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

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FORM 20-F

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(Mark One)

- ☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
OR
- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2022**  
OR
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
OR
- ☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report** \_\_\_\_\_  
**For the transition period from** \_\_\_\_\_ **to** \_\_\_\_\_

Commission file number: 001-34602

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**DAQO NEW ENERGY CORP.**  
(Exact name of Registrant as specified in its charter)

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N/A  
(Translation of Registrant's name into English)

Cayman Islands  
(Jurisdiction of incorporation or organization)

Unit 29, Huadu Mansion, 838 Zhangyang Road,  
Shanghai, 200122

The People's Republic of China  
(Address of principal executive offices)

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Unit 29, Huadu Mansion, 838 Zhangyang Road, Shanghai, 200122, The People's Republic of China  
(Name, Telephone, E-mail and Address of Company Contact Person)

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

| Title of Each Class  | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|--|-------------------|---|
| American depositary shares, each representing<br>5 ordinary shares<br>Ordinary shares, par value US\$0.0001 per share* | DQ                | New York Stock Exchange                   |

\* Not for trading, but only in connection with the listing on New York Stock Exchange of the American depositary shares.

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**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

**None**  
**(Title of Class)**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**  
**(Title of Class)**

Indicate the number of outstanding shares of each of the issuer's class for the period covered by the annual report **391,023,327 ordinary shares, par value US\$0.0001 per share, as of December 31, 2022.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒  
Non-accelerated filer ☐

Accelerated filer ☐  
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act. ☐

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒

International Financial Reporting Standards as issued by the International Accounting Standards Board ☐

Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

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## INTRODUCTION

Except where the context otherwise requires:

- “we,” “us,” “our company,” “our” or “Daqo Cayman” refers to Daqo New Energy Corp., its subsidiaries and, until December 30, 2013, its consolidated variable interest entity;
- “ADSs” refers to our American depositary shares, each of which represents five ordinary shares. On November 17, 2020, we effected a change of the ADS to ordinary share ratio from one ADS representing 25 ordinary shares to one ADS representing five ordinary shares. The ratio change had the same effect as a 1-for-5 ADS split;
- “cash cost” is calculated by the inventoriable costs relating to production of polysilicon excluding depreciation expense and share-based compensation expense, divided by the production volume in the period indicated;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, Taiwan, Hong Kong and Macau;
- “production cost” is calculated by the inventoriable costs relating to production of polysilicon divided by the production volume in the period indicated;
- “PV” means photovoltaic;
- “shares” or “ordinary shares” refers to our ordinary shares, par value \$0.0001 per share;
- “RMB” or “Renminbi” refers to the legal currency of China;
- “\$,” “US\$,” “dollars” or “U.S. dollars” refers to the legal currency of the United States; and
- “EUR” or “Euro” refers to the legal currency of the European Union.

Our financial statements are expressed in U.S. dollars, which is our reporting currency. Certain of our financial data in this annual report on Form 20-F are translated into U.S. dollars solely for the reader’s convenience. Unless otherwise noted, all convenience translations from Renminbi to U.S. dollars in this annual report on Form 20-F were made at a rate of RMB6.8972 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System on December 30, 2022. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, at the rate stated above, or at all.

## FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that reflect our current expectations and views of future events. All statements other than statements of historical facts are forward-looking statements. These forward-looking statements are made under the “safe-harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “is expected to,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- the demand for photovoltaic products and the development of photovoltaic technologies;
- global supply and demand for polysilicon;
- alternative technologies in cell manufacturing;
- our ability to significantly expand its polysilicon production capacity and output;
- our ability to successfully operate our newly built polysilicon and other facilities in new locations such as Baotou;
- the reduction in or elimination of government subsidies and economic incentives for solar energy applications;
- our ability to lower its production costs;
- changes in the political and regulatory environment; and
- the duration of COVID-19 outbreaks in China and many other countries and the impact of the outbreaks and the quarantines and travel restrictions instituted by relevant governments on economic and market conditions, including potentially weaker global demand for solar PV installations that could adversely affect the Company’s business and financial performance.

This annual report on Form 20-F also contains estimates, projections and statistical data related to the polysilicon markets and photovoltaic industry in several countries, including China. This market data speaks as of the date it was published and includes projections that are based on a number of assumptions and are not representations of fact. If any one or more of the assumptions underlying the market data proves to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by U.S. federal securities 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 on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we reference in this annual report and have filed as exhibits to this annual report, completely and with the understanding that our actual future results may be materially different from what we expect. Other sections of this annual report include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

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## **Part I**

### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

### **ITEM 3. KEY INFORMATION**

#### **Implications of Being a Foreign Private Issuer and a China-based Company**

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers. Moreover, the information we are required to file with or furnish to the Securities and Exchange Commission (the “SEC”) will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. In addition, as a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the New York Stock Exchange (“NYSE”) listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with the New York Stock Exchange listing standards.

We are exposed to legal and operational risks associated with our operations in China. We are subject to risks arising from China’s legal system, including uncertainties in the interpretation and the enforcement of the PRC laws and regulations. In addition, rules and regulations in China can change quickly with little advance notice. In recent years, Chinese regulators have announced regulatory actions targeting certain sectors of China’s economy, including the for-profit education sector and technology platforms that have a quantitatively significant number of users located in China. Although the solar power industry does not appear to be the focus of these regulatory actions, we cannot guarantee that the Chinese government will not in the future take regulatory actions that materially and adversely affect the business environment and financial markets in China as they relate to us, our ability to operate our business, our liquidity and our access to capital.

The PRC government may also intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, including us, at any time, substantial intervention and influence over the manner of our operations, which could result in a material change in our operations or the value of our ADSs. Any actions by the PRC government to exert more oversight and control over offerings that are conducted overseas or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas, adopting new measures to extend the scope of cybersecurity reviews, adopting new laws and regulations related to data security, and expanding the efforts in anti-monopoly enforcement. While we do not believe that these regulatory changes would have any material impact on us, we cannot assure you that the regulators will agree with us or will not in the future adopt regulations that restrict our business operations or access to capital.

For example, on July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. These opinions and any related implementation rules to be enacted may subject us to additional compliance requirement in the future.

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) promulgated the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”), as well as Supporting Guidance Rules No. 1 through No. 5, Notes on the Trial Measures, Notice on Administration Arrangements for the Filing of Overseas Listings by Domestic Enterprises, which shall be effective on March 31, 2023. The Trial Measures set out the new regulatory requirements and filing procedures for PRC domestic companies seeking direct or indirect listing in overseas markets. According to the Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with and report relevant information to the CSRC, and filings shall be submitted within three working days after (i) the application for an initial public offering is submitted and (ii) any completion of offering of shares in the same stock market after the initial public offering and listing. If we plan to make any equity offering in the U.S. in the future, the Trial Measures and any related implementation rules to be enacted may subject us to additional compliance requirements.

With the trend of strengthening anti-monopoly supervision around the world, the PRC government has issued a series of anti-monopoly laws and regulations in 2021, paying more attention to corporate compliance. On February 7, 2021, the Anti-monopoly Commission of the State Council of the PRC promulgated the Guidelines for Anti-monopoly in the field of Platform Economy. On November 15, 2021, the State Administration for Market Regulation of the PRC promulgated the Guidelines for the Overseas Anti-monopoly Compliance of Enterprises. We believe that these regulations currently have little impact on us, but we cannot guarantee that regulators will agree with us or that these regulations will not affect our business operations in the future.

Cybersecurity and data privacy and security issues are subject to increasing legislative and regulatory focus in China. For example, the State Council of the PRC promulgated the Regulation on the Protection of the Security of Critical Information Infrastructure on July 30, 2021, which took effect on September 1, 2021. This regulation require, among others, certain competent authorities to identify critical information infrastructures. In November 2021, the Cybersecurity Administration of China (the “CAC”) promulgated the Draft Administrative Regulations on Cyber Data Security, or the Draft Cyber Data Security Regulations, for public comment. These draft regulations set forth different scenarios under which data processors would be required to apply for cybersecurity review. However, there is no definite timetable as to when these draft regulations will be enacted. In addition, the CAC and a number of other departments under the State Council promulgated the Measures for Cybersecurity Review on December 28, 2021, which became effective on February 15, 2022. According to this regulation, critical information infrastructure operators purchasing network products and services and data processors carrying out data processing activities, which affect or may affect national security, are required to conduct cybersecurity review. On July 7, 2022, the CAC issued the Measures for the Security Assessment of Data Cross-border Transfer, or the Security Assessment Measures, which became effective on September 1, 2022. In accordance with the Security Assessment Measures, a data processor should apply to the CAC for a security assessment under certain circumstances. We believe that these regulations have little impact on us, because we are neither a critical information infrastructure operator nor a data processor within the meanings of these regulation. However, we cannot guarantee that the regulators will agree with us.

On September 1, 2021, the PRC Data Security Law became effective, which imposes data security and privacy obligations on entities and individuals conducting data-related activities, and introduces a data classification and hierarchical protection system. In addition, the Standing Committee of the PRC National People’s Congress promulgated the Personal Information Protection Law (the “PIPL”) on August 20, 2021, which took effect on November 1, 2021. The PIPL further emphasizes processors’ obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. We do not expect to have significant data security or privacy issues given that the nature of our business does not involve collecting and use of vast personal data. However, we cannot guarantee that the regulators will agree with us or will not in the future adopt new regulations that restrict our business operations.

Since these regulatory actions are relatively new, it is uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, or the potential impact such modified or new laws and regulations will have on our daily business operation, or our ability to accept foreign investments and listing on a U.S. or other foreign exchanges. PRC laws and their interpretations and enforcement continue to develop and are subject to change, and the PRC government may adopt other rules and restrictions in the future.

Our financial statements contained in this annual report have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm that is headquartered in Shanghai, China with offices in other cities in China. It is a firm registered with the U.S. Public Company Accounting Oversight Board (the “PCAOB”), and is required by the laws of the U.S. to undergo regular inspections by the PCAOB to assess its compliance with the laws of the U.S. and professional standards. The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states if the SEC determines that a company has filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit such ordinary shares from being traded on a national securities exchange or in the over-the-counter trading market in the U.S. On December 29, 2022, the Accelerating Holding Foreign Companies Accountable Act, or the AHFCA Act, was signed into law, which reduced the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two. As a result, the risk has been heightened. The process for implementing trading prohibitions pursuant to the HFCA Act will be based on a list of registered public accounting firms that the PCAOB has been unable to inspect and investigate completely as a result of a position taken by a non-U.S. government. The first such list was announced by the PCAOB on December 16, 2021, and all PCAOB-registered firms in China, including our auditor, were included on that list. Subsequently, we were conclusively identified by the SEC as a “Commission-Identified Issuer” under the HFCA Act on May 4, 2022 in respect of our annual report for 2021 filed on April 22, 2022. On December 15, 2022, the PCAOB announced its determination that it has been able to inspect and investigate audit firms in mainland China and Hong Kong completely for purposes of the HFCA Act, and the PCAOB vacated its December 16, 2021 determinations. However, the PCAOB stated that should PRC authorities obstruct the PCAOB’s ability to inspect or investigate completely in any way and at any point in the future, the PCAOB Board will act immediately to consider the need to issue new determinations consistent with the HFCA Act. While we currently do not expect the HFCA Act or the AHFCA Act to prevent us from maintaining the trading of our ADSs in the U.S., uncertainties exist with respect to future determinations of the PCAOB in this respect and any further legislative or regulatory actions to be taken by the U.S. or Chinese governments that could affect our listing status in the U.S. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

We are a holding company incorporated in the Cayman Islands without any substantive operations, and our business is conducted through our PRC subsidiaries. We may rely upon dividends paid to us by our subsidiaries in the PRC to pay dividends and to finance any debt we may incur. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our subsidiaries are permitted to pay dividends to us only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, each of our Chinese subsidiaries are required to set aside a portion of their net income each year to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. This reserve is not distributable as dividends. As a result, our Chinese subsidiaries are restricted in their ability to transfer a portion of its net assets to us in the form of dividends, loans or advances. As an offshore holding company, we will be permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fund-raising activities to our subsidiaries in China only through loans or capital contributions, subject to the satisfaction of the applicable government registration and approval requirements. Before providing loans to our PRC subsidiaries, we will be required to make filings about details of the loans with the State Administration of Foreign Exchange of the PRC (the “SAFE”) in accordance with relevant PRC laws and regulations. Our PRC subsidiaries that receive the loans are only allowed to use the loans for the purposes set forth in these laws and regulations. Under regulations of the SAFE, Renminbi is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investments outside of China, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China” for more details.

**A. [Reserved]**

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

## **D. Risk Factors**

### **Risks Related to Our Business**

You should carefully consider the following risk factors in addition to the other information included or incorporated by reference in this report, including matters addressed in the section entitled “Forward-Looking Statements.” We caution you not to place undue reliance on the forward-looking statements contained in this report, which speak only as of the date hereof. The risks and uncertainties described below include all of the material risks applicable to us; however they are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

#### **Summary of Risk Factors**

The following is a summary of significant risk factors and uncertainties that may affect our business, which are discussed in more details below.

- Our ability to maintain our growth and profitability depend on the demand for photovoltaic products and the development of photovoltaic technologies;
- The imbalance between polysilicon supply and demand could cause polysilicon prices to decline;
- The reduction in or elimination of government subsidies and economic incentives for solar energy applications could cause demand for our products and our revenues to decline;
- We need a significant amount of cash to fund our future capital expenditure requirements and working capital needs;
- We may not be successful in our efforts to continue to manufacture high quality polysilicon in a cost-effective manner;
- Further development in alternative polysilicon production technologies or other changes in the photovoltaic industry could render our production process too costly or obsolete;
- Our future commercial production and expansion projects may not be successful. In particular, we may not be able to successfully operate our newly built polysilicon and other facilities in new locations such as Baotou, Inner Mongolia;
- We depend on a limited number of customers and sales contracts for a significant portion of our revenues;
- Polysilicon production is energy-intensive, and our energy costs could rise and our electricity and other utility supplies could be disrupted;
- Our business and operations may continue to be materially and adversely affected by the outbreak of COVID-19;
- Existing laws and regulations and changes to these laws and regulations may present technical, regulatory, economic and trade barriers to the purchase and use of photovoltaic products, and restrictions on our ability to import or U.S. certain controlled U.S. technologies could also negatively affect us;
- Substantially all of our production, storage, administrative, and research and development facilities are currently located in Shihezi City, Xinjiang, China, which may expose us to risks of damages or disruptions at these facilities as well as risks of dealing with sanctioned persons;
- Changes in United States and China relations and related regulations may adversely impact our business, our operating results, our ability to raise capital and the market price of our ordinary shares and/or our ADSs;
- Uncertainties in China’s legal system, including the interpretation and enforcement of PRC laws and regulations, could limit the legal protection available to you and us;
- Recent regulatory developments in China may subject us to additional regulatory review and disclosure requirements, expose us to government interference, or otherwise restrict or completely hinder our ability to offer securities and raise capital outside China;



- Future equity offerings of our subsidiary, Xinjiang Daqo, in China's A-share market may be subject to approval of the Shanghai Stock Exchange, CSRC and other regulatory agencies in China, which could impose uncertainty on our capital raising activities;
- If the PCAOB is unable to inspect our auditors as required under the HFCA Act, the SEC will prohibit the trading of our ADSs, which may materially and adversely affect the value of your investment; and
- Proceedings instituted by the SEC against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act.

