

Article 16 Within the credit period, Party A shall submit its real financial statements to Party B in a timely manner, and Party B shall be provided with the information regarding Party A's

primary domestic bank account and deposit/loan balance as well as other relevant business documents.

Article 17 If Party A is a group customer identified by Party B in accordance with the "Guidelines for Risk Management of Credit Business with Group Customers of Commercial Banks" and other relevant laws and regulations, Party B shall promptly report to Party B any related transactions valued more than 10% of its net assets, including but not limited to:

- (1) The relationship between the parties of the transaction;
- (2) The name and nature of the transaction;
- (3) The amount of the transaction or the corresponding proportion;
- (4) Pricing policies (including transactions with no or only a nominal amount);
- (5) Other circumstances required by laws/regulations or Party B.

Article 18 During the credit period, the guarantee for any third party shall be notified to Party B in advance and shall not affect the ability to pay off the debts to Party B on schedule.

Article 19 The following notification obligations shall be borne during the credit period:

- (1) Party B shall be notified of the following changes within 15 days of the change along with relevant documents: change in the residence or the place of business of the legal representative (responsible person) or the legal person, increase or decrease of registered capital and equity and major investment changes.
- (2) During the credit period, Party A shall immediately notify Party B when Party A involves major lawsuits, arbitrations other judicial procedures, or procedures of administrative penalty, or upon major changes in Party A's operating and financial conditions that may affect the realization of Party B's claims.
- (3) During the credit period, Party B shall be notified in two months in advance by Party A for any form of asset restructuring activities of Party A such as mergers, acquisitions, and separations, any form of contracting or leasing activities to change the business operation rights of Party A, the change in the organization and operation mode of Party A, or the application for dissolution and bankruptcy of Party A. In addition, Party A shall settle all debts owed to Party B or arrange the fulfilment of debt repayment obligations.

Article 20 Any violation of this agreement or any specific business contract by Party A constitutes a breach of this Agreement; Party B has the right to withdraw any funds under the maximum credit line in advance, reduce or cancel the unused credit line, and has the right to terminate this agreement and specific business contracts.

Party A shall be fully liable for any losses incurred by Party B due to Party A's breach of contract, including but not limited to all principal and interest of financing and other payables (including but not limited to legal fees, preservation fees, auction fees and attorney fees).

Chapter 10 Agreement Execution

Article 21 This Agreement shall come into force on the date on which the legal representatives (the persons in charge) of Party A and Party B or their authorized agents sign and stamp the agreement with the official seal.

Chapter 11 Disputes and Resolution

Article 22 If a dispute arises between Party A and Party B in the performance of the agreement, it shall first be settled through friendly negotiation. If the negotiation fails, any party may file a lawsuit in the local court of Party B.

Chapter 12 Protocol Integrity

Article 23 Each specific business contract signed by Party A and Party B under this Agreement constitutes an effective component and an integral part of this agreement.

Article 24 If Party A fails to perform the obligations stipulated in any specific business contract signed by Party A and Party B in accordance with this agreement, it shall constitute a breach of this agreement. Party B may terminate this contract and may recover all outstanding claims in advance.

Article 25 With the consent of Party B, Party A may authorize all or part of the credit line under this Agreement to other organizations for use, and sign relevant specific business contracts with Party B in the name of the authorized organizations. The specific content shall be based on the "Power of Attorney for Authorization of Credit Lines" approved by Party B and issued by Party A.

Article 26 In the "Power of Attorney for Authorization of Credit Lines"/"Power of Attorney for Repurchase of Guaranteed Credit Lines", the specific credit line for the specific business mentioned in Article 3 is not required to be specified.

Article 27 Party A must clarify whether the authorized organizations can transfer the authorization in the "Power of Attorney for Authorization of Credit Lines".

Article 28 For matters not covered by this Agreement, Party A and Party B may enter into a separate written agreement as an Annex to this Agreement. The Annex to this Agreement is an effective part of this Agreement and has the same legal effect as this Agreement.

Chapter 13 Supplementary Provisions

Article 29: This credit line agreement has **Four** copies. Party A keeps **One** copy and Party B keeps **Three** copies. All copies have the same legal effect.

Article 30 This Agreement is signed on **January 30, 2019**.

Article 31 Both parties of the contract agree to notarize the contract and promise to entrust the contract a compulsory execution effect. When Party A fails to perform, does not fully fulfil the debt obligations, or when Party B's creditor's rights shall be fulfilled according to the law and regulations as well as the provisions stipulated in this contract, Party B has the right to directly apply for compulsory execution of this contract to the people's court in its jurisdiction. Party A has no objection to Party B's application for compulsory execution of this contract. (This article is an optional clause and the parties choose that the clause is [2] (1. Applicable; 2. Not applicable) in this contract).

Article 32 If at any time, any provision of this contract is or becomes illegal, invalid or unenforceable in any respect, the legality, validity or enforceability of the other terms of this contract shall not be affected or impaired.

Article 33 If a bank acceptance bill business occurs under this agreement, a "Bank Acceptance Agreement" shall be signed by / (the name of the bank branch or an institution designated by the bank branch), and the specific business shall be undertaken by / (the name of the bank branch or an institution designated by the bank branch). All rights and obligations under the "Bank Acceptance Agreement" shall be undertaken by / (the name of the bank branch or an institution designated by the bank branch). (This article is an optional clause and the parties choose that the clause is [2] (1. Applicable; 2. Not applicable) in this contract).

Article 34 Other agreements: /

(This page is for contract signing and has no text)

Party A (seal): ACM Research (Shanghai), Inc.

Legal representative (or attorney): Hui Wang

Party B (seal): China Everbright Bank

Legal representative/person in charge: (or attorney): Gao Hui

Letter of Commitment for the Confirmation of Delivery Address

I/our organization is committed to agree to choose the address in the delivery method [1] listed in the following as the judicial delivery address if a dispute arises between the two parties due to this agreement/contract; if the following address changes, the bank shall be notified in writing. If the bank is not notified in writing, the judicial delivery address is deemed as not having been changed.

[1] Address of written documents: Building #4, No. 1690, Cailun Rd.

[2] Address of electronic documents (optional):

Fax:

E-mail:

We-chat:

Promisor: ACM Research (Shanghai), Inc. /Hui Wang

Date:

Note: This page is only used for archival retention by our bank and will not be given to the other signee.

The above signature has been obtained in person

Host:

Co-organizer:

The seal of this business contract is consistent with the customer's seal on "Seal record on contract seal card"/Account opening seal record.

Operator:

Reviewer:

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David H. Wang, certify that:

1. I have reviewed this quarterly report Form 10-Q of ACM Research, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (e) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: May 14, 2019

/s/ David H. Wang

David H. Wang
Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lisa Feng, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACM Research, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: May 14, 2019

/s/ Lisa Feng

Lisa Feng

Interim Chief Financial Officer, Chief Accounting Officer and Treasurer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of ACM Research, Inc. for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge on the date hereof:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of ACM Research, Inc. for the period presented therein.

Date: May 14, 2019

/s/ David H. Wang

David H. Wang
Chief Executive Officer and President
(Principal Executive Officer)

Date: May 14, 2019

/s/ Lisa Feng

Lisa Feng
Interim Chief Financial Officer, Chief Accounting Officer and Treasurer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.
