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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024
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 001-36509

AMPHASTAR PHARMACEUTICALS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**33-0702205**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
11570 6th Street **Rancho Cucamonga, CA**	**91730**
(Address of principal executive offices)	**(zip code)**

(909) 980-9484
(Registrant's telephone number, including area code)

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 (§ 232.405 of this chapter) 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 the 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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
Common Stock, par value $0.0001 per share	AMPH	The NASDAQ Stock Market LLC

The number of shares outstanding of the registrant's only class of common stock as of May 3, 2024 was 48,901,965.

AMPHASTAR PHARMACEUTICALS, INC.
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FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Quarterly Report, contains “forward-looking statements” that involve substantial risks and uncertainties. In some cases, you can identify forward-looking statements by the following words: “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue,” “ongoing” or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these identifying words. Forward-looking statements relate to future events or future financial performance or condition and involve known and unknown risks, uncertainties and other factors that could cause actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by the forward-looking statements. These forward-looking statements include, but are not limited to, statements about:

- our expectations regarding the sales and marketing of our products;
- our expectations regarding our newly acquired product, BAQSIMI®, including with respect to our ability to increase our revenues and derive certain benefits as a result of our acquisition of BAQSIMI®;
- our ability to successfully acquire and integrate assets, including our ability to integrate BAQSIMI®;
- our expectations regarding our manufacturing and production and the integrity of our supply chain for our products, including the risks associated with our single source suppliers;
- our business and operations in general, including: adverse impacts of the Russia-Ukraine and Middle East conflicts and challenging macroeconomic conditions on our business, financial condition, operations, cash flows and liquidity;
- our ability to attract, hire, and retain highly skilled personnel;
- interruptions to our manufacturing and production as a result of natural catastrophic events or other causes beyond our control such as power disruptions or widespread disease outbreaks, the Russia-Ukraine and Middle East conflicts;
- global, national and local economic and market conditions, specifically with respect to geopolitical uncertainty, including the Russia-Ukraine and Middle East conflicts, inflation and rising interest rates;
- the timing and likelihood of U.S. Food and Drug Administration, or FDA, approvals and regulatory actions on our product candidates, manufacturing activities and product marketing activities;
- our ability to advance product candidates in our platforms into successful and completed clinical trials and our subsequent ability to successfully commercialize our product candidates;
- cost and delays resulting from the extensive pharmaceutical regulations to which we are subject;
- our ability to compete in the development and marketing of our products and product candidates;
- our expectations regarding the business of our Chinese subsidiary, Amphastar Nanjing Pharmaceuticals, Ltd., or ANP;
- the potential for adverse application of environmental, health and safety and other laws and regulations on our operations;
- our expectations for market acceptance of our new products and proprietary drug delivery technologies, as well as those of our active pharmaceutical ingredient, or API, customers;
- the effects of reforms in healthcare regulations and reductions in pharmaceutical pricing, reimbursement and coverage;
- our expectations in obtaining insurance coverage and adequate reimbursement for our products from third-party payers;
- the amount of price concessions or exclusion of suppliers adversely affecting our business;
- variations in intellectual property laws, our ability to establish and maintain intellectual property protection for our products and our ability to successfully defend our intellectual property in cases of alleged infringement;
- the implementation of our business strategies, product development strategies and technology utilization;
- the potential for exposure to product liability claims;
- our ability to successfully bid for suitable acquisition targets or licensing opportunities, or to consummate and integrate acquisitions, divestitures or investments, including the anticipated benefits of such acquisitions, divestitures or investments;
- our ability to expand internationally;
- economic and industry trends and trend analysis;
- our ability to remain in compliance with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- the impact of trade tariffs, export or import restrictions, or other trade barriers;
- the impact of Patient Protection and Affordable Care Act (as amended) and other legislative and regulatory healthcare reforms in the countries in which we operate including the potential for drug price controls;
- the impact of global and domestic tax reforms;
- the timing for completion and the validation of the new construction at our ANP and Amphastar facilities;
- the timing and extent of share buybacks; and

- our financial performance expectations, including our expectations regarding our backlog, revenue, cost of revenue, gross profit or gross margin, operating expenses, including changes in research and development, sales and marketing and general and administrative expenses, and our ability to achieve and maintain future profitability.

You should read this Quarterly Report and the documents that we reference elsewhere in this Quarterly Report completely and with the understanding that our actual results may differ materially from what we expect as expressed or implied by our forward-looking statements. In light of the significant risks and uncertainties to which our forward-looking statements are subject, you should not place undue reliance on or regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. We discuss many of these risks and uncertainties in greater detail in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2023, particularly in Item 1A. “Risk Factors.” These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report regardless of the time of delivery of this Quarterly Report, and such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Quarterly Report.

Unless expressly indicated or the context requires otherwise, references in this Quarterly Report to “Amphastar,” “the Company,” “we,” “our,” and “us” refer to Amphastar Pharmaceuticals, Inc. and our subsidiaries.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2024 (unaudited)	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 201,148	$ 144,296
Restricted cash	235	235
Short-term investments	88,407	112,510
Restricted short-term investments	2,200	2,200
Accounts receivable, net	138,114	114,943
Inventories	115,494	105,833
Income tax refunds and deposits	784	526
Prepaid expenses and other assets	8,696	9,057
Total current assets	555,078	489,600
Property, plant, and equipment, net	288,523	282,746
Finance lease right-of-use assets	516	564
Operating lease right-of-use assets	31,352	32,333
Investment in unconsolidated affiliate	—	527
Goodwill and intangible assets, net	607,064	613,295
Long-term investments	15,163	14,685
Other assets	23,369	25,910
Deferred tax assets	53,252	53,252
Total assets	$ 1,574,317	$ 1,512,912
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 116,697	$ 93,366
Accrued payments for BAQSIMI® (see Note 3)	128,245	126,090
Income taxes payable	5,857	1,609
Current portion of long-term debt	428	436
Current portion of operating lease liabilities	3,942	3,906
Total current liabilities	255,169	225,407
Long-term reserve for income tax liabilities	6,066	6,066
Long-term debt, net of current portion and unamortized debt issuance costs	594,006	589,579
Long-term operating lease liabilities, net of current portion	28,739	29,721
Other long-term liabilities	17,981	22,718
Total liabilities	901,961	873,491
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: par value $0.0001; 20,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock: par value $0.0001; 300,000,000 shares authorized; 60,160,459 and 48,841,343 shares issued and outstanding as of March 31, 2024 and 59,390,194 and 48,068,881 shares issued and outstanding as of December 31, 2023, respectively	6	6
Additional paid-in capital	476,072	486,056
Retained earnings	452,445	409,268
Accumulated other comprehensive loss	(8,769)	(8,478)
Treasury stock	(247,398)	(247,431)
Total equity	672,356	639,421
Total liabilities and stockholders' equity	$ 1,574,317	$ 1,512,912

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited; in thousands, except per share data)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net revenues:		
Product revenues, net	$ 157,629	$ 140,022
Other revenues	14,207	—
Total net revenues	171,836	140,022
Cost of revenues	81,736	66,182
Gross profit	90,100	73,840
Operating expenses:		
Selling, distribution, and marketing	9,371	7,109
General and administrative	15,676	13,483
Research and development	17,043	19,815
Total operating expenses	42,090	40,407
Income from operations	48,010	33,433
Non-operating income (expenses):		
Interest income	2,556	924
Interest expense	(8,611)	(398)
Other income (expenses), net	5,921	(390)
Total non-operating income (expenses), net	(134)	136
Income before income taxes	47,876	33,569
Income tax provision	4,126	6,752
Income before equity in losses of unconsolidated affiliate	43,750	26,817
Equity in losses of unconsolidated affiliate	(573)	(785)
Net income	$ 43,177	$ 26,032
Net income per share:		
Basic	$ 0.90	$ 0.54
Diluted	$ 0.81	$ 0.50
Weighted-average shares used to compute net income per share:		
Basic	48,212	48,000
Diluted	53,013	51,970

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; in thousands)

	Three Months Ended March 31,	
	2024	**2023**
Net income	$ 43,177	$ 26,032
Other comprehensive income (loss), net of income taxes		
Foreign currency translation adjustment	(291)	356
Total other comprehensive income (loss)	(291)	356
Total comprehensive income	$ 42,886	$ 26,388

See Accompanying Notes to Condensed Consolidated Financial Statements.

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AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited; in thousands, except share data)

	Common Stock					Treasury Stock		
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Shares	Amount	Total
Balance as of December 31, 2023	59,390,194	$ 6	$ 486,056	$ 409,268	$ (8,478)	(11,321,313)	$ (247,431)	$ 639,421
Net income	—	—	—	43,177	—	—	—	43,177
Other comprehensive loss	—	—	—	—	(291)	—	—	(291)
Issuance of treasury stock in connection with the Company's equity plans	—	—	(33)	—	—	2,197	33	—
Issuance of common stock in connection with the Company's equity plans	770,265	—	(17,311)	—	—	—	—	(17,311)
Share-based compensation expense	—	—	7,360	—	—	—	—	7,360
Balance as of March 31, 2024	60,160,459	$ 6	$ 476,072	$ 452,445	$ (8,769)	(11,319,116)	$ (247,398)	$ 672,356

	Common Stock					Treasury Stock		
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Shares	Amount	Total
Balance as of December 31, 2022	58,110,231	$ 6	$ 455,077	$ 271,723	$ (8,624)	(9,998,162)	$ (189,524)	$ 528,658
Net income	—	—	—	26,032	—	—	—	26,032
Other comprehensive income	—	—	—	—	356	—	—	356
Purchase of treasury stock	—	—	—	—	—	(263,131)	(8,015)	(8,015)
Issuance of common stock in connection with the Company's equity plans	330,300	—	(4,565)	—	—	—	—	(4,565)
Share-based compensation expense	—	—	6,111	—	—	—	—	6,111
Balance as of March 31, 2023	58,440,531	$ 6	$ 456,623	$ 297,755	$ (8,268)	(10,261,293)	$ (197,539)	$ 548,577

See Accompanying Notes to Condensed Consolidated Financial Statements

AMPHASTAR PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash Flows From Operating Activities:		
Net income	$ 43,177	$ 26,032
Reconciliation to net cash provided by operating activities:		
Loss on disposal of assets	—	2
Loss (gain) on interest rate swaps and foreign currency transactions, net	(4,645)	195
Depreciation of property, plant, and equipment	6,816	6,252
Amortization of product rights, trademarks, and patents	6,167	241
Operating lease right-of-use asset amortization	980	903
Amortization of discounts, premiums, and debt issuance costs	2,128	59
Equity in losses of unconsolidated affiliate	573	785
Share-based compensation expense	7,360	6,111
Changes in operating assets and liabilities:		
Accounts receivable, net	(23,201)	(11,796)
Inventories	(9,995)	268
Prepaid expenses and other assets	(192)	219
Income tax refunds, deposits, and payable, net	3,992	6,459
Operating lease liabilities	(947)	(862)
Accounts payable and accrued liabilities	23,078	5,514
Net cash provided by operating activities	55,291	40,382
Cash Flows From Investing Activities:		
Purchases and construction of property, plant, and equipment	(8,793)	(9,477)
Purchase of investments	(22,507)	(10,574)
Maturity of investments	47,497	14,064
Deposits and other assets	(960)	(346)
Net cash provided by (used in) investing activities	15,237	(6,333)
Cash Flows From Financing Activities:		
Proceeds from equity plans, net of withholding tax payments	(17,311)	(4,565)
Purchase of treasury stock	—	(8,015)
Debt issuance costs	(252)	—
Proceeds from borrowing under lines of credit	4,082	—
Principal payments on long-term debt	(98)	(968)
Net cash used in financing activities	(13,579)	(13,548)
Effect of exchange rate changes on cash	(97)	16
Net increase in cash, cash equivalents, and restricted cash	56,852	20,517
Cash, cash equivalents, and restricted cash at beginning of period	144,531	156,333
Cash, cash equivalents, and restricted cash at end of period	$ 201,383	$ 176,850
Noncash Investing and Financing Activities:		
Capital expenditures included in accounts payable	$ 5,943	$ 4,802
Operating lease right-of-use assets in exchange for operating lease liabilities	$ —	$ 1,150
Supplemental Disclosures of Cash Flow Information:		
Interest paid, net of capitalized interest	$ 8,632	$ 1,245
Income taxes paid	$ 349	$ 336

See Accompanying Notes to Condensed Consolidated Financial Statements.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. General

Amphastar Pharmaceuticals, Inc., a Delaware corporation (together with its subsidiaries, hereinafter referred to as the "Company") is a bio-pharmaceutical company that focuses primarily on developing, manufacturing, marketing, and selling technically challenging generic and proprietary injectable, inhalation, and intranasal products, including products with high technical barriers to market entry. Additionally, the Company sells insulin active pharmaceutical ingredient, or API, products. Most of the Company's products are used in hospital or urgent care clinical settings and are primarily contracted and distributed through group purchasing organizations and drug wholesalers. The Company's insulin API products are sold to other pharmaceutical companies for use in their own products and are being used by the Company in the development of injectable finished pharmaceutical products. The Company's inhalation product, Primatene MIST®, is primarily distributed through drug retailers.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2023 and the notes thereto as filed with the Securities and Exchange Commission, or SEC, in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, have been condensed or omitted from the accompanying condensed consolidated financial statements. The accompanying year-end condensed consolidated balance sheet was derived from the audited financial statements. The accompanying interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the Company's consolidated financial position, results of operations, comprehensive income (loss), stockholders' equity, and cash flows for the periods presented. Unless otherwise noted, all such adjustments are of a normal, recurring nature. The Company's results of operations, comprehensive income (loss) and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows that it may achieve in future periods.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries, and are prepared in accordance with GAAP. All intercompany activity has been eliminated in the preparation of the condensed consolidated financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, which are of a normal recurring nature, necessary to present fairly the consolidated financial position, results of operations, and cash flows of the Company.

The Company's subsidiaries include: (1) International Medication Systems, Limited, or IMS, (2) Armstrong Pharmaceuticals, Inc., or Armstrong, (3) Amphastar Nanjing Pharmaceuticals Inc., or ANP, (4) Amphastar France Pharmaceuticals, S.A.S., or AFP, (5) Amphastar UK Ltd., or AUK, (6) International Medication Systems (UK) Limited, or IMS UK, and (7) Amphastar Medication Co., LLC, or Amphastar Medication.

Investment in Unconsolidated Affiliate

The Company applies the equity method of accounting for investments when it has significant influence, but not controlling interest in the investee. The Company's proportionate share of the earnings or losses resulting from these investments is reported as "Equity in losses of unconsolidated affiliate" in the accompanying consolidated statements of operations. Investments accounted for using the equity method may be reported on a lag of up to three months if financial statements of the investee are not available in sufficient time for the investor to apply the equity method as of the current reporting date.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

The carrying value of equity method investments is reported as “Investment in unconsolidated affiliate” in the accompanying consolidated balance sheets. The Company’s equity method investments are reported at cost and adjusted each period for the Company’s share of the investee’s earnings or losses and dividends paid, if any.

During the three months ended March 31, 2024, the book value of the Company’s investment in Hanxin was reduced to zero, as a result of recording of the Company’s share of the losses of Hanxin

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The principal accounting estimates include: fair value of acquired assets, determination of allowances for credit losses, fair value of financial instruments, allowance for discounts, provision for chargebacks and rebates, provision for product returns, adjustment of inventory to its net realizable value, impairment of investments, long-lived and intangible assets and goodwill, accrual for workers’ compensation liabilities, litigation reserves, stock price volatility for share-based compensation expense, valuation allowances for deferred tax assets, and liabilities for uncertain income tax positions.

Foreign Currency

The functional currency of the Company, its domestic subsidiaries, its Chinese subsidiary ANP, and its U.K. subsidiary, AUK, is the U.S. Dollar, or USD. ANP maintains its books of record in Chinese yuan. These books are remeasured into the functional currency of USD using the current or historical exchange rates. The resulting currency remeasurement adjustments and other transactional foreign currency exchange gains and losses are reflected in the Company’s condensed consolidated statements of operations.

The Company’s French subsidiary, AFP, maintains its book of record in euros. AUK’s subsidiary, IMS UK, maintains its book of record in British pounds. These local currencies have been determined to be the subsidiaries’ respective functional currencies. Activities in the statements of operations are translated to USD using average exchange rates during the period. Assets and liabilities are translated at the rate of exchange prevailing on the balance sheet date. Equity is translated at the prevailing rate of exchange at the date of the equity transactions. Translation adjustments are reflected in stockholders’ equity and are included as a component of other comprehensive income (loss). The unrealized gains or losses of intercompany foreign currency transactions that are of a long-term investment nature are reported in other accumulated comprehensive income (loss).

The unrealized gains and losses of intercompany foreign currency transactions that are of a long-term investment nature for the three months ended March 31, 2024 and 2023 were $0.7 million loss and $0.6 million gain, respectively.

Comprehensive Income

The Company’s comprehensive income includes its foreign currency translation gains and losses as well as its share of other comprehensive income from its equity method investments.

Acquisitions

The Company evaluates acquisitions and other similar transactions to assess whether or not the transaction should be accounted for as a business combination or asset acquisition by first applying a screen test to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the screen is met, the transaction is accounted for as an asset acquisition. If the screen is not met, further determination is required as to whether or not the Company has acquired inputs and substantive processes that have the ability to create outputs, which would meet the definition of a business.

Acquisitions meeting the definition of business combinations are accounted for using the acquisition method of accounting, which requires that the purchase price be allocated to the net assets acquired at their respective fair values. In a business combination, any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

For asset acquisitions, a cost accumulation model is used to determine the cost of an asset acquisition. Direct transaction costs are recognized as part of the cost of an asset acquisition. The cost of an asset acquisition, including transaction costs, is allocated to identifiable assets acquired and liabilities assumed based on a relative fair value basis, with the exception of non-qualifying assets. Goodwill is not recognized in an asset acquisition. When a transaction accounted for as an asset acquisition includes an in-process research and development, or IPR&D, asset, the IPR&D asset is only capitalized if it has an alternative future use other than in a particular research and development project. Asset acquisitions may include contingent consideration arrangements that encompass obligations to make future payments to sellers contingent upon the achievement of future financial targets. Contingent consideration, including assumed contingent considerations, is not recognized until all contingencies are resolved and the consideration is paid or becomes payable (unless contingent considerations meets the definition of a derivative, in which case the amount becomes part of the basis in the asset acquired), at which point the consideration is allocated to the assets acquired based on their relative fair values at the acquisition date, with the exception of non-qualifying assets.

Judgments are used in determining estimates of useful lives of long-lived assets. Useful life estimates are based on, among other factors, estimates of expected future net cash flows, the assessment of each asset's life cycle, and the impact of competitive trends on each asset's life cycle and other factors. These judgments can materially impact the estimates used to allocate purchase consideration to assets acquired and liabilities assumed, and the resulting timing and amounts charged to or recognized in current and future operating results. For these and other reasons, actual results may vary significantly from estimated results.

Advertising Expense

Advertising expenses, primarily associated with Primatene MIST®, are recorded as they are incurred, except for expenses related to the development of a major commercial or media campaign, which are expensed in the period in which the commercial or campaign is first presented, and are reflected as a component of selling, distribution and marketing in the Company's condensed consolidated statements of operations. For the three months ended March 31, 2024 and 2023, advertising expenses were $2.7 million and $3.3 million, respectively.

Financial Instruments

The Company's accompanying condensed consolidated balance sheets include the following financial instruments: cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses, short-term borrowings, and long-term obligations. The Company considers the carrying amounts of current assets and liabilities on the condensed consolidated balance sheets to approximate the fair value of these financial instruments due to the short maturity of these items. The carrying value of the Company's long-term obligations, with the exception of the convertible debt (See Note 14) approximates their fair value, as the stated borrowing rates are comparable to rates currently offered to the Company for instruments with similar maturities. Investments and short-term investments are recorded at fair value based on quoted prices from recognized security exchanges and other methods (See Note 9). The Company at times enters into interest rate swap contracts to manage its exposure to interest rate changes and its overall cost of long-term debt. The Company's interest rate swap contracts exchange the variable interest rates for fixed interest rates.

AMPHASTAR PHARMACEUTICALS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market accounts, certificates of deposit and highly liquid investments with original maturities of three months or less.

Investments

Investments as of March 31, 2024 and December 31, 2023 consisted of certificates of deposit and investment grade corporate, agency and municipal bonds with original maturity dates between three and fifteen months.

Restricted Cash

Restricted cash is collateral required for the Company to guarantee certain vendor payments in France. As of each of March 31, 2024 and December 31, 2023, the restricted cash balance was $0.2 million.

Restricted Short-Term Investments

Restricted short-term investments consist of certificates of deposit that are collateral for standby letters of credit to qualify for workers' compensation self-insurance. The certificates of deposit have original maturities greater than three months, but less than one year. As of March 31, 2024 and December 31, 2023, the balance of restricted short-term investments was $2.2 million.

Deferred Income Taxes

The Company utilizes the liability method of accounting for income taxes, under which deferred taxes are determined based on the temporary differences between the financial statements and the tax basis of assets and liabilities using enacted tax rates. A valuation allowance is recorded when it is more likely than not that the deferred tax assets will not be realized.

Debt Issuance Costs

Debt issuance costs related to non-revolving debt are recognized as a reduction to the related debt balance in the accompanying condensed consolidated balance sheets and amortized to interest expense over the contractual term of the related debt using the effective interest method. Debt issuance costs associated with revolving debt are capitalized within other long-term assets on the condensed consolidated balance sheets and are amortized to interest expense over the term of the related revolving debt.

Convertible Debt

The Company accounts for its convertible debt instruments as a single unit of accounting, a liability, because the Company concluded that the conversion features do not require bifurcation as a derivative under Accounting Standards Codification, or ASC, 815-15, *Derivatives and Hedging* and the Company did not issue its convertible debt instruments at a substantial premium. The Company records debt issuance costs as contra-liabilities in our condensed consolidated balance sheets at issuance and amortizes them over the contractual term of the convertible debt instrument using the effective interest rate.

In accordance with Accounting Standards Update, or ASU, 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*: *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, the Company evaluates convertible debt instruments to determine if the conversion feature is freestanding or embedded. If the conversion feature is embedded, the conversion feature is not bifurcated from the host instrument. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20, *Debt with Conversion and Other Options* for consideration of any beneficial conversion features. If no beneficial conversion features exist that require separate recognition, convertible debt instruments are accounted for as a single liability measured at its amortized cost as long as no other features require separation and recognition as derivatives.

Litigation, Commitments and Contingencies

Litigation, commitments and contingencies are accrued when management, after considering the facts and circumstances of each matter as then known to management, has determined it is probable a liability will be found to have been incurred and the amount of the loss can be reasonably estimated. When only a range of amounts is reasonably estimable and no amount within the range is more likely than another, the low end of the range is recorded. Legal fees are expensed as incurred. Due to the inherent uncertainties surrounding gain contingencies, the Company generally does not recognize potential gains until they are realized.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board, or FASB, issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* which is intended to improve reportable segment disclosure requirements, primarily through additional disclosures about significant segment expenses. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the disclosure requirements related to the new standard.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* which requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the disclosure requirements related to the new standard.

Note 3. BAQSIMI® Asset Acquisition

On June 30, 2023, the Company completed its acquisition of BAQSIMI® glucagon nasal powder, or BAQSIMI® pursuant to an asset purchase agreement, or the Purchase Agreement, with Eli Lilly & Company, or Lilly, dated April 21, 2023.

The Company accounted for the BAQSIMI® acquisition as an asset acquisition in accordance with ASC 805, *Business Combination*s, as substantially all the fair value of the assets acquired was concentrated in a single identifiable asset, BAQSIMI® product rights. The BAQSIMI® product rights include the license for the BAQSIMI® intellectual property, regulatory documentation, marketing authorizations, and domain names, which are considered a single asset as they are inextricably linked.