***Our ability to maintain our growth and profitability depend on the demand for photovoltaic products and the development of photovoltaic technologies, among other things.***

The solar industry is still at a relatively early stage of development, and the extent of acceptance of photovoltaic products is uncertain. The photovoltaic industry does not have data as far back as the semiconductor industry or other more established industries, for which trends can be assessed more reliably from data gathered over a longer period of time. Demand for photovoltaic products may not develop or may develop to a lesser extent than we anticipate. Many factors may affect the viability of widespread adoption of photovoltaic technology and demand for photovoltaic products, including:

- decreases in government subsidies and incentives to support the development of the photovoltaic industry;
- international trade conflicts and consequently imposed tariffs for solar photovoltaic, or PV, products, and other renewable energy sources and products;
- relative cost-effectiveness, performance and reliability of photovoltaic products compared to conventional;
- success of other alternative energy sources, such as wind power, hydroelectric power and biofuel;
- fluctuations in economic and market conditions that affect the viability of conventional and other renewable energy sources, such as increases or decreases in the prices of oil and other fossil fuels;
- the ability of photovoltaic product manufacturers to finance their business operations, expansions and other capital expenditures;
- capital expenditures by end users of photovoltaic products, which tend to decrease when the economy slows down; and
- deregulation or other regulatory actions affecting the electric power industry and the broader energy industry.

In the event that photovoltaic technologies do not develop in a manner that increases the demand for polysilicon or demand for solar products does not expand as we expect, average selling prices may move downward as a result, and our future growth and profitability will be materially and adversely affected.

***The imbalance between polysilicon supply and demand could cause polysilicon prices to decline and materially and adversely affect our profitability.***

Our polysilicon sales prices are affected by a variety of factors, including global supply and demand conditions. Over the years, many polysilicon manufacturers have significantly increased their capacity to meet customer demand and continue to expand capacities in order to achieve economies of scale. In the first half of 2016, average selling prices of polysilicon were relatively strong due to rush orders placed before China's solar PV feed-in tariff adjustment went effective at the end of June 2016. In the second half of 2016, average selling prices of polysilicon declined due to decreasing demand. In 2017, the solar PV demand in China grew significantly to approximately 55 GW, and thus the average selling prices of polysilicon were relatively strong during the year. In 2018, polysilicon supply capacities increased in the second half of the year, which caused the average selling prices of polysilicon to decline again. In 2019, polysilicon supply capacities continued to increase significantly, while the growth of overall global solar PV demand was relatively weak and could not cover the additional supply. The solar PV demand was weak in the first half of 2020 due to the impact of COVID-19, leading to a decline in polysilicon prices. The solar PV demand recovered quickly in the second half of 2020, which caused polysilicon prices to pick up significantly. In 2021, polysilicon prices continued to increase significantly due to strong PV demand and relatively limited additional supply of polysilicon. In 2022, the growth of overall global solar PV demand continued to increase and the polysilicon supply was insufficient, resulting in further increases in polysilicon prices. In January and February 2023, polysilicon prices fluctuated significantly due to temporary adjustments in the utilization rates of downstream solar sectors. In March 2023, polysilicon prices started to gradually decline due to increasing supply. We expect that the overall solar PV demand will continue to grow and consume the additional supply of polysilicon in 2023. However, if the overall solar demand cannot consume the additional supply of polysilicon, it could cause polysilicon prices to decline and thus materially and adversely affect our profitability.

***The reduction in or elimination of government subsidies and economic incentives for solar energy applications could cause demand for our products and our revenues to decline.***

When upfront system costs are factored into cost per kilowatt hour, the current cost of solar power still exceeds the cost of traditional forms of energy in many locations. As a result, national and local governmental authorities in many countries, including China, have provided subsidies and economic incentives in the form of feed-in tariffs, rebates, tax credits and other incentives to distributors, system integrators and manufacturers of photovoltaic products to promote the use of solar energy and to reduce dependency on other forms of energy. We believe that the near-term growth of the market for solar energy applications depends in large part on the availability and size of government subsidies and economic incentives. The reduction or elimination of government subsidies and economic incentives may hinder the growth of this market or result in increased price competition for solar energy products, which could cause our revenues to decline. These government subsidies and economic incentives could be reduced or eliminated altogether. For example, China has announced several reductions in solar feed-in tariffs ("FITs") since the release of the "Notice on Leveraging the Price for the Development of the Solar Energy Industry" in 2013. A reduction in solar FITs was announced in May 2018 for solar power projects approved after May 31, 2018. The new FIT for solar power projects in Zone 1, 2 and 3 was reduced by RMB0.05 per kWh, to RMB0.5 per kWh, RMB0.6 per kWh and RMB0.7 per kWh, respectively. In 2019, China adopted a new method of bidding process to allocate subsidies for most of the domestic solar PV installations. A similar policy is applied in 2020. In 2016, global solar PV installations continued its growing trend and reached approximately 73 GW. In 2017, global solar PV installations grew significantly to approximately 100 GW. However, the growth rate of global PV installations slowed down in 2018 with approximately 110 GW newly installed in the year. In 2019, China domestic demand was negatively impacted by a long-delayed announcement of subsidy policy. However, demand from overseas markets remained robust. Global solar PV installations were approximately 115 GW in 2019 and further increased to 130 GW in 2020, 175 GW in 2021 and approximately 268 GW in 2022. Reductions in, or elimination of, government subsidies and economic incentives for solar energy applications before the photovoltaic industry reaches the economies of scale necessary for solar power to become cost-effective in a non-subsidized market place could result in decreased demand for solar generation products and, as a result, for polysilicon, which could cause our revenues to decline.

***Our revenues and results of operations have fluctuated and are likely to fluctuate in the future.***

Fluctuations of our revenues and results of operations may occur on a quarterly and on an annual basis and may be due to a number of factors, many of which are beyond our control. These factors include, among others, fluctuation in the global average selling prices of photovoltaic products, fluctuation in the volume of our products shipped, changes in end-user demand for the photovoltaic products manufactured and sold by us or our customers, the gain or loss of significant customers, the availability of governmental subsidies or financial support and changes in our electricity, natural gas, raw material or labor costs. Although our revenue has improved since 2013 and we regained profitability from 2014 to 2022, our revenues and results of operations may worsen again if one or more of these factors become unfavorable to our business. While we generally have long-term sales contracts of photovoltaic products with our customers and some of these contracts provide for prepayment by the customers, we cannot assure you that the customers will place orders in accordance with the contracts. The customers' purchases from us depend on, among others, the market supply and demand situation, supply chain developments, the customers' inventories at hand, market prices, and general economic and market conditions.

Our business model, technology and ability to achieve satisfactory manufacturing yields for polysilicon at higher volumes are unproven. Compared to companies with a long and well-established operating history and companies operating in less volatile sectors, our results of operations are more susceptible to the impact of adverse operating environment and supply and demand risks. Therefore, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in a rapidly evolving and increasingly competitive market in China. Our future success will depend on our ability to expand our manufacturing capacity significantly beyond its current level and further expand our customer base. To address these risks, we must, among other things, continue to respond to competition and volatile market developments, attract, retain and motivate qualified personnel, implement and successfully execute expansion plans and improve our technologies. We cannot assure you that we will be successful in addressing such risks and sustain revenue growth or profitability.

***We need a significant amount of cash to fund our future capital expenditure requirements and working capital needs; if we cannot obtain additional sources of liquidity when needed, our growth prospects and future profitability may be materially and adversely affected.***

We need a significant amount of cash to fund our operations. In particular, we will need substantial additional funding to finance our expansion project at our polysilicon facilities in Inner Mongolia. We will also require cash resources to fund our research and development activities in order to remain competitive on cost and technology.

We have relied in the past and expect in the next 12 months to continue to rely mainly on operating cash flows, renewal and roll-over of our bank credit facilities and proceeds from the initial public offering and follow-on offering of our subsidiary Xinjiang Daqo New Energy Co., Ltd., or Xinjiang Daqo, in China to finance our working capital, capital expenditures requirements and other commitments. The photovoltaic markets remain competitive, and payment collection in the solar photovoltaic industry remains challenging. Any delay or failure in collecting amounts owed from customers will adversely affect our company's cash flow situation. In addition, future acquisitions, expansions, market changes or other developments may cause us to require additional financing. We may incur additional debt in the future. Our ability to obtain external financing in the future is subject to a number of uncertainties, including:

- our future financial condition, results of operations and cash flows;
- general market conditions for financing activities by companies in our industry;
- economic, political and other conditions in China and elsewhere; and
- development and sustainability of global economic recovery.

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, or at all, our growth prospects and ability to maintain profitability may be materially and adversely affected.



***We may not be successful in our efforts to continue to manufacture high quality polysilicon in a cost-effective manner.***

The technology used to manufacture polysilicon is complex, requires costly equipment and is continuously being modified in an effort to improve yields and product performance. We may face significant challenges relating to high quality polysilicon production in the future. Microscopic impurities such as dust and other contaminants, difficulties in the manufacturing process, disruptions in the supply of utilities or defects in the key materials or tools used to manufacture polysilicon could interrupt manufacturing, reduce yields or cause a portion of the polysilicon to be rejected by our customers, which would materially and adversely affect our profitability. As a result of our continuous efforts to improve polysilicon production quality, over 99% of our polysilicon was sold to mono-wafer applications in 2022, which require higher quality as compared to multi-wafer applications. We cannot assure you that we can continue to maintain the current level of high quality polysilicon production or achieve the expected increases in the portion of production suitable for selling to mono-wafer applications in 2023.

Our effective capacity and ability to produce high volumes of polysilicon depend on the cycle time for each batch of polysilicon. We may encounter problems in our manufacturing process or facilities as a result of, among other things, production failures, construction delays, human error, equipment malfunction or process contamination, all of which could seriously harm our operations. We are dependent on the availability of inexpensive electricity to keep our production costs down. We may experience production delays if any modifications we make in the manufacturing process to shorten production cycles are unsuccessful. Moreover, failure to achieve acceptable manufacturing levels may make our polysilicon costs uncompetitive, which could materially and adversely affect our business, financial condition and results of operations.

***Further development in alternative polysilicon production technologies or other changes in the photovoltaic industry could render our production process too costly or obsolete, which could reduce our market share and cause our sales and profits to decline.***

Although the vast majority of the polysilicon produced in the world utilizes the chemical vapor deposition process, or the “modified Siemens process,” several alternative production processes have been developed that may have significantly lower production costs. Compared with other polysilicon production processes, a disadvantage of the modified Siemens process is the large amount of electricity required. For example, REC, GCL, SMP and Tianhong, a joint venture formed by REC and Shanxi Youser, used to operate or currently operate facilities that use the “fluidized bed reactor” method for producing polysilicon using saline ( $\text{SiH}_4$ ) as feed-in gas. Other polysilicon manufacturers are establishing facilities using upgraded metallurgical grade silicon process to produce solar-grade polysilicon. Moreover, some polysilicon manufacturers who are using “modified Siemens process” have adopted newer technologies such as Hydrochlorination, which could enable them to produce polysilicon in a more cost effective way compared to the traditional “modified Siemens process.”

Further developments in competing polysilicon production technologies may result in lower manufacturing costs or higher product performance than those achieved from the modified Siemens process, including the one we employ. We will need to invest significant financial resources in research and development to expand our market position, keep pace with technological advances in polysilicon production and effectively compete in the future. Failure to further refine our technology could make our production process too costly or obsolete, which could reduce our margins and market share, cause our revenues to decline and materially and adversely affect our results of operations.

***Technological changes in the solar power industry could render our products uncompetitive or obsolete, which could reduce our market share and cause our sales and profits to decline.***

The solar power industry is characterized by evolving technologies and standards. These technological evolutions and developments place increasing demands on the improvement of our polysilicon products. Other companies may develop production technologies that enable them to produce polysilicon of higher quality at a lower cost than our products. Technologies developed or adopted by others may prove more advantageous than ours for commercialization of solar power products and may render our products obsolete. As a result, we may need to invest significant resources in research and development to maintain our market position, keep pace with technological advances in the solar power industry, and effectively compete in the future. Our failure to further refine and enhance our products and processes or to keep pace with evolving technologies and industry standards could cause our products to become uncompetitive or obsolete and increase the risk of impairment of our fixed asset, which could materially and adversely reduce our market share and affect our results of operations.

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***Alternative technologies in cell manufacturing may reduce the demand for polysilicon.***

The vast majority of silicon-based photovoltaic cell manufacturers use chunk or granular polysilicon. However, alternative technologies have been commercialized. One such technology, thin-film cell production, uses little to no silicon in the production of solar cells. Although in general, thin-film solar cells are currently not as competitive as silicon-based solar cells in terms of efficiency and cost, thin-film solar cells have their own dominating niche markets, for example, the markets for the building integrated PV applications. If the demand for polysilicon is adversely affected by increased demand for, and improvements to, alternative technologies, our revenues and results of operations could be materially and adversely affected.

***Our future commercial production and expansion projects may not be successful.***

We finished construction of our Phase 2A polysilicon facilities in Shihezi, Xinjiang Uyghur Autonomous Region in September 2012 and successfully reached our targets in terms of capacity and cost structure by the end of the first quarter of 2013. The construction and installation of our Phase 2B expansion project was completed during the second quarter of 2015 and achieved full production capacity in the third quarter of 2015, which increased our polysilicon annual capacity from 6,150 MT to 12,150 MT. In January 2015, our Board of Directors approved our Phase 3A expansion project in Xinjiang. We completed the construction and installation of Phase 3A at the end of 2016 and commenced initial production in the first quarter of 2017. By the end of February 2017, we achieved full production capacity of 18,000 MT per annum. In August 2017, our Board of Directors approved our Phase 3B expansion project in Xinjiang. By October 2018, we completed the construction and installation of Phase 3B and began pilot production. The Phase 3B facility ramped up to full production capacity and increased our total production capacity to 30,000 MT in December 2018. In addition, we completed a debottlenecking project and increased our total production capacity to 35,000 MT by the end of June 2019. Our Phase 4 expansion plan comprises Phase 4A and Phase 4B, which each increased our production capacity by 35,000 MT. We completed the Phase 4A project and began pilot production in September 2019. We ramped up Phase 4A to full production capacity in December 2019, which increased our total production capacity to 70,000 MT. We began our Phase 4B project in March 2021 and completed the construction of the project in December 2021. We ramped it up to its full capacity of 35,000 MT and increased our total annual production capacity to 105,000 MT in January 2022. We also plan to build polysilicon projects for the solar industry with a total annual production capacity of 200,000 MT (i.e., our Phase 5 expansion project) and for the semiconductor industry with a total annual capacity of 21,000 MT and silicon metal projects with a total annual capacity of 300,000 MT in Baotou. In the first phase, we began the construction of our Phase 5A project (an 100,000 MT polysilicon project for the solar industry) and an 1,000 MT polysilicon project for the semiconductor industry in March 2022. We completed the construction of the Phase 5A project in April 2023 and expect to complete the 1,000 MT polysilicon project in September or the fourth quarter of 2023. We began the construction of our Phase 5B project (a 100,000 MT polysilicon project for the solar industry) in March 2023 and expect to complete it by the end of 2023. Semiconductor-grade polysilicon has higher purity than our existing products, which requires relatively high production technology, and its application areas and target customers are different from our existing products. In addition, we have no prior experience in manufacturing semiconductor-grade polysilicon. Therefore, there is no guarantee that we will have sufficient production or technological experience in implementing the expansion plan as scheduled, or at all, or that our product quality, capacity or client penetration can meet our expectations. Any of these factors could negatively affect our ability to achieve the anticipated benefits from this investment.

