

November 5, 2020

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ACM Research (ACMR US)

Questions for ACMR Management

On Friday, November 6, ACM Research (ACMR US) will unveil its third quarter 2020 earnings. In our October 8, 2020 report¹, we showed why we believe these earnings are fantasy. Here are some questions we think investors should press on the company on its earnings call²:

- ▶ Why don't you disclose in your English filings that 91% of your sales are conducted through five sales agents?
- ▶ Is Ninebell in Korea, a supplier of robotic arms to ACMR, buying machines from ACMR or acting as a sales agent? If so, why isn't that disclosed? If not, why are there ACMR machines on premises at Ninebell?
- ▶ Since Korean documents and your disclosures show that ACMR accounts for 97% of Ninebell's revenue, why don't you consolidate this company's accounts?
- ▶ Why have procurement managers at four of your largest customers—SK Hynix, SMIC, Shanghai Huali, and Yangtze Memory—never heard of the agents that you reported were responsible for their sales?
- ▶ In the STAR IPO documents, the company's primary operating subsidiary in Shanghai had negative operating cash flow for 2019, even though the Mainland accounts for 96% of total main operating income. Why?

1 Find the report and supporting materials here: <https://www.jcapitalresearch.com/acmr.html>

2 Sign up for the call here: <https://ir.acmrcsh.com/>

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- ▶ Why does ACMR need to allocate nearly one-third of its capital expenditure budget at its new facility in Shanghai to trial production costs, when you are putting together pre-assembled components with manual labor, and no new production engineering?
- ▶ Please explain why the price for your machines charged by agents is significantly higher than your reported sales prices, with mark-ups far in excess of typical agent fees.
- ▶ Does ACMR staff still import components themselves through air travel via Shanghai Pudong International Airport? Do ACMR staff enjoy shopping duty-free?
- ▶ In recent quarters, why are there no longer disclosures on a very significant number of stock options that are still not included in your diluted EPS calculation?
- ▶ How many of your customers are vulnerable to US sanctions?

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