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The total purchase price was allocated to the acquired assets based on their relative fair values, as follow:

	Fair Value (in thousands)
Property, plant, and equipment	$ 34,426
BAQSIMI® product rights	591,338
Deferred tax assets	2,341
Total assets acquired	$ 628,105

The Company amortizes the acquired intangible asset on a straight line basis over its estimated useful life of 24 years (See Note 10 for additional information).

A portion of the consideration for the asset acquisition was a deferred cash payment. The fair value of the deferred cash payment is being accreted to its full $129.0 million amount over a one-year period from the date of acquisition through interest expense. During the three months ended March 31, 2024, $1.8 million of interest expense was recognized related to accretion of the deferred cash payments.

Manufacturing Services Agreement

In connection with the Closing, the Company entered into a Manufacturing Services Agreement, or the MSA, with Lilly, pursuant to which Lilly has agreed, for a period of time not to exceed 18 months, to provide certain manufacturing, packaging, labeling and supply services for BAQSIMI® directly or through third-party contractors to the Company in connection with its operation of the development, manufacture, and commercialization of BAQSIMI®. Upon termination of the MSA, the Company will be obligated to purchase all API, components, and finished goods on hand at prices agreed upon in the MSA.

Transition Services Agreement

In connection with the Closing, the Company entered into a Transition Services Agreement, or the TSA, with Lilly pursuant to which Lilly has agreed, for a period of time not to exceed 18 months, to provide certain services to the Company to support the transition of BAQSIMI® operations to the Company, including with respect to the conduct of certain clinical, regulatory, medical affairs, and commercial sales channel activities.

During the first quarter of 2024, the Company assumed distribution responsibilities, from Lilly, to its customers in the United States, and certain countries in Europe. As a result, the Company has recorded the sales and related cost of BAQSIMI® in these countries as product revenue, net and cost of revenues, respectively. The Company will continue to assume distribution of BAQSIMI® for the remaining territories on a country by country basis throughout 2024.

Note 4. Revenue Recognition

Product revenues, net

In accordance with ASC 606 *Revenue from Contracts with Customers*, revenue is recognized at the time that the Company's customers obtain control of the promised goods.

Generally, revenue is recognized at the time of product delivery to the Company's customers. In some cases, revenue is recognized at the time of shipment when stipulated by the terms of the sale agreements.

The consideration to which the Company expects to be entitled includes a stated list price, less various forms of variable consideration including provision for chargebacks and rebates, accrual for product returns, prompt pay discounts, distributor fees, patient co-pay assistance, and other related deductions. These deductions to product sales are referred to as gross-to-net deductions and are estimated and recorded in the period in which the related product sales occur. Payment terms offered to customers generally range from 30 to 75 days; however, payment terms differ by jurisdiction, by customer and, in some instances, by type of product. Revenues from product sales, net of gross-to-net deductions, are recorded only to the extent a significant reversal in the amount of cumulative revenue recognized is not probable of occurring when the uncertainty associated with gross-to-net deductions is subsequently resolved. Taxes assessed by governmental authorities and collected from customers are excluded from product sales. If the Company expects, at contract inception, that the period between the transfer of control and corresponding payment from the customer will be one year or less, the amount of consideration is not adjusted for the effects of a financing component. Shipping and handling activities are considered to be fulfillment activities rather than a separate performance obligation and are recorded within selling, distribution and marketing expenses in the accompanying condensed consolidated statements of operations.

Provision for Chargebacks and Rebates

The provision for chargebacks and rebates is a significant estimate used in the recognition of revenue. Wholesaler chargebacks relate to sales terms under which the Company agrees to reimburse wholesalers for differences between the gross sales prices at which the Company sells its products to wholesalers and the actual prices of such products that wholesalers resell under the Company's various contractual arrangements with third parties such as hospitals and group purchasing organizations in the United States. Rebates include primarily amounts paid to retailers, payers, and providers in the United States, including those paid to state Medicaid programs, and are based on contractual arrangements or statutory requirements. The Company estimates chargebacks and rebates using the expected value method at the time of sale to wholesalers based on wholesaler inventory stocking levels, historical chargeback and rebate rates, and current contract pricing.

The provision for chargebacks and rebates is reflected as a component of product revenues, net. The following table is an analysis of the chargeback and rebate provision:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Beginning balance	$ 27,920	$ 26,606
Provision for chargebacks and rebates	61,971	69,027
Credits and payments issued to third parties	(55,673)	(67,289)
Ending balance	$ 34,218	$ 28,344

Changes in the chargeback provision from period to period are primarily dependent on the Company's sales to its wholesalers, the level of inventory held by wholesalers, and the wholesalers' customer mix. Changes in the rebate provision from period to period are primarily dependent on retailers' and other indirect customers' purchases. The approach that the Company uses to estimate chargebacks and rebates has been consistently applied for all periods presented. Variations in estimates have been historically small. The Company continually monitors the provision for chargebacks and rebates and makes adjustments when it believes that the actual chargebacks and rebates may differ from the estimates. The settlement of chargebacks and rebates generally occurs within 20 days to 60 days after the sale to wholesalers. Accounts receivable and/or accounts payable and accrued liabilities are reduced and/or increased by the chargebacks and rebate amounts depending on whether the Company has the right to offset with the customer.

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The provision for chargebacks and rebates is included in the following balance sheet accounts:

	March 31, 2024	December 31, 2023
	(in thousands)	
Reduction to accounts receivable, net	$ 19,782	$ 21,861
Accounts payable and accrued liabilities	14,436	6,059
Total	$ 34,218	$ 27,920

Accrual for Product Returns: The Company offers certain customers the right to return qualified excess or expired inventory for partial credit; however, API product sales are generally non-returnable. The Company's product returns primarily consist of the returns of expired products from sales made in prior periods. Returned products cannot be resold. At the time product revenue is recognized, the Company records an accrual for product returns estimated using the expected value method. The accrual is based, in part, upon the historical relationship of product returns to sales and customer contract terms. The Company also assesses other factors that could affect product returns including market conditions, product obsolescence, and new competition.

Prompt Pay Discounts: The Company provides its customers with a percentage discount on their invoice if the customers pay within the agreed upon timeframe. The Company expects that its customers will earn prompt pay discounts. The Company estimates the probability of customers paying promptly based on the percentage of discount outlined in the purchase agreement between the two parties, and deducts the full amount of these discounts from gross product sales and accounts receivable at the time revenue is recognized.

Distributor Fees: The Company engages with wholesalers to distribute its products to end customers. The Company pays the wholesalers a fee for services such as: inventory management, chargeback administration, and service level commitments. The Company estimates the amount of distribution services fees to be paid and adjusts the transaction price with the amount of such estimate at the time of sale to the customer. An accrued liability is recorded for unpaid distribution service fees.

Patient Co-Pay Assistance: Co-pay assistance represents financial assistance to qualified patients, assisting them with prescription drug co-payments required by insurance. The accrual for co-pay is based on an estimate of claims and the cost per claim that the Company expects to receive associated with inventory that exists in the distribution channel at period end.

Revenues derived from contract manufacturing services are recognized when third-party products are shipped to customers. The Company's accounting policy is to review each agreement involving contract development and manufacturing services to determine if there are multiple revenue-generating activities that constitute more than one unit of accounting. Revenues are recognized for each unit of accounting based on revenue recognition criteria relevant to that unit.

Service revenues derived from research and development contracts are recognized over time based on progress toward satisfaction of the performance obligation. For each performance obligation satisfied over time, the Company assesses the proper method to be used for revenue recognition, either an input method to measure progress toward the satisfaction of services or an output method of determining the progress of completion of performance obligation. For the three months ended March 31, 2024 and 2023, revenues from research and development services at ANP were $0.4 million and $0.1 million, respectively.

Other revenues

Revenues related to sales of BAQSIMI®, which was supplied and sold by Lilly under the TSA during the three months

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ended March 31, 2024, or BAQSIMI® NEB, were recorded on a net basis, similar to a royalty arrangement. This includes revenues in the United States and certain countries in Europe for a portion of the period.

Disaggregation of Revenues

The following table summarizes total net revenues by product and by geographic area, based on customers' locations:

	Three Months Ended March 31,					
	2024			2023		
	U.S.	International	Total	U.S.	International	Total
	(in thousands)					
Product revenues, net						
Glucagon	$ 25,276	$ 3,259	$ 28,535	$ 25,696	$ —	$ 25,696
Epinephrine	26,110	—	26,110	20,091	—	20,091
Primatene MIST®	24,166	—	24,166	23,453	30	23,483
BAQSIMI®	13,089	754	13,843	—	—	—
Lidocaine	12,773	—	12,773	13,646	—	13,646
Phytonadione	9,973	—	9,973	7,713	—	7,713
Enoxaparin	7,096	—	7,096	9,867	—	9,867
Naloxone	4,287	—	4,287	4,957	—	4,957
API	669	1,023	1,692	2,075	1,937	4,012
Other product revenues, net	28,354	800	29,154	30,227	330	30,557
	$ 151,793	$ 5,836	157,629	$ 137,725	$ 2,297	140,022
Other revenues						
BAQSIMI® NEB			14,207			—
Total net revenues			$ 171,836			$ 140,022

Note 5. Net Income per Share

Basic net income per share is calculated based upon the weighted-average number of shares outstanding during the period. Diluted net income per share gives effect to all potentially dilutive shares outstanding during the period, such as stock options, non-vested restricted stock units and shares issuable under the Company's Employee Stock Purchase Plan, or ESPP, and potential common shares issued upon conversion of Convertible Notes of the Company, due March 2029, or the 2029 Convertible Notes.

For the three months ended March 31, 2024, the Company did not have any options that were excluded from the computation of diluted net income per share because their effect would be anti-dilutive. The 2029 Convertible Notes had no impact on the computation of diluted net income per share, as the average stock price during the period was less than the conversion price.

For the three months ended March 31, 2023, options to purchase 1,403,859 shares of stock with a weighted-average exercise price of $34.96 per share were excluded from the computation of diluted net income per share because their effect would be anti-dilutive.

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The following table provides the calculation of basic and diluted net income per share for each of the periods presented:

	Three Months Ended March 31,	
	2024	2023
	(in thousands, except per share data)	
Basic and dilutive numerator:		
Net income	$ 43,177	$ 26,032
Denominator:		
Weighted-average shares outstanding — basic	48,212	48,000
Net effect of dilutive securities:		
Incremental shares from equity awards	4,801	3,970
Weighted-average shares outstanding — diluted	53,013	51,970
Net income per share — basic	$ 0.90	$ 0.54
Net income per share — diluted	$ 0.81	$ 0.50

Note 6. Segment Reporting

The Company's business is the development, manufacture, and marketing of pharmaceutical products. The Company has identified two reporting segments that each report to the Chief Operating Decision Maker, or CODM, as defined in ASC 280, *Segment Reporting*. The Company's performance is assessed and resources are allocated by the CODM based on the following two reportable segments:

- Finished pharmaceutical products
- APIs

The finished pharmaceutical products segment manufactures, markets and distributes BAQSIMI®, Primatene MIST®, glucagon, enoxaparin, naloxone, phytonadione, lidocaine, epinephrine, various critical and non-critical care drugs, as well as certain contract manufacturing and contract research revenues. The API segment manufactures and distributes recombinant human insulin API and porcine insulin API for external customers and internal product development.

Other revenues includes the portion of BAQSIMI® sales by Lilly on the Company's behalf under the TSA and is accounted for as a component of the finished pharmaceutical product segment.

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Selected financial information by reporting segment is presented below:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(in thousands)	
Net revenues:		
Finished pharmaceutical products	$ 170,144	$ 136,010
API	1,692	4,012
Total net revenues	171,836	140,022
Gross profit (loss):		
Finished pharmaceutical products	96,142	76,176
API	(6,042)	(2,336)
Total gross profit	90,100	73,840
Operating expenses	42,090	40,407
Income from operations	48,010	33,433
Non-operating (expenses) income	(134)	136
Income before income taxes	$ 47,876	$ 33,569

The Company manages its business segments to the gross profit level and manages its operating and other costs on a company-wide basis. The Company does not identify total assets by segment for internal purposes, as the Company's CODM does not assess performance, make strategic decisions, or allocate resources based on assets.

The amount of net revenues in the finished pharmaceutical product segment is presented below:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(in thousands)	
Finished pharmaceutical products segment net revenues:		
Glucagon	$ 28,535	$ 25,696
Epinephrine	26,110	20,091
Primatene MIST®	24,166	23,483
BAQSIMI®	13,843	—
Lidocaine	12,773	13,646
Phytonadione	9,973	7,713
Enoxaparin	7,096	9,867
Naloxone	4,287	4,957
Other finished pharmaceutical products	29,154	30,557
Total finished pharmaceutical products net revenues	155,937	136,010
BAQSIMI® NEB	14,207	—
Total finished pharmaceutical products segment net revenues	$ 170,144	$ 136,010

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The amount of depreciation and amortization expense included in cost of revenues by reporting segment is presented below:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(in thousands)	
Depreciation and amortization expense		
Finished pharmaceutical products	$ 8,658	$ 2,446
API	1,004	953
Total depreciation and amortization expense	$ 9,662	$ 3,399

Net revenues and carrying values of long-lived assets by geographic regions, based on where the Company conducts its operations, are as follows:

	Net Revenues		Long-Lived Assets	
	Three Months Ended March 31,		March 31,	December 31,
	2024	2023	2024	2023
	(in thousands)			
United States[1]	$ 169,657	$ 137,958	$ 762,832	$ 765,102
China	403	127	93,748	91,913
France	1,776	1,937	36,670	37,647
Total	$ 171,836	$ 140,022	$ 893,250	$ 894,662

(1) Includes Other revenues from the sales of BAQSIMI®

Note 7. Customer and Supplier Concentration

Customer Concentrations

Three large wholesale drug distributors, Cencora Inc., formally AmerisourceBergen, or Cencora, Cardinal Health, Inc., or Cardinal, and McKesson Corporation, or McKesson, are all distributors of the Company's products, as well as suppliers of a broad range of health care products. Lilly currently manufactures and sells BAQSIMI® on the Company's behalf pursuant to the terms of the TSA in certain jurisdictions (See Note 3 for additional information). The Company considers these four customers to be its major customers, as each individually, and these customers collectively, represented a significant percentage of the Company's net revenue for the three months ended March 31, 2024 and 2023 and accounts receivable as of March 31, 2024 and December 31, 2023, respectively. The following table provides accounts receivable and net revenue information for these major customers:

	% of Total Accounts Receivable		% of Net Revenues Three Months Ended March 31,	
	March 31, 2024	December 31, 2023	2024	2023
McKesson	27 %	26 %	22 %	23 %
Cencora	13 %	16 %	20 %	24 %
Cardinal Health	24 %	13 %	19 %	16 %
Lilly	12 %	20 %	8 %	—

Supplier Concentrations

The Company depends on suppliers for raw materials, APIs, and other components that are subject to stringent FDA requirements. Some of these materials may only be available from one or a limited number of sources. Establishing additional or replacement suppliers for these materials may take a substantial period of time, as suppliers must be approved by the FDA. Furthermore, a significant portion of raw materials may only be available from foreign sources. If the Company is unable to secure, on a timely basis, sufficient quantities of the materials it depends on to manufacture and market its products, it could have a materially adverse effect on the Company's business, financial condition, and results of operations.

Note 8. Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the measurement date (an exit price). These standards also establish a hierarchy that prioritizes observable and unobservable inputs used in measuring fair value of an asset or liability, as described below:

- *Level 1* – Inputs to measure fair value are based on quoted prices (unadjusted) in active markets on identical assets or liabilities;
- *Level 2* – Inputs to measure fair value are based on the following: a) quoted prices in active markets on similar assets or liabilities, b) quoted prices for identical or similar instruments in inactive markets, or c) observable (other than quoted prices) or collaborated observable market data used in a pricing model from which the fair value is derived; and
- *Level 3* – Inputs to measure fair value are unobservable and the assets or liabilities have little, if any, market activity; these inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities based on best information available in the circumstances.

As of March 31, 2024 and December 31, 2023, cash equivalents include money market accounts and corporate and municipal bonds with original maturities of less than three months. Investments consist of certificates of deposit as well as investment-grade corporate, agency and municipal bonds with original maturity dates between three and fifteen months. The certificates of deposit are carried at amortized cost in the Company's condensed consolidated balance sheets, which approximates their fair value determined based on Level 2 inputs. The corporate, agency and municipal bonds are classified as held-to-maturity and are carried at amortized cost net of allowance for credit losses. The fair value of such bonds is disclosed in Note 9 and was determined based on Level 2 inputs. The restrictions on restricted cash and investments have an immaterial effect on the fair value of these financial assets.

The fair values of the Company's financial assets and liabilities measured on a recurring basis as of March 31, 2024 and December 31, 2023, are as follows:

	Total	(Level 1)	(Level 2)	(Level 3)
		(in thousands)		
Cash equivalents	$ 160,420	$ 160,420	$ —	$ —
Restricted cash	235	235	—	—
Short-term investments	34,891	—	34,891	—
Restricted short-term investments	2,200	—	2,200	—
Interest rate swaps related to variable rate loans	(20)	—	(20)	—
Total assets and liabilities measured at fair value as of March 31, 2024	$ 197,726	$ 160,655	$ 37,071	$ —

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	Total	(Level 1)	(Level 2)	(Level 3)
	(in thousands)			
Cash equivalents	$ 116,441	$ 116,441	$ —	$ —
Restricted cash	235	235	—	—
Short-term investments	37,142	—	37,142	—
Restricted short-term investments	2,200	—	2,200	—
Interest rate swaps related to variable rate loans	(5,243)	—	(5,243)	—
Total assets and liabilities measured at fair value as of December 31, 2023	$ 150,775	$ 116,676	$ 34,099	$ —

The Company does not hold any Level 3 instruments that are measured at fair value on a recurring basis.

Nonfinancial assets and liabilities are not measured at fair value on a recurring basis but are subject to fair value adjustments in certain circumstances. These items primarily include investments in unconsolidated affiliates, long-lived assets, goodwill, and intangible assets for which the fair value is determined as part of an impairment test. As of March 31, 2024 and December 31, 2023, there were no significant adjustments to fair value for nonfinancial assets or liabilities.

The Company's deferred compensation plan assets are valued using the cash surrender value of the life insurance policies and are not included in the table above.

Note 9. Investments

The following is a summary of the Company's investments that are classified as held-to-maturity:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Corporate and agency bonds (due within 1 year)	$ 69,573	$ 1	$ (65)	$ 69,509
Corporate bonds (due within 1 to 3 years)	15,088	8	(60)	15,036
Total investments as of March 31, 2024	$ 84,661	$ 9	$ (125)	$ 84,545
Corporate and agency bonds (due within 1 year)	$ 73,815	$ 7	$ (21)	$ 73,801
Corporate bonds (due within 1 to 3 years)	14,621	56	(1)	14,676
Municipal bonds (due within 1 year)	1,081	1	—	1,082
Total investments as of December 31, 2023	$ 89,517	$ 64	$ (22)	$ 89,559

At each reporting period, the Company evaluates securities for impairment when the fair value of the investment is less than its amortized cost. The Company evaluated the underlying credit quality and credit ratings of the issuers, identifying neither a significant deterioration since purchase nor any other factors that would indicate a material credit loss.

The Company measures expected credit losses on held-to-maturity investments on a collective basis. All the Company's held-to-maturity investments were considered to be one pool. The estimate for credit losses considers historical loss information that is adjusted for current conditions and reasonable and supportable forecasts. Expected credit losses on held-to-maturity investments were not material to the condensed consolidated financial statements.

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Note 10. Goodwill and Intangible Assets

The table below shows the weighted-average life, original cost, accumulated amortization, and net book value by major intangible asset classification:

	Weighted-Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(in thousands)		
Definite-lived intangible assets				
BAQSIMI® product rights(1)	24	$ 591,338	$ 18,479	$ 572,859
Patents	12	486	377	109
Land-use rights	39	2,540	821	1,719
Subtotal	24	594,364	19,677	574,687
Indefinite-lived intangible assets				
Trademark	*	29,225	—	29,225
Goodwill - Finished pharmaceutical products	*	3,152	—	3,152
Subtotal	*	32,377	—	32,377
As of March 31, 2024	*	$ 626,741	$ 19,677	$ 607,064

	Weighted-Average Life (Years)	Original Cost	Accumulated Amortization	Net Book Value
		(in thousands)		
Definite-lived intangible assets				
BAQSIMI® product rights(1)	24	$ 591,338	$ 12,319	$ 579,019
IMS (UK) international product rights(2)	10	$ 8,462	8,462	—
Patents	12	486	376	110
Land-use rights	39	2,540	815	1,725
Subtotal	11	602,826	21,972	580,854
Indefinite-lived intangible assets				
Trademark	*	29,225	—	29,225
Goodwill - Finished pharmaceutical products	*	3,216	—	3,216
Subtotal	*	32,441	—	32,441
As of December 31, 2023	*	$ 635,267	$ 21,972	$ 613,295

* Intangible assets with indefinite lives have an indeterminable average life.
(1) See Note 3
(2) In June 2023, the Company recorded an impairment related to its IMS (UK) international product rights in the amount of $2.7 million. The Company recorded the impairment in the cost of revenue in its consolidated statement of operations for the year ended December 31, 2023

Goodwill

The changes in the carrying amounts of goodwill are as follows:

	March 31, 2024	December 31, 2023
	(in thousands)	
Beginning balance	$ 3,216	$ 3,126
Currency translation	(64)	90
Ending balance	$ 3,152	$ 3,216

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Note 11. Inventories

Inventories consist of the following:

	March 31, 2024	December 31, 2023
	(in thousands)	
Raw materials and supplies	$ 51,411	$ 50,082
Work in process	33,331	30,822
Finished goods	30,752	24,929
Total inventories	$ 115,494	$ 105,833

Charges of $5.7 million and $1.9 million were included in the cost of revenues in the Company's condensed consolidated statements of operations for the three months ended March 31, 2024 and 2023, respectively, to adjust the Company's inventory and related firm purchase commitments to its net realizable value.

Losses on firm purchase commitments related to raw materials on order as of March 31, 2024 and December 31, 2023 were $3.6 million and $1.0 million, respectively, which are recorded in cost of revenues in the Company's condensed consolidated statement of operations.

Note 12. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	March 31, 2024	December 31, 2023
	(in thousands)	
Buildings	$ 168,647	$ 168,771
Leasehold improvements	42,012	41,686
Land	7,460	7,484
Machinery and equipment	259,845	259,484
Furniture, fixtures, and automobiles	33,251	31,943
Construction in progress	28,916	18,676
Total property, plant, and equipment	540,131	528,044
Less accumulated depreciation	(251,608)	(245,298)
Total property, plant, and equipment, net	$ 288,523	$ 282,746

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Note 13. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	March 31, 2024	December 31, 2023
	(in thousands)	
Accrued customer fees and rebates	$ 29,002	$ 16,702
Accrued payroll and related benefits	25,392	25,203
Accrued product returns, current portion	12,704	12,263
Accrued loss on firm purchase commitments	3,632	918
Other accrued liabilities	9,433	12,842
Total accrued liabilities	80,163	67,928
Accounts payable	36,534	25,438
Total accounts payable and accrued liabilities	$ 116,697	$ 93,366

Note 14. Debt

Debt consists of the following:

	March 31, 2024	December 31, 2023
	(in thousands)	
Convertible Debt		
2029 Convertible Notes	$ 345,000	$ 345,000
Term Loan		
Wells Fargo Term Loan due June 2028	250,000	250,000
Mortgage Loans		
Mortgage payable with East West Bank due June 2027	7,972	8,016
Other Loans and Payment Obligations		
French government loans due December 2026	157	158
Line of Credit Facilities		
Line of credit facility with China Merchant Bank due October 2026	—	—
Wells Fargo Revolving line of credit facility due June 2028	—	—
Line of credit facility with ICBC Bank due November 2033	4,082	—
Equipment under Finance Leases	562	616
Total debt	607,773	603,790
Less current portion of long-term debt	428	436
Less: Loan issuance costs	13,339	13,775
Long-term debt, net of current portion and unamortized debt issuance costs	$ 594,006	$ 589,579

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Credit Agreement

2029 Convertible Notes

In September 2023, the Company issued the 2029 Convertible Notes, in the aggregate principal amount of $345.0 million in a private offering pursuant to Section 4(a)(2) and Rule 144A under the Securities Act of 1933, as amended. The Company used portions of the net proceeds from the 2029 Convertible Notes to (i) repay approximately $200.0 million of the Company's borrowings under the Wells Fargo Term Loan and (ii) repurchase $50.0 million of the Company's common stock.