In addition, there are many risks associated with our future production in Xinjiang and Inner Mongolia, any of which could cause significant disruption to production, including:

- being unable to construct and complete our expansion plan as scheduled;
- being unable to fully ramp up the newly added capacity or achieve our targets for cost and quality;
- being unable to successfully operate our newly built polysilicon and other facilities in new locations such as Baotou, Inner Mongolia;
- being unable to obtain approvals and enjoy preferential treatment from local authorities;
- uncertainties in the stability in supply and price of electricity for our manufacturing facilities;
- extremely cold temperatures, particularly in Xinjiang;
- lack of workers in Xinjiang and Inner Mongolia experienced in polysilicon manufacturing;



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- difficulties in timely transporting products to our customers, most of whom are located in other areas of China that are a significant distance from Xinjiang and Inner Mongolia; and
- potential political or social unrest, including in Xinjiang.

One or more of these factors could harm our Xinjiang or Inner Mongolia operations and consequently, could adversely affect our overall operating results.

### ***If we are unable to manage our expansion effectively, our business and financial results may be adversely affected.***

Since 2013, we have experienced a period of growth and expansion in terms of production capacity and sales volume. We achieved a nameplate capacity of 6,150 MT in the first quarter of 2014 and further ramped up our nameplate capacity to 12,150 MT in the third quarter of 2015. Our polysilicon production for 2016 reached 13,068 MT, which surpassed our nameplate capacity of 12,150 MT per annum. In 2020, 2021 and 2022, we sold 74,812 MT, 75,356 MT and 132,909 MT, respectively, of polysilicon. We completed the construction and installation of Phase 3A at the end of 2016 and commenced initial production of the Phase 3A project in the first quarter of 2017 and have achieved full production capacity. We completed the construction and installation of Phase 3B and commenced pilot production by October 2018. The Phase 3B facility ramped up to full production capacity and increased our total production capacity to 30,000 MT in December 2018. In addition, we completed a debottlenecking project and increase our total production capacity to 35,000 MT by the end of June 2019. Our Phase 4 expansion plan comprises Phase 4A and Phase 4B, which has each increased our production capacity by 35,000 MT. We completed the Phase 4A project and begin pilot production in September 2019 and ramped up Phase 4A to full production capacity in December 2019, which increased our total production capacity to 70,000 MT. We began our Phase 4B project in March 2021 and completed the construction of the project in December 2021. We ramped it up to its full capacity of 35,000 MT and increased our total annual nameplate production capacity to 105,000 MT in January 2022. In addition, our Phase 5 expansion project in Baotou City, Inner Mongolia, is expected to increase our annual production capacity for polysilicon to 305,000 MT by the end of 2023. To accommodate our continued expansion, we anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems, all of which require substantial management efforts. We also will need to continue to expand, train, manage and motivate our workforce and manage our customer relationships. All of these endeavors will require substantial management efforts and skill and significant additional expenditures. We cannot assure you that we will be able to manage our growth effectively, and any failure to do so may have a material adverse effect on our business and financial results. Moreover, even if we do expand our polysilicon manufacturing capacity as planned, we may be unable to generate sufficient customer demand for our photovoltaic products to support our increased production levels or successfully integrate our polysilicon business to achieve operational efficiency, which could adversely affect our business and results of operations.

### ***Our future success depends substantially on our ability to significantly expand our polysilicon production capacity and output, which exposes us to a number of risks and uncertainties.***

Our future success depends on our ability to significantly increase both polysilicon production capacity and output. If we fail to do so, we may not be able to benefit from economies of scale to reduce our costs per kilogram of polysilicon, to maintain our competitive position or to improve our profitability. Our ability to establish additional production capacity and increase output is subject to significant risks and uncertainties, including:

- the need to raise significant additional funds to purchase additional production equipment or to build additional manufacturing facilities, which we may not be able to obtain on commercially viable terms or at all;
- cost overruns and delays as a result of a number of factors, many of which are beyond our control, such as increases in the price of electricity or problems with equipment delivery;
- delays or denial of required approvals by relevant government authorities;
- failure to obtain production inputs in sufficient quantities or at acceptable cost;
- significant diversion of management's attention and other resources; and
- failure to execute our expansion plan effectively.

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***We operate in an increasingly competitive market, and we may not be able to compete successfully with competitors who have greater resources than us.***

The photovoltaic market is expected to become increasingly competitive. Our competitors include international polysilicon manufacturers, such as Wacker, OCI, Hemlock, REC and Chinese domestic polysilicon manufacturers, such as GCL-Poly, Xinte Energy Co., Ltd., Yongxiang Co., Ltd., Asia Silicon Co., Ltd. Xinjiang East Hope New Energy Ltd. and China Silicon Corporation. There are also likely new entrants into the polysilicon manufacturing market in China. In addition, some solar cell and module manufacturers, including some of our existing and potential customers may have the intention of establishing polysilicon production or affiliate relationships with manufacturers of polysilicon. We compete with these in-house capabilities, which could limit our ability to expand our sales or even reduce our sales to our existing customers. Many of our competitors have substantially greater financial, technical, manufacturing and other resources than we do. Our competitors' greater size and longer operating history provide them with a competitive advantage with respect to manufacturing costs because of their economies of scale and their ability to purchase raw materials at lower prices. Our competitors may have stronger relationships or may enter into exclusive relationships with some of our key customers. We also expect that there may be additional polysilicon supply capacities from our competitors in 2023 and 2024. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sales of polysilicon than we can. Failure to adapt to changing market conditions and to compete successfully with existing or new competitors may materially and adversely affect our financial condition and results of operations.

***We depend on a limited number of customers and sales contracts for a significant portion of our revenues, and the loss of any customer or cancellation of any contract may cause significant fluctuations or declines in our revenues.***

In 2020, 2021 and 2022, our top three customers in aggregate accounted for approximately 83.4%, 61.4% and 54.7% of our total revenues from continuing operations, respectively. We anticipate that our dependence on a limited number of customers will continue for the foreseeable future. As a result of our customer concentration, our financial performance may fluctuate significantly from period to period based, among others, on exogenous circumstances related to our clients. In addition, any one of the following events may cause materially adverse effect to our cash flows, revenues and results of operations:

- reduction, delay or cancellation of orders from one or more of our significant customers;
- loss of one or more of our significant customers and failure to identify additional or replacement customers;
- failure of any of our significant customers to make timely payment for our products; or
- the customers becoming insolvent or having difficulties meeting their financial obligations to us for any reason.

***Polysilicon production is energy-intensive, and if our energy costs rise or if our electricity and other utility supplies are disrupted, our results of operations will be materially and adversely affected.***

The polysilicon production process, particularly the modified Siemens process that we use, is highly dependent on a constant supply of electricity and other utilities, such as steam and water, to maintain the optimal conditions for polysilicon production. If electricity or other utility supplies are not maintained at the desired level, we may experience significant delays in the production of polysilicon. In the past, there have been shortages in electricity supply in various regions across China, especially during peak seasons, such as in the summer or winter. The local governmental authorities in the worst-hit areas have at times taken measures to reduce or restrict the amount of electricity and other utility supplies to non-residential users which could potentially disrupt our manufacturing process. In addition to shortages, we are subject to potential risks of interruptions in energy supply due to power outages, equipment failure, weather conditions or other causes which could force us to cease production for a prolonged period of time. In the event that electricity or other utility supplies to our manufacturing facilities are disrupted, our business, results of operations and financial condition could be materially and adversely affected. Even if we have access to sufficient sources of electricity and other utilities, any significant increase in the costs of utilities could adversely affect our profitability, as we consume substantial amounts of electricity and other utilities in our manufacturing process. If electricity and other utility costs were to rise, our results of operations could be materially and adversely affected.

***Although we have completed Xinjiang Daqo's initial public offering, we may not achieve the results contemplated by our business strategy and therefore the price of our ADSs may not increase, or may even drop.***

Although Xinjiang Daqo's initial public offering and listing (the "STAR Listing") on the Shanghai Stock Exchange's Scie-Tech innovation board (the "STAR MARKET") was completed in July 2021, we cannot assure you that we will realize any or all of our anticipated benefits of the STAR Listing. Our completion of the STAR Listing may not have the anticipated effects of strengthening our market position. Subsequent to the STAR Listing, Xinjiang Daqo has broad discretion in the use of the proceeds from securities offerings by Xinjiang Daqo, and it may not spend or invest those proceeds in a manner that results in our operating success or with which holders of our shares and ADSs agree. Our failure to successfully leverage the completion of the STAR Listing to expand our production capacity could result in a decrease in the price of the ADSs. In addition, we cannot assure you that the success of Xinjiang Daqo will have an attendant positive effect on the price of the ADSs.

***Xinjiang Daqo's status as a publicly traded company that is controlled, but less than wholly owned, by our company could have an adverse effect on us.***

Actions being taken in connection with the STAR Listing, including placement of shares by Xinjiang Daqo, our principal operating subsidiary, to certain shareholders, have resulted in the decrease of our shareholding in Xinjiang Daqo. This minority interest in Xinjiang Daqo increases subsequent to the completion of the STAR Listing and any follow-on offering by Xinjiang Daqo, and the interests in Xinjiang Daqo of these minority shareholders may diverge from the interests of our company and our other subsidiaries in the future. We may face conflicts of interest in managing, financing or engaging in transactions with Xinjiang Daqo, or allocating business opportunities between our subsidiaries.

Our company retained majority ownership of Xinjiang Daqo after the STAR Listing, but Xinjiang Daqo has since been managed by a separate board of directors and officers, and those directors and officers will owe fiduciary duties to the various stakeholders of Xinjiang Daqo, including shareholders other than our wholly-owned subsidiary. In the operation of Xinjiang Daqo's business, there may be situations that arise whereby the directors and officers of Xinjiang Daqo, in the exercise of their fiduciary duties, take actions that may be contrary to the best interests of our company.

In July 2020, in order to comply with the PRC law, some of our senior management resigned from our company, while continuing to carry out their respective responsibilities at Xinjiang Daqo. In addition, there might be future requirements of the PRC law, including demands from the China Securities Regulatory Commission, or CSRC, the Shanghai Stock Exchange or other relevant authorities, that might have a bearing on holders of our ordinary shares and ADSs.

Xinjiang Daqo has issued, and may in the future issue, options, restricted shares and other forms of share-based compensation to its directors, officers and employees, which could dilute our ownership in Xinjiang Daqo. In addition, Xinjiang Daqo has engaged, and may continue to engage, in capital raising activities that could further dilute our ownership interest in it. For example, in July 2022 Xinjiang Daqo completed its private offering of 212,396,215 shares on the STAR Market for our polysilicon expansion project in Baotou and raised funds of approximately RMB11 billion. As a result, we currently hold a 72.68% equity interest in Xinjiang Daqo.

Our organizational structure will become more complex, including as a result of preparations for the STAR Listing. We will need to continue to scale and adapt our operational, financial and management controls, as well as our reporting systems and procedures, at both our company and Xinjiang Daqo. The continued expansion of our business will require us to commit substantial financial, operational and management resources before our revenue increases and without any assurance that our revenue will increase.

***It is difficult to predict the effect of the STAR Listing on the ADSs.***

The CSRC initially launched the STAR Market in June 2019 and trading on the Market began in July 2019. No assurance can be given regarding the effect of the STAR Listing on the market price of the ADSs. The market price of the ADSs may be volatile or may decline, for reasons other than the risk and uncertainties described above, as the result of investor negativity or uncertainty with respect to the impact of the completed STAR Listing.



Holders of our ordinary shares and ADSs may have limited opportunities to purchase Xinjiang Daqo's shares although the STAR Listing has been completed. Investors may elect to invest in our business and operations by purchasing Xinjiang Daqo's shares in the STAR Listing or on the STAR Market rather than purchasing the ADSs, and that reduction in demand could lead to a decrease in the market price for the ADSs.

***We face risks and uncertainties in expanding our business through alliances, joint ventures or acquisitions.***

We may in the future, if presented with appropriate opportunities, acquire or invest in technologies, businesses or assets that are strategically important to our business or form alliances with key players in the photovoltaic industry to further expand our business. Such acquisitions and investments could expose us to potential risks, including risks associated with the assimilation of new operations, technologies and personnel, unforeseen or hidden liabilities, the inability to generate sufficient revenues to offset the costs and expenses of acquisitions, and potential loss of, or harm to, our relationships with employees, customers and suppliers as a result of integration of new businesses. Investments in new businesses may also divert our cash flow from servicing our debts and making necessary capital expenditures. In addition, we may incur impairment losses on our acquisitions and investments in equity securities.

The diversion of our management's attention and any difficulties encountered with respect to the acquisitions, investments or alliances or in the process of integration could have an adverse effect on our ability to manage our business. Furthermore, our experience in the polysilicon manufacturing industry may not be as relevant or applicable in downstream markets. We may also face intense competition from companies with greater experience or established presence in the targeted downstream markets or competition from our industry peers with similar expansion plans. Any failure to integrate any acquired businesses or joint ventures into our operations successfully and any material liabilities or potential liabilities of any acquired businesses or joint ventures that are not identified by us during our due diligence process for such acquisitions or investments could materially and adversely affect our business and financial condition.