In connection with the issuance of the 2029 Convertible Notes, the Company incurred approximately $10.8 million of debt issuance costs, which primarily consisted of underwriting, legal and other professional fees. Unamortized debt issuance costs related to the 2029 Convertible Notes were $9.8 million as of March 31, 2024. The fair value of the 2029 Convertible Notes was approximately $348.1 million as of March 31, 2024 based on level 2 inputs.

The 2029 Convertible Notes are general senior, unsecured obligations and bear an interest rate of 2.0% per year. The 2029 Convertible Notes were issued pursuant to an indenture, dated September 15, 2023, or the Indenture, between the Company and U.S. Bank Trust Company, National Association, as trustee.

The 2029 Convertible Notes will rank senior in right of payment to all of the Company's indebtedness that is expressly subordinated in right of payment to the 2029 Convertible Notes; equal in right of payment to all of the Company's unsecured indebtedness that is not so subordinated; effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness, including any amount outstanding under the Company's credit facilities; and structurally junior to all indebtedness and other liabilities of the Company's current or future subsidiaries, including trade payables.

Interest is payable semi-annually in arrears on March 15 and September 15 of each year. The 2029 Convertible Notes may bear additional interest under specified circumstances relating to the Company's failure to comply with its reporting obligations under the Indenture or if the 2029 Convertible Notes are not freely tradeable as required by the Indenture.

The 2029 Convertible Notes will mature on March 15, 2029, unless earlier converted, repurchased or redeemed.

Conversions of the 2029 Convertible Notes will be settled in cash up to the aggregate principal amount of the 2029 Convertible Notes to be converted, and cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election, with respect to the remainder, if any, of the Company's conversion obligation in excess of the aggregate principal amount.

Holders may convert their 2029 Convertible Notes at their option prior to the close of business on the business day immediately preceding December 15, 2028, in multiples of $1,000 principal amount, only under the following circumstances; (i) during any calendar quarter commencing after the calendar quarter ending on December 31, 2023 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2029 Convertible Notes on each applicable trading day, (ii) during the five business day period after any five consecutive trading day period in which the trading price, as defined in the Indenture, per $1,000 principal amount of the 2029 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day, (iii) if the Company calls the 2029 Convertible Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date, and (iv) upon the occurrence of specified corporate events defined in the

Indenture.

On or after December 15, 2028, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2029 Convertible Notes, in multiples of $1,000 principal amount, at the option of the holder regardless of the foregoing circumstances.

The Company may redeem the 2029 Convertible Notes, at its option, in whole or in part (subject to certain limitations), on or after September 20, 2026 and prior to the 41st scheduled trading day preceding the maturity date, if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on and including the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2029 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The initial conversion rate is 15.8821 shares of the Company's common stock per $1,000 principal amount of the 2029 Convertible Notes, which represents an initial conversion price of approximately $62.96 per share of common stock. The initial conversion price of $62.96 represents a premium of approximately 35.0% over the last reported sale price of the Company's common stock on Nasdaq Global Select Market on September 12, 2023. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture.

If a fundamental change, as defined in the Indenture, occurs at any time prior to the maturity date, then, subject to certain conditions, holders of the 2029 Convertible Notes may require the Company to repurchase for cash all or any portion of their 2029 Convertible Notes at a repurchase price equal to 100% of the principal amount of the 2029 Convertible Notes to be repurchased, plus any accrued and unpaid interest. In addition, following certain specified corporate events or if the Company issues a notice of redemption, the Company will, under certain circumstances, increase the conversion rate for holders who convert their 2029 Convertible Notes in connection with such corporate event or during a redemption period.

Syndicated Line of Credit Facility with ICBC Bank – Due November 2033

In January 2024, the Company entered into a credit agreement with Industrial and Commercial Bank of China Limited, or ICBC Bank, acting as a lender and as agent for other lenders. The credit agreement allows the Company to borrow up to $40.0 million secured by equipment and buildings at ANP. The interest rate and other terms will be determined at the time of the borrowing, depending on the type of loan requested. The credit agreement expires in November 2033.

In the first quarter of 2024, the Company borrowed approximately $4.1 million under the credit agreement. The loan bears interest at the prime rate as published by *The People's Bank of China* minus 0.2%. Interest payments are due quarterly and repayment of the principal amount are biannual and begins May 2026. As of March 31, 2024, the Company had $4.1 million outstanding under this loan.

Interest Rate Swap Contracts

As of March 31, 2024, the fair value of the loans listed above approximated their carrying amount based on Level 2 inputs. For the mortgage loan with East West Bank, as well as the Wells Fargo Term Loan, the Company has entered into fixed interest rate swap contracts to exchange the variable interest rates for fixed interest rates. The interest rate swap contracts are recorded at fair value in the other assets line in the condensed consolidated balance sheets. Changes in the fair values of interest rate swaps were $5.2 million gain and $1.0 million loss for the three months ended March 31, 2024 and 2023, respectively.

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Covenants

At March 31, 2024 and December 31, 2023, the Company was in compliance with all of its debt covenants.

Note 15. Income Taxes

The following table sets forth the Company's income tax provision for the periods indicated:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(in thousands)	
Income before taxes	$ 47,876	$ 33,569
Income tax provision	4,126	6,752
Income before equity in losses of unconsolidated affiliate	$ 43,750	$ 26,817
Income tax provision as a percentage of income before income taxes	8.6 %	20.1 %

Valuation Allowance

In assessing the need for a valuation allowance, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realized. Ultimately, realization depends on the existence of future taxable income. Management considers sources of taxable income such as income in prior carryback periods, future reversal of existing deferred taxable temporary differences, tax-planning strategies, and projected future taxable income.

The Company continues to record a full valuation allowance on the net deferred income tax assets of its France subsidiary, AFP, and its U.K. subsidiaries, AUK and IMS UK. The Company will continue to do so until the subsidiaries generate sufficient taxable income to realize their respective deferred income tax assets.

The Company records a valuation allowance on net deferred income tax assets in states where it files separately and will continue to do so until sufficient taxable income is generated to realize these state deferred income tax assets.

Note 16. Stockholders' Equity

Share Buyback Program

Pursuant to the Company's existing share buyback program, the Company did not purchase any shares of its common stock during the three months ended March 31, 2024. For the three months ended March 31, 2023, the Company purchased 263,131 shares of its common stock, totaling $8.0 million.

In August 2023, the Company's Board of Directors authorized a $50.0 million increase to the Company's share buyback program, which is expected to continue for an indefinite period of time. Since the inception of the program, the Company's Board of Directors have authorized a total of $285.0 million in the share buyback program. The primary goal of the program is to offset dilution created by the Company's equity compensation programs.

Purchases are made through open market and private block transactions pursuant to Rule 10b5-1 plans, privately negotiated transactions or other means as determined by the Company's management and in accordance with the requirements of the SEC and applicable laws. The timing and actual number of treasury share purchases will depend on a variety of factors including price, corporate and regulatory requirements, and other conditions. These treasury share purchases are accounted for under the cost method and are included as a component of treasury stock in the Company's condensed consolidated balance sheets.

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Amended and Restated 2015 Equity Incentive Plan

As of March 31, 2024, the Company reserved an aggregate of 7,874,154 shares of common stock for future issuance under the Amended and Restated 2015 Equity Incentive Plan, or the 2015 Plan, including 1,201,722 shares, which were reserved in January 2024 pursuant to the evergreen provision in the 2015 Plan.

2014 Employee Stock Purchase Plan

As of March 31, 2024, the Company has issued 1,192,134 shares of common stock under the ESPP and 807,866 shares of its common stock remain available for issuance under the ESPP.

For the three months ended March 31, 2024 and 2023, the Company recorded ESPP expense of $0.3 million and $0.3 million, respectively.

Share-Based Award Activity and Balances

The Company accounts for share-based compensation payments in accordance with ASC 718, which requires measurement and recognition of compensation expense at fair value for all share-based payment awards made to employees and directors. Under these standards, the fair value of option awards and the option components of the ESPP awards are estimated at the grant date using the Black-Scholes option-pricing model. The fair value of RSUs is estimated at the grant date using the Company's common share price. Compensation cost for all share-based payments granted with service-based graded vesting schedules is recognized using the straight-line method over the requisite service period.

The weighted-averages for key assumptions used in determining the fair value of options granted are as follows:

	Three Months Ended March 31,	
	2024	2023
Average volatility	41.3 %	41.5 %
Average risk-free interest rate	4.2 %	4.2 %
Weighted-average expected life in years	6.3	6.3
Dividend yield rate	— %	— %

A summary of option activity under all plans for the three months ended March 31, 2024, is presented below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value[1] (in thousands)
Outstanding as of December 31, 2023	7,762,298	$ 19.70		
Options granted	579,532	46.68		
Options exercised	(1,160,737)	12.70		
Options forfeited	(3,830)	35.97		
Options expired	—	—		
Outstanding as of March 31, 2024	7,177,263	$ 23.01	5.41	$ 151,732
Exercisable as of March 31, 2024	5,336,486	$ 18.53	4.29	$ 135,419
Vested and expected to vest as of March 31, 2024	6,970,643	$ 22.55	5.31	$ 150,339

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(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the estimated fair value of the Company's stock for those awards that have an exercise price below the estimated fair value at March 31, 2024.

For the three months ended March 31, 2024 and 2023, the Company recorded expense of $3.7 million and $3.0 million, respectively, related to stock options granted under all plans.

Information relating to option grants and exercises is as follows:

	Three Months Ended March 31,	
	2024	2023
	(in thousands, except per share data)	
Weighted-average grant date fair value per share	$ 22.16	$ 16.67
Intrinsic value of options exercised	35,823	2,341
Cash received from options exercised	1,821	1,388
Total fair value of the options vested during the period	8,663	7,584

A summary of the status of the Company's non-vested options as of March 31, 2024, and changes during the three months ended March 31, 2024, are presented below:

	Options	Weighted-Average Grant Date Fair Value
Non-vested as of December 31, 2023	2,076,355	12.68
Options granted	579,532	22.16
Options vested	(811,280)	10.68
Options forfeited	(3,830)	16.63
Non-vested as of March 31, 2024	1,840,777	16.54

As of March 31, 2024, there was $24.6 million of total unrecognized compensation cost, net of forfeitures, related to non-vested stock option-based compensation arrangements granted under all plans. The cost is expected to be recognized over a weighted-average period of 3.0 years and will be adjusted for future changes in estimated forfeitures.

Restricted Stock Units

The Company grants restricted stock units, or RSUs, to certain employees and members of the Board of Directors with a vesting period of up to four years. The grantee receives one share of common stock at a specified future date for each RSU awarded. The RSUs may not be sold or otherwise transferred until vested. The RSUs do not have any voting or dividend rights prior to the issuance of the underlying common stock. The share-based expense associated with these grants was based on the Company's common stock fair value at the time of grant and is amortized over the requisite service period, which generally is the vesting period using the straight-line method. For the three months ended March 31, 2024 and 2023, the Company recorded expenses of $3.4 million and $2.9 million, respectively, related to RSU awards granted under all plans.

As of March 31, 2024, there was $26.1 million of total unrecognized compensation cost, net of forfeitures, related to non-vested RSU based compensation arrangements granted under all plans. The cost is expected to be recognized over a weighted-average period of 3.0 years and will be adjusted for future changes in estimated forfeitures.

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Information relating to RSU grants and deliveries is as follows:

	Total RSUs Issued	Total Fair Market Value of RSUs Issued[1] (in thousands)
RSUs outstanding at December 31, 2023	920,376	
RSUs granted	274,862	$ 12,831
RSUs forfeited	(1,752)	
RSUs vested[2]	(355,387)	
RSUs outstanding at March 31, 2024	838,099	

(1) The total fair market value is derived from the number of RSUs granted times the current stock price on the date of grant.
(2) Of the vested RSUs, 143,277 shares of common stock were surrendered to fulfil tax withholding obligations.

Share-based Compensation Expense

The Company recorded share-based compensation expense, which is included in the Company's condensed consolidated statement of operations as follows:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Cost of revenues	$ 2,125	$ 1,706
Operating expenses:		
Selling, distribution, and marketing	260	209
General and administrative	3,876	3,357
Research and development	1,099	839
Total share-based compensation	$ 7,360	$ 6,111

Note 17. Employee Benefits

401(k) Plan

The Company has a defined contribution 401(k) plan, or the Plan, whereby eligible employees voluntarily contribute up to a defined percentage of their annual compensation. The Company matches contributions at a rate of 50% on the first 6% of employee contributions, and pays the administrative costs of the Plan. Total employer contributions for the three months ended March 31, 2024 and 2023, were approximately $0.8 million and $0.6 million, respectively.

Defined Benefit Pension Plan

The Company's subsidiary, AFP, has an obligation associated with a defined-benefit plan for its eligible employees. This plan provides benefits to the employees from the date of retirement and is based on the employee's length of time employed by the Company. The calculation is based on a statistical calculation combining a number of factors that include the employee's age, length of service, and AFP employee turnover rate.

The liability under the plan is based on a discount rate of 3.25% as of March 31, 2024 and December 31, 2023. The liability is included in other long-term liabilities in the accompanying condensed consolidated balance sheets. The plan is currently unfunded, and the benefit obligation under the plan was $2.6 million at March 31, 2024 and December 31, 2023. The Company recorded an immaterial amount of expense under the plan for each of the three months ended March 31, 2024 and 2023.

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Non-qualified Deferred Compensation Plan

In December 2019, the Company established a non-qualified deferred compensation plan. The plan allows certain eligible participants to defer a portion of their cash compensation and provides a matching contribution at the discretion of the Company. The plan obligations are payable upon retirement, termination of employment and/or certain other times in a lump-sum distribution or in installments, as elected by the participant in accordance with the plan. Participants can allocate their deferred compensation amongst various investment options with earnings accruing to the participant. The Company has established a Rabbi Trust to fund the plan obligations and to hold the plan assets. Eligible participants began contributing to the plan in January 2020. The plan assets were valued at approximately $7.8 million and $6.8 million as of March 31, 2024 and December 31, 2023, respectively. The plan liabilities were valued at approximately $8.1 million and $7.1 million as of March 31, 2024 and December 31, 2023, respectively. The plan assets and liabilities are included in other long-term assets and other long-term liabilities, respectively, on the Company's condensed consolidated balance sheets.

Note 18. Commitments and Contingencies

Purchase Commitments

As of March 31, 2024, the Company has entered into commitments to purchase equipment and raw materials for an aggregate amount of approximately $68.5 million.

Note 19. Related Party Transactions

Investment in Hanxin

The Company has an 11.5% ownership in Hanxin that is accounted for as an equity method investment. The Company maintains a seat on Hanxin's board of directors, and Henry Zhang, the son of Dr. Jack Zhang is an equity holder, the general manager, and the chairman of the board of directors of Hanxin. Additionally, Dr. Mary Luo and Dr. Jack Zhang, have an ownership interest in Hanxin through an affiliated entity. As a result, Hanxin is a related party.

Contract manufacturing agreement with Hanxin

In April 2022, ANP, entered into a contract manufacturing agreement with Hanxin, whereby Hanxin will develop several active pharmaceutical ingredients and finished products for the Chinese market and will engage ANP to manufacture the products on a cost-plus basis. Hanxin will commit to purchase certain quantities from ANP subject to the terms and conditions set forth in the agreement, including Hanxin filing for and obtaining any required marketing authorizations.

During the three months ended March 31, 2024, the Company recognized $0.3 million of revenue from manufacturing services provided to Hanxin. During the three months ended March 31, 2023, the Company recognized an immaterial amount of revenue from manufacturing services provided to Hanxin. As of March 31, 2024, the Company had $0.3 million of receivables from Hanxin.

Contract Research Agreement with Hanxin

In July 2022, the Company entered into a three-year contract research agreement with Hanxin, a related party, whereby Hanxin will develop Recombinant Human Insulin Research Cell Banks, or RCBs, for the Company and license the RCBs to the Company subject to a fully paid, exclusive, perpetual, transferable, sub-licensable worldwide license. The RCBs will be used by the Company to make Master Cell Banks for one of its product candidates. Per the terms of the agreement with Hanxin, all title to the RCBs developed, prepared and produced by Hanxin in conducting research and development will belong to the Company. The Company will also own any confidential and proprietary information, technology regarding development and manufacturing of the RCBs. This will include engineering, scientific and practical information and formula, research data, design, and procedures and others to develop and manufacture the RCBs, in use or developed by Hanxin. The total cost of the agreement to the Company shall not exceed approximately $2.2 million, with payments adjusted based on the then current exchange rates. Any additional work or changes to the scope of work requested by the Company will be charged by Hanxin to the Company on a cost-plus basis, plus any applicable taxes.

In March 2023, the Company amended the agreement with Hanxin, whereby Hanxin will perform scale-up manufacturing process development using the RCBs for the Company. Per the terms of the amended agreement the Company will own any confidential and proprietary information and technology produced during the scale-up manufacturing. This will include engineering, scientific and practical information and formula, research data design and procedures and others to develop and manufacture the RCBs. The amendment agreement will remain in full force and effect until July 5, 2025. The total cost of the amended agreement to the Company shall not exceed approximately $0.5 million in additional payments beyond the $2.2 million in payments under the contract research agreement, with payments adjusted based on actual currency exchange rates. Any additional work or changes to the scope of work requested by the Company will be charged by Hanxin to the Company on a cost-plus basis, plus any applicable taxes.

During the three months ended March 31, 2024 and 2023, the Company paid $0.2 million and $0.6 million, respectively, under this amended agreement and has accrued an immaterial amount payable to Hanxin as of March 31, 2024 and December 31, 2023.

Supply Agreement with Letop

In November 2022, ANP, entered into a supply agreement with Nanjing Letop Biotechnology Co., Ltd., or Letop, which is considered a related-party due to an ownership stake by Henry Zhang. Under the terms of the supply agreement Letop will manufacture and deliver chemical intermediates to ANP on a cost-plus basis. The agreement is effective for three years and the total cost of the agreement shall not exceed approximately $1.5 million, with payments adjusted based on the then current exchange rates.

During the three months ended March 31, 2024, ANP did not make any payments under this agreement. During the three months ended March 31, 2023, ANP paid $0.7 million under this agreement. As of March 31, 2024 and December 31, 2023, the Company did not have any amounts payable to Letop.

Note 20. Litigation

The Company is subject to various claims, arbitrations, investigations, and lawsuits from time to time arising in the ordinary course of business. In addition, third parties may, from time to time, assert claims against the Company in the forms of letters and other communications.

The Company records a provision for contingent losses when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In the opinion of management, the ultimate resolution of any such matters is not expected to have a material adverse effect on its financial position, results of operations, or cash flows; however, the results of litigation and claims are inherently unpredictable and the Company’s view of these matters may change in the future. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources, and other factors.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of the consolidated operating results, financial condition, liquidity and cash flows of our company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the "Condensed Consolidated Financial Statements" and the related notes thereto included in this Quarterly Report on Form 10-Q, or Quarterly Report. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements. These risks, uncertainties, and other factors include, among others, those identified under the "Special Note About Forward-Looking Statements," above and described in greater detail elsewhere in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2023, particularly in Item 1A. "Risk Factors".

Overview

We are a bio-pharmaceutical company focusing primarily on developing, manufacturing, marketing and selling technically challenging generic and proprietary injectable, inhalation, and intranasal products, as well as insulin API products. We currently manufacture and sell over 25 products.

Our largest products by net revenues currently include BAQSIMI®, Primatene MIST®, glucagon, epinephrine, lidocaine, enoxaparin sodium, and phytonadione. In March 2023, the FDA approved our naloxone hydrochloride nasal spray 4mg, REXTOVY™, which we recently launched.

We are currently developing a portfolio of generic abbreviated new drug applications, or ANDAs, biosimilar insulin product candidates and proprietary product candidates, which are in various stages of development and target a variety of indications. Four of the ANDAs are currently on file with the FDA.

To complement our internal growth and expertise, we have made several strategic acquisitions of companies, products and technologies. These acquisitions collectively have strengthened our core injectable and inhalation product technology infrastructure by providing additional manufacturing, marketing, and research and development capabilities, including the ability to manufacture raw materials, API, and other components for our products.

Macroeconomic Trends and Uncertainties

Recent uncertain macroeconomic conditions and worldwide events, including extended periods of heightened inflation, rising interest rates and instability in the financial systems, ongoing geopolitical conflicts such as the Russia-Ukraine and Middle East conflicts, as well as rising healthcare costs continue to pose challenges to our business.

See the section titled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, for further discussion of the potential adverse impact of unfavorable global and geopolitical economic conditions on our business, results of operations and financial conditions.

Recent Developments

BAQSIMI® Acquisition

In connection with the acquisition of BAQSIMI® in June 2023, we entered into a Transition Service Agreement, or the TSA with Lilly pursuant to which Lilly agreed, for a period of time not to exceed 18 months to provide certain services to us to support the transition of the BAQSIMI® operations, including with respect to the conduct of certain clinical, regulatory, medical affairs, and commercial sales channel activities. Revenues from the sales of BAQSIMI® under the TSA with Lilly during the three months ended March 31, 2024, were recognized on a net basis similar to a royalty arrangement. The impact of this revenue recognition method resulted in lower reported revenues relative to the revenue that would have been reported had we recognized gross revenues from sales of BAQSIMI®.

During the first quarter of 2024, we assumed distribution responsibilities from Lilly to our customers in the United States, which comprises approximately 80% of BAQSIMI® worldwide revenues, as well as certain countries in Europe. As a result, for a portion of the quarter ended March 31, 2024, we started recognizing gross revenues and cost of revenues from the sales of BAQSIMI® in these countries, which is classified as product revenue, net and cost of revenue, respectively on the condensed consolidated statement of operations. The assumption of distribution in countries outside the United States will occur on a country-by-country basis once the marketing authorizations for each territory have been transferred to us, we have set up distribution agreements, and we have obtained sufficient inventory.

For more information regarding our acquisition of BAQSIMI®, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 3. BAQSIMI® Acquisition.”

Business Segments

As of March 31, 2024, our performance is assessed and resources are allocated based on the following two reportable segments: (1) finished pharmaceutical products and (2) Active Pharmaceutical Ingredient, or API, products. The finished pharmaceutical products segment manufactures, markets and distributes BAQSIMI®, Primatene MIST®, epinephrine, glucagon, phytonadione, lidocaine, enoxaparin, naloxone, as well as various other critical and non-critical care drugs. The API segment manufactures and distributes Recombinant Human Insulin, or RHI API, and porcine insulin API for external customers and internal product development. Information reported herein is consistent with how it is reviewed and evaluated by our chief operating decision maker. Factors used to identify our segments include markets, customers and products.

For more information regarding our segments, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 6. Segment Reporting.”

Results of Operations

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Net revenues

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change Dollars	Change %
		(in thousands)		
Net revenues				
Finished pharmaceutical products	$ 155,937	$ 136,010	$ 19,927	15 %
API	1,692	4,012	(2,320)	(58)%
Total product revenues, net	157,629	140,022	17,607	13 %
Other revenues	14,207	—	14,207	N/A
Total net revenues	$ 171,836	$ 140,022	$ 31,814	23 %
Cost of revenues				
Finished pharmaceutical products	$ 74,002	$ 59,834	$ 14,168	24 %
API	7,734	6,348	1,386	22 %
Total cost of revenues	$ 81,736	$ 66,182	$ 15,554	24 %
Gross profit	$ 90,100	$ 73,840	$ 16,260	22 %
as % of net revenues	*52 %*	*53 %*		

The increase in net revenues of the finished pharmaceutical products for the three months ended March 31, 2024, was due to the following changes:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change Dollars	Change %
		(in thousands)		
Finished pharmaceutical products net revenues				
Glucagon	$ 28,535	$ 25,696	$ 2,839	11 %
Epinephrine	26,110	20,091	6,019	30 %
Primatene MIST®	24,166	23,483	683	3 %
BAQSIMI®	13,843	—	13,843	N/A
Lidocaine	12,773	13,646	(873)	(6)%
Phytonadione	9,973	7,713	2,260	29 %
Enoxaparin	7,096	9,867	(2,771)	(28)%
Naloxone	4,287	4,957	(670)	(14)%
Other finished pharmaceutical products	29,154	30,557	(1,403)	(5)%
Total finished pharmaceutical products net revenues	$ 155,937	$ 136,010	$ 19,927	15 %

Product Revenues, net

In the first quarter of 2024, we assumed distribution responsibilities for BAQSIMI® from Lilly to our customers in the United States, and certain countries in Europe. As a result, a portion of our first quarter BAQSIMI® revenues of $13.8 million are recognized similar to other products.

For more information, see “Part I – Item 1. Financial Statements – Notes to the Condensed Consolidated Financial Statements – Note 4. Revenue Recognition.”

The increase in sales of glucagon was due to a growth in unit volumes, impacting sales by $1.8 million, as well as a higher average selling price impacting sales by $1.1 million, as we launched glucagon in Canada. The increase in sales of epinephrine and phytonadione was primarily due to an increase in unit volumes, as a result of an increase in demand caused by other supplier shortages. Primatene MIST® sales increased primarily due to an increase in unit volumes and a higher average selling price. The decrease in the sales of lidocaine is primarily due to lower unit volumes, as a result of other suppliers returning to their historical distribution levels. The decrease in sales of enoxaparin and naloxone was primarily due to a decrease in unit volumes. The decrease in other finished pharmaceutical products was primarily due to lower unit sales of MPA as our API supplier discontinued making the active ingredient. This decrease was partially offset by higher unit volumes of dextrose and sodium bicarbonate due to an increase in demand caused by other supplier shortages during the quarter, as well as the launch of regadenoson in April 2023.

We anticipate that sales of naloxone and enoxaparin will continue to fluctuate in the future due to competitive dynamics. We also anticipate that sales of epinephrine and other finished pharmaceutical products will continue to fluctuate depending on the ability of our competitors to supply market demands. Sales of medroxyprogesterone were essentially halted as of August 2023, as our API supplier discontinued manufacturing this product. During the fourth quarter of 2023, we qualified our subsidiary, ANP, to manufacture this API. Sales of medroxyprogesterone totaled $0.2 million in the three months ended March 31, 2024, compared to $5.4 million in the three months ended March 31, 2023. We plan to relaunch the product during the second half of 2024.

Sales of API primarily depend on the timing of customer purchases, and will be lower because MannKind, our largest RHI customer, is in the process of qualifying our upgraded Recombinant Human Insulin, or RHI, which uses our internally produced inclusion bodies made at AFP. Until they complete this process, we anticipate sales will be at levels lower than historical ones.

Other Revenues

Other revenues include the portion of BAQSIMI® sales made by Lilly on our behalf under the TSA which amounted to $14.2 million during the three months ended March 31, 2024, based on total BAQSIMI® sales of $24.6 million as reported to us by Lilly, which was recognized on a net basis similar to a royalty arrangement.

Backlog

A significant portion of our customer shipments in any period relate to orders received and shipped in the same period, generally resulting in low product backlog relative to total shipments at any time. However, as of March 31, 2024, we experienced a backlog of approximately $6.8 million for various products, primarily as a result of competitor shortages and supplier constraints. Historically, our backlog has not been a meaningful indicator in any given period of our ability to achieve any particular level of overall revenue or financial performance.

Gross Margins

The decrease in gross margins during the three months ended March 31, 2024, is primarily due to an increase in depreciation and amortization expenses related to the acquired BAQSIMI® assets, an increase in labor costs and certain component costs, as well as charges included in cost of revenues to adjust our inventory and related purchase commitments to their net realizable value. This was partially offset by the increase in sales of glucagon, Primatene MIST®, and epinephrine, which are higher-margin products, the sales of regadenoson, which we launched in April 2023, as well as the sales of BAQSIMI® into the United States and certain countries in Europe as we assumed distribution responsibilities from Lilly in the first quarter of 2024. Additionally, as a result of the TSA with Lilly, revenues relating to BAQSIMI® sold by Lilly are reported on a net basis similar to a royalty arrangement with no amount reported as cost of revenues.

We are experiencing increased costs for labor and certain APIs and purchased components. However, we believe that this trend will be offset by increased sales of our higher-margin products, including BAQSIMI®, glucagon, vasopressin, ganirelix, regadenoson and new products we anticipate launching in 2024.

Selling, distribution and marketing, and general and administrative

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change Dollars	Change %
	(in thousands)			
Selling, distribution, and marketing	$ 9,371	$ 7,109	$ 2,262	32 %
General and administrative	$ 15,676	$ 13,483	$ 2,193	16 %

The increase in selling, distribution and marketing expenses was primarily due to expenses related to the expansion of our sales and marketing efforts related to BAQSIMI®. The increase in general and administrative expense was primarily due to an increase in salary and personnel-related expenses and expenses related to BAQSIMI®.

We expect that selling, distribution and marketing expenses will continue to increase due to the increase in marketing expenditures for BAQSIMI® and Primatene MIST®. Legal fees may fluctuate from period to period due to the timing of patent challenges and other litigation matters.

Research and development

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change Dollars	Change %
	(in thousands)			
Salaries and personnel-related expenses	$ 7,849	$ 7,728	$ 121	2 %
Clinical trials	203	1,274	(1,071)	(84)%
FDA fees	1,033	25	1,008	4,032 %
Materials and supplies	2,974	6,157	(3,183)	(52)%
Depreciation	2,810	2,442	368	15 %
Other expenses	2,174	2,189	(15)	(1)%
Total research and development expenses	$ 17,043	$ 19,815	$ (2,772)	(14)%

The decrease in research and development expenses is primarily due to a decrease in clinical trial expense, as well as a decrease in materials and supply expense, as a result of a ramp-up of expenses in 2023 for our insulin and inhalation pipeline products.

Research and development expenses consist primarily of costs associated with the research and development of our product candidates including the cost of developing APIs. We expense research and development costs as incurred.

We have made, and expect to continue to make, substantial investments in research and development to expand our product portfolio and grow our business. We expect that research and development expenses will increase on an annual basis due to increased clinical trials costs related to our insulin and inhalation product candidates. These expenditures will include costs of APIs developed internally as well as APIs purchased externally, the cost of purchasing reference listed drugs and the costs of performing the clinical trials. As we undertake new and challenging research and development projects, we anticipate that the associated costs will increase significantly over the next several quarters and years.

Non-operating income (expenses), net

	Three Months Ended March 31,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Non-operating income (expenses)				
Interest income	$ 2,556	$ 924	$ 1,632	NM
Interest expense	(8,611)	(398)	(8,213)	NM
Other income (expenses), net	5,921	(390)	6,311	NM
Total non-operating income (expenses), net	$ (134)	$ 136	$ (270)	NM

The change in non-operating income (expenses), net is primarily a result of:

- An increase in interest income resulting from an increase in cash and investments.
- An increase in interest expense resulting from the Term Loan used to finance the acquisition of BAQSIMI®, as well as the 2029 Convertible Notes. For more information regarding our debt, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 14. Debt."
- A change to Other income (expenses), net primarily as a result of foreign currency fluctuation, as well as mark-to-market adjustments relating to our interest rate swap contracts during the three months ended March 31, 2024.

Income tax provision

	Three Months Ended March 31,		Change	
	2024	2023	Dollars	%
	(in thousands)			
Income tax provision	$ 4,126	$ 6,752	$ (2,626)	(39)%
Effective tax rate	*9 %*	*20 %*		

Our effective tax rate for the three months ended March 31, 2024 decreased in comparison to the three months ended March 31, 2023, primarily due to timing of discrete tax items. For more information regarding our income taxes, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 15. Income Taxes."

Beginning in 2024, many countries are implementing some or all of the Organisation for Economic Co-operation and Development's Inclusive Framework on Base Erosion and Profit Shifting Two-Pillar in response to tax challenges arising from the digitalization of the global economy. While we continue to evaluate those countries' implementations, we do not expect those implementations to have a material impact on our consolidated financial statements in 2024.

Liquidity and Capital Resources

Cash Requirements and Sources

We need capital resources to maintain and expand our business. We expect our cash requirements to increase significantly in the foreseeable future as we sponsor clinical trials for, seek regulatory approvals of, and develop, manufacture and market our current development stage product candidates and pursue strategic acquisitions of businesses or assets. Our future capital expenditures include projects to upgrade, expand, and improve our manufacturing facilities in the United States and China, including a significant increase in capital expenditures over the next few years. We plan to fund this facility expansion primarily with cash flows from operations. Our cash obligations include the principal and interest payments due on our existing loans and lease payments, as described below and throughout this Quarterly Report.

As of March 31, 2024, our foreign subsidiaries collectively held $11.2 million in cash and cash equivalents. Cash or cash equivalents held at foreign subsidiaries are not available to fund the parent company's operations in the United States. We believe that our cash reserves, operating cash flows, and borrowing availability under our credit facilities will be sufficient to fund our operations for at least the next 12 months from the date of filing of this Quarterly Report on Form 10-Q. We expect additional cash flows to be generated in the longer term from future product introductions, although there can be no assurance as to the receipt of regulatory approval for any product candidates that we are developing or the timing of any product introductions, which could be lengthy or ultimately unsuccessful.

We maintain a shelf registration statement on Form S-3 pursuant to which we may, from time to time, sell up to an aggregate of $250 million of our common stock, preferred stock, debt securities, depositary shares, warrants, subscription rights, purchase contracts, or units. If we require or elect to seek additional capital through debt or equity financing in the future, we may not be able to raise capital on terms acceptable to us or at all. To the extent we raise additional capital through the sale of equity or convertible debt securities, the issuance of such securities will result in dilution to our stockholders. If we are required and unable to raise additional capital when desired, our business, operating results and financial condition may be adversely affected.

Working capital increased $35.7 million to $299.9 million at March 31, 2024, compared to $264.2 million at December 31, 2023.

Cash Flows from Operations

The following table summarizes our cash flows used in operating, investing, and financing activities for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(in thousands)	
Statement of Cash Flow Data:		
Net cash provided by (used in)		
Operating activities	$ 55,291	$ 40,382
Investing activities	15,237	(6,333)
Financing activities	(13,579)	(13,548)
Effect of exchange rate changes on cash	(97)	16
Net increase in cash, cash equivalents, and restricted cash	$ 56,852	$ 20,517

Sources and Use of Cash

Operating Activities

Net cash provided by operating activities was $55.3 million for the three months ended March 31, 2024, which included net income of $43.2 million. Non-cash items comprised primarily of $16.1 million of depreciation and amortization, which includes $6.8 million related to deprecation of property, plant and equipment, $6.2 million related to amortization of product rights, trademarks and patents, $2.1 million related to amortization of discounts, premiums, and debt issuance costs. Additionally, non-cash items included share-based compensation expense of $7.4 million.

Additionally, for the three months ended March 31, 2024, there was a net cash outflow from changes in operating assets and liabilities of $7.3 million, which resulted from an increase in accounts receivables and an increase in inventories, which was partially offset by an increase in accounts payable and accrued liabilities. Accounts payable and accrued liabilities increased primarily due to the increase in accrued customer fees and rebates associated with BAQSIMI® sales. The increase in accounts receivables was primarily due to the increase in sales, as well as the timing of payment from Lilly for BAQSIMI® revenues during the quarter, which was received subsequent to the quarter end.

Net cash provided by operating activities was $40.4 million for the three months ended March 31, 2023, which included net income of $26.0 million. Non-cash items comprised primarily of $7.4 million of depreciation and amortization and $6.1 million of share-based compensation expense. Additionally, for the three months ended March 31, 2023, there was a net cash outflow from changes in operating assets and liabilities of $0.1 million, which resulted from an increase in accounts receivables, which was partially offset by an increase in accounts payable and accrued liabilities. Accounts payable and accrued liabilities increased primarily due to the timing of payments. The increase in accounts receivables was due to both increases in sales and timing of sales.

Investing Activities

Net cash provided by investing activities was $15.2 million for the three months ended March 31, 2024, primarily as a result of a net cash inflow of $25.0 million from sales and purchases of investments during the quarter. This was partially offset by $8.8 million in purchases of property, plant, and equipment, which included $3.7 million incurred in the United States, $0.4 million in France, and $4.7 million in China.

Net cash used in investing activities was $6.3 million for the three months ended March 31, 2023, primarily as a result of $9.5 million in purchases of property, plant, and equipment, which included $6.6 million incurred in the United States, $0.1 million in France, and $2.8 million in China. This was partially offset by a net cash inflows from purchases and sales of short-term investments during the period of $3.5 million.

Financing Activities

Net cash used in financing activities was $13.6 million for the three months ended March 31, 2024, primarily as a result of $17.3 million used to settle share-based compensation awards under our equity plan and for tax payments related to the net share settlement of options exercised. This was partially offset by $4.1 million of net proceeds from borrowings on our line of credit.

Net cash used in financing activities was $13.5 million for the three months ended March 31, 2023, primarily as a result of purchases of $8.0 million of treasury stock and $4.5 million used to settle share-based compensation awards under our equity plan. Additionally, we also made $1.0 million in principal payments on our long-term debt.

Indebtedness

For more information regarding our outstanding indebtedness, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 14. Debt”.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and notes to the financial statements. Some of those judgments can be subjective and complex, and therefore, actual results could differ materially from those estimates under different assumptions or conditions. A summary of our critical accounting policies is presented in Part II, Item 7, of our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to our critical accounting policies as compared to the critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2023.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, see “Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 2. Summary of Significant Accounting Policies”.

Government Regulation

Our products and facilities are subject to regulation by a number of federal and state governmental agencies. The FDA, in particular, maintains oversight of the formulation, manufacture, distribution, packaging, and labeling of all of our products. The Drug Enforcement Administration, or DEA, maintains oversight over our products that are considered controlled substances.

From February 6 through February 16, 2023, our IMS facility in South El Monte, California was subject to pre-approval inspection by the FDA. The inspection included a review of compliance with FDA regulations to support one of our pending applications. The inspection resulted in two observations on Form 483. We responded to those observations. We believe that our response to the observations will satisfy the requirements of the FDA and that no significant further actions will be necessary.

From February 20 through March 1, 2024, our Amphastar facility in Rancho Cucamonga, California was subject to pre-approval and cGMP inspection by the FDA. The inspection included a review of compliance with FDA regulations to support one of our pending applications as well as to compliance with Good Manufacturing Practices. The inspection resulted in several observations on Form 483. We responded to those observations. We believe that our response to the observations will satisfy the requirements of the FDA and that no significant further actions will be necessary.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Except for the broad, ongoing macroeconomic challenges facing the global economy and financial markets, there have been no material changes in market risk from the information provided in our Annual Report on Form 10-K for the year ended December 31, 2023. We are exposed to market risk in the ordinary course of business. Market risk represents the potential loss arising from adverse changes in the value of financial instruments. The risk of loss is assessed based on the likelihood of adverse changes in fair values, cash flows or future earnings. We are exposed to market risk for changes in the market values of our investments (Investment Risk), the impact of interest rate changes (Interest Rate Risk), and the impact of foreign currency exchange changes (Foreign Currency Exchange Risk).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, our principal executive and principal financial officers, respectively, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective (a) to ensure that information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (b) to include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management overriding of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see "Part I – Item 1. Financial Statements – Notes to Condensed Consolidated Financial Statements – Note 20. Litigation."

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission on February 29, 2024.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

The table below provides information with respect to repurchases of our common stock.

Period	Total Number of Shares Purchased [(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 – January 31, 2024	—	$ —	—	—
February 1 – February 29, 2024	—	—	—	—
March 1 – March 31, 2024	—	—	—	—

(1) On August 28, 2023, we announced that our Board of Directors authorized an increase of $50.0 million to our share buyback program. As of March 31, 2024, $35.5 million remained available for repurchase under such program. The share buyback program does not have an expiration date.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During our last fiscal quarter, the following officer, as defined in Rule 16a-1(f), adopted a Rule 10b5-1 trading arrangement, as defined in Regulation S-K Item 408, as follows:

On March 14, 2024, William J. Peters, our Chief Financial Officer, Executive Vice President of Finance, and Treasurer, President of International Medication Systems, Limited, and Director, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 95,738 shares of our common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until May 31, 2025, or earlier if all transactions under the trading arrangement are completed.

No other directors or officers, as defined in Rule 16a-1(f), adopted or terminated a Rule 10b5-1 trading arrangement, or a non-Rule 10b5-1 trading arrangement, each as defined in Regulation S-K Item 408.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1*	Syndicated Loan Agreement dated January 17, 2024, by and between Amphastar Nanjing Pharmaceuticals, Co., Ltd. and Industrial and Commercial Bank of China Limited in the original sum of approximately $40,000,000.
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14a of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14a of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1#	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2#	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definitions Linkbase Document
104	Cover Page Interactive File (Formatted as Inline XBRL and contained in Exhibit 101)

The information in Exhibits 32.1 and 32.2 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act (including this Report), unless the Registrant specifically incorporates the foregoing information into those documents by reference.

* Certain confidential information contained in this Exhibit was omitted by means of marking such portions with brackets because the identified confidential information (i) is not material and (ii) would be competitively harmful if publicly disclosed.

SIGNATURES

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.

AMPHASTAR PHARMACEUTICALS, INC.
(Registrant)

By: **/s/ JACK Y. ZHANG**
Jack Y. Zhang
Chief Executive Officer
(Principal Executive Officer)

Date: May 10, 2024

AMPHASTAR PHARMACEUTICALS, INC.
(Registrant)

By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 10, 2024

Exhibit 10.1

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS ([***]), HAS BEEN OMITTED BECAUSE THE INFORMATION (I) IS NOT MATERIAL AND (II) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.

Syndicated Loan Contract

[Amphastar Nanjing Pharmaceuticals Inc.]
(As the **Borrower**)

[Nanjing Branch of Industrial and Commercial Bank of China Limited]
(As the **Lead Bank**)

[Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]
[East West Bank (China) Limited]
(As the **Lenders**)

And

[Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]
(As the **Agent Bank**)

RMB [280,000,000.00] **Yuan**
Fixed Assets Syndicated Loan Contract
(2017 Version)

Contract No.: [***]

Syndicated Loan Contract

[Amphastar Nanjing Pharmaceuticals Inc.]
(As the **Borrower**)

[Nanjing Branch of Industrial and Commercial Bank of China Limited]
(As the **Lead Bank**)

[Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]
[East West Bank (China) Limited]
(As the **Lenders**)

And

[Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]
(As the **Agent Bank**)

RMB [280,000,000.00] **Yuan**
Fixed Assets Syndicated Loan Contract
(2017 Version)

Contract No.: [***]

Table of Contents

This Contract was entered into by the following parties on [*January*] [*17*], [2024] in [Nanjing City]:

I. [Amphastar Nanjing Pharmaceuticals Inc.], as the borrower (the "**borrower**")

Registered address:	No. 5 Xinghe Road, Nanjing Economic and Technological Development Zone
Legal representative:	[***]

II. [Nanjing Branch of Industrial and Commercial Bank of China Limited], as the lead bank (the "**lead bank**")

Registered address:	No. 379, Jiangdong Middle Road, Jianye District, Nanjing
Responsible person:	[***]
Handling bank:	Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited
Registered address of the handling bank:	Building B, Financial Building, Xingang Industrial Zone, Nanjing
Responsible person of the handling bank:	[***]

III. [Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited], as the agent bank (the "**agent bank**")

Registered address:	Building B, Financial Building, Xingang Industrial Zone, Nanjing
Responsible person:	[***]
Handling bank:	Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited
Registered address of the handling bank:	Building B, Financial Building, Xingang Industrial Zone, Nanjing
Responsible person of the handling bank:	[***]

IV. The following financial institutions, as the lenders (the "**original lenders**")

[Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]

Registered address:	Building B, Financial Building, Xingang Industrial Zone, Nanjing
Responsible person:	[***]
Handling bank:	Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited
Registered address of the handling bank:	Building B, Financial Building, Xingang Industrial Zone, Nanjing
Responsible person of the handling bank:	[***]

[East West Bank (China) Limited]

Registered address:	Units 01-08, 33/F, Jinmao Building, No. 88 Century Avenue, China (Shanghai) Pilot Free Trade Zone
Responsible person:	[***]
Handling bank:	East West Bank (China) Limited
Registered address of the handling bank:	Units 01-08, 33/F, Jinmao Building, No. 88 Century Avenue, China (Shanghai) Pilot Free Trade Zone
Responsible person of the handling bank:	[***]

Whereas:

(1) On [November] [5], [2008], the **borrower** was officially incorporated with a registered capital of [USD 93,802,396] and a paid-in capital of [USD 93,802,396].

(2) In order to [purchase production equipment, decorate and renovate workshops, and construct new factory buildings and supporting facilities for the "Insulin and Injection Solution Phase I Project"], the **borrower** intends to raise fixed asset loans from the **original lenders**.

In witness whereof, both parties, through friendly and equal negotiations, based on genuine intentions, hereby enter into this Contract as follows for mutual compliance.