***If we are unable to operate effectively or if operational disruptions occur, our business, results of operations and financial condition could be adversely affected.***

Production of polysilicon requires the use of volatile materials and chemical reactions sensitive to temperature and pressure and requires the use of external controls to maintain safety. For example, in the production of polysilicon, we use trichlorosilane, or TCS, which is a highly combustible substance if brought into contact with moisture in the air and is therefore potentially destructive and extremely dangerous if mishandled or used in uncontrolled circumstances. The occurrence of a catastrophic event involving TCS as a result of a natural disaster or human error at one of our polysilicon production facilities could threaten, disrupt or destroy a significant portion or all of our polysilicon production capacity at such facilities for a significant period of time. Additionally, the smooth operation of our polysilicon production facilities depends significantly on our ability to maintain temperatures and pressure at appropriate levels, the supply of steam at a consistent pressure level, the availability of adequate electricity and our ability to control the application of such electricity. Accordingly, mistakes in operating our equipment or an interruption in the supply of electricity or steam at our production facilities could result in the production of substandard polysilicon or substantial shortfalls in production, could reduce our production capacity for a significant period of time and could have negative effect on our customer relationships. In addition, we voluntarily shut down our manufacturing facilities from time to time on an as-needed basis for maintenance and quality check purposes. For example, in October 2016, we conducted annual maintenance and several technology improvement projects in our Xinjiang polysilicon facilities, and concurrently completed interconnections between our new and existing facilities in Xinjiang. In late September and early October of 2017, we conducted annual maintenance for our Xinjiang polysilicon facilities. In September 2018, we conducted annual maintenance for our Xinjiang polysilicon facilities, connected our newly constructed Phase 3B facility to our existing facilities, and upgraded various manufacturing equipment. We completed annual maintenance of our Xinjiang polysilicon facilities in the second quarter of 2019 and the third quarter of 2020, 2021 and 2022. The annual maintenance, construction, installation of new equipment and interconnection of facilities will affect our polysilicon production to some extent. These abovementioned shutdowns have reduced and may further reduce the volume and increase the cost of polysilicon we produce. We could experience events such as equipment failures, explosions or fires due to employee errors, equipment malfunctions, accidents, and interruptions in electricity supplies, natural disasters or other causes. In addition, such events could cause damage to properties, personal injuries or even deaths. As a result, we may in the future experience production curtailments or shutdowns or periods of reduced production. The occurrence of any such events or disruptions could result in loss of revenues and could also damage our reputation, any of which could have a material adverse effect on our business, operating results and financial condition.

***Our operations are subject to natural disasters, adverse weather conditions, operating hazards, environmental incidents and labor disputes.***

We may experience earthquakes, floods, mudslides, snowstorms, typhoon, power outages, labor disputes or similar events beyond our control that would affect our operations. Our manufacturing processes involve the use of hazardous equipment, including, but not limited to, furnaces, squaring machines and wire saws. We also use, store and generate volatile and otherwise dangerous chemicals and waste during our manufacturing processes, which are potentially destructive and dangerous if not properly handled or in the event of uncontrollable or catastrophic circumstances, including operating hazards, fires and explosions, natural disasters, adverse weather conditions and major equipment failures. On July 2, 2020, one of our projects with an annual output of 13,000 tons of polysilicon suffered a leakage accident, which caused no casualties but resulted in loss to us due to the leakage. The equipment and facilities damaged in the accident have been properly repaired, and the production and operation activities have been resumed after a duly safety risk assessment of the accident. However, we cannot guarantee that any similar incident will not recur.

In addition, our polysilicon production and storage facilities are located in Xinjiang and Inner Mongolia, China. The occurrence of any natural disaster, unanticipated catastrophic event or unexpected accident in these locations could result in production curtailments, shutdowns or periods of reduced production, which could significantly disrupt our business operations, cause us to incur additional costs and affect our ability to deliver our products to our customers as scheduled, which may adversely affect our business, financial condition and results of operations. Moreover, such events could result in severe damage to property, personal injuries, fatalities, regulatory enforcement proceedings or in our being named as a defendant in lawsuits asserting claims for large amounts of damages, which in turn could lead to significant liabilities.

Occurrences of natural disasters, as well as accidents and incidents of adverse weather in or around Xinjiang, China in the future may result in significant property damage, electricity shortages, disruption of our operations, work stoppages, civil unrest, personal injuries and, in severe cases, fatalities. Such incidents may result in damage to our reputation or cause us to lose all or a portion of our production capacity, and future revenue anticipated to be derived from the relevant facilities, any of which could have a material adverse effect on our business, operating results and financial condition.

***We face risks related to health epidemics and other outbreaks.***

Our business could be adversely affected by the effects of swine flu, avian flu, Severe Acute Respiratory Syndrome, or SARS, Ebola, Zika, COVID-19, monkey pox (mpox) or other epidemics or outbreaks. China reported a number of cases of SARS in April 2004. For examples, in 2006, 2007 and 2008, there were reports of occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. In 2009, an outbreak of swine flu occurred in Mexico and the United States and human cases of swine flu were discovered in China and Hong Kong. In 2013 and recent years, there were reports of occurrences of avian flu in various parts of China and the world, including a number of confirmed human cases and deaths. There were also outbreaks of Ebola in West Africa and some other parts of the world in the past decade. In addition, since 2022 there have been reports of mpox outbreaks in various parts of the world. See also “—Our business and operations may be materially and adversely affected by the outbreak of the novel coronavirus (COVID-19)” for more information on the outbreak of COVID-19. Any prolonged occurrence or recurrence of these epidemics or other adverse public health developments in China or any of the major markets in which we do business may have a material adverse effect on our business and operations. These could include our ability to deliver our products within or outside of China, as well as temporary closure of our manufacturing facilities, or our suppliers’ or customers’ facilities, delay in the supply of raw materials from our suppliers, and delayed or cancelled orders from our customers. Any severe travel or shipment restrictions and closures would severely disrupt our operations and adversely affect our business and results of operations.

***Our business and operations may continue to be materially and adversely affected by the outbreak of COVID-19.***

There has been an outbreak of respiratory illness caused by a novel strain of coronavirus (COVID-19), a highly contagious that poses a serious public health threat, in China and around the world over the past few years. In response to this pandemic, China and many other countries took additional, restrictive measures to prevent its spread, such as quarantines, travel restrictions and home office policies. In particular, in the past three years until December 2022, the Chinese government implemented strict nationwide containment measures against COVID-19, which resulted in various travel restrictions and large-scale lock-downs in many cities across China from time to time. Since China lifted substantially all of its pandemic-control measures in December 2022, a large number of people in China have reportedly contracted COVID-19. On January 8, 2023, China downgraded the management of COVID-19 from Class A to Class B; this change in the classification of the illness means, among other things, that infected cases will no longer be quarantined, their close contacts will no longer be tracked, large scale PRC testing will no longer be conducted, and disease control measures targeting incoming international travelers and imported cargo will be lifted. While Western countries have largely reopened since early 2022 or earlier, they have reportedly experienced recent outbreaks of more infectious variants of the virus recently, and these or future variants of COVID-19 could prove to be more resistant to vaccines. As the pandemic continues, commercial activities throughout the world could continue to suffer from curtailed consumer spending, business operation disruptions, interrupted supply chain, difficulties in travel, and reduced workforce. In addition, the stock markets around the world have experienced extreme volatility, in reaction to the COVID-19 outbreak and governments' responses to it. There is uncertainty around the duration of the virus' outbreaks or its adverse effects on business activities in general.

The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including the world-wide spread of COVID-19, the relevant governments' actions to contain COVID-19 or treat its impact, among others, and the distribution and efficacy of vaccines. Overall, any prolonged occurrence or recurrence of the health epidemics, particularly the current pandemic COVID-19, or other adverse public health developments in China or any other markets in which we do business may have a material adverse effect on our business and results of operations. These could include our ability to deliver our products within or outside of China in a timely manner, mandatory quarantines of our employees, temporary closure of our manufacturing facilities or our customers' and suppliers' facilities, delay in supply of raw materials from our suppliers, and delayed or cancelled orders from our customers. Any severe travel or shipment restrictions, closures and other preventive and risk control measures taken by the Chinese government and other government authorities could severely disrupt our operations and adversely affect our cash flows, business and results of operations.

***Existing laws and regulations and their changes may present technical, regulatory, economic and trade barriers to the purchase and use of photovoltaic products, which may significantly reduce demand for our products, and negatively affect polysilicon prices; restrictions on our ability to import or use certain controlled U.S. technologies could also negatively affect us.***

Photovoltaic products are subject to national and local regulations relating to building codes, safety, environmental protection, utility interconnection and metering, and other aspects of the electric utility industry. In a number of countries, including China, these regulations are being modified and may continue to be modified. The purchases of, or further investment in the research and development of, alternative energy sources, including photovoltaic technology, could be deterred by unfavorable regulations, which could result in a significant reduction in the potential demand for our products. For example, without a regulatorily mandated exception for solar power systems, electric utility companies are often charged interconnection or standby fees for putting distributed power generation on the electric utility grid. These fees could increase the cost to end users of using photovoltaic products and make them less desirable. In addition, trade authorities in foreign countries (for example, trade authorities of the U.S. given the recent trade conflicts between China and the U.S.) may apply trade sanctions against photovoltaic product imports from China if they determine that export sales from China are in violation of fair trade practices. These types of trade sanctions can result in significant additional duties, which may adversely affect photovoltaic product demand, thereby harming our business, prospects, results of operations and financial condition. Moreover, if China reduces or removes the antidumping and countervailing duties that it now imposes on non-Chinese producers, polysilicon imports to China may increase, which may reduce demand for our polysilicon and negatively impact our selling prices.

The U.S. President signed the Uyghur Forced Labor Prevention Act, or the UFLP Act, into law in December 2021. The UFLP Act prohibits all goods manufactured wholly or in part in Xinjiang from entering the United States unless U.S. Customs and Border Protection, or CBP, determines that the goods have not been manufactured by forced labor. The UFLP Act relies on Section 307 of the U.S. Tariff Act of 1930, as amended, or Section 307, which prohibits U.S. importation of goods that are produced or manufactured, wholly or in part, in any non-U.S. country by forced or indentured labor. In effect, for products manufactured in whole or in part in Xinjiang, the UFLP Act has switched the operation of Section 307 (under which CBP previously issued a withhold release order, or WRO, when it determined there was an indication that the goods were produced with forced labor), to a prohibition on all such imports unless CBP determines by clear and convincing evidence that they were not produced with forced labor. In addition, the UFLP Act requires companies to take significant affirmative steps to determine whether their supply chain links to Xinjiang and to prepare to reassure regulators that such links are not affected by forced labor.

Some of our polysilicon manufacturing facilities are located in Xinjiang to be close to sources of raw materials and energy for polysilicon production. We do not tolerate any use of forced labor whether in our own manufacturing facilities or throughout our supply chain. However, we cannot assure you that the relevant U.S. authorities will not decide that forced labor exists in our supply chain or in the manufacturing of our polysilicon and, pursuant to the UFLP Act and Section 307, they may prohibit U.S. imports of products (including those of our customers) containing our polysilicon. Although we typically do not sell our polysilicon to the U.S. market directly and our customers typically serve the global solar market, some of our major customers likely sell their products containing our polysilicon to the U.S. market. These products are likely to be prohibited from export to the United States and producers of products that use our products as raw materials will also likely be unable to export to the United States, which may reduce the demand for our products. Furthermore, since the UFLP Act has been enacted, given the difficulty in proving no use of forced labor throughout the supply chain, the demand for our products will likely decrease. Any of these types of regulatory or legislative developments could adversely affect our business, financial condition and results of operations.

In addition to the actions taken or being considered by the U.S. government discussed above, there is a growing concern in the European Union, Japan and certain other countries regarding the alleged use of forced labor in Xinjiang. If any new legislation or regulatory action with respect to these issues were to be enacted in those regions that impose additional restrictions or requirements on importation of goods that are produced or manufactured, wholly or in part, in Xinjiang, our business in these regions could be adversely affected.

In June 2021, our subsidiary Xinjiang Daqo was included in the entity list by the Bureau of Industry and Security of the U.S. Department of Commerce, or the Entity List. This designation limits Xinjiang Daqo's ability to obtain certain commodities, software and technologies subject to the U.S. Department of Commerce's Export Control Regulations, or the EAR. Although we do not currently use or otherwise rely on any items covered by the EAR, this designation could, nevertheless, subject us to negative publicity, which could cause certain business counterparties, particularly those in the United States, from dealing with us. Furthermore, the EAR are subject to change from time to time, and future changes could negatively affect us.

***We obtain certain production equipment from a limited number of suppliers, and if such equipment is not delivered on time, is damaged in shipment or is otherwise unavailable, our ability to deliver polysilicon on time will suffer, which in turn could result in cancellation of orders and loss of revenues.***

Our operations and expansion plans depend on our ability to obtain a sufficient amount of equipment that meets our specifications on a timely basis. Some of our equipment used in polysilicon production is not readily available from alternative vendors and would be difficult to repair or replace if it were to become damaged or cease working. If any of these suppliers were to experience financial difficulties or go out of business, or if there were any damage to or a breakdown of our production equipment, our business would incur losses. In addition, a supplier's failure to supply our ordered equipment in a timely manner, with adequate quality and on terms acceptable to us, could delay the capacity expansion of our manufacturing facilities and otherwise disrupt our production schedule or increase our costs of production. We have experienced significant delays in the delivery of our key equipment in the past. Failure to obtain equipment meeting our specifications could have a material adverse effect on our business, financial condition and results of operations. Furthermore, demand for polysilicon production equipment may result in significant increases in prices of such equipment or shortages in related components for our intended expansion. Any unexpected price increases could materially and adversely affect our financial condition and results of operations.

***We have sourced and will continue to source some of our production equipment from Chinese manufacturers, and we cannot assure you that the China-sourced equipment will perform at the same level as our imported equipment or will meet our quality requirements.***

We have purchased key equipment from Chinese and international suppliers. Compared to major international suppliers, our China-based suppliers generally have shorter operating histories and less experience in providing equipment for the polysilicon industry. We cannot assure you that the locally made equipment will perform at similar levels of quality and reliability as our imported equipment. In the event the China-sourced equipment does not perform as well as the imported equipment or does not perform at all, we may encounter disruption in our manufacture or deterioration of product quality, which in turn could materially and adversely affect our business, financial condition and results of operations.

***Product defects could result in increased costs, decreased sales, and damage to our customer relationships and our reputation.***

Our photovoltaic products may contain defects that are not detected until after they are shipped or processed by our customers. In the event our products are returned to us due to product defects, we would be required to replace the defective products promptly. If we deliver products with defects, or if there is a perception that our products are of substandard quality, we may incur substantially increased costs associated with termination of contracts and replacement of shipped products, and our credibility, market reputation and relationship with customers will be harmed and sales of our products may be materially and adversely affected.

***Our production, storage, administrative, and research and development facilities may be exposed to risks of damages or disruptions, and we may be exposed to risks of dealing with sanctioned persons.***

Our production, storage, administrative, and research and development facilities are located in Shihezi City, Xinjiang and Baotou, Inner Mongolia, China. Natural disasters, such as fires, floods, earthquakes, snow storms, or other unanticipated catastrophic events, including power interruption, telecommunications failures, equipment failures, explosions, break-ins, terrorist acts or war, could significantly disrupt our ability to manufacture our products and operate our business. If any of our production facilities or material equipment were to experience any significant damage or downtime, we would not be able to meet our production targets and our business would incur losses. Substantial damage to or disruption at these facilities could have a material adverse effect on our business, financial condition and results of operations.

Our operations in Xinjiang may also expose us to risks of dealing with sanctioned persons. On July 31, 2020, the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, added Xinjiang Production and Construction Corps, or XPCC, to OFAC's Specially Designated Nationals and Blocked Persons List, or the SDN List, on the basis of XPCC's alleged involvement in human rights abuses. Under OFAC's so-called "50% rule," any entity that is in the aggregate owned 50% or more, directly or indirectly, by an entity on the SDN list is also subject to the OFAC sanctions applicable to the entity named on the SDN List, even if it is not included on that list. XPCC owns a number of companies in Xinjiang and elsewhere in China. We cannot assure you that none of our suppliers of public utilities or other products or services or other business partners will, due to their relationships with XPCC, be deemed as sanctioned persons by the U.S. or other governments. There is no assurance that we would be able to cease dealing with these types of suppliers, even if they were to be deemed as sanctioned persons. If we are deemed to have significant dealings with one or more such sanctioned persons, U.S. entities (including financial institutions) and others may decide not to provide services to us, purchase or own our securities, or otherwise deal with us, which could negatively affect our business operations and access to capital markets. These types of issues may also subject us to negative publicity, which could distract our management's attention and adversely affect investors' perception of our company. Our ADS prices may also be adversely affected by these issues, and the holders of our ADSs and ordinary shares might be unable to sell, or receive distributions with respect to, the ADSs or our ordinary shares.

***Failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.***

We rely primarily on trade secrets and other contractual restrictions to protect our intellectual property. Contractual arrangements, such as the confidentiality and non-competition agreements and terms between us and our research and development personnel, afford only limited protection and the actions we may take to protect our trade secrets and other intellectual property may not be adequate. In addition, we currently hold 259 patents and have 37 pending patent applications in China covering various aspects of the polysilicon and wafer manufacturing process. However, we cannot assure you that our patent applications will be eventually issued with sufficiently broad coverage to protect our technology and products. Failure to protect our intellectual property and proprietary rights may undermine our competitive position. Third parties may infringe on or misappropriate our proprietary technologies or other intellectual property and proprietary rights and use them to compete against us, which could have a material adverse effect on our business, financial condition or operating results.

Policing unauthorized use of proprietary technology can be difficult and expensive. In particular, the laws and enforcement procedures of China and certain other countries are uncertain or do not protect intellectual property rights to the same extent as the laws and enforcement procedures of the United States do. See “— Risks Related to Doing Business in China—Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protection available to you and us” below. We may need to resort to court proceedings to enforce our intellectual property rights in the future. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention away from our business. An adverse determination in any such litigation will impair our intellectual property and proprietary rights and may harm our business, prospects and reputation.

***We rely on network and information systems and other technologies for our business activities, and certain events, such as computer hackings, viruses or other destructive or disruptive software or activities may disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.***

Network and information systems and other technologies are important to our business activities and operations. Network and information systems related events, such as computer hackings, cyber threats, security breaches, viruses, or other destructive or disruptive software, process breakdowns or malicious or other activities could result in a disruption of our services and operations or improper disclosure of personal data or confidential information, which could damage our reputation and require us to expend resources to remedy any such breaches. Moreover, the amount and scope of any insurance we maintain against losses resulting from any such events or security breaches may not be sufficient to cover our losses or otherwise adequately compensate us for any disruptions to our businesses, and the occurrence of any such events or security breaches could have a material adverse effect on our business and results of operations. The risk of these systems-related events and security breaches occurring has intensified, in part because we maintain certain information necessary to conduct our businesses in digital form stored on cloud servers. While we develop and maintain systems seeking to prevent security breaches from occurring, the development and maintenance of these systems is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. Despite these efforts, there can be no assurance that disruptions and security breaches will not occur. Moreover, we may provide certain confidential or proprietary information to third parties in connection with our businesses, and while we obtain assurances that these third parties will protect this information, there is a risk that this information may be compromised. The occurrence of any of such network or information systems-related events or security breaches could have a material adverse effect on our business, financial condition and results of operations.

***We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.***

Although we are currently strengthening our research and development capability, to date, a great number of the intellectual properties used in our production process were developed by third parties. Our success will be jeopardized if we cannot use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to photovoltaic technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The defense and prosecution of intellectual property suits, patent opposition proceedings, and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our manufacturing process or our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

***Our business depends substantially on the continuing efforts of our executive officers and key employees, and our business may be severely disrupted if we lose their services.***

Our future success depends substantially on the continued services of our executive officers and key employees, especially Mr. Guangfu Xu, our chairman, and Mr. Longgen Zhang, our chief executive officer. If one or more of our executive officers or key employees were unable or unwilling to continue in their present positions, we might not be able to replace them easily, in a timely manner, or at all. Our business may be severely disrupted, our financial conditions and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain personnel. If any of our executive officers or key employees join a competitor or form a competing company, we may lose customers, suppliers, know-how and key professionals and staff members. Each of our executive officers and key employees has entered into an employment agreement with us, which contains non-competition provisions. However, if any dispute arises between our executive officers and us, these agreements may not be enforceable in China, where these executive officers reside.

***Certain of our principal shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.***

As of the date of this annual report, Messrs. Guangfu Xu, Xiang Xu, Dafeng Shi and Fei Ge, our directors that are affiliated with Daqo Group Co., Ltd. ("Daqo Group"), beneficially own a total of 111,974,059 or 28.3% of our ordinary shares, including shares that they have the right to acquire within 60 days. As a result of their high level of shareholding, these shareholders have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. These shareholders may take actions that are not in the best interest of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our other shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders. These shareholders' interests as beneficial owners of Daqo Group may not always be aligned with their interests as our shareholders. Should any conflict of interest arise, these shareholders may take actions not in the best interest of us and our other shareholders.

***If we are unable to attract, train and retain qualified personnel, our business may be materially and adversely affected.***

Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly technical personnel with expertise in the photovoltaic industry. Since our industry is characterized by high demand and intense competition for talent, there can be no assurance that we will be able to attract or retain qualified technical staff or other highly skilled employees that we will need to achieve our strategic objectives. As we have a limited operating history and are in a stage of rapid growth, despite recent setbacks, our ability to train and integrate new employees into our operations may not meet the growing demands of our business. If we are unable to attract and retain qualified personnel, our business may be materially and adversely affected.



***Compliance with environmental regulations can be expensive, and non-compliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines.***

As our manufacturing processes generate waste water and gas and other industrial wastes, we are required to comply with all applicable regulations regarding protection of the environment. We are in compliance with present environmental protection requirements in all material respects and have all the necessary environmental permits to conduct our business. However, in light of the Chinese government's higher environmental protection requirements, the local authorities and electricity and other suppliers in Xinjiang and Inner Mongolia may implement increasingly stringent environmental protection measures, which could negative affect the supply and price levels of the electricity available to our production facilities. As a result, our polysilicon production volume and costs could be adversely affected. While Xinjiang Daqo has entered into a power purchase agreement with the local authorities and electricity supplier, we cannot ensure that the local authorities and electricity supplier will fully perform the contract. We cannot assure you that our pollution controls will always be effective and we may experience environmental non-compliance incidents. If we fail to comply with present or future environmental regulations, we may be required to pay substantial fines, suspend production or cease operations, which in turn would have a material adverse effect on our financial condition and results of operations.

***The discontinuation of any of the preferential tax treatment or the financial incentives and grants currently available to us in China could adversely affect our overall results of operations.***

Various Chinese governmental authorities have provided tax incentives to our subsidiaries in China. These incentives include income tax exemption or reduced enterprise income tax rates. For example, under the PRC Enterprise Income Tax Law ("EIT Law"), the statutory enterprise income tax rate is 25%. However, pursuant to the Notice on Continuation of the Enterprise Income Tax Policies for Enterprises of Encouraged Industries in Western China (Circular [2020] No. 23) issued by the State Taxation Administration, the NDRC and the Ministry of Finance on April 23, 2020, enterprises that are set up in Western China, whose principal businesses are included in the Catalogue of Encouraged Industries in Western China (NDRC Circular No.15) and whose revenue from main operations for the year accounts for over 60% of total revenue, are entitled to a preferential enterprise income tax rate of 15% from January 1, 2021 to December 31, 2030. This preferential tax treatment is applicable to our subsidiary Xinjiang Daqo. Any increase in the enterprise income tax rate applicable to our Chinese subsidiaries or discontinuation or reduction of any of the preferential tax treatment or financial incentives currently enjoyed by our subsidiaries in China could adversely affect our business, operating results and financial condition.

***The dividends we receive from our Chinese subsidiaries and our global income may be subject to Chinese tax under the EIT Law, which would have a material adverse effect on our results of operations; our foreign ADS holders may be subject to Chinese withholding tax upon the dividends payable by us and Chinese tax on gains realized upon the sale or other disposition of our ADSs if we are classified as a Chinese "resident enterprise."***

Under the Chinese enterprise income tax laws and regulations, dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in China to its foreign investor who is a non-resident enterprise will be subject to a 10% withholding tax, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax and such non-resident enterprise is the beneficial owner of the dividends, interests, rent, royalties and gain on transfers of property. Our distributable earnings generated by Xinjiang Daqo since 2021 are subject to the 10% withholding tax. The Cayman Islands, where Daqo Cayman is incorporated, does not have such a tax treaty with China.



Under the EIT Law, an enterprise established outside China with its “de facto management body” within China is considered a “resident enterprise” in China and will be subject to the Chinese enterprise income tax at the rate of 25% on its worldwide income. In April 2009, the Chinese State Administration of Taxation, or the SAT, issued a circular, also known as Circular 82, to clarify criteria for determining the “resident enterprise” status of foreign companies which are controlled by PRC enterprises or PRC enterprise groups. Pursuant to Circular 82, to determine whether a company formed outside of mainland China and controlled by PRC enterprises or PRC enterprise groups incorporated in China should be treated as a Chinese resident enterprise, the tax authority will review factors such as the routine operation of the organizational body that effectively manages the enterprise’s production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise, and whether more than half of the directors or senior management personnel reside in China. Substantially all of our management members are based in China. However, it remains unclear how PRC tax authorities will classify an overseas company such as ours, which is controlled by PRC natural persons rather than PRC enterprises. If the Chinese tax authorities subsequently determine that Daqo Cayman should be classified as a resident enterprise, then our worldwide income will be subject to Chinese income tax, which may have a material adverse effect on our financial condition and results of operations. Notwithstanding the foregoing provision, the EIT Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. Therefore, if Daqo Cayman is classified as resident enterprise under the EIT Law, the dividends received from our Chinese subsidiaries may be exempted from withholding tax.

Moreover, if Daqo Cayman is classified as a “resident enterprise” in China, non-resident enterprise ADS holders may be subject to a 10% withholding tax (20% in the case of non-PRC individual ADS holders) upon dividends payable by us and 10% tax on gains realized upon the sale or other disposition of our ADSs (20% in the case of non-PRC individual ADS holders). Any such tax may reduce the returns on your investment in our ADSs.

***We have limited insurance coverage. In particular, we do not have any product liability insurance or business interruption insurance.***

As the insurance industry in China is still in an early stage of development, the product liability insurance and business interruption insurance available in China offer limited coverage compared to that offered in many other countries. We do not have any product liability insurance or business interruption insurance. Any business disruption or natural disaster could result in substantial costs and a diversion of resources, which would have a material adverse effect on our business and results of operations.

As with other photovoltaic product manufacturers, we are exposed to risks associated with product liability claims if the use of our photovoltaic products results in injury. Since our polysilicon products are made into electricity generating devices, it is possible that users could be injured or killed by devices that use our products as a result of product malfunctions, defects, improper installation or other causes. We cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting negative publicity on our business. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments.

***We have granted, and may continue to grant, stock options and other share-based compensation in the future, which may materially impact our future results of operations.***

We adopted our 2009 share incentive plan, or the 2009 Plan, our 2014 share incentive plan, or the 2014 Plan, our 2018 share incentive plan, or the 2018 Plan, and our 2022 share incentive plan, or the 2022 Plan, in August 2009, December 2014, April 2018 and August 2022, respectively, that permit the grant of stock options, restricted shares and restricted share units to employees, directors and consultants of our company. Under the 2009 Plan, the 2014 Plan, the 2018 Plan and the 2022 Plan, we may issue awards to purchase up to 15,000,000, 21,000,000, 38,600,000 and 37,253,465 ordinary shares of our company, respectively. As of the date of this annual report, excluding expired or cancelled options and restricted share units, we have granted options to purchase a total of 23,393,525 of our ordinary shares and 94,293,015 restricted share units of our company under these plans. In addition, we modified the exercise prices for certain outstanding options in January 2012, April 2013, January 2015 and September 2015 in order to provide additional incentives to our employees and directors pursuant to an express authorization under our share incentive plan, allowing our Board of Directors to approve a downward adjustment of the option exercise prices without our shareholders' approval. In September 2022, Xinjiang Daqo adopted its 2022 share incentive plan and granted Xinjiang Daqo's stock options to its directors, senior executives and other personnel determined by its board of directors. As a result of these option grants, option re-pricings and potential future grants under the plans, we have incurred, and will incur in future periods, significant share-based compensation expenses. We account compensation costs for all stock awards using a fair-value based method and recognize expenses in our consolidated statement of income in accordance with the relevant rules in accordance with U.S. GAAP, which may have a material adverse effect on our net income. In addition, the additional expenses associated with share-based compensation may reduce the attractiveness of such incentive plans to us. Moreover, the vesting of restricted share units and exercise of share options could dilute your ownership interests in our company and may adversely impact the value of our ADSs and ordinary shares. However, if we limit the scope of our share incentive plans, we may not be able to attract or retain key personnel who expect to be compensated with incentive shares or options.

**Risks Related to Doing Business in China**

***Uncertainties in the global economy and the slowdown of the Chinese economy may adversely affect our business, results of operations and financial condition.***

The global financial markets experienced significant disruptions in 2008, and the United States, Europe and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven, including the escalation of the European sovereign debt crisis since 2011, the impact of COVID-19, the impact of the Russia-Ukraine crisis since early 2022 and the related sanctions on Russia and other conflicts between Russia and Western countries, and the slowdown of the Chinese economy in the recent years. It is unclear whether the Chinese economy will continue slowing down, and economic conditions in China are sensitive to global economic conditions. Inflation risks have been heightened following the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. To combat inflation, the U.S. Federal Reserve significantly raised the interest rate on reserve balances in 2022 and the interest rate increase is expected to continue at least in 2023. Other major currencies including the Euro and the GBP have followed suit in interest rate raises. These circumstances have resulted in significant market volatility globally and expectations of economic recession of the U.S. in 2023, which would have a material adverse impact on the global economy. There have also been concerns over unrest in the Middle East, especially the tensions between the U.S. and Iran, which have resulted in volatility in oil and other markets, as well as the economic effect of the territorial disputes involving China in Asia and the tensions in the relationship between China and Japan. Although the U.S. and China have reached a phase-one deal in January 2020, the trade conflicts between China and the U.S. have, and may continue to, put pressure on China's economic growth, particularly our downstream customers' export to the U.S.

Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs. We derive substantially all of our revenues from customers in China, one of the world's largest emerging markets, while the economies of emerging markets are typically more vulnerable to market downturns and economic slowdowns elsewhere in the world. Any prolonged slowdown in the Chinese economy may have a negative impact on our business, results of operations and financial condition in a number of ways. For example, our customers may reduce or delay purchases from us, while we may have difficulty expanding our customer base fast enough, or at all, to offset the impact of decreased purchases by our existing customers. In addition, to the extent we offer credit to any customer and such customer experiences financial difficulties due to the economic slowdown, we could have difficulty collecting payment from such customer.

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***Changes in United States and China relations and related regulations may adversely impact our business, our operating results, our ability to raise capital and the market price of our ordinary shares and/or our ADSs.***

Political tensions between the United States and China have escalated. The U.S. government has taken a range of action relating to U.S.-China relations, including imposing several rounds of tariffs affecting certain products manufactured in China, imposing sanctions, export controls and investment restrictions against Chinese companies, imposing sanctions on certain officials of the PRC and Hong Kong governments, enacting legislation such as the UFLP Act and the HFCA Act, and implementing enhanced reviews of companies with significant China-based operations. Partially in response to these actions, the PRC government has also taken a number of steps affecting U.S.-China relations, including the issuance of the Unreliable Entity List in 2019 and the enactment of the Anti-Foreign Sanctions Law in 2021. Rising political tensions between China and the U.S. could reduce levels of trade, investment, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the U.S. and Chinese governments may also restrict our ability to do business with entities both within and outside of China and may cause investors to lose confidence in Chinese companies and counterparties, including us. In addition, new legislation, executive orders, tariffs, laws or regulations may be adopted that negatively affect companies with significant connections to the U.S. or to China, our industry or on us. Any unfavorable government policies on cross-border relations or international trade, including increased scrutiny on companies with significant China-based operations may affect the competitive position of our products, the hiring of research and development personnel, our ability to sell our polysilicon products in the U.S. and certain other markets, the demand for our polysilicon products or the products of companies that use our products as raw materials, our ability to raise capital, and the market price of our ADSs.

The SEC has issued statements focused on companies with significant China-based operations, such as us. For example, on July 30, 2021, SEC Chairman Gary Gensler, issued a Statement on Investor Protection Related to Recent Developments in China, in which he reported that he has directed the SEC staff to engage in targeted additional reviews of filings for companies with significant China-based operations. Consistent with that directive, on December 20, 2021, the SEC posted an illustrative letter containing sample comments to companies with the majority of their operations in the PRC or Hong Kong. The statement and sample comment letter also addressed risks inherent in companies with a variable interest entity, or a VIE, structure, which are used by some companies in China that operate in sectors that are subject to foreign ownership limitations. We do not have a VIE structure and are not in an industry that is subject to foreign ownership limitations. However, our periodic reports and other filings with the SEC may be subject to enhanced review by the SEC, and this additional scrutiny could affect our ability to effectively raise capital in the United States.

In response to the SEC's July 30 statement, the CSRC announced on August 1, 2021, that the CSRC will continue to collaborate "closely with different stakeholders including investors, companies, and relevant authorities to further promote transparency and certainty of policies and implementing measures." There is no assurance that the tension between the two nations will ease soon.

If any new legislation, executive orders, tariffs, laws and/or regulations are implemented, if existing trade agreements are renegotiated or if the U.S. or Chinese governments take retaliatory actions due to the U.S.-China tension, such changes could have an adverse effect on our business, financial condition and results of operations, our ability to raise capital and the market price of our ADSs.

***We are subject to many of the economic and political risks associated with emerging markets due to our operations in China. Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.***

Substantially all of our assets are located in and substantially all of our revenues are currently sourced from China, one of the world's largest emerging markets. In light of our operations in an emerging market, we may be subject to risks and uncertainties including fluctuations in GDP, unfavorable or unpredictable treatment in relation to tax matters, expropriation of private assets, exchange controls, restrictions affecting our ability to make cross-border transfer of funds, regulatory proceedings, inflation, currency fluctuations or the absence of, or unexpected changes in, regulations and unforeseeable operational risks. In addition, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China.

The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over the Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. Any prolonged slowdown in the Chinese economy may reduce the demand for our services. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us, and by government policies or guidance aimed at curtailing the perceived over-capacity of certain industry sectors, such as polysilicon, steel, concrete and wind power equipment. See “Item 4. Information on the Company—B. Business Overview—Regulation—Renewable Energy Law and Other Government Directives.” The Chinese government has implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which could in turn reduce the demand for our products and materially and adversely affect our operating results and financial condition.

***Uncertainties in China's legal system, including the interpretation and enforcement of PRC laws and regulations, could limit the legal protection available to you and us.***

It is especially difficult for us to accurately predict the potential impact to us of new legal requirements in China because the Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which legal decisions have limited value as precedents. In the late 1970s, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation and rule-making over the past five decades has been to significantly increase the protections afforded to various forms of foreign or private-sector investment in China. Our Chinese operating subsidiary, Xinjiang Daqo, is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign-invested enterprises as well as various PRC laws and regulations generally applicable to companies in China. Our business is also subject to various industry policies, safety and environmental laws and regulations that affect our operations and production facility expansion plans, including those related to investment, project construction, building, zoning, fire prevention and work safety. These laws and regulations are still evolving, and their interpretation and enforcement involve uncertainties. In addition, local Chinese governmental authorities have significant discretion in interpreting and implementing rules and regulations, and there is no assurance that the central government authorities will always agree with the interpretations and implementations of the local governmental authorities. Furthermore, rules and regulations in China can change quickly with little advance notice. In recent years, Chinese regulators have announced regulatory actions aimed at providing the Chinese government with greater oversight over certain sectors of China's economy, including the for-profit education sector and technology platforms that have a quantitatively significant number of users located in China. Although the solar power industry does not appear to be the focus of these regulatory actions, we cannot guarantee that the Chinese government will not in the future take regulatory actions that materially adversely affect the business environment and financial markets in China as they relate to us, our ability to operate our business, our liquidity and our access to capital. For example, if a central government agency requires us to obtain its approval and if we fail to obtain such approval in a timely manner, or at all, we may be subject to the imposition of fines against us, or the suspension or cessation of our production capacity expansion plans. See "Item 4. Information on the Company—B. Business Overview—Regulation—Renewable Energy Law and Other Government Directives." It may be more difficult to evaluate the outcome of any regulatory or legal proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to continue our operations or planned capacity expansions, which, as a result, could materially and adversely affect our business and operations.

***Recent regulatory developments in China will subject us to additional regulatory review and disclosure requirements, expose us to government interference, or otherwise restrict or completely hinder our ability to offer securities and raise capital outside China, which could adversely affect our business operations and cause the value of our securities to significantly decline or become worthless.***

As substantially all of our business is conducted in China, we are exposed to legal and other risks associated with our operations in China. The PRC government has significant authority to exert influence on the ability of a company with operations in China, including us, to conduct its business, and may exert substantial intervention and influence over the manner our operations. Any actions by the PRC government to exert more oversight and control over offerings that are conducted overseas or foreign investment in companies having operations in China, including us, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of our securities to significantly decline or become worthless. Recently, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas, adopting new measures to extend the scope of cybersecurity reviews and new laws and regulations related to data security, and expanding the efforts in anti-monopoly enforcement. While we do not believe that these regulatory changes would have any material impact on us, we cannot guarantee that the authorities will agree with us or will not promulgate new regulations that restrict our business operations or access to capital.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Severe and Lawful Crackdown on Illegal Securities Activities. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. These opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. These opinions and any related implementation rules to be enacted may subject us to additional compliance requirement in the future. As these opinions were recently issued, official guidance and interpretation of the opinions remain unclear in several respects at this time. Therefore, we cannot assure you that we will remain fully compliant with all new regulatory requirements of these opinions or any future implementation rules on a timely basis, or at all.

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With the trend of strengthening anti-monopoly supervision around the world, the PRC government has issued a series of anti-monopoly laws and regulations in 2021, paying more attention to corporate compliance. On February 7, 2021, the Anti-monopoly Commission of the State Council of the PRC promulgated the Guidelines for Anti-monopoly in the field of Platform Economy. On November 15, 2021, the State Administration for Market Regulation of the PRC promulgated the Guidelines for the Overseas Anti-monopoly Compliance of Enterprises. We believe that these regulations have little impact on us, but we cannot guarantee that regulators will agree with us or that these regulations will not affect our business operations in the future.

Cybersecurity and data privacy and security issues are subject to increasing legislative and regulatory focus in China. On July 30, 2021, the State Council of the PRC promulgated the Regulation on the Protection of the Security of Critical Information Infrastructure, which took effect on September 1, 2021. This regulation requires, among others, certain competent authorities to identify critical information infrastructures. If any critical information infrastructure is identified, the relevant authorities shall promptly notify the relevant operator and the Ministry of Public Security. The CAC and a number of other departments under the State Council promulgated the Measures for Cybersecurity Review on December 28, 2021, which became effective on February 15, 2022. According to this regulation, critical information infrastructure operators purchasing network products and services and data processors carrying out data processing activities, which affect or may affect national security, are required to conduct cybersecurity review. On July 7, 2022, the CAC issued the Measures for the Security Assessment of Data Cross-border Transfer, or the Security Assessment Measures, which became effective on September 1, 2022. In accordance with the Security Assessment Measures, a data processor should apply to the CAC for a security assessment under certain circumstances, including (i) where a data processor provides important data abroad; (ii) where a critical information infrastructure operator or a data processor processing personal information of over one million people provides personal information abroad; (iii) where a data processor has provided personal information of 100,000 people or sensitive personal information of 10,000 people in total abroad since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC. Moreover, the Security Assessment Measures provide that for non-compliant cross-border data transfers that had been carried out before this regulation came into effect, rectification must be completed within six months from the effective date of the regulation. We believe that these regulations are not applicable to us, because we are neither a critical information infrastructure operator nor a data processor within the meanings of these regulation. However, we cannot guarantee that the regulators will agree with us. As of the date hereof, we have not been involved in any investigations on cybersecurity review made by the CAC, and we have not received any inquiry, notice, warning, or sanctions in such respect. However, as these are new regulations, there remain uncertainties as to how they will be interpreted or implemented in the context of an overseas offering.

We may be subject to PRC laws relating to the collection, use, sharing, retention security, and transfer of confidential and private information, such as personal information and other data. These PRC laws apply not only to third-party transactions, but also to transfers of information between us and our wholly foreign-owned enterprises in China, and other parties with which we have commercial relations. For example, on September 1, 2021, the PRC Data Security Law became effective, which imposes data security and privacy obligations on entities and individuals conducting data-related activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. In addition, the Standing Committee of PRC National People's Congress promulgated the PIPL on August 20, 2021, which took effect on November 1, 2021. The PIPL further emphasizes processors' obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. As of the date hereof, we have not been involved in any investigations on data security or privacy compliance issues in connection with the PRC Data Security Law or the PIPL, and we have not received any inquiry, notice, warning, or sanctions in such respect. In addition, we do not expect to have significant data security or privacy issues given that the nature of our business does not involving collecting and use of vast personal data. However, we cannot guarantee that the regulators will agree with us or will not in the future adopt new regulations that restrict our business operations.

Since these statements and regulatory actions are new, it is highly uncertain how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, or the potential impact such modified or new laws and regulations will have on our daily business operation, our ability to accept foreign investments and listing on a U.S. or other foreign exchanges. PRC laws and their interpretations and enforcement continue to develop and are subject to change, and the PRC government may adopt other rules and restrictions in the future.



***Future securities offerings of our Company or our subsidiary, Xinjiang Daqo, may be subject to approval of the Shanghai Stock Exchange, CSRC or other regulatory agencies in China (as the case may be), which could impose uncertainty on our capital raising activities.***

The Provisions Regarding Mergers and Acquisitions of Domestic Projects by Foreign Investors (the “M&A Rules”) require an overseas special purpose vehicle that is controlled by PRC companies or individuals formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies using shares of such special purpose vehicle or held by its shareholders as considerations to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. However, the application of the M&A Rules remains unclear. If any approval from the Shanghai Stock Exchange, the CSRC or other PRC regulatory agencies (as the case may be) is required for our or Xinjiang Daqo’s securities offerings, it is uncertain whether it would be possible for us or Xinjiang Daqo to obtain the approval. Any failure to obtain or delay in obtaining such approval could subject us to sanctions imposed by the Shanghai Stock Exchange, the CSRC or other PRC regulatory agencies (as the case may be).

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises, or the Trial Measures, which will become effective on March 31, 2023. On the same date, the CSRC also circulated Supporting Guidance Rules No. 1 through No. 5, Notes on the Trial Measures, Notice on Administration Arrangements for the Filing of Overseas Listings by Domestic Enterprises, or collectively, the Guidance Rules and Notice. Specifically, the examination and determination of an indirect offering and listing will be conducted on a substance-over-form basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer’s audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. Under the Trial Measures and the Guidance Rules and Notice, domestic enterprises conducting overseas offering and listing of securities (including shares, depository receipts, corporate bonds convertible into shares and other securities in the nature of equity), either directly or indirectly, shall complete filings with the CSRC pursuant to the Trial Measures’ requirements within three working days after (i) the application for an initial public offering is submitted and (ii) any completion of offering of shares in the same stock market after the initial public offering and listing. Failure to comply with the filing requirements may result in fines to the relevant domestic companies, suspension of their businesses, revocation of their business licenses and operation permits, and fines on the controlling shareholders as well as other responsible persons. The Trial Measures also sets forth certain regulatory red lines for overseas offerings and listings by domestic enterprises.

Under the Trial Measures, any future securities offering and listing overseas by us, including follow-on offerings, secondary listings, and going private transactions, will be subject to the filing requirements with the CSRC under the Trial Measures, and we cannot assure you that we will be able to comply with such filing requirements in a timely manner, or at all. We may face sanctions by the CSRC or other PRC regulatory agencies for failure to obtain or for delay in obtaining CSRC approval for our offerings. These sanctions may include fines and penalties on our operations in China, limitations on our operating privileges in China, delays in or restrictions on the repatriation of the proceeds from our offerings into the PRC, restrictions on or prohibition of the payments or remittance of dividends by our subsidiaries in China, or other actions that could have a material and adverse effect on our business, reputation, financial condition, results of operations, prospects, as well as the trading price of our ADSs.

***Chinese regulations relating to offshore investment activities by Chinese residents may increase the administrative burden we face and may subject our Chinese resident beneficial owners or employees to personal liabilities, limit our subsidiaries’ ability to increase their registered capital or distribute profits to us, limit our ability to inject capital into our Chinese subsidiaries, or may otherwise expose us to liability under PRC laws.***

SAFE has promulgated regulations that require Chinese residents and Chinese corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. These regulations may apply to our shareholders who are Chinese residents and may apply to any offshore acquisitions that we make in the future.

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Relating to Domestic Resident's Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of any special purpose vehicles established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions. SAFE Circular 37 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75.

If a Chinese shareholder with a direct or indirect stake in an offshore parent company fails to make the required SAFE registration, the Chinese subsidiaries of such offshore parent company may be prohibited from making distributions of profit to the offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the Chinese subsidiaries, and the offshore parent company may also be prohibited from injecting additional capital into its Chinese subsidiaries. Furthermore, failure to comply with the SAFE registration requirement described above may result in liability for the Chinese shareholders and the Chinese subsidiaries under PRC laws for foreign exchange registration evasion.