I. Definitions and interpretation

1.1 Definitions

In this Contract:

Contract of guarantee	Refers to a [/] contract of guarantee entered into by the **warrantor** and the **agent bank** on [/] [/], [/].
Warrantor	Refers to [/].
Financial year	Refers to the period from January 1 (inclusive) to December 31 (inclusive) of each Gregorian calendar year.
Loan amount ratio	Refers to, for each **lender**, the ratio between the **loan amount** of a particular **lender** and the **total loan amount** at a specific time.
Loan amount	Refers to: 1. For each **original lender**, the **original loan amount** minus its share of the total **loan funds** already withdrawn, minus its share of the amount canceled or transferred in accordance with the provisions of this Agreement:

	2. For each **transferee bank**, the **loan amount** transferred to it in accordance with Article 18 of this Contract (*Transfer*), minus its share of the total **loan funds** already withdrawn, minus its share of the amount canceled or transferred in accordance with the provisions of this Agreement
Original loan amount	Refers to each **original lender**'s original loan amount as specified in Article 2 of this Contract (*Loan amount*) and Appendix I to this Contract (*Lenders' Original Loan Amount*).
Pledgor	Refers to [/].
Lender	Refers to the **original lender** and/or the **transferee bank**.
Loan interest rate	Refers to the annual loan interest rate agreed upon in Article 5.1 of this Contract (*Loan interest rate*) for each **loan fund**.
Loan balance	Refers to the total amount of **loan funds** that the **borrower** has already withdrawn but not yet paid off.
Loan fund	Refers to any loan principal under this Contract that has already been withdrawn or will be withdrawn.
Loan fund account	Refers to such accounts listed in Appendix IV to this Contract (*Accounts of Various Parties*).
Agent bank	Refers to [Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited] or its **successor agent bank**.
Agent bank's payment account	Refers to such accounts listed in Appendix IV to this Contract (*Accounts of Various Parties*).
Guaranty contract	Refers to **contract of guarantee**, **mortgage contract** and/or **pledge contract**.
Guarantor	Refers to **warrantor**, **mortgagor** and/or **pledgor**.
Security interest	Refers to any mortgage, pledge, lien, deposit or any agreement or arrangement with the effect or purpose of security (regardless

	of whether such agreement or arrangement is established or interpreted in accordance with **Chinese** law), and each lender shall share the security interests in proportion to their actual loan balances.
Mortgage contract	Refers to the mortgage contract signed by the **mortgagor** and the **agent bank** when the **mortgagor meets the conditions later**.
Mortgagor	Refers to [Amphastar Nanjing Pharmaceuticals Inc.]
Majority lender	Refers to one or more **lenders** whose proportion in the **total amount** reaches or exceeds [51]%.
Penalty interest rate	Refers to the **overdue penalty interest rate** and/or the **misappropriation penalty interest rate**.
Fee letter	Refers to the fee letter signed by the **borrower** and relevant parties regarding the transactions under this contract.
Interest payment date	Refers to (Check √ one of the following options according to the situation, and mark the unselected one with a x) [√] [the day immediately following the end date of each **interest period**] [x] [the end date of each **interest period**].
Liabilities	Refer to all external payment or repayment obligations of the **borrower**, regardless of their nature or form, whether they are principal debts or guarantee obligations, actual or contingent, mature or undue.
Administration for market regulation	Refers to the State Administration for Market Regulation, local administration for market regulation and/or its branches.
Repayment date	Refers to each date for repayment of loan as listed in Article 6 of this Contract (*Repayment*).
Loan prime rate	Refers to the **loan prime rate** for RMB loans with [a term of over five years], calculated and published by the National Interbank Funding Center on each **business day**, expressed as an annual rate.
Interest settlement date	Refers to (Check √ one of the following options according to the situation, and mark the unselected one with a x) [x] The twentieth (20^{th}) day of each month as the **interest settlement date** when interest is settled monthly;

[√] The twentieth (20^{th}) day of the last month of each quarter, which shall be postponed to the first business day after it if that day falls on a non-business day, as the **interest settlement date** when interest is settled quarterly;
[x] The maturity date of the loan as the interest settlement date when interest is collected in a lump sum when the loan matures, with the interest being cleared along with the principal;
[x] Other date: refers to [/].

Borrower's counterparty account	Refers to those account notified by the **borrower** to the **agent bank**.
Handling bank	Refers to the handing agency for the performance of this Contract by any of the **syndicate member banks** listed under this Contract, including the **handling bank** after change according to Article 18.9 of this Contract (*Change of handling bank*).
Accounting standards	Refer to the accounting standards that comply with Chinese laws and regulations, and are generally accepted in China.
Interest rate determination date	Refers to, for each **loan fund**, (i) the **effective date of contract**, and (ii) from the **effective date of contract** (Check √ one of the following options according to the situation, and mark the unselected one with a x; mark all options with a x if it's a fixed interest rate): [x] The [/] day of each month starting from the date of adjustment of the **loan prime rate**; [x] The [/] day of the last month of each quarter starting from the date of adjustment of the **loan prime rate**; [x] The [/] [/] of each year starting from the date of adjustment of the **loan prime rate**; [x] The day immediately following each **interest settlement date**; [x] The date of adjustment of the **loan prime rate**; [√] Other date, refers to [every 12^{th} month anniversary].
Interest period	Refers to the period determined according to Article 5.3 of this Contract (*Interest period*).
Potential event of default	Refers to any event or circumstance that will constitute an **event of default** (following the expiration of the cure period, the issuance of notice, the making of any decision and/or similar events).
People's bank	Refers to the People's Bank of China.
RMB	Refers to the fiat currency of **China**.

Financing documents	Include this Contract, any **fee letter**, **guaranty contract** and transfer certificate (if any) and other documents designated as the **financing documents** by the **agent bank** and the **borrower**.
Effective date	Refers to the definition stipulated in Article XXVIII of this Contract (*Effectiveness*).
Taxes and fees	Refer to taxes, fees, duties, withholding duties or other taxes and charges of a similar nature imposed by the tax, fiscal or other administrative authorities of any jurisdiction, as well as penalties and interest payable for late payment of the above.
Tax bureau	Refers to the State Taxation Administration and/or its branches.
Withdrawal period	Refers to the period from the **effective date** of this Contract/first **withdrawal date** to [December] [31], [2026] (inclusive).
Withdrawal date	Refers to each date for withdrawal of **loan funds** as specified in Article 4.1 of this Contract (*Withdrawal*). Should the actual withdrawal date be different from the date for withdrawal of the **loan fund** specified in the **withdrawal notice**, it should refer to the date the **loan fund** is transferred to the **loan fund account**.
Event of default	Refers to any event or circumstance listed in Article 15.1 of this Contract (*Event of default*).
Document confirmation letter	Refers to the document confirmation letter signed and submitted by the **borrower** substantially in accordance with the form and content required in Appendix II to this Contract (*Form of Document Confirmation Letter*).
Project	Refers to the [***].
Information memo	Refers to the information memo on the [RMB 280,000,000.00 Yuan Syndicated Loan for Amphastar Nanjing Pharmaceuticals Inc.'s "Insulin and Injection Solution Phase I Project"] prepared by the **lead bank** in [May] [2023], as entrusted by the **borrower**.
Permitted liability	Refers to any of the following **liabilities** of the **borrower**:

	1. Any **liability** under the **financing documents**; 2. [/]; and/or 3. Any **liability** as agreed by the **agent bank** (according to the decision of the **majority lender**).
Permitted investment	Refers to any of the following investments of the **borrower**: 1. [/]; 2. [/]; and/or 3. Any investment as agreed by the **agent bank** (according to the decision of the **majority lender**).
Business day	Refers to the day on which the **syndicate member banks** open for business and engage in general corporate business (except Saturdays and Sundays (excluding Saturdays and Sundays required to work due to compensatory time-off plan according to national regulations) and other statutory holidays).
Syndicate member bank	Refers to the **lead bank**, various **lenders** and/or the **agent bank**.
Syndicate member bank account	Refers to the account of various **syndicate member banks** as listed in Appendix IV to this Contract (*Accounts of Various Parties*).
Pledge contract	Refers to the pledge contract signed by the **pledgor** and the **agent bank** when the **pledgor meets the conditions later**.
Material adverse effect	Refers to a material change in the legal position, asset position, financial condition or business condition of the **borrower** or any **guarantor** that, in the reasonable judgment of the **majority lender**, has or will have a material adverse effect on the ability of the **borrower** or such **guarantor** to fully meet its obligations under any **financing document**.
China	Refers to the People's Republic of China, and for the purpose of this Contract only, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the Taiwan Region.
Certified public accountant	Refers to a certified public accountant with good credit standing and qualifications to practice within the territory of China.

<u>Transfer certificate</u>	Refers to the transfer document signed and submitted by the **<u>transferring bank</u>**, the **<u>transferee bank</u>** and the **<u>agent bank</u>** substantially in accordance with the form and content required in Appendix III to this Contract (*Form of Transfer Certificate*).
<u>Total loan amount</u>	Refers to the sum of the **<u>loan amount</u>** of each **<u>lender</u>**.
<u>Total amount</u>	Refers to the sum of the **<u>total loan amount</u>** and the **<u>loan balance</u>**.

1.2 Interpretation rules

In this Contract:

1. The table of contents and the headings are provided for the convenience of reading only, and may be ignored when interpreting the terms of the contract.

2. "Assets" shall be construed to include all present and future, tangible or intangible assets, property, income, earnings, accounts receivable, and other interests of all kinds.

3. "Person" shall be construed to include any natural person, corporation, partnership, enterprise or any other legal or unincorporated organization or legal entity.

4. The "persistence" of an **<u>event of default</u>** means that the **<u>event of default</u>** has occurred and has not been eliminated, nor has it been fully remedied or waived in accordance with the provisions of this Contract.

5. A "month" refers to the period of time that begins on a day of a Gregorian calendar month and ends on the corresponding day of the next Gregorian calendar month. However, if there is no corresponding day in the next Gregorian calendar month, the period shall end on the last day of the next Gregorian calendar month.

6. The "cessation of operations", "dissolution", "liquidation", "bankruptcy", "reorganization", "reconciliation" or "rectification" of any person shall be construed to include any same or similar legal proceedings under the laws of the place of its establishment or its place of business, and the "entering into" of such legal proceedings shall include the commencement of such legal proceedings by its own resolution or on the application of any other person.

7. Any reference to a party to this Contract or to any other person shall include its legal successors and assigns.

8. This Contract, any other agreement or document shall be construed to include itself, as well as any amendments, modifications, substitutions or supplements thereto made pursuant to the terms thereof.

II. Loan amount

All **lenders** agree to provide the **borrower** with a medium- and long-term loan amount with the total principal amount of no more than **RMB** [280,000,000.00] Yuan (in words: **RMB** [Two Hundred and Eighty Million] Yuan Only) in accordance with the provisions of this contract.

Wherein, the **original loan amount** of each **original lender** is listed in Appendix I to this Contract (*Lenders' Original Loan Amount*).

III. Intended use of loan

3.1 The **borrower** shall use each **loan fund** withdrawn to [purchase production equipment, decorate and renovate workshops, and construct new factory buildings and supporting facilities for the "Insulin and Injection Solution Phase I Project"], provided that the use of the **loan funds** shall comply with relevant national laws, regulations, policies and the relevant systems of the **lender**.

3.2 The **borrower** shall actually use each **loan fund** according to the intended use of the **loan funds** specified under this Contract, and without the prior written consent of the **agent bank** (according to the decision of the **majority lender**), the **borrower** shall not change the intended use of the loan.

3.3 Notwithstanding the provisions of paragraph (5) of Article 4.3 and paragraph (12) of Article 14.1 (*Positive obligations*) of this Contract, each **syndicate member bank** shall not be liable to the **borrower** for the actual use of each **loan fund** by the **borrower**.

IV. Withdrawal

4.1 Withdrawal

1. Subject to Article 4.2 and Article 4.3 below, the **borrower** shall withdraw the **loan funds** according to the following plan:

Before [December] [31], [2026], withdraw RMB [280,000,000.00] Yuan in installments.

2. The withdrawal plan may be changed upon the **borrower**'s written request and the **agent bank**'s consent (according to the decision of all **lenders**).

4.2 Prerequisites for first withdrawal

1. [Five business days] prior to the first **withdrawal date** mentioned above, the **borrower** has provided the **agent bank** with the following documents and signed a **document confirmation letter** completed in the form and content of Appendix II to this Contract (Form of Document Confirmation Letter), and the **agent bank** has confirmed to the **borrower** and each **lender** that it has received the following documents and that the form and content of such documents are acceptable to the **majority lenders**. After receiving such documents, the **agent bank** shall notify the **borrower** and each **lender** as soon as possible. If this condition is not met, the **borrower** should not be allowed to make a withdrawal.

(1) The original of each **financing document** duly signed and effective.

(2) A **document confirmation letter** signed by the legal representative or authorized signatory of the **borrower**, and the original or photocopy of the following documents. However, if it is a photocopy, it should be affixed with the **borrower** or (when applicable) relevant **guarantor**'s official seal:

1)The latest corporate legal person business license of the **borrower** and each **guarantor** with the unified social credit code issued by the **Administration for Market Regulation**.

2)The shareholders' agreement or joint venture contract of the **borrower** and each **guarantor** (including previous supplements and modifications). (if any)

3)The latest articles of association of the **borrower** and each **guarantor** (including previous supplements and modifications).

4)The list of current [board members] of the [board of directors]/[other internal authority] of the **borrower** and each **guarantor**, and the signature samples of each [board member] and the financial officer.

5)Identity documents of the legal representatives of the **borrower** and each **guarantor**.

6)Resolutions passed by the [board of shareholders]/[board of directors]/[other internal authority] of the **borrower** that include the following contents:

(a)Approving the terms of a **financing document** to which it is a party and agreeing to the execution and performance of such **financing document** by the **borrower**;

(b)Authorizing a relevant person to sign the **financing document** to which it is a party on behalf of the **borrower**; and

(c)Authorizing a relevant person to sign all the documents and notices under the **financing document** to which it is a party on behalf of the **borrower**.

7)Resolutions passed by the [board of shareholders]/[board of directors]/[other internal authority] of each **guarantor** that include the following contents:

(a)Approving the terms of a **guaranty contract** to which the **guarantor** is a party and agreeing to the execution and performance of such **guaranty contract** by the **guarantor**;

(b)Authorizing a relevant person to sign the **guaranty contract** to which it is a party on behalf of the **guarantor**; and

(c)Authorizing a relevant person to sign all the documents and notices under the **guaranty contract** to which it is a party on behalf of the **guarantor**.

8)Identity documents and signature samples of the legal representatives or authorized signatories of the **borrower** and each **guarantor**.

9)The most recent annual report or audited financial statement of the **borrower** and each **guarantor**.

10) Information on actual progress of the **project** as confirmed by the **agent bank** (as per instructions of all **lenders**).

11) Approval documents or consents from government agencies or other competent authorities required for **financing documents** and the transactions thereunder.

12) [/].

(3) Original documents certifying the completion of registration of the guaranty under each **guaranty contract**.

(4) Documents certifying that all fees due and payable by the **borrower** as stipulated in Article XVII of this Contract (*Fees and compensation*) have been fully paid.

2. The **a** [paging seal：] [illegible] thin [5] **business days** after re [paging seal：] [illegible] ocuments listed in paragraph 1 vard copies of such documents **er** (the **agent bank** shall conduct a formal review of the prerequisite documents , the **borrower** and determine whether its form meets the requirements agreed upon in paragraph 1 above one by one). Each **lender** shall notify the **agent bank** whether it accepts such documents within [10] **business days** after receiving the documents.

3. Once the prerequisites for first withdrawal stipulated in this article are met, the **agent bank** shall immediately notify the **borrower** that it can issue the first **withdrawal notice**.

4. The **agent bank** shall, within [10] **business days** after receiving each **withdrawal notice**, forward a copy of the **withdrawal notice** to each **lender**, and at the same time inform each **lender** of its **loan amount ratio** and amount of the **loan funds**.

5. The **agent bank** shall properly keep the originals of all **financing documents** and withdrawal-related materials.

4.3 Prerequisites for each withdrawal

After the following conditions are met, each **lender** shall notify its **agent bank** to disburse each **loan fund** in accordance with its **loan amount ratio** and in accordance with the provisions of Article 8.1 of this Contract (*Disbursement of loan funds*).

1.On the scheduled **withdrawal date** of the **loan fund**, all statements of facts made by the **borrower** in Article XIII of this Contract (*Statement of facts*) are true and accurate as to the facts and circumstances then existing.

2.No **event of default** or **potential event of default** has occurred or persisted, and the withdrawal of the **loan fund** will not result in any **event of default** or **potential event of default**.

3.Nothing stipulated in paragraph 2 of Article 5.2 and paragraph 4 of Article 8.2 of this Contract has occurred.

4.The capital fund of the **project** is in place before the **loan fund**, or in the same proportion as the **loan fund**, and the actual progress of the **project** matches the investment amount.

5.The **agent bank** has received the loan purpose certification documents and vouchers required for various transactions related to the **project**, such as goods, services, funds, etc.

6.Nothing stipulated in paragraph 2 of Article 7.4 of this Contract has occurred.

V. Interest

5.1 Loan interest rate

The interest rate (simple interest) for each **loan fund** under this Contract is the **loan prime rate** on each **interest rate determination date** minus 20BP.

5.2 Penalty interest rate

1.If the **borrower** fails to pay any amount due and payable in accordance with the provisions of this Contract, the amount shall be charged at an interest rate [increased by 50%] ("**overdue penalty interest rate**") from the date when the amount is normally due to the date when it is fully repaid.

2.If the **borrower** misappropriates any **loan funds**, the interest on such **loan funds** shall be calculated at an [increase of 100%] ("**misappropriation penalty interest rate**") from the date of the misappropriation to the date of the end of the misappropriation.

3.If the same **loan funds** are both overdue and misappropriated, the higher **penalty interest rate** shall apply.

4.For the interest ("**penalty interest**") generated based on the **overdue penalty interest rate** or **misappropriation penalty interest rate**, the same agreement as in Article 5.3 applies to the agreement on its **interest period**. That is, the first **interest period** for **penalty interest** starts from the date when any amount under this Contract is due and unpaid and ends on the immediately following **interest settlement date** (exclusive). If the **borrower** fails to pay the **penalty interest** on the **repayment date**, the **lender** shall use the **penalty interest** as the principal in the next **interest period** and calculate compound interest based on the **overdue penalty interest rate** or **misappropriation penalty interest rate**.

5.The **lender**'s right to charge penalty interest shall not affect the **lender**'s other rights or remedies under any **financing document** or applicable law.

5.3 Interest period

1.Interest shall accrue on the **loan funds** for a number of consecutive periods ("**interest period**") until they are paid off. Unless otherwise agreed in this Contract, each **interest period** shall be [three] months.

2.Under this Contract:

(1) The first **interest period** of each **loan fund** begins on the **withdrawal date** (inclusive) and ends on the immediately following **interest settlement date** (exclusive).

(2) Each withdrawal of the **loan funds** after the first withdrawal is consolidated with the **loan funds** already in existence at the end of its first **interest period**.

(3) Each **interest period** after the first **interest period** for each **loan fund** withdrawn begins on the last **interest settlement date** (inclusive) and ends on the immediately following **interest settlement date** (exclusive).

(4) The last **interest period** for **loan funds** ends on the **last repayment date** (exclusive).

3.If the original date of an **interest payment date** is not a **business day**, the date shall be postponed to the nearest **business day** after it within the same Gregorian calendar month (if any) or advanced to the nearest **business day** before it (if there is no **business day** after it within the same Gregorian calendar month)/advanced to the nearest **business day** before that non-**business day**.

5.4 Interest accrual

1.The interest and/or penalty interest on any **loan funds** under this Contract shall be calculated daily based on the actual number of days it is borrowed and the daily interest rate/penalty interest rate; daily interest rate/penalty interest rate = corresponding annual interest rate/360.

2.The **agent bank** shall determine the applicable **loan interest rate** on each **interest rate determination date** in accordance with the provisions of this Contract, and notify the **borrower** and each **lender** immediately after determination.

5.5 Interest payment

1. The **borrower** shall pay the interest calculated in accordance with the provisions of this Contract on each **interest payment date**.

2. The **agent bank** shall notify the **borrower** on or before the [fifth] **business day** before each **interest payment date** of the amount of interest and/or penalty interest payable on that **interest payment date**.

VI. Repayment

6.1 Loan term

1. The loan term under this Contract shall begin on the **withdrawal date** of the first **loan fund** (inclusive)/**effective date** and end on [November 20, 2033] (inclusive), which is [10] years in total ("**loan term**"). The **borrower** shall pay off all debts it owes under this Contract in accordance with the provisions of this Contract before the end of the l**oan term**.

2. The extension of the **loan term** shall be subject to all **lenders**' approval.

6.2 Repayment

The **borrower** shall repay the loan on each **repayment date** according to the following repayment plan.

Repayment date	Amount of repayment
May 20, 2026	5 million yuan
November 20, 2026	5 million yuan
May 20, 2027	20 million yuan
November 20, 2027	20 million yuan
May 20, 2028	20 million yuan
November 20, 2028	20 million yuan
May 20, 2029	30 million yuan
November 20, 2029	30 million yuan
May 20, 2030	25 million yuan
November 20, 2030	25 million yuan
May 20, 2031	20 million yuan
November 20, 2031	20 million yuan
May 20, 2032	10 million yuan
November 20, 2032	10 million yuan
May 20, 2033	10 million yuan
November 20, 2033	10 million yuan

If the loan is not fully withdrawn in the end, the above repayment plan can be adjusted in proportion to the withdrawal amount.

6.3 Repayment reserve account

The **borrower** shall open a repayment reserve account at the **agent bank** within [one day after the signing of the syndicated loan]. All proceeds under the **project** shall first be deposited into this account and then used by the **borrower**. The fund balance in this account shall not be less than [the sum of principal and interest payable in the current period] [15] days before the first **repayment date**.

In the event that the **borrower** fails to repay any amount due and payable on time and in full in accordance with the provisions of this Contract, the **agent bank** shall have the right to deduct the relevant amount directly from the repayment reserve account for repayment.

VII. Early repayment and cancellation

7.1 Voluntary early repayment

1.When the **borrower** intends to repay all or part of the **loan balance** in advance, it shall submit an early repayment notice ("**early repayment notice**") to the **agent bank** and obtain the written consent of the **agent bank** (according to the decision of the **majority lender**) [5] **business days** before the proposed early repayment date.

2.The **early repayment notice** shall state the amount and date of the proposed early repayment.

3.If part of the **loan balance** is repaid in advance, the amount of early repayment shall be at least **RMB** [10,000,000.00] Yuan (in words: **RMB** [Ten Million] Yuan Only), and shall be an integral multiple of **RMB** [10,000,000.00] Yuan (in words: **RMB** [Ten Million] Yuan Only) or other amounts agreed by the **agent bank** (according to the decision of the **majority lender**).

4.The early repayment date shall be an **interest payment date**.

5.All interest and/or penalty interest incurred on the principal to be repaid in advance up to the early repayment date shall be paid off together with the early repayment of the principal.

6.The amount repaid in advance shall set off against the principal of the **loan balance** [in reverse order] according to the order of maturity of the relevant **loan balances** listed in Article VI of this Contract (*Repayment*), [with the later due being repaid first].

7.Any amounts repaid in advance may not be withdrawn again.

8.The **borrower** has no right to revoke any **early repayment notice** it has sent; the **borrower** shall repay in advance on the early repayment date specified in the **early repayment notice**.

9.The **borrower** shall, at the same time of making early repayment, pay an early repayment compensation fee to each **lender** through the **agent bank**, and the compensation fee shall be calculated as follows: [/].

7.2 Voluntary cancellation

1.If the **borrower** intends to cancel all or part of the **total loan amount**, it shall submit a cancellation notice ("**cancellation notice**") to the **agent bank** [10] **business days** before the date of proposed cancellation and obtain the written consent of the **agent bank** (according to the decision of the **majority lender**).

2.The **cancellation notice** shall state the amount and date of the proposed cancellation.

3.If part of the **total loan amount** is cancelled, the amount of cancellation shall be at least **RMB** [10,000,000.00] Yuan (in words: **RMB** [Ten Million] Yuan Only), and shall be an integral multiple of **RMB** [10,000,000.00] Yuan (in words: **RMB** [Ten Million] Yuan Only).

4.Cancellation shall be effective on the cancellation date stated in the **cancellation notice**, which shall be a **business day** within the **withdrawal period**.

5.If the **total loan amount** is cancelled, the **loan amount** of each **lender** shall be reduced accordingly in equal proportions from the effective date of cancellation.

6.The **borrower** shall, on the date of cancellation, pay all the commitment fees due and payable in accordance with paragraph 2 of Article 17.1 of this Contract (Syndication fees).

7.Any **total loan amount** canceled may not be reinstated.

8.The **borrower** has no right to revoke any **cancellation notice** it has sent.

7.3 Automatic cancellation

Unless otherwise agreed by the parties to this Contract, after the end of the **withdrawal period**, all the **total loan amount** that has not been withdrawn at that time will be automatically canceled, and the **loan amount** of each **lender** will be canceled at the same time, and any such canceled **total loan amount** and **loan mount** cannot be reinstated.

7.4 Forced cancellation

1.The **loan amount** of the **lender affected by the change of law** shall be cancelled in accordance with the provisions of Article XI of this Contract (Change of law).

2.If there is a change in control of the **borrower**:

(1) The **borrower** shall notify the **agent bank** as soon as possible after becoming aware of the relevant matters;

(2) No **lender** shall be obliged to provide **loan funds** for any withdrawal; and

(3) The **agent bank** shall (according to the decision of all the **lenders**), upon giving at least 10 **business days**' notice to the **borrower**, require the **borrower** to repay the loan in advance and cancel the **total loan amount**. At the same time, all loans under the **financing documents** shall be due and payable on the date specified in the notice.

The change in control mentioned above refers to [a change in the actual controller of the borrower].

VIII. Provisions as to payment

8.1 Disbursement of loan funds

When participating in the disbursement of each **loan fund** in accordance with the provisions of this Contract, each **lender** shall pay its share of the **loan fund** to the **payment account of the agent bank** before [17:00] (Beijing time) on the scheduled **withdrawal date** of the **loan fund**.

Should any **lender** fail to disburse its share of the **loan funds** to be withdrawn, the **borrower** shall still withdraw the **loan funds** disbursed by other **lenders** according to the withdrawal notice.

Each **lender** shall disburse its share of the **loan fund** to be withdrawn in accordance with the **loan amount ratio**. For the purpose of facilitating the performance of this Contract, the **lenders** under this Contract may make other flexible arrangements for the allocation of the ratio of the **loan fund** through consensus of all the **lenders**, but such arrangements shall not affect the total amount of **loan fund** to be disbursed by each **lender** to the **borrower** under this Contract.

8.2 Payment of loan funds

1.In any of the following circumstances, payment shall be made by the **lender** on entrustment. The lender's entrusted payment method means that the **agent bank** will disburse the relevant **loan funds** to the **loan fund account** on the **withdrawal date** according to the **borrower**'s payment entrustment, and transfer the relevant **loan funds** to the **borrower's counterparty account** as soon as possible:

(1) The amount of a single payment exceeds 5% of the total **project** investment;

(2) The amount of a single payment exceeds **RMB** 5,000,000 Yuan (in words: **RMB** Five Million Yuan Only); or

(3) [/].

If the **lender**'s entrusted payment method is adopted, the **borrower** shall submit documentation proving the use of the **loan funds** to the **agent bank** before the relevant **loan funds** are disbursed, and the **agent bank** (at its sole discretion) will disburse the loan funds after review and approval. No **syndicate member bank** shall be responsible for the authenticity and legality of the transactions corresponding to the entrusted payment.

2.Except for the circumstances specified in paragraph 1 above, payment can be made by the **borrower**'s self-payment method, provided that the **borrower** submits a fund use plan in advance. The borrower's self-payment method means that the **agent bank** will disburse the **loan funds** to the **loan fund account**, and the **borrower** will make external payments independently. The object of self-payment shall be the counterparty of the **borrower** that complies with the provisions of this Contract. The **borrower** shall make a summary report on the payment of such **loan funds** to the **agent bank** before the [/] of each month.

3.If payment is made by the **borrower**'s self-payment method, after the **effective date**, if the following circumstances occur, the **agent bank** (according to the decision of the **majority lender**) has the right to change the payment method of the **loan funds** to the **lender**'s entrusted payment.

(1) The **borrower**'s credit standing declines;

(2) The **project** progress lags behind the fund utilization progress;

(3) The **borrower** fails to pay the **loan funds** according to provisions of this Contract; and/or

(4) [/].

4.After the **effective date**, if the following circumstances occur, the **agent bank** (according to the decision of the **majority lender**) has the right to stop the disbursement and payment of relevant **loan funds**:

(1) The **borrower** violates the provisions of this Contract and circumvents the **lender**'s entrusted payment method by breaking the amount into smaller ones;

(2) The **project** progress lags behind the fund utilization progress.

8.3 Payment by borrower

The **borrower** shall pay the amount due and payable under this Contract to the **payment account of the agent bank** before [16:00] (Beijing time) on the due date of any amount payable under this Contract.

8.4 Payment by agent bank

1.The **agent bank** shall pay the relevant **loan funds** actually received by it in accordance with the provisions of Article 8.1 of this Contract (Disbursement of loan funds) to the **loan fund account** before [17:00] (Beijing time) on each **withdrawal date**, and make the payment in accordance with the provisions of Article 8.2 of this Contract (Payment of loan funds). The **agent bank** is obliged to report the payment status of the **loan funds** to each **lender**.

2.The **agent bank** shall pay each amount actually received by it in accordance with the provisions of Article 8.3 of this Contract (Payment by borrower) to each **syndicate member bank account** in the order and proportion stipulated in Article 8.5 of this Contract (Order of payment) before [17:00] (Beijing time) on the date of receipt.

3.In the case where the **lender**'s entrusted payment is adopted, should the entrusted payment information and related transaction materials provided by the **borrower** be untrue, inaccurate, and incomplete, which results in the **agent bank**'s failure to complete the entrusted payment obligations in a timely manner, the **agent bank** shall not bear any responsibility, and the **borrower**'s repayment obligations under this Contract shall not be affected.

4.Should a refund occur from the opening bank of the **borrower's counterparty account**, which results in the **agent bank**'s failure to pay the **loan funds** to its counterparty in a timely manner, the **agent bank** shall not bear any responsibility, and the **borrower**'s repayment obligations under this Contract shall not be affected. The **borrower** hereby authorizes the **agent bank** to freeze the amount returned by the opening bank of the **borrower's counterparty account**. In this case, the **borrower** shall resubmit the payment entrustment and usage certification materials, etc., and after review and approval by the **agent bank** (at its sole discretion), the **loan funds** will be paid to the **borrower's counterparty account** through the **loan fund account**.

8.5 Order of payment

Unless otherwise required by laws and regulations, the **agent bank** shall distribute the various amounts received under Article 8.3 of this Contract (Payment by borrower) in the following order:

1. Pay any agency fees due and payable under Article 17.1 of this Contract (Syndication fees), and compensate the **agent bank** for the reasonable costs and expenses incurred in executing the **financing documents**.

2. Pay any arrangement fees due and payable under Article 17.1 of this Contract (Syndication fees);

3. Pay any commitment fees due and payable under Article 17.1 of this Contract (Syndication fees) according to each **lender**'s **loan amount ratio**.

4. Pay any interest due and payable under this Contract (including but not limited to any compound interest and penalty interest) to each **lender** in proportion to the amount of the **loan funds** actually extended to the **borrower**;

5. Pay any principal due and payable under this Contract to each **lender** in proportion to the amount of the **loan funds** actually extended to the **borrower**; and

6. Pay other amounts due and payable under this Contract.

8.6 Advance

1. The **agent bank** may (but is not obliged to) advance any payment on behalf of any party to this Contract.

2. If, in accordance with the provisions of this Contract, any payment shall be made to any party to this Contract through the **agent bank**, and the **agent bank** does not actually receive the payment on the date when such payment is made, then, the party that has received the payment from the **agent bank** shall, upon the request of the **agent bank**, immediately return the payment to the **agent bank**, and at the same time, pay interest to the **agent bank** at an interest rate of [/] from the date of payment by the **agent bank** (inclusive) to the date of refund (inclusive).

8.7 Currency of payment

Unless otherwise agreed by the parties, any payment under this Contract shall be made in **RMB**.

8.8 Set-off

The **borrower** shall not exercise any right of set-off in making any payment under this Contract.

8.9 Non-business day

If the date an amount becomes due and payable does not fall on a **business day**, the payment date of such amount shall be postponed to the nearest **business day** after it within the same Gregorian calendar month (if any) or advanced to the nearest **business day** before it (if there is no **business day** after it within the same Gregorian calendar month)/advanced to the nearest **business day** before that non-**business day**.

8.10 Apportionment

1. Except as otherwise agreed in paragraph 4 of this article, if any **syndicate member bank** ("**receiving bank**") receives any amount due and payable under this Contract from the **borrower** in any way other than as agreed in Article 8.3 of this Contract (*Payment by borrower*), the **receiving bank** shall notify the **agent bank** on the day it receives the amount ("**apportioned amount**") and transfer the **apportioned amount** to the **agent bank** as soon as possible.

2. Where the **receiving bank** transfers the **apportioned amount** to the **agent bank** in accordance with the agreement in paragraph 1 above, it shall be deemed that the **borrower** has not paid the amount to the **receiving bank**.

3. The **agent bank** shall regard the **apportioned amount** received by it in accordance with the agreement in paragraph 1 above as paid by the **borrower**, and pay the **apportioned amount** to each **syndicate member bank account** in accordance with the agreement in paragraph 2 of Article 8.4 of this Contract (*Payment by agent bank*).

4. Paragraphs 1 to 3 above do not apply to any of the following amounts:

(1) Any amount received by the **lender** from transfer or indirect sub-lending in accordance with the provisions of Article XVIII of this Contract (*Transfer*); or

(2) Any amount received by a **syndicate member bank** from filing a lawsuit or arbitration against the **borrower** with respect to a dispute under this Contract, but the inapplicability is subject to the following conditions: (i) it has notified other **syndicate member banks** in advance, and (ii) other **syndicate member banks** have not participated in such litigation or arbitration or have expressly indicated that they will not participate in such litigation or arbitration within [10] **business days** after receiving such notice.

IX. Taxes and fees

9.1 Taxes and fees

Unless otherwise expressly required by laws and regulations, any amount paid or payable by the **borrower** to any **syndicate member bank** (whether as the actual payee or transferor) in accordance with the provisions of this Contract shall be the net amount that the **syndicate member bank** shall receive, and shall not include any **taxes and fees**.

9.2 Stamp tax

The **borrower** and each **syndicate member bank** shall separately bear the stamp duty related to the **financing documents** in accordance with the provisions of laws and regulations.

X. Cost increase

10.1 Notice of cost increase

After the **effective date**, if any of the following costs is caused or will occur to any **lender** (“**cost affected lender**”) due to the promulgation, implementation or change of any applicable laws, regulations or their interpretation, and/or in order to comply with the requirements of the central bank, the fiscal, tax, financial supervisory or other administrative authorities having jurisdiction over it (“**increased costs**”):

1.Increased costs or additional costs incurred in signing or performing **financing documents**;

2.Reduction in any amount received or receivable under the **financing documents**; and/or

3.Increased costs or additional costs incurred in participating in the disbursement of any **loan fund**, maintaining or raising its **loan amount** or its share in any **loan balance**,

Then, after the **cost affected lender** becomes aware of the situation, it shall notify the **agent bank** (“**notice of cost increase**”) in a timely manner and explain in detail the reasons for the

increased costs and the basis for calculation; after receiving the **notice of cost increase**, the **agent bank** shall notify the **borrower** in a timely manner.

10.2 Compensation

Within [10] **business days** after the **borrower** receives the **notice of cost increase**, the **borrower** shall pay an amount equal to the **increased costs** to the **cost affected lender** through the **agent bank**. However, the **borrower** is not required to compensate for the following **increased costs**:

1.The **borrower** has already made compensation in accordance with other provisions of the **financing documents**;

2.**Increased costs** resulting from changes in tax rates and changes in the basis of calculation of **taxes and fees** on the total operating income or total profits of any **lender** or any of its branches;

3.**Increased costs** resulting from any **lender**'s failure to comply with any applicable laws, regulations or any requirements of the central bank, the fiscal, tax, financial supervisory or other administrative authorities having jurisdiction over it;

4.**Increased costs** resulting from a decline in any **lender**'s credit rating; and/or

5.**Increased costs** resulting from any **lender**'s transactions under non-**financing documents**.

XI. Change of law

11.1 Notice of change of law

After the **effective date**, if, due to the promulgation, implementation or change of any applicable laws, regulations or their interpretation, and/or in order to comply with the requirements of the central bank, the fiscal, financial supervisory or other administrative authorities having jurisdiction over it, it is or it would be unlawful or in violation of regulatory provisions for any **lender** ("**lender affected by change of law**") to continue to perform the **financing documents**, participate in the disbursement of any **loan funds**, maintain or raise its **loan amount** or maintain its share of any **loan balance**, such **lender affected by change of law** shall, after becoming aware of such situations, promptly notify ("**notice of change of law**") the **agent bank**, and explain in detail the reasons and basis for such illegality or violation of regulatory provisions. The **agent bank** shall promptly notify the **borrower** after receiving any **notice of change of law**.

11.2 Cancellation and early repayment

1.After the **borrower** receives the **notice of change of law**, the **loan amount** of the **lender affected by change of law** shall be automatically cancelled immediately.

2.The **borrower** shall repay in advance its share of any **loan balance** and accrued interest to the **lender affected by change of law** within [10] **business days** after receiving the request from the **lender affected by change of law**.

3.In the event of cancellation of the **loan amount** and early repayment in accordance with the provisions of this article, the **lender affected by change of law** shall not be obliged to pay any penalty or fee to the **borrower**.

XII. Mitigation of losses

12.1 Mitigation of losses

In any of the following circumstances, the affected **syndicate member bank** shall negotiate in good faith with the **borrower** and other **syndicate member banks**, and shall make reasonable efforts to mitigate the impact of such circumstances. However, the **borrower**'s obligations under the **financing documents** shall not be exempted or reduced due to the provisions hereof;

1.The **borrower** shall compensate any **lender** for any **increased costs** in accordance with the provisions of Article X of this Contract (Cost increase);

2.The **borrower** shall repay any **lender** in advance in accordance with the provisions of Article XI of this Contract (Change of law); and/or

3.Any **loan amount** shall be canceled in accordance with the provisions of Article 11 of this Contract (Change of law).

The measures that any **syndicate member bank** shall take under this article include but are not limited to:

(a) Change the **handling bank**;

(b) Transfer its **loan amount** or its share of the relevant **loan balance** to any other person not affected by the circumstances listed in this article; and/or

(c) Apply for any exemptions, deductions, tax refunds or extensions.

12.2 Limitation of obligations

1.In case of an **event of default** or **potential event of default**, or if, in any **syndicate member bank**'s reasonable judgment, taking measures in accordance with Article 12.1 of this Contract (Mitigation of losses) would adversely affect its business, operations or financial condition, such **syndicate member bank** shall not be obliged to take such measures

2.The **borrower** shall compensate the relevant **syndicate member bank** for any reasonable fees and expenses incurred by the **syndicate member bank** as a result of taking any measures in accordance with Article 12.1 of this Contract (Mitigation of losses).

XIII. Statement of facts

The borrower shall make the following statements to each **syndicate member bank** on each **effective date**, each **withdrawal date** and each **interest payment date**, based on the facts and circumstances at that time:

1. Legal status

The **borrower** and each **guarantor** are corporate legal persons legally established and validly existing in accordance with the laws and regulations of their place of registration.

2. Capacity to contract

The **borrower** and each **guarantor** have the necessary civil capacity of conduct and civil rights to own its assets, operate its business, and sign and perform the **financing documents** to which it is a party.

3. Authorization from the company

All internal authorizations from the company required for the **borrower** and each **guarantor** to sign and perform the **financing documents** to which they are a party have been obtained and are in full force and effect, and such **financing documents** have been validly signed by their legal representatives or authorized signatories.

4. Permits

The **borrower** and each **guarantor** have obtained all necessary approvals, permits, consents, registrations and filings in full force and effect in order to lawfully own the assets, operate the business, and sign and perform the **financing documents** to which they are a party.

5. Industrial and commercial information submission

The **borrower** and each **guarantor** have submitted annual reports in accordance with the requirements of relevant laws, and neither the **borrower** nor any **guarantor** has been included in the list of enterprises with abnormal operations or the list of enterprises with serious violations of law.

6. Validity of terms

The obligations of the **borrower** and each **guarantor** under the **financing documents** to which they are a party are legal, valid and binding on them.

7. Violation of law or other documents

The **borrower** and each **guarantor**'s execution and performance of the **financing documents** to which they are a party does not, and will not, violate or conflict with any of the following:

(1) Any contract, agreement or other documents binding on them or their assets;

(2) Their shareholders' agreement, articles of association and other corporate governance documents; and/or

(3) Any laws and regulations.

8. Litigation and arbitration

No court action, arbitration, administrative proceeding, enforcement proceeding by a judicial or administrative authority or other proceeding of a similar nature has occurred or is pending against the **borrower** or any **guarantor** that has or is likely to have any **material adverse effect** on the performance by the **borrower** or any **guarantor** of the **financing documents** to which it is a party.

9. Liquidation and bankruptcy events

The **borrower** and each **guarantor** have not initiated or been initiated any cessation of operations, dissolution, liquidation, bankruptcy, reorganization, reconciliation, rectification or similar procedures.

10. Event of default

No **event of default** has occurred or subsisted.

11. Compliance with law

The **borrower** and each **guarantor** comply in all respects with all laws and regulations applicable to them and have not violated any laws and regulations relating to their business and operations.

12. Priority of creditor's rights

The creditor's rights of each **syndicate member bank** against the **borrower** (or, as the case may be, each **guarantor**) under the **financing documents** are in at least the same priority of payment as the unsecured or non-statutory priority rights of other creditors of the **borrower** (or, as the case may be, each **guarantor**) against the **borrower** (or, as the case may be, each **guarantor**).

13. Judicial immunity

The **borrower**, each **guarantor** and their respective assets shall not enjoy any immunities or privileges with respect to prosecution, judgment, enforcement, property preservation or other proceedings in any judicial proceeding.

14. Information disclosure

(1) The information disclosed in the **information memo** is true, complete and accurate in all material respects as at the date of issue of the **information memo**, and there are no omissions of any information which has or may have any **material adverse effect**.

(2) As of the date of issue of the **information memo**, no circumstances have occurred that have or may have any **material adverse effect** on the legal status, business

condition, financial condition or asset condition of the **borrower** (**guarantor**, if any).

(3) The most recent financial statements and reports provided by the **borrower** to each **syndicate member bank** were prepared in accordance with **accounting standards** and fairly, truly, completely and accurately reflected the **borrower**'s financial position on the date such financial statements and reports were prepared; and, such financial statements and reports did not omit any significant **liabilities**, significant income or significant losses of the **borrower**.

(4) All materials provided by the **borrower** to each **syndicate member bank** are true, complete and valid.

15. No material adverse effect

No events or circumstances of **material adverse effect** has occurred.

XIV. Agreed matters

The **borrower** undertakes that from the **effective date** until the date on which all obligations of the **borrower** under this Contract are fully performed:

14.1 Positive obligations

1. Priority of creditor's rights

The creditor's rights of each **syndicate member bank** against the **borrower** (or, as the case may be, each **guarantor**) under the **financing documents** are in at least the same priority of payment as the existing and future unsecured or non-statutory priority rights of other creditors of the **borrower** (or, as the case may be, each **guarantor**) against the **borrower** (or, as the case may be, each **guarantor**).

2. Legal status and capacity

The **borrower** shall (and cause each **guarantor** to) maintain the legal, continuous and effective existence of its corporate legal person status, and ensure that it has the necessary civil capacity of conduct and civil rights to perform the **financing documents** to which it is a party.

3. Compliance with law

The **borrower** shall (and cause each **guarantor** to) ensure compliance in all material aspects with any laws and regulations related to its business and operations, including but not limited to laws and regulations on environmental protection and taxation, as well as laws and regulations on energy conservation and emission reduction, and government regulations and industry regulatory measures.

4. Permits

The **borrower** shall (and cause each **guarantor** to) obtain in a timely manner all necessary approvals, permits, consents, registrations and filings in order to perform the **financing documents** to which it is a party, and comply with such matters, and maintain such matters in full force and effect continuously.

5. Industrial and commercial information submission

The **borrower** shall (and cause each **guarantor** to) submit an annual report to the **Administration for Market Regulation** in a timely manner, and ensure that the **borrower** and each **guarantor** are not included in the list of enterprises with abnormal operations or the list of enterprises with serious violations of law.

6. Insurance

The **borrower** shall insure its business and assets with a reputable insurance company, and the type of insurance purchased shall be the type of insurance commonly taken out by enterprises engaged in the same or similar business; the **borrower** shall continuously keep such insurance in full force and effect and renew it in a timely manner.

7. Provision of information

(1) The **borrower** shall, within [20] days after the end of each month, provide its financial statements (including schedules) for each month to the **agent bank**.

(2) The **borrower** shall, within [90] days after the end of each quarter, provide its financial statements (including schedules) for each quarter to the **agent bank**.

(3) The **borrower** shall, within [120] days after the end of every half **financial year**, provide its financial statements (including schedules) for every half **financial year** to the **agent bank**.

(4) The **borrower** shall, within [120] days after the end of each **financial year**, provide its annual financial statements (including schedules) audited by a **certified public accountant** for each **financial year** to the **agent bank**, and attach a copy of the **certified public accountant**'s professional audit opinions on the financial statements.

(5) The **borrower** shall (and cause each **guarantor** to) ensure that its financial statements are prepared in accordance with applicable laws, regulations and **accounting standards**.

(6) The **borrower** shall, within [10] days after the **agent bank**'s request, provide the **agent bank** with copies of each approval, permit, consent, registration and filing obtained by it (or, as the case may be, each **guarantor**) under paragraph 4 of Article 14.1 of this Contract (*Positive obligations*).

(7) The **borrower** shall, within [10] days after the **agent bank**'s request, provide the **agent bank** with copies of the insurance policies or insurance contracts of each insurance taken out in accordance with paragraph 6 of Article 14.1 of this Contract (*Positive obligations*).

(8) Where the **borrower** provides copies of financial statements or other materials in accordance with the provisions of this article, it shall also provide a certificate signed by a director or financial officer of the **borrower** and stamped with the official seal, stating that the copies are consistent with the originals, and that the information disclosed therein is accurate, complete and up-to-date.

(9) Where the **borrower** provides financial statements as required by paragraph (2) and paragraph (3) of this article, it shall also provide a certificate signed by a director or financial officer of the **borrower** and stamped with the official seal, specifying in reasonable detail the calculation basis and results of each financial indicator specified in Article 14.1 of this Contract (*Positive obligations*).

(10) The **borrower** shall provide records and information on the use of **loan funds** as required by the **agent bank** in a timely manner.

(11) All the materials provided by the **borrower** to each **syndicate member bank** are true, complete and valid.

8. Notification obligation

In case of any of the following circumstances, the **borrower** shall notify the **agent bank** immediately after becoming aware of it:

(1) The occurrence of any **event of default** or **potential event of default**;

(2) The occurrence of any court action, arbitration, administrative proceeding, enforcement proceeding by a judicial or administrative authority or other proceeding of a similar nature brought against the **borrower** or any **guarantor**, or against another person by the **borrower** or any **guarantor** for an amount reaching or exceeding **RMB** [5,000,000.00] Yuan;

(3) Related transactions whose total amount reaches or exceeds 10% of its net assets, including: the related relationships between the parties to the transaction, transaction items and nature of transactions, transaction amounts and corresponding ratios, pricing policies, etc.; and/or

(4) The occurrence of any event that has or is likely to have **material adverse effect**.

9. Compliance with financial indicators

The **borrower** shall comply with the following financial indicators:

[/].

10. Project capital fund

The **borrower** shall ensure that the capital fund of the **project** is in place before the **loan fund** or in the same proportion as the **loan fund**, and that the capital fund of the **project** is utilized in conjunction with the **loan fund**.

11. Project progress

The **borrower** shall ensure that the actual progress of the **project** matches the investment amount.

12. Loan management

The **agent bank** may inspect and supervise the **borrower**'s use of each **loan fund** at any time, and the **borrower** shall cooperate with the **agent bank** in loan payment management, post-loan management and related inspections. The **agent bank**'s methods of inspection and supervision include but are not limited to: (i) requiring the **borrower** to provide valid proof of its use of **loan funds**: (ii) conducting account analysis, voucher inspection or on-site investigation on the use of **loan funds**; and (iii) other methods permitted by laws and regulations.