We have, as of the date of this annual report, completed SAFE registration for all current beneficial shareholders of our company who are, to our knowledge, Chinese residents. However, we may not be fully informed of the identities of the beneficial owners of our company and we cannot assure you that all of our Chinese resident beneficial owners will comply with SAFE regulations. The failure of our beneficial owners who are Chinese residents to make any required registrations may subject us to fines and legal sanctions, and prevent us from making distributions or paying dividends, as a result of which our business operations and our ability to distribute profits to you could be materially and adversely affected.

***Participants of our share incentive plans who are PRC individuals are required to register with SAFE, and the failure to so comply could subject us and such participants to penalties.***

In February 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice. According to the Stock Option Notice, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must file an application with SAFE or its local counterpart on behalf of PRC resident individuals who participate in stock incentive plans of overseas publicly listed companies to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or share option exercises. Our company is an "overseas publicly listed company," and therefore, we and participants of our share incentive plans who are PRC individuals are subject to these regulations.

We have completed registration for options and restricted share units granted as of the date of this annual report. For future option and restricted share unit grants, if our application is unsuccessful or our option plan participants who are PRC individuals fail to work with us to complete the registration, we or such persons may be subject to fines and legal sanctions. Any failure to comply with such regulations may subject us and the relevant participants of our share incentive plan to fines and legal sanctions and prevent us from being able to grant share incentives to our personnel, as a result of which our business operations may be adversely affected.

***Chinese regulation of direct investment and loans by offshore holding companies to Chinese entities may delay or limit us from making additional capital contributions or loans to our Chinese subsidiaries.***

Any capital contributions or loans that we, as an offshore entity, make to our Chinese subsidiaries are subject to Chinese regulations. For example, for each of our Chinese subsidiaries as a foreign invested enterprise, the aggregate amount of our loans to the Chinese subsidiary cannot exceed the larger amount of (i) the balance between the registered total investment amount and registered capital of the Chinese subsidiary, or (ii) twice the amount of the net assets of the Chinese subsidiary calculated in accordance with PRC GAAP, subject to satisfaction of applicable government registration or approval requirements, and the loans must be registered with the local branch of SAFE. There is a specific statutory guideline relating to the ratio of a foreign invested enterprise's registered capital amount over total investment amount. For each foreign invested enterprise, such as Xinjiang Daqo, it may increase its registered capital to receive additional capital contributions from us and currently there is no statutory limit to increasing its registered capital, subject to satisfaction of applicable government registration and filing requirements. We cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our Chinese subsidiaries or future capital contributions by us to our Chinese subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to make equity contributions or provide loans to our Chinese subsidiaries or to fund their operations may be negatively affected, which could adversely affect our Chinese subsidiaries' liquidity and their ability to fund their working capital and expansion projects and meet their obligations and commitments.

***We may rely on dividends and other distributions on equity paid by our wholly owned operating subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to borrow money or pay dividends.***

As a holding company, we may rely on dividends and other distributions on equity paid by our Chinese subsidiaries for our cash requirements, including funds necessary to service any debt we may incur. If our Chinese subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by our Chinese subsidiaries only out of their retained earnings, if any, determined in accordance with Chinese accounting standards and regulations. Under PRC laws and regulations, each of our Chinese subsidiaries are required to set aside a portion of their net income each year to fund a statutory surplus reserve until such reserve reaches 50% of its registered capital. This reserve is not distributable as dividends. As a result, our Chinese subsidiaries are restricted in their ability to transfer a portion of its net assets to us in the form of dividends, loans or advances. Limitation on the ability of our Chinese subsidiary to pay dividends to us could materially and adversely limit our ability to borrow money outside of China or pay dividends to holders of our ADSs. See “—Risks Related to Our Business—The dividends we receive from our Chinese subsidiaries and our global income may be subject to Chinese tax under the EIT Law, which would have a material adverse effect on our results of operations; our foreign ADS holders may be subject to a Chinese withholding tax upon the dividends payable by us and Chinese tax on gains realized upon the sale or other disposition of our ADSs if we are classified as a Chinese ‘resident enterprise’.”

***Fluctuations in exchange rates could result in foreign currency exchange losses.***

The conversion of RMB into foreign currencies is based on rates set by the People's Bank of China. The value of RMB against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-old policy of pegging the value of RMB to the U.S. dollar, and RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between RMB and the U.S. dollar remained within a narrow band. Since June 2010, RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. The PBOC further enlarged the floating band of RMB against the U.S. dollar in March 2014 and announced its intention to improve the central parity quotation system of RMB against the U.S. dollar. Effective from October 1, 2016, RMB has been included in the International Monetary Fund's basket of special drawing rights. It is difficult to predict how market forces or PRC or U.S. government policies may impact the exchange rate between RMB and the U.S. dollar in the future. We cannot assure you that RMB will not appreciate or depreciate significantly in value against foreign currencies in the future.

The financial records of our PRC subsidiaries are maintained in RMB, which is their functional currency. We are therefore exposed to fluctuations in the exchange rate between the U.S. dollar and RMB. We do not currently hedge, and have not historically hedged, our operational exposure to this foreign currency fluctuation. Our consolidated financial results are presented in U.S. dollars, and therefore, during times of a strengthening U.S. dollar versus RMB, our reported revenue and earnings that are denominated in RMB will be reduced because RMB will translate into fewer U.S. dollars. In addition, assets and liabilities are translated at the exchange rates at the balance sheet date. Equity accounts are translated at historical exchange rates. Revenues, expenses, gains and losses are translated at average rate of exchange prevailing during the periods presented. Translation adjustments arising from the use of differing exchange rates from period to period are recorded as cumulative translation adjustments and are shown as a separate component of other comprehensive income in our statement of changes in equity and comprehensive income. Accordingly, changes in currency exchange rates will cause our revenues, expenses, gains and losses, shareholders' equity, and comprehensive income to fluctuate, and such fluctuations may have an adverse effect on our financial condition and results of operations.

Furthermore, any significant depreciation of RMB against the U.S. dollar may have a material adverse effect on the value of, and any dividends payable on, our ADSs and ordinary shares. If we decide to convert our RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or for other business purposes, depreciation of RMB against the U.S. dollar would reduce the U.S. dollar amount available to us. On the other hand, to the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of RMB against the U.S. dollar would have an adverse effect on RMB amount we receive from the conversion. In addition, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars. Fluctuation in the value of RMB in either direction could have a material adverse effect on the value of our company and the value of your investment.

***Failure to maintain effective internal control over financial reporting could have a material and adverse effect on the trading price of our ADSs.***

We are subject to the reporting obligations under the U.S. securities laws. As of December 31, 2022, our management concluded that our internal control over financial reporting was effective. For the year ended December 31, 2022, our independent registered public accounting firm performed an audit of our internal control over financial reporting.

However, we cannot assure you that we will maintain effective internal control over financial reporting on an ongoing basis. If we fail to maintain effective internal controls over financial reporting, we will not be able to conclude and our independent registered public accounting firm will not be able to report that we have effective internal controls over financial reporting in accordance with the Sarbanes-Oxley Act of 2002 in our future annual report on Form 20-F covering the fiscal year in which this failure occurs. Effective internal control over financial reporting is necessary for us to produce reliable financial reports. Any failure to maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could have a material and adverse effect on the trading price of our ADSs. Furthermore, we may need to incur additional costs and use additional management and other resources as our business and operations further expand or in an effort to remediate any significant control deficiencies that may be identified in the future. In addition, our internal controls over financial reporting will not prevent or detect all errors or fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

***If the PCAOB is unable to inspect our auditors as required under the HFCA Act, the SEC will prohibit the trading of our ADSs, which may materially and adversely affect the value of your investment.***

The HFCA Act was enacted into law on December 18, 2020. Under the HFCA Act, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years (beginning with those we filed in 2022), the SEC will prohibit our securities, including our ADSs, from being traded on a U.S. national securities exchange, including the NYSE, or in the over-the-counter trading market in the U.S. On December 29, 2022, the AHFCA Act was signed into law by the U.S. president as part of the fiscal year 2023 omnibus spending legislation, which reduced the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two. As a result, the risk has been heightened.

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The process for implementing trading prohibitions pursuant to the HFCA Act will be based on a list of registered public accounting firms that the PCAOB has been unable to inspect and investigate completely as a result of a position taken by a non-U.S. government, or the Relevant Jurisdiction. The first such list was included in a release by the PCAOB on December 16, 2021, and our auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm that is headquartered in Shanghai, China with offices in other cities in China, was included on that list.

The SEC reviews annual reports filed with it to determine if the auditor used for such reports was so identified by the PCAOB, and such issuers are designated as “Commission-Identified Issuers” on a list to be published by the SEC. If an issuer is a Commission-Identified Issuer for two consecutive years (which will be determined after the second such consecutive annual report), the SEC will issue an order that will implement the trading prohibitions described above. Upon the SEC’s review of our filed annual report for 2021, we were designated by SEC as Commission-Identified Issuers on May 4, 2022.

On August 26, 2022, the PCAOB signed a Statement of Protocol with the CSRC and the Ministry of Finance of the PRC, taking a first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in Mainland China and Hong Kong. On December 15, 2022, the PCAOB announced its determination that it has been able to inspect and investigate audit firms in mainland China and Hong Kong completely for purposes of the HFCA Act, and the PCAOB vacated its December 16, 2021 determinations. Based on this announcement, we do not expect to be a Commission-Identified Issuer in respect of our annual report for 2022 on Form 20-F to be filed in 2023. However, the PCAOB stated that should PRC authorities obstruct the PCAOB’s ability to inspect or investigate completely in any way and at any point in the future, the PCAOB Board will act immediately to consider the need to issue new determinations consistent with the HFCA Act. While we currently do not expect the HFCA Act or the AHFCA Act to prevent us from maintaining the trading of our ADSs in the U.S., uncertainties exist with respect to future determinations of the PCAOB in this respect and any further legislative or regulatory actions to be taken by the U.S. or Chinese governments that could affect our listing status in the U.S. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment. If we are unable to be listed on another securities exchange that provides sufficient liquidity, such a delisting may substantially impair your ability to sell or purchase our ADSs when you wish to do so. Furthermore, even if we are able to maintain a listing of our ordinary shares on a non-U.S. exchange, investors owning our ADSs may have to take additional steps to engage in transactions on that exchange, including converting ADSs into ordinary shares and establishing non-U.S. brokerage accounts.

***Restrictions on currency exchange under PRC laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.***

Substantially all of our revenues and operating expenses are denominated in RMB. Under the relevant foreign exchange restrictions in China, conversion of the RMB is permitted, without the need for SAFE approval, for “current account” transactions, which includes dividends, trade, and service-related foreign exchange transactions, by complying with certain procedural requirements. Conversion of the RMB for “capital account” transactions, which includes foreign direct investment and loans, is still subject to significant limitations and requires approvals from and registration with SAFE and other Chinese regulatory authorities. We cannot assure you that SAFE or other Chinese governmental authorities will not further limit or eliminate our ability to purchase foreign currencies in the future. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining U.S. dollars or other foreign currencies as required, we may not be able to pay dividends in U.S. dollars or other foreign currencies to our shareholders, including holders of our ADSs. Furthermore, foreign exchange control in respect of the capital account transactions could affect our Chinese subsidiaries’ ability to obtain foreign exchange or conversion into RMB through debt or equity financing, including by means of loans or capital contributions from us.

### **Risks Related to Our ADSs**

***The trading prices of our ADSs have been and may continue to be volatile, which could result in substantial losses to investors.***

The closing trading prices of our ADSs ranged from \$35.72 to \$77.00 in 2022, and may remain volatile in the future and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. A number of China-based companies, including many solar energy companies, have listed their securities on U.S. stock exchanges. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performance of these Chinese companies’ securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

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In addition to market and industry factors, the price and trading volume for our ADSs may be volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings and cash flow;
- announcements of our new investments, acquisitions, strategic partnerships, or joint ventures;
- announcements of new products and expansions by us or our competitors;
- announcements of sale of existing business segments;
- fluctuations in market prices of or demand for our products;
- changes in financial estimates by securities analysts;
- changes in the ratio of ADSs vs. ordinary shares;
- additions or departures of key personnel; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade. We cannot assure you that these factors will not occur in the future.

### ***The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.***

Sales of substantial amounts of our ADSs in the public market or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. Our ADSs are freely tradable without restriction or further registration under the U.S. Securities Act of 1933, as amended, or the Securities Act, subject to the restrictions in Rule 144 and Rule 701 under the Securities Act. In addition, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale may adversely affect the market price of our ADSs.

### ***We may issue additional ordinary shares or other equity or equity-linked securities, which may materially and adversely affect the price of our ordinary shares or ADSs.***

We may issue additional equity or equity-linked securities for a number of reasons, including to finance our operations and business strategy (including in connection with business expansion or other transactions), or for other reasons. Any future issuances of equity or equity-linked securities could substantially dilute your interests and may materially and adversely affect the price of our ordinary shares or ADSs. We cannot predict the timing or size of any future issuances or sales of equity or equity-linked securities, or the effect, if any, that such issuances or sales may have on the market price of our ordinary shares or ADSs. Market conditions could also require us to accept less favorable terms for the issuance of those securities in the future.

### ***Our Fourth Amended and Restated Memorandum and Articles of Association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.***

Our Fourth Amended and Restated Memorandum and Articles of Association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction.

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***You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.***

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, as amended from time to time, the Companies Act of the Cayman Islands, as amended from time to time, and the common law of the Cayman Islands. The rights of shareholders to take actions against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

The Cayman Islands courts are also unlikely:

- to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws; and
- to impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature.

There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

***You may experience difficulties in enforcing judgments against us and our management, and the ability of U.S. authorities to bring actions against us or our management may also be limited.***

We are a Cayman Islands company and all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China, one of the world's largest emerging markets. In addition, a majority of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the United States federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. In addition, due to jurisdictional limitations, matters of comity and various other factors, the SEC, Department of Justice ("DOJ") and other U.S. authorities may be limited in their ability to take enforcement actions, including in instances of fraud, against us or our directors and officers in China. In addition, shareholder claims that are common in the United States, including class action securities law and fraud claims, generally uncommon in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the local authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the U.S. have not been efficient in the absence of mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties.

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***The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to vote your ordinary shares.***

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our Fourth Amended and Restated Memorandum and Articles of Association, the minimum notice period required for convening a general meeting is seven days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

***The depositary for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests.***

Under the deposit agreement for the ADSs, if you do not vote, the depositary will give us a discretionary proxy to vote our ordinary shares underlying your ADSs at shareholders' meetings unless:

- we have failed to timely provide the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting;
- a matter to be voted on at the meeting would have a material adverse impact on shareholders; or
- the voting at the meeting is to be made by a show of hands.

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

***You may not receive dividends or other distributions on our ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.***

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

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***You may not be able to participate in rights offerings and may experience dilution of your holdings.***

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depository will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depository may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

***You may be subject to limitations on transfer of your ADSs.***

Your ADSs are transferable on the books of the depository. However, the depository may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depository may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depository are closed, or at any time if we or the depository thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

***As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the NYSE corporate governance listing standards.***

As a Cayman Islands company listed on the NYSE, we are subject to the NYSE corporate governance listing standards. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance listing standards. For example, we are not required to have a compensation committee and corporate governance and nominating committee composed entirely of independent directors, we are not required to hold annual general meetings, and we are not required to obtain shareholder approval for equity compensation plans or before issuing ordinary shares to a related party. See “Item 16G. Corporate governance.” Since we have chosen to follow certain home country practice, our shareholders may be afforded less protection than they otherwise would enjoy under the NYSE corporate governance listing standards applicable to U.S. domestic issuers.

***We may be classified as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, which could subject U.S. investors in our ADSs or ordinary shares to adverse tax consequences.***

A non-United States corporation, such as our company, will be classified as a passive foreign investment company (“PFIC”) for United States federal income tax purposes for any taxable year if either (i) 75% or more of its gross income consists of certain types of “passive” income or (ii) 50% or more of the average value of its assets is attributable to assets (generally determined on the basis of a quarterly average) that produce or are held for the production of passive income. Based on our income and assets, we do not believe that we were a PFIC for the taxable year ended December 31, 2022. The determination of whether we are a PFIC is made annually after the close of each taxable year. This determination is based on the facts and circumstances at the time, some of which may be beyond our control, such as the amount and composition of our income and the valuation and composition of our assets, including goodwill and other intangible assets, as implied by the market price of our ordinary shares. In particular, recent declines in the market price of our ADSs and/or ordinary shares significantly increased our risk of becoming a PFIC for the current taxable year. The market price of our ADSs and/or ordinary shares may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. In addition, the composition of our income and assets will also be affected by how, and how quickly, we use our liquid assets. If we determine not to deploy significant amounts of cash for active purposes or if it were determined that we do not own the stock of the consolidated affiliated entities for United States federal income tax purposes, our risk of being a PFIC may substantially increase.

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If we were to be classified as a PFIC in any taxable year, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations”) may incur significantly increased United States federal income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the United States federal income tax rules. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares. See “Item 10. Additional Information—E. Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Considerations” for more information.

***We are a “foreign private issuer,” and have disclosure obligations that are different from those of U.S. domestic reporting companies; as a result, you should not expect to receive the same information about us at the same time when a U.S. domestic reporting company provides the information required to be disclosed.***

We are a foreign private issuer and, as a result, we are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we will be subject to reporting obligations that, to some extent, are more lenient and less frequent than those of U.S. domestic reporting companies. For example, we are not required to issue quarterly reports or proxy statements. We have 120 days to file our annual report with the SEC for the fiscal years ending on or after December 31, 2011. We are not required to disclose detailed individual executive compensation information that is required to be disclosed by U.S. domestic issuers. Further, our directors and executive officers are not required to report equity holdings under Section 16 of the Securities Act and are not subject to the insider short-swing profit disclosure and recovery regime. As a foreign private issuer, we are also exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. We are, however, still subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5 under the Exchange Act. Since many of the disclosure obligations imposed on us as a foreign private issuer are different than those imposed on U.S. domestic reporting companies, our shareholders should not expect to receive the same information about us and at the same time as the information received from, or provided by, U.S. domestic reporting companies.

***If securities or industry analysts do not actively follow our business, or if they publish unfavorable research about our business, our ADS price and trading volume could decline.***

The trading market for our ADS depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who covers us downgrades our ADSs or publishes unfavorable research about our business, our ADS price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, demand for our ADSs could decrease, which could cause our ADS price and trading to decline.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. History and Development of the Company**

Our company was incorporated in Cayman Islands as Mega Stand International Limited in November 2007. We changed our corporate name to Daqo New Energy Corp. in August 2009.

We are a company limited by shares domiciled in the Cayman Islands. The corporate affairs of Daqo New Energy Corp. are governed by our Fourth Amended and Restated Memorandum and Articles of Association, the Companies Act (Revised) of the Cayman Islands and the common law of the Cayman Islands.

In 2008, we established Chongqing Daqo as our wholly owned operating subsidiary in China. Through Chongqing Daqo, we focused primarily on the manufacturing and sale of polysilicon and later expanded into wafer manufacturing. In addition to Chongqing Daqo, we established Nanjing Daqo New Energy Co., Ltd., or Nanjing Daqo, in China in 2007, through which we conducted our module manufacturing business. In 2009, we established our wholly owned subsidiary Daqo Solar Energy North America, or Daqo North America, in California to promote our products in North America.

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Daqo Group established Daqo New Material in 2006 in Chongqing, China. Although all of Daqo Group's equity interest holders also beneficially own shares of Daqo Cayman, Daqo Group does not have any shareholding in our company. Subsequent to the establishment of Chongqing Daqo in July 2008, Chongqing Daqo entered into a lease agreement with Daqo New Material to rent all of Daqo New Material's land, production infrastructure, machinery, equipment, facilities, factories, buildings and other assets for polysilicon production. This lease was terminated on December 30, 2013. Under Financial Accounting Standards Board Accounting Standards Codification 810-10-15, "Variable Interest Entities," we were deemed to be Daqo New Material's primary beneficiary and Daqo New Material had been consolidated from July 1, 2008 to December 30, 2013. As a result of the voluntary termination of our contractual arrangements with Daqo New Material, starting from December 31, 2013, we deconsolidated Daqo New Material.

We commenced commercial production at the Phase 1 polysilicon facilities in July 2008. Production at the Phase 1 polysilicon facilities used equipment and property from both us and Daqo New Material. Even though we do not directly or indirectly hold any equity interests in Daqo New Material, under U.S. GAAP, Daqo New Material has been deemed to be our predecessor business from November 16, 2006 through June 30, 2008.

Under a non-competition agreement with us, Daqo Group has agreed not to engage in the business of manufacturing, marketing or distributing polysilicon or any other solar power products anywhere in the world or compete in any manner with our businesses without our consent for an indefinite term. Under the non-competition agreement, we, through Daqo Cayman and Chongqing Daqo, are entitled to seek temporary restraining orders, injunctions or other equitable relief, in addition to monetary remedies specified in the agreement, if Daqo Group breaches its non-competition obligations. Related party transactions are subject to our audit committee's review and approval. With the approval of our audit committee, we gave our consent to Daqo Group to enter the photovoltaic cell manufacturing business in China. Daqo Group incorporated a wholly owned subsidiary, Zhenjiang Daqo Solar Co., Ltd., or Zhenjiang Daqo, which started commercial production of photovoltaic cells in 2011.

On October 7, 2010, we listed our ADSs, each representing five ordinary shares of Daqo New Energy Corp., on the NYSE under the symbol "DQ" in connection with an initial public offering. We issued a total of 9,200,000 ADSs at \$9.50 per ADS in connection with our initial public offering.

In February 2011, we incorporated a wholly owned subsidiary, Xinjiang Daqo, in Shihezi Economic Development Area in Xinjiang Autonomous Region, China, to build our Phase 2A polysilicon production facilities. We finished construction of our Phase 2A polysilicon facilities in September 2012 and engaged in commercial production at these facilities beginning from the first quarter of 2013.

In April 2011, we incorporated a wholly owned subsidiary, Daqo New Energy Holdings (Canada) Ltd., or Daqo Canada, to expand our operations in North America. Through Daqo Canada, we set up a joint venture with JNE Solar Inc., a party unrelated to us prior to this transaction, in Hamilton, Ontario. This joint venture was terminated in April 2012. We liquidated Daqo Canada in October 2013.

In September 2012, to focus on our core businesses of polysilicon and wafer production, we sold our 100% equity interest in our module business to Daqo Group for a consideration of \$9.9 million. On December 21, 2012, we effected a change of the ADS to ordinary share ratio from one ADS representing five ordinary shares to one ADS representing 25 ordinary shares. The ratio change had the same effect as a 1-for-5 reverse ADS split.

In September 2012, we halted polysilicon production in order to begin maintenance and technology improvement projects at the Phase 1 polysilicon facilities with the primary objective of lowering the cost to produce polysilicon at these facilities. In conjunction with the production stoppage, a supplementary lease agreement with Daqo New Material was reached which reduced lease payments beginning in 2013 to approximately \$zero.

In the first quarter of 2013, we terminated Daqo North America, which was originally designed to promote our module products in North America. In the second quarter of 2013, we incurred fixed asset impairment charges related to the Phase 1 polysilicon facilities to reflect the market challenges that had an adverse effect on the profit-generating ability of the assets.

As of March 2013, we successfully reached our initial targets for both capacity and cost structure for our Xinjiang Phase 2A polysilicon facilities. As part of our efforts toward further improvement, we successfully completed a project to identify and reduce restrictions on our production throughput, or a "debottlenecking" project, prior to the end of 2013.



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In November 2013, our Board of Directors approved our plan to further expand our capacity in Xinjiang from 6,150 MT to 12,150 MT, or the Phase 2B expansion, in order to take advantage of the enormous competitive advantage in electricity price in Xinjiang compared to that of Chongqing.

Since we did not intend to continue the technology improvement project in our Phase 1 facilities and we planned to relocate the idle machinery and equipment from Phase 1 facilities in Chongqing to our Xinjiang facilities for expansion projects including Phase 2B, Phase 3A and 3B, we (i) ceased production at the Phase 1 polysilicon facilities in 2012, then started the relocation of certain machinery and equipment from the Phase 1 polysilicon facilities to Xinjiang, and (ii) on December 30, 2013, signed an amendment to the supplementary lease agreement to terminate the lease, which resulted in the deconsolidation of Daqo New Material. To support the wafer manufacturing at Chongqing Daqo, Chongqing Daqo entered into a new lease agreement with Daqo New Material to lease a small portion of its facilities, including, but not limited to, the dining hall, part of the office buildings and portions of the employee dormitory, on January 1, 2014.

Following the completion of our Phase 2A and our capacity enhancement project for Phase 2A, we fully ramped up our nameplate polysilicon production capacity to 6,150 MT per annum in the first quarter of 2014.

We fully ramped up the full production capacity of our Phase 2B project to 12,150 MT per annum at the end of the third quarter of 2015.

In January 2015, our Board of Directors approved our Phase 3A expansion project. We completed the construction and installation of Phase 3A at the end of 2016 and achieved full production capacity of 18,000 MT per annum in the first quarter of 2017. In August 2017, our Board of Directors approved the Phase 3B expansion project. We completed the construction and installation of Phase 3B and commenced pilot production by October 2018. The Phase 3B facility ramped up to full production capacity and increased our total production capacity to 30,000 MT in December 2018. In addition, we completed a debottlenecking project and increased our total production capacity to 35,000 MT by the end of June 2019. Our Phase 4 expansion plan comprises Phase 4A and Phase 4B, which each increased our production capacity by 35,000 MT. We completed the Phase 4A project and ramped it up to full production capacity in December 2019, which increased our total production capacity to 70,000 MT. Following the full operation of our Phase 4A expansion project, we further reduced our production cost to \$6.38/kg in the fourth quarter of 2019, benefiting from lower unit cost of electricity, new production processes and equipment with higher efficiencies, and greater economies of scale. We began our Phase 4B project in March 2021 and completed the construction of the project in December 2021. We ramped it up to its full capacity of 35,000 MT and increased our total annual production capacity to 105,000 MT in January 2022. In December 2021, we entered into a strategic cooperation framework agreement with Baotou City, Inner Mongolia, to build polysilicon projects for the solar industry with a total annual production capacity of 200,000 MT (i.e., our Phase 5 expansion project), and for the semiconductor industry with a total annual capacity of 21,000 MT, silicon metal projects with a total annual capacity of 300,000 MT and silicone projects with a total annual capacity of 200,000 MT in Baotou. Our Phase 5 expansion project is expected to increase our annual production capacity for polysilicon to 305,000 MT by the end of 2023. The plan and timetable for the following phases will be determined later according to market conditions.

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In November 2013, we achieved great progress in our wafer business by increasing our annual capacity from 36 million pieces to 72 million pieces. From 2014, we began running our wafer business in full capacity and improved the quality and efficiency for our wafer products. In May 2014, we established an in-house slurry recovery system, which helped us lower the wafer production cost. In November 2015, we launched a wafer technology enhancement project at our Chongqing wafer facilities, which helped to reduce our wafer manufacturing cost and increase our wafer capacity with a limited capital expenditure requirement. We upgraded our ingot furnaces from Generation 5 to Generation 6 directional solidification casting furnaces and increased our ingot output from approximately 500 kilograms per batch to approximately 800 kilograms per batch in the first half of 2016. We also increased our wafering capacity by improving efficiency of the existing wafering system and acquiring certain used wafering tools from the secondary market in the first half of 2016. By the end of June 2016, we successfully completed this project and increased our annual wafer capacity from 87 million pieces to approximately 100 million pieces. By the year-end of 2017, we had successfully switched our slicing technology from traditional slurry wiresaws to diamond saws which enable us to significantly improve our manufacturing efficiency and lower processing cost. In September 2018, we made a strategic decision to discontinue our wafer manufacturing operations in Chongqing in response to the increasingly challenging market conditions.

In August 2015, our Board of Directors and the Audit Committee approved the restructuring plan of Xinjiang Daqo in order for it to meet certain PRC legal requirement for listing on the National Equities Exchange and Quotations, or the New Third Board, an emerging over-the-counter securities market in China. Pursuant to the restructuring plan, Xinjiang Daqo Investment subscribed for newly issued equity interest of Xinjiang Daqo representing 1% of the total outstanding equity of Xinjiang Daqo, and the restructuring was completed in December 2015. In April 2016, Xinjiang Daqo has received approval to list its shares on the New Third Board. In June 2016, Xinjiang Daqo was listed on the New Third Board. In May 2018, Xinjiang Daqo voluntarily delisted from the New Third Board, because the effectiveness and efficiency of the financing activities on the New Third Board did not meet our expectations. In December 2018, we approved for our subsidiary, Xinjiang Daqo, to acquire an 100% equity interest of Xinjiang Daqo Investment, a wholly-owned subsidiary of Daqo Group and an affiliated company of the Company, for a total consideration of \$16.0 million.

In December 2016, we adopted a dual Chinese name “大全新能源公司” at our annual general meeting, so that the name of our company is “Daqo New Energy Corp. “ 大全新能源公司.”

In April 2018, we completed a follow-on public offering of 2,064,379 ADSs, representing 51,609,475 ordinary shares, at \$55.00 per ADS. We received net proceeds of \$106.6 million from this offering.

In October 2019, we incorporated Xinjiang Daqo Guodi, a wholly owned subsidiary, in Shihezi Economic Development Area in Xinjiang Autonomous Region, China. The subsidiary focuses on research and development related to polysilicon manufacturing.

In November 2019, Xinjiang Daqo Lvchuang was incorporated, which is 70% owned by Xinjiang Daqo and 30% owned by a third party company. The subsidiary primarily focuses on the recycling and sales of polysilicon by-product, which was in the start-up stage as of December 31, 2021.

In March 2020, Daqo New Energy (Hong Kong) Co