13. Guarantee or support

The **borrower** and each **guarantor** agree to provide each **lender** with the following support or guarantee:

(1) Guarantee under the **contract of guarantee**;

(2) Mortgage guarantee under the **mortgage contract**;

(3) Pledge guarantee under the **pledge contract**; and

(4) [/].

14.2 Restrictions

1. Security interest

The **borrower** shall ensure that no **security interest** is created or exists in any of its assets, other than the **security interest** created pursuant to the **guaranty contract**, except with the consent of the **majority lender**.

2. Asset disposal

The **borrower** shall ensure that it will not sell, lease, assign, transfer or otherwise dispose of any of its material assets in a single or multiple transactions or a series of transactions, unless with the consent of the **majority lender**.

3. **Spin-offs and mergers**

The **borrower** shall ensure that no merger, spin-off, contracted operation or similar arrangement will take place, unless with the consent of the **majority lender**.

4. **Reduction of registered capital**

The **borrower** shall ensure that it will not reduce its registered capital, unless with the consent of the **majority lender**.

5. **Restrictions on dividend distribution**

In case of any of the following circumstances, the **borrower** shall not distribute profits:

(1) [With the written consent of the syndicate].

6. **Permitted liabilities**

The **borrower** shall not incur any **liabilities** other than the **permitted liabilities**.

7. **Permitted investments**

The **borrower** shall not make any external investments other than the **permitted investments**.

XV. Event of default

15.1 Event of default

Any of the following circumstances constitutes an **event of default**:

1.Payment default

The **borrower** fails to pay any amount due and payable in the amount, currency, payment method and timeline as agreed under this Contract, unless such failure is due to an administrative or technical error and such payment is made within (5 business days) after the due date.

2.Misappropriation of loans

The **borrower** has not used any of the **loan funds** for the purposes agreed under this Contract.

3.Misrepresentation

Any statement of fact made by the **borrower** under Article XIII of this Contract (*Statement of facts*) is untrue, inaccurate, incomplete or misleading in any material respect.

4.Violation of agreements or other obligations

The **borrower** fails to comply with the obligations under Article 14 (*Agreed matters*) or fails to perform or comply with any other obligations in accordance with this Contract.

5.Cross default

The **borrower** has not paid off any **liabilities** due and payable, and the total amount reaches or exceeds **RMB** [10,000,000.00] Yuan.

6.Insolvency

(1) Any creditor of the **borrower** declares a deferred repayment on any **liabilities** of the **borrower**, and the total amount reaches or exceeds **RMB** [10,000,000.00] Yuan.

(2) The **borrower** begins discussions with any of its creditors on deferred repayment and other debt restructuring arrangements for any **liabilities**, and the total amount reaches or exceeds **RMB** [10,000,000.00] Yuan.

(3) The **borrower** completely ceases or suspends payments to its creditors, or becomes incapable, or admits to being incapable, or is assumed or deemed to be incapable to repay its debts when the debts fall due, or declares that it will not fulfill its due debts.

7.Liquidation and bankruptcy events

The **borrower** or any **guarantor** has initiated or been initiated any cessation of operations, dissolution, liquidation, bankruptcy, reorganization, reconciliation, rectification or similar procedures.

8.Enforcement events

The **borrower**'s assets, whose total market value or book value (whichever is lower) reaches or exceeds **RMB** [10,000,000.00] Yuan, are sealed, frozen, seized, executed, expropriated, confiscated or imposed by other similar measures, and such measures are not lifted within [30] **business days** after commencement.

9.Financial indicators

The **borrower** fails to comply with any of the financial indicators stipulated in paragraph 9 (*Compliance with financial indicators*) of Article 14.1 (*Positive obligations*) of this Contract.

10. Material adverse effect

Any event or circumstance with a **material adverse effect** occurs.

11. Invalidity of financing documents

The **financing documents** become invalid or unenforceable.

15.2 **Remedies of syndicate member banks**

1. Notice

(1) Should the **borrower** or any **lender** become aware of an **event of default** or of facts or circumstances that it reasonably believes may constitute an **event of default**, it shall promptly notify the **agent bank**.

(2) After receiving the above notice, the **agent bank** shall promptly notify each **lender**.

(3) If any **event of default** is not notified to the **agent bank** by the **borrower**, the **agent bank** shall promptly notify the **borrower** after becoming aware of it, so that the **borrower** can confirm and explain or take remedial measures.

2. Rights to remedies

During the duration of any **event of default**, the **agent bank** (according to the decision of the **majority lender**) may exercise one or more of the following rights:

(1) Waive the relevant **event of default**, or agree to remedy the relevant **event of default**;

(2) Declare the suspension of the withdrawal of any **loan funds**; upon such declaration, the withdrawal of that portion of **loan funds** shall be immediately suspended;

(3) Cancel all or part of the **total loan amount**; upon such declaration, the **loan amount** of each **lender** shall be cancelled correspondingly in equal proportions, and the cancelled **total loan amount** may not be reinstated;

(4) Declare that all or part of the **loan balance** together with all accrued interest, fees and other amounts under this Contract is immediately due and payable; upon such declaration, such amounts immediately become due and payable without any further notice from the **agent bank**;

(5) Require the **borrower** to provide additional security measures immediately;

(6) Execute the **guaranty contract**; and/or

(7) Exercise any other rights granted by laws, regulations and this Contract.

3. Actions of the agent bank

(1) The various rights to remedies listed in paragraph 2 (*Rights to remedies*) of Article 15.2 (*Remedies of syndicate member banks*) of this Contract or the rights to initiate and conduct any dispute resolution legal proceedings against the **borrower** shall be organized through the **agent bank**. However, if the **agent bank** does not take such actions according to the decision of the **majority lender**, the relevant **syndicate member banks** may take such actions on their own.

(2) During the continuance of an **event of default**, the **agent bank** shall have the right to take such actions as it deems necessary or reasonable at any time to protect the rights and interests of each **syndicate member bank** under this Contract.

4. Undertakings of each syndicate member bank

(1) Each **syndicate member bank** will not exercise its rights under this Contract in a manner that conflicts with the provisions of this Contract.

(2) Each **syndicate member bank** undertakes to the other **syndicate member banks**, unless otherwise expressly agreed in this Contract:

1) It will not separately demand or accept any form of debt repayment from anyone to repay any debt owed by the **borrower** to the **syndicate member bank** under this Contract; and/or

2) It will not separately demand or accept any **security interest** or financial support for any debt of the **borrower** to the **syndicate member bank** under this Contract.

5. Withholding

During the continuance of an **event of default**, each **syndicate member bank** shall have the right to withhold the balance of any account opened by the **borrower** at such **syndicate member bank** (including any of its branches) and forward it to the **agent bank** in accordance with Article 8.10 of this Contract (*Apportionment*) for apportionment.

XVI. Relationships of syndicate member banks

16.1 Appointment of the agent bank

1. Each **syndicate member bank** other than the **agent bank** hereby appoints the **agent bank** as such **syndicate member bank**'s agent under this Contract and authorizes the **agent bank** to exercise the rights expressly conferred on the **agent bank** by the provisions of this Contract and all other rights reasonably incidental to it.

2. For the sole purpose of registration of the guarantee as agreed under the **guaranty contract**, each other **syndicate member bank** hereby authorizes the **agent bank** to directly sign supplement or modification agreement to the **guaranty contract** with the relevant **guarantor** in accordance with the principles and relevant facts determined in this Contract, or to sign and submit the **guaranty contract** in the form required by the local registration authority, or to appropriately reduce the amount of the guaranteed claim according to the requirements of the local registration authority to meet its internal requirements that the amount of the guaranteed claim must be lower than the assessed value of the collaterals.

16.2 Agency relationship

1.The relationship between the **agent bank** and other **syndicate member banks** is only an agency relationship. As the agent of the syndicate, the **agent bank**'s main function is to provide services to the **lenders** and protect the interests of the syndicate in accordance with this Contract. It shall perform the agreed responsibilities diligently, dutifully, professionally and in accordance with this Contract to ensure that the various agreements and the **lender**'s instructions and authorizations are carried out effectively. Its role is administrative in nature.

2.The **agent bank** is not an agent of the **borrower** in any respect.

16.3 Responsibilities of the agent bank

1.The **agent bank** shall, within [10] **business days** after receiving the original or photocopy of any document transmitted by any party to this Contract to the other party through the **agent bank**, transmit such document to the other party; unless otherwise agreed in this Contract, the **agent bank** shall not be responsible for reviewing the adequacy, accuracy or completeness of the form and content of any document transmitted by it.

2.The **agent bank** shall establish and maintain ledgers related to this Contract and provide such ledgers to the **lender** upon each **lender**'s request.

3.The **agent bank** shall disburse and pay **loan funds** in accordance with the provisions of Article 8.1 (*Disbursement of loan funds*) and Article 8.2 (*Payment of loan funds*) of this Contract, and manage and control the same.

4.The **agent bank** shall notify each **syndicate member bank** within [10] **business days** after receiving a notice from any party to this Contract regarding the occurrence of an **event of default**.

5.The **agent bank** shall notify each **syndicate member bank** within [10] **business days** after becoming aware that any party to this Contract has failed to pay any amount due and payable to any other **syndicate member bank** in accordance with the provisions of this Contract. If the **agent bank** discovers the above situation, it shall conduct necessary investigations and transmit the information obtained from the investigations to each **lender** in a timely manner.

6.The **agent bank** shall, according to the decision of the **majority lender**, organize each **syndicate member bank** to initiate and/or participate in any litigation, arbitration or legal dispute procedures related to this Contract, provided, however, that each **lender** has, in accordance with this Contract, reimbursed or advanced to the **agent bank** any costs, fees, expenses (including but not limited to attorney's fees) and liabilities that the **agent bank** has expended or incurred or may expend or incur in compliance with such decisions.

7.The **agent bank** shall not be liable to any other party to this Contract for any violations of the provisions of this Contract by such any other party.

8.Where acting in accordance with any decision of the **majority lender** would result in or may result in violations of laws and regulations, upon prior notice to each **syndicate member bank**, the **agent bank** may refrain from acting in accordance with such decisions.

9.The **agent bank** shall perform all its duties under this Contract with diligence and conscientiousness.

16.4 Rights of the agent bank

1.Unless it has actual knowledge to the contrary, the **agent bank** may presume that:

(1) Any statement of facts made by any other party to this Contract in this Contract or in relation to this Contract is true, complete and accurate;

(2) No **event of default** has occurred or persisted;

(3) None of the other parties to this Contract has violated its obligations under this Contract; and/or

(4) Neither any of the other parties to this Contract nor the **majority lender** has exercised any rights it has.

However, if the **agent bank** is aware of, or any other party to this Contract is aware of, the contrary and notifies the **agent bank**, the **agent bank** shall not only have the right but also the obligation to notify each **lender** in accordance with the relevant provisions of this Contract.

2.The **agent bank** may hire lawyers, accountants, appraisers, translators or other professionals when it deems necessary, and pay consulting or service fees to such professionals, and rely on the advice of such professionals to act accordingly.

3.The **agent bank** may act in reliance on any communication or document it reasonably believes to be true.

4.The **agent bank** may disclose to any other party to this Contract any information it receives in accordance with the provisions of this Contract and considers reasonable.

16.5 Independent credit assessment

Each **lender** confirms that it has and will continue to independently investigate, review and assess the **borrower**'s financial status, creditworthiness, business status, legal status and other conditions which include but are not limited to the following, and make independent judgments and decisions based on this and bear risks:

1.The adequacy, accuracy or completeness of any information relating to any other party to this Contract or transactions under this Contract, whether or not such information is provided to the **lender** by the **agent bank** or the **lead bank**;

2.The financial status, creditworthiness, business status, legal status or other conditions of any other party to this Contract; and/or

3.The legality, validity, binding force, sufficiency or enforceability of this Contract or any document related thereto or any action taken or to be taken by any other party to this Contract.

Accordingly, the **agent bank** shall not be liable to any **lender** for any of the foregoing issues and possible risks.

16.6 Agent bank and lead bank as the lenders

Where the **agent bank** or the **lead bank** is also a **lender**, it shall enjoy the rights of the **lender** and assume the obligations of the **lender** in accordance with the provisions of this Contract.

16.7 Syndicate meeting

1. Lender decision-making mechanism

(1) In the event of the occurrence of any matter expressly required by the provisions of this Contract to be decided by the **majority lender** or by all of the **lenders**, any **lender** shall immediately notify the **agent bank** of the occurrence thereof after becoming aware of it, and the **agent bank** shall promptly notify each **lender** of the occurrence of such matter upon receipt of such notification or after becoming aware of the occurrence of the matter and shall request a vote thereon.

(2) Each **lender** shall, after receiving the above notice from the **agent bank**, notify the **agent bank** of its decision within the time period required in the notice.

(3) Unless otherwise agreed in this Contract, the **agent bank** shall act in accordance with the decision of the **majority lender** or all of the **lenders** in accordance with the provisions of this Contract; where the **agent bank** acts in accordance with the decision of the **majority lender** or all of the **lenders** (whether by act or omission), the **agent bank** shall not bear any responsibility to other parties to this Contract.

(4) The decision made by the **majority lender** or all of the **lenders** in accordance with the provisions of this Contract shall be binding on each **lender**, and each **lender** shall fully cooperate with the **agent bank** to implement such decisions of the **majority lender** or all of the **lenders**.

(5) Where the **majority lender** or all of the **lenders** fail to make a decision in accordance with the provisions of this article, the **agent bank** shall propose a preliminary solution to the matter and solicit the opinions of each **lender** again in accordance with the above procedures. Should any **lender** fail to notify the **agent bank** of its decision within the time period specified in the notice issued by the **agent bank**, it will be deemed to have agreed to the solution proposed by the **agent bank**.

(6) If the **agent bank** believes that a certain act or omission is in the best interests of the **lender**, the **agent bank** may (but is not obliged to) perform such act or omission.

2. Matters requiring unanimous approval from all syndicate member banks

Unless otherwise agreed in this Contract, modifications to the terms of this Contract concerning any of the following matters must be approved by all **syndicate member banks**:

(1) Changes in the currency of the **loan amount**, the **total loan amount** or the **loan funds**;

(2) Changes in the **withdrawal period** and the **loan term**;

(3) Changes in the **loan interest rate** and the **penalty interest rate**;

(4) Changes in the currency, amount and payment date of any payments made or payable to any **syndicate member bank**;

(5) Modifications to the definition of the "**majority lender**".

(6) Modifications to Article XXI of this Contract (*Modification and exemption*); and/or

(7) Changes in important matters such as the **guarantor**, the guarantee method, the guarantee amount, the guarantee period, etc.

3. Procedures and rules for syndicate meetings

(1) In the event that a matter arises that requires the **agent bank** to act in accordance with the decision of the **majority lender** or, as the case may be, all of the **lenders**, the **agent bank** shall organize a syndicate meeting, which shall be chaired by the **agent bank**.

(2) In addition to the agreement in section (1) above, the **agent bank** shall promptly convene a syndicate meeting in case of any of the following circumstances:

(a) The **lead bank** deems it necessary to convene a syndicate meeting; or

(b) A written proposal from a **lender** whose share of the **total amount** reaches [30%] or more.

(3) When the **agent bank** convenes a syndicate meeting, it shall notify each **lender** in writing at least [10] **business days** in advance or within a shorter period of time as determined by the **agent bank**. The meeting notice shall include the time, place (if applicable), method of the meeting and the proposal for the syndicate meeting.

(4) The syndicate meeting may be held by ways of on-site meeting or communication meeting or by written agreement. Whenever possible, the **agent bank** shall choose to hold the meeting by written consent.

(5) Each **lender** shall notify the **agent bank** whether it will participate in the syndicate meeting within [10] **business days** after receiving the meeting notice, and may submit a provisional proposal [10] **business days** before the meeting.

(6) Each **lender** may send one or two authorized representatives and several ordinary representatives to attend the syndicate meeting. All representatives can participate in discussions and express opinions, but only the authorized representatives can vote on behalf of the **lender**. Each **lender**'s authorized representative must hold a legal and valid power of attorney which specifies a clear scope of authorization. The power of attorney issued by each **lender** shall clearly indicate that the document signed by the authorized representative (no official seal required) is legally binding on the **lender**. The official seal of each **lender** shall be filed with the **agent bank**, and the authorized representative of each **lender** shall issue a power of attorney stamped with the official seal so that the **agent bank** can verify the validity of the power of attorney.

(7) A valid resolution made at the syndicate meeting shall be made in writing by the **agent bank** and signed by the authorized representative of each **lender**; any **lender** who objects to the resolution shall also sign the resolution. Subject to the relevant provisions of this Contract, this resolution is binding on all of the **lenders**. Each **lender** shall obtain a valid original copy of the syndicate meeting resolution. If the resolution is related to the **borrower**'s rights and obligations under the **financing documents**, a valid original copy of the syndicate meeting resolution shall be submitted to the **borrower.**

4.The **lenders** may separately negotiate and sign an inter-syndicate agreement for syndicated loans.

16.8 Lenders' compensation

1.Each **lender** shall, within [10] **business days** after the **agent bank**'s request, compensate the **agent bank** for all reasonable costs, expenses, losses and expenses (including attorney's fees) and liabilities (other than those due to the fault or negligence of the **agent bank**) incurred by the **agent bank** in connection with its agency activities based on the **financing documents** according to its **loan amount ratio** (unless the **agent bank** has received reimbursement from the **borrower** in accordance with the provisions of the **financing documents**).

2.Any **lender** that intends to make compensation in accordance with the provisions of this paragraph has the right to request the **agent bank** to provide detailed calculation basis for the compensation amount, and the **agent bank** shall provide such calculation basis to the **lender** within [10] **business days** after the **lender** requests it.

16.9 Resignation of the agent bank

1.The **agent bank** ("**resigning agent bank**") may notify the **lender** at any time to express its intention to resign.

2.The **majority lender** shall, within [10] **business days** after receiving the resignation notice issued by the **agent bank** in accordance with the provisions of paragraph 1 above, appoint a qualified, reputable and experienced financial institution as the successor of the **agent bank** ("**successor agent bank**"). If the **majority lender** fails to appoint a **successor agent bank** within this period, the **resigning agent bank** may designate a financial institution that it deems to be qualified, reputable and experienced as the **successor agent bank**.

3.The resignation of the **resigning agent bank** and the appointment of the **successor agent bank** shall take effect from the date on which the **successor agent bank** notifies the other parties to this Contract of its formal succession.

4.From the effective date of the resignation of the **resigning agent bank** and the appointment of the **successor agent bank**, any further rights and obligations of the **resigning agent bank** as the agent of other **syndicate member banks** under this Contract shall be immediately terminated, and at the same time, the **successor agent bank** shall assume any further rights and obligations as the agent of other **syndicate member banks** under this Contract.

5. The **resigning agent bank** shall, within [10] **business days** after receiving the succession notice from the **successor agent bank**, provide the **successor agent bank** with the documents, records and necessary assistance that it reasonably requires in order to exercise its rights and perform its obligations in accordance with this Contract.

6.The **majority lender** may notify the **agent bank** and request it to resign in accordance with the provisions of paragraph 1 above; after receiving the notice, the **agent bank** shall resign in accordance with the provisions of this article. Otherwise, the **majority lender** may decide to change the **agent bank**.

16.10 Deductions by the agent bank

In the event that any **syndicate member bank** owes any money to the **agent bank** under this Contract, the **agent bank** may, upon notice to such **syndicate member bank**, deduct no more than the amount that the **agent bank** should have paid to the **syndicate member bank** in accordance with this Contract to settle such arrears, and such deducted amounts shall be deemed to have been received by the **syndicate member bank**.

16.11 Other business

Each **syndicate member bank** (including its branches) may accept deposits from the **borrower**, provide other loans to the **borrower** or conduct any other type of banking business.

16.12 Dealings with the lenders

Unless notified by the relevant **lender** in accordance with the provisions of this Contract to the contrary, the **agent bank** may consider that the **lender** is entitled to receive payment in accordance with this Contract and is acting through its **handling bank**.

XVII Fees and compensation

[Each party may separately sign a syndication fee letter with the relevant party for the transactions under this Contract, and if the following provisions of this Contract are inconsistent with the provisions in the syndication fee letter, the provisions in the syndication fee letter shall prevail.]

17.1 Syndication fees

1.The calculation method of the commitment fee payable by the **borrower** under this Contract is:[/] /See the agreement in the fee letter. The commitment fee shall be paid at the same time as the interest on each interest payment date during the withdrawal period.

2.The agency fee payable by the **borrower** under this Contract is: [/] /See the agreement in the **fee letter**. The first agency fee shall be paid to the account designated by the **agent**

bank on the **withdrawal date** of the first **loan fund**, and subsequent annual agency fees shall be paid to the account designated by the **agent bank** on [/] each year.

3.The arrangement fee payable by the **borrower** under this Contract is: [/] /See the agreement in the **fee letter**.

17.2 Syndication costs

1.Unless otherwise provided by laws and regulations, all parties hereby agree that all reasonable fees and expenses incurred by the **syndicate member banks** in connection with the negotiation, preparation, signing, modification and exemption of the **financing documents** shall be borne by the **borrower**, including but not limited to the fees of lawyers, appraisers and other professional institutions.

2.Unless otherwise provided by laws and regulations, all parties hereby agree that all costs and expenses incurred by any **syndicate member bank** in executing or defending its rights under the **financing documents** in any jurisdiction shall be borne by the **borrower**, including but not limited to the fees of lawyers, appraisers and other professional institutions, and the costs of litigation or arbitration.

17.3 Compensation for losses

The **borrower** shall, within [10] **business days** after receiving the request from any **syndicate member bank**, compensate the **syndicate member bank** for any loss other than the penalty interest suffered and incurred by the **syndicate member bank** as a result of the **borrower**'s violation of its obligations under this Contract (including but not limited to any of the following circumstances):

(1) The **borrower** fails to repay any amount due on the due date;

(2) The **borrower** repays any amount due on a date other than the due date;

(3) Any **event of default** or **potential event of default** occurs;

(4) Any **loan funds** are not fully withdrawn on time due to the **borrower**'s fault;

(5) The **borrower** cancels any **lender**'s **loan amount** in violation of this Contract;

(6) The information and materials provided by the **borrower** are untrue; and/or

(7) [/].

17.4 Currency compensation

If any payment made by the **borrower** under this Contract is not made in the currency payable as expressly agreed in this Contract ("**contract currency**"), but in any currency other than the **contract currency** ("**payment currency**"), and after the **syndicate member bank** converts the **payment currency** into the **contract currency** according to the market exchange rate, the amount is less than the amount that the **syndicate member bank** should receive, the **borrower** shall compensate for the shortfall and the related expenses incurred by the **syndicate member bank** in the conversion of currency.

17.5 Basis of calculation

Any **syndicate member bank** that intends to make a request in accordance with Article 17.2 (Syndication costs), Article 17.3 (Compensation for losses) and/or Article 17.4 (Currency compensation) of this Contract shall notify the **agent bank** and provide detailed calculation basis of such request, and the **agent bank** shall promptly notify the **borrower** after receiving such a request.

17.6 Exemption from compensation

The **borrower** shall not be liable to any **syndicate member bank** in accordance with Article 17.2 (Syndication costs), Article 17.3 (Compensation for losses) and/or Article 17.4 (Currency compensation) of this Contract in the following circumstances:

1.Liability arising from the gross negligence, fault or willful misconduct of the **syndicate member bank**; and/or

2.The **borrower** has compensated the **syndicate member bank** in accordance with other provisions of this Contract.

XVIII. Transfer

18.1 Transfer by borrower

The **borrower** shall not transfer all or any of its rights or obligations under this Contract.

18.2 Transfer by lenders

1.Any **lender** ("**transferring bank**") that intends to transfer all or any of its rights and/or obligations under this Contract to one or more financial institutions ("**transferee bank**") shall notify the **borrower** and the **agent bank** ("**transfer notice**") at least [30] **business days** in advance.

2.Any **lender** shall obtain the prior written consent of the **borrower** to transfer all or part of its **loan amount**; however, the **borrower** shall be deemed to have consented to such transfer if it does not express its disapproval within [30] **business days** of receipt of the **transfer notice**.

3.Any **lender** may transfer its entire share of the **loan balance** without the consent of the **agent bank** or other parties to this Contract.

4.Notwithstanding the above provisions, if national laws, regulations or regulatory agencies have other provisions for syndicated loans, the **lender** shall abide by such provisions when transferring.

18.3 Effectiveness of transfer

The transfer made by the **lender** in accordance with Article 18.2 (*Transfer by lenders*) of this Contract shall become effective on the date of transfer specified in the **transfer certificate** which is prepared in the form and content of Appendix III of this Contract (Form of Transfer Certificate) and signed by the **transferring bank**, the **transferee bank** and the **agent bank**. The **agent bank** shall not refuse or delay its signing of the **transfer certificate**.

18.4 Binding force of transfer

Any transfer carried out and completed in accordance with the provisions of Article XVIII of this Contract (Transfer) shall be binding on all parties to this Contract.

18.5 Consequences of transfer

From the effective date of the transfer, the **transferee bank** shall officially become a **lender**, and within the scope of the subject matter of the transfer listed in the **transfer certificate**:

1.The **transferring bank** shall no longer enjoy and assume all rights and obligations related to the subject matter of the transfer under this Contract; and

2.The **transferee bank** shall enjoy and assume all rights and obligations related to the subject matter of the transfer under this Contract.

18.6 Exemption of the transferring bank

The **transferring bank** shall not be liable to the **transferee bank** for any of the following:

1.The valid execution, authenticity, accuracy, completeness, legality, validity or enforceability of this Contract or any other document related to this Contract;

2.Whether the amounts payable under this Contract can be received; and

3.The authenticity, accuracy and completeness of any statement of facts made by any other party to this Contract in or about this Contract to any person.

18.7 Further exemption of the transferring bank

The **transferring bank** is not obliged to:

1.Repurchase from any **transferee bank** any rights and obligations that the **transferring bank** has transferred to the **transferee bank** in accordance with the provisions of Article 18.2 of this Contract (Transfer by lenders).

2.Compensate any **transferee bank** for any losses suffered due to the failure of the **borrower** or any other **syndicate member bank** to perform any obligations under this Contract.

18.8 Bookkeeping and archiving

The **agent bank** shall keep a list of all parties to this Contract, be responsible for transfer registration, record all transfers of syndicated loans, and notify other parties to this Contract in a timely manner after the transfer occurs.

18.9 Change of handling bank

Any **lender** may change its **handling bank** by notifying the **borrower** and the **agent bank** at least [10] **business days** in advance.

XIX. Relationship of rights and obligations among syndicate member banks

19.1 Independence of obligations

The obligations of each **syndicate member bank** under this Contract are independent of each other. Any **syndicate member bank**'s failure to perform its obligations under this Contract will not affect or exempt any other **syndicate member bank** from performing its obligations under this Contract. No **syndicate member bank** shall bear any responsibility for the obligations of any other **syndicate member bank** under this Contract.

19.2 Independence of rights

The rights of each **syndicate member bank** under this Contract are independent of each other. Any debts incurred by any party to this Contract to any **syndicate member bank** from time to time under this Contract shall be separate debts. Unless otherwise agreed in this Contract, each **syndicate member bank** shall have the right to independently exercise its rights under this Contract. No **syndicate member bank** shall fail to perform any obligation under this Contract on the excuse of independence of rights.

XX. Obligation of confidentiality

20.1 Scope of confidentiality

Each party to this Contract shall be obliged to keep confidential any information provided to it by other parties in accordance with this Contract that is marked as confidential. However, such party shall have the right to disclose such information under the following circumstances:

1.Such information is already known to the public (provided that such information does not become known to the public due to the **syndicate member bank**'s violation of this article);

2.Such information shall be disclosed in any court action, arbitration, administrative proceeding, enforcement proceeding by a judicial or administrative authority or other proceeding of a similar nature;

3.Disclose in accordance with the requirements of local laws and regulations and within the scope required by such laws and regulations;

4.Disclose in accordance with the listing and trading rules of the stock exchange where it is listed;

5.Disclose to any governmental, financial, tax or other administrative authority and to the extent required by such authority;

6.Disclose to its directors, managers, employees or professional advisors (including but not limited to lawyers, auditors, etc.), provided that the disclosed party has undertaken to the **syndicate member bank** to comply with the confidentiality obligations stipulated in this article;

7.Disclose within the scope permitted by Article 20.2 of this Contract (Scope of other disclosure);

8.Disclose to relevant rating agencies in loan securitization transactions by each **syndicate member bank**; and/or

9.Disclose with the consent of the party providing the confidential information.

20.2 Scope of other disclosure

Any **syndicate member bank** may disclose to any person who may or has already entered into any transfer or indirect sub-lending agreement as stipulated in Article XVIII of this Contract (Transfer) with the **syndicate member bank**:

1.Photocopies of this Contract; and/or

2.Any information that the **syndicate member bank** has obtained about the **borrower**, this Contract and the transactions under this Contract.

However, the disclosed party must, before receiving any such information, undertake to the **syndicate member bank** to comply with the confidentiality obligations stipulated in Article XX of this Contract (Obligation of confidentiality).

20.3 Replacement

The agreements in Article 20.1 (Scope of confidentiality) and Article 20.2 (Scope of other disclosure) of this Contract shall supersede any confidentiality commitment made by any **syndicate member bank** before becoming a party to this Contract in relation to the **borrower**, this Contract and the transactions under this Contract.

20.4 Information collection

The **borrower** agrees and irrevocably authorizes that, the **syndicate member banks**, on the premise of not violating the prohibitions of the *Regulation on the Administration of Credit Investigation Industry* and the relevant laws and regulations, and in accordance with the collection requirements of the Financial Credit Information Basic Database set up by the State; shall have the right to provide to the Financial Credit Information Basic Database established by the State, the information relating to all the contracts/agreements/undertakings signed between the **borrower** and the **syndicate member banks**, including information relating to the performance of all the aforesaid contracts/agreements/undertakings and the basic corporate information and other information provided by the **borrower** to the Financial Credit Information Basic Database set up by the State for query and use by units with the qualification to query; at the same time, the **syndicate member banks** also have the right to query and use the credit information of the **borrower** that has been entered into the Financial Credit Information Basic Database set up by the State. Such authorization covers all aspects of the necessary management of the business under this Contract by the **syndicate member banks** before and after the signing of this Contract, and shall expire with the actual termination of this Contract.

XXI. Modification and exemption

21.1 Application and consent for modification or exemption

1.After the **borrower** applies for modifications and exemptions to the provisions of this Contract, the **agent bank** shall review the written application submitted by the **borrower** in accordance with the requirements stipulated in this Contract and check whether the **borrower** has provided the information required for each **lender** to make a decision (such as cash flow forecasts and financial statements, etc.). After receiving the required documents mentioned above, the **agent bank** shall promptly notify each **lender** to request a vote.

2.Any **lender** proposing a modification to the provisions of this Contract shall first notify the **agent bank**, and upon receipt of such notice, the **agent bank** shall promptly notify the other **lenders** to request a vote. In the event that the voting matter proposed by the **lenders** involves the **borrower** and any **guarantor**, the **agent bank** shall also copy the notice to the **borrower** and such **guarantor** and negotiate with the **borrower** on behalf of the syndicate for the modification of the provisions of the contract in accordance with the relevant provisions of this Contract.

3.For modifications or exemptions proposed by the **borrower** or any **lender**, the **agent bank** shall determine whether the matter requires the consent of the **majority lender** or all of the **lenders** based on the relevant provisions of this Contract. If there is no express agreement in this Contract, or there is a dispute between the **lenders** and the **borrower**, the consent of all of the **lenders** shall be required.

4.After receiving the application for modifications or exemptions from the **borrower** or any **lender**, the **agent bank** shall complete the voting procedures in accordance with the provisions of Article 16.7 of this Contract (*Syndicate meeting*), and promptly notify each **lender**, the **borrower** and relevant **guarantors** of the final valid voting result.

21.2 Written modification

Any modification to any provision of this Contract shall be made in writing and shall become effective with the signatures of all parties to this Contract.

21.3 Agent bank's consent

Modifications to the provisions concerning any of the following matters must be approved by the **agent bank**:

1.Article VIII (Provisions as to payment), Article XVI (Relationships of syndicate member banks) or Article XXI (Modification and exemption) of this Contract; and/or

2.Modify or waive any rights of the **agent bank** under this Contract, or impose any other obligations on the **agent bank**.

XXII. Notification

22.1 Through the agent bank

All communications between the **borrower** and any **syndicate member bank** regarding this Contract shall be made through the **agent bank**.

22.2 Method of notification

Any notice, request or other document sent by any party to this Contract to any other party shall be made in writing and sent to the contact address or telex number or fax number or e-mail specified in writing by the recipient at any time and indicating the contact person (if any). The initial contact address, telex number, fax number, e-mail and contact person (if any) designated by each party are listed on the signature page of this Contract.

Each party to this Contract confirms that the contact information originally designated by the parties on the signature page of this Contract or the contact information subsequently changed according to this Contract is the address for service of documents of litigation or arbitration in respect of the dispute under this Contract, and each party to this Contract shall bear the legal consequences arising therefrom.

22.3 Service of notice

Any communication between the parties to this Contract is deemed to have been received by the recipient when the following conditions are met:

1.If delivered by hand, at the time of actual delivery;

2.If transmitted by telex or fax, when the transmission is completed and the correct reply number or fax report is received;

3.If sent by e-mail, the day (Beijing time) the e-mail is sent to the correct e-mail address; or

4.If sent by mail, at [17:00] (Beijing time) of the [10th] **business day** after the document is submitted for registered mail to the correct address.

Notwithstanding the foregoing in this article, any communication or document made or delivered in accordance with this article shall be deemed to be effective on the next **business day** if received after [10 days] on the date of receipt at the place of receipt.

22.4 Change of address

When any party to this Contract changes its contact address, telex number, fax number or e-mail, it shall notify the **agent bank** of such changes as soon as possible. Upon receipt of such notice of change, the **agent bank** shall immediately notify the other parties to this Contract.

22.5 Notification language

Notices given under this Contract shall be in Chinese.

XXIII. Debt certificate

Any **syndicate member bank** shall record relevant accounting information and records related to this Contract on its accounting books in accordance with its ordinary business practice. In the absence of manifest errors, the information recorded in the accounting documents of the **syndicate member banks** prepared in accordance with its ordinary business practice constitutes conclusive evidence of the debt owed by the **borrower** to the **syndicate member banks** under this Contract.

XXIV. Other agreements

24.1 The borrower shall open a special account for loan payment and a special account for fund withdrawal with the syndicate agent bank, and sign the *Account Supervision Agreement* and the *Entrusted Payment Agreement*. During the construction period, the project construction funds must be transferred to the special account, earmarked for the special purpose, and the external payments shall be made according to relevant requirements of entrusted payment management, and the syndicate shall have the right to supervise the use of funds in the special accounts;

24.2 The borrower's comprehensive operating income must be fully deposited into a special account for collection. Apart from reasonable operating expenses, it should be primarily used for repaying the principal and interest of the loan, and the syndicate is authorized to deduct the principal and interest of the loan from the special account;

24.3 Complete the mortgage formalities for the land and factory buildings under the borrower's name, make the syndicate the first mortgagee, and explicitly state that the syndicate is the first claimant for insurance proceeds;

24.4 The project assets and their proceeds shall not be refinanced externally, the project assets shall not be mortgaged again except to the syndicate, the borrower's equity and project income rights shall not be pledged to parties other than the syndicate. In the event of significant changes in the borrower's equity, capital operations, external investments, external guarantees, or other matters affecting the repayment of loans to the syndicate, the borrower must obtain prior written consent from the syndicate;

24.5 The project funds shall not be misappropriated in any form until the full repayment of the loan principal and interest, and no profit distribution shall be made before repaying the loan principal and interest for the current year. If the project construction exceeds the budget, the excess amount shall be self-financed by the borrower, and it shall be ensured that the proportion of project capital fund is not lower than the proportion required by the relevant national regulations;

24.6 If the borrower has suffered losses for two consecutive years, the syndicate shall have the right to declare the loan due in advance or request the borrower to provide additional risk mitigation measures approved by the syndicate;

Should the borrower violate the conditions above, the syndicate shall have the right to increase the interest rate of the loan by 50% or declare the loan due in advance and recall the loan.

XXV. Accumulation of rights and independence of provisions

25.1 Accumulation of rights

The failure or delay of any **syndicate member bank** in exercising any of its rights under this Contract shall not be deemed to be a waiver of such rights, and any exercise by any **syndicate member bank** of any such rights, alone or in part, shall not preclude the subsequent exercise of such right or any other rights in any other manner or to any further extent by that **syndicate member bank**. The rights and remedies stipulated in this Contract are cumulative and do not exclude any other rights or remedies granted to any **syndicate member bank** by laws and regulations.

25.2 Independence of provisions

If, at any time, any provision of this Contract becomes illegal, invalid or unenforceable, the legality, validity or enforceability of the remaining provisions in this Contract will not in any way be affected or impaired.

XXVI. Text of the contract

26.1 Language

This Contract is drafted and signed in Chinese.

26.2 Original copy

This Contract is made in [ten] original copies, which are of equal force and effect.

XVII. Governing law and dispute resolution

27.1 Governing law

This Contract shall be governed by and construed in accordance with the laws of **China**.

27.2 Dispute resolution

Any dispute arising out of or in connection with this Contract shall be resolved by amicable negotiation among all parties within [10] days of receipt of written notice from any other party. In the event of failure to negotiate within that period, any party shall have the right to choose the [second] dispute resolution method below:

1.Submit the dispute to the [/] Arbitration Commission for arbitration in [/] in accordance with the arbitration rules of the Commission currently in effect at the time of application for arbitration. The arbitral award is final and binding on all parties; or

2.Submit the dispute to the People's Court of [Jianye District, Nanjing City] for resolution through litigation.

27.3 Waiver of immunity

The **borrower** hereby irrevocably waives any immunity it or its assets may have or hereafter acquire in any jurisdiction from any legal proceedings or judicial process.

XXVIII. Effectiveness

This Contract shall become effective on the date on which the legal representative/responsible person or the authorized signatory of each party signs and affixes its official seal or the special seal for contract ("**effective date**").

Appendix I Lenders' Original Loan Amount

Original lender	Original loan amount
Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited	RMB 210,000,000.00
East West Bank (China) Limited	RMB 70,000,000.00

Appendix II Form of Document Confirmation Letter

To: [Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]

As the **agent bank**

Date: [ ] [ ], [ ]

Subject: [Syndicated] **Loan Contract signed on [__] [__], [__]**

Our company hereby references the [Syndicated Loan] Contract (hereinafter referred to as the "**Loan Contract**") signed on [ ] [ ], [ ] by [Amphastar Nanjing Pharmaceuticals Inc.] as the **borrower**, with (1) [Nanjing Branch of Industrial and Commercial Bank of China Limited] as the **lead bank**, (2) [Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited] and [East West Bank (China) Limited] as the **original lenders**, and (3) [Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited] as the **agent bank**. The terms defined in the **Loan Contract** shall have the same meanings when used in this Confirmation Letter.

Our company hereby confirms:

1. Among the various documents listed in paragraph 1 of Article 4.2 of the **Loan Contract** (*Prerequisites for first withdrawal*), the originals are true and complete, and the photocopies (including but not limited to the documents attached to this Confirmation Letter) are true, accurate and complete copies of their originals, and such documents are completely effective on the date of this Confirmation Letter.

2. The resolutions passed at the meeting of our company's [board of shareholders]/[board of directors] and stated in the meeting minutes are completely effective and have not been revoked, amended or replaced as of the date of this Confirmation Letter.

3. Our company is currently solvent.

4. The following is a list of all current directors of our company as of the date of this Confirmation Letter and the list of directors as of the date of the board meeting:

[Zhang Yongfeng, Mary Luo, Rong Zhou, Yakob Liawatidewi, Qiu Yinhua].

5. Unless our company notifies you in writing to the contrary, your bank may believe that the content contained in this Confirmation Letter is always true and accurate on and before the **withdrawal date**.

————————————————— —————————————————

Legal Representative/Responsible Person
(or Authorized Signatory)
[•] Official seal

Appendix III Form of Transfer Certificate

To: [/]
Address: [/]
Contact person: [/]

[/]
Address: [/]
Contact person: [/]

From: [**Transferring bank**] and [**Transferee bank**]

[•] Contract dated [•] ("Loan Contract")

We hereby reference the Article XVIII of the **Loan Contract** (*Transfer*). The terms defined in the **Loan Contract** shall have the same meanings when used in this Certificate.

1. The **transferring bank** and the **transferee bank** hereby agree that the **transferring bank** will transfer the rights and obligations listed in the annex to the **transferee bank** in accordance with the provisions of Article XVIII of the **Loan Contract** (*Transfer*), and the **transferee bank** will assume the same responsibilities as the **transferring bank** did before the transfer to other **syndicate member banks**.

2. The date of transfer is [/].

3. The address of the **transferee bank**'s handling agency is listed in the annex.

4. The provisions of Article 18.3 (Effectiveness of transfer) to Article 18.7 (Further exemption of the transferring bank) of the **Loan Contract** form part of this Certificate and are binding on the **transferee bank**.

5. This Certificate is governed by the laws of **China**.

Annex Shares of Transfer

Under the **total loan amount:**

Transferring bank's **loan amount**	Transferred **loan amount**
[/]	[/]
Transferring bank's share of **loan balance**	Transferred part
[/]	[/]

Transferee bank's information: [/]

Name of the **transferee bank**: [/]
Handling agency: [/]
Address for delivery of notices: [/]
Phone: [/]
Telex: [/]
Fax: [/]
Contact person: [/]
Email: [/]

[**Transferring bank**] [/]

Signatory: [/]

____________________ (Official Seal)

[**Transferee bank**] [/]

Signatory: [/]

____________________ (Official Seal)

[**Agent bank**] [/]
Signatory: [/]

____________________ (Official Seal)

Appendix IV Accounts of Various Parties

Borrower

Loan fund account
Account name: [Amphastar Nanjing Pharmaceuticals Inc.]
Opening bank: [Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]
Account No.: [***]
Remarks: [Disbursement of syndicated loan]

Syndicate member banks

Agent bank's payment account
Account name: [/]
Opening bank: [/]
Account No.: [/]
Bank No.: [/]
Remarks: [/]

[*Name of the lead bank*]
Account name: [/]
Opening bank: [/]
Account No.: [/]
Bank No.: [/]
Remarks: [/]

[*Name of the agent bank*]
Account name: [/]
Opening bank: [/]
Account No.: [/]
Bank No.: [/]
Remarks: [/]

[*Name of the lender*]
Account name: [/]
Opening bank: [/]
Account No.: [/]
Bank No.: [/]

Remarks: [/]

[*Name of the lender*]
Account name: [/]
Opening bank: [/]
Account No.: [/]
Bank No.: [/]
Remarks: [/]

This page is the stamp page of the *Syndicated Loan Contract* signed by Nanjing Branch of Industrial and Commercial Bank of China Limited, Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited, East West Bank (China) Limited and Amphastar Nanjing Pharmaceuticals Inc., and there is no text on this page.

Borrower

[Amphastar Nanjing Pharmaceuticals Inc.]

Address:	[No. 5, Xinghe Road, Nanjing Economic and Technological Development Zone]
Zip code:	[210000]
Phone:	[***]
Fax:	[/]
Contact person:	[***]
Email:	[***]

Legal Representative/Responsible Person (or Authorized Signatory)

[seal:]
[illegible]

Amphastar Nanjing Pharmaceuticals Inc.
[seal]

Name:
Title:

Official Seal/Special Seal for Contract

This page is the stamp page of the *Syndicated Loan Contract* signed by Nanjing Branch of Industrial and Commercial Bank of China Limited, Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited, East West Bank (China) Limited and Amphastar Nanjing Pharmaceuticals Inc., and there is no text on this page.

Lead bank

[Nanjing Branch of Industrial and Commercial Bank of China Limited]

Address: [No. 379, Jiangdong Middle Road, Jianye District, Nanjing]
Zip code: [210000]
Phone: [***]
Fax: [***] Contact person: [***]
Email: [***]

Legal Representative/Responsible Person (or Authorized Signatory):

Seal of Yang Qingsheng [seal]

Nanjing Branch of Industrial and Commercial Bank of China Limited [seal]

Name:
Title:

Official Seal/Special Seal for Contract

This page is the stamp page of the *Syndicated Loan Contract* signed by Nanjing Branch of Industrial and Commercial Bank of China Limited, Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited, East West Bank (China) Limited and Amphastar Nanjing Pharmaceuticals Inc., and there is no text on this page.

Agent bank

[Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]

Mailing address: Building B, Financial Building, Xingang Industrial Zone, Nanjing
Zip code: [210038]
Phone: [***]
Fax: [***]
Contact person: [***]
Email: [***]

Legal Representative/Responsible Person (or Authorized Signatory):

Special Seal for Business Contract of Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited
50BFF37A1036
[seal]

Li Lei
[seal]

Name:
Title:

Official Seal/Special Seal for Contract

This page is the stamp page of the *Syndicated Loan Contract* signed by Nanjing Branch of Industrial and Commercial Bank of China Limited, Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited, East West Bank (China) Limited and Amphastar Nanjing Pharmaceuticals Inc., and there is no text on this page.

Lender

[Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited]

Mailing address: Building B, Financial Building, Xingang Industrial Zone, Nanjing
Zip code: [210038]
Phone: [***]
Fax: [***]
Contact person: [***]
Email: [***]

Legal Representative/Responsible Person (or Authorized Signatory):

Special Seal for Business Contract of Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited
50BFF37A1036
[seal]

Li Lei
[seal]

Name:
Title:

Official Seal/Special Seal for Contract

This page is the stamp page of the *Syndicated Loan Contract* signed by Nanjing Branch of Industrial and Commercial Bank of China Limited, Nanjing Zidong Sub-branch of Industrial and Commercial Bank of China Limited, East West Bank (China) Limited and Amphastar Nanjing Pharmaceuticals Inc., and there is no text on this page.

Lender

[East West Bank (China) Limited]

Mailing address:	[Units 01-08, 33/F, Jinmao Building, No. 88 Century Avenue, China (Shanghai) Pilot Free Trade Zone]
Zip code:	[200000]
Phone:	[***]
Fax:	[***]
Contact person:	[***]
Email:	[***]

Legal Representative/Responsible Person (or Authorized Sign

East West Bank (China) Limited [seal]

/s/Julia Zhu
Name:
Title:

Official Seal/Special Seal for Contract

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14a OF THE SECURITIES EXCHANGE ACT OF 1934 AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Jack Y. Zhang, Ph.D., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amphastar Pharmaceuticals, 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 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 control over financial reporting.

Date: May 10, 2024

By: **/s/ JACK Y. ZHANG**
Jack Y. Zhang
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14a OF
THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES OXLEY ACT OF 2002**

I, William J. Peters, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amphastar Pharmaceuticals, 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 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 control over financial reporting.

Date: May 10, 2024

By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Amphastar Pharmaceuticals, Inc. (the “Company”), hereby certifies, to the best of such officer’s knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 10, 2024	By: **/s/ JACK Y. ZHANG**
	Jack Y. Zhang
	Chief Executive Officer
	(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Exhibit 32.2

**CERTIFICATIONS OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officer of Amphastar Pharmaceuticals, Inc. (the "Company"), hereby certifies, to the best of such officer's knowledge, that:

(i) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: May 10, 2024

By: **/s/ WILLIAM J. PETERS**
William J. Peters
Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. §1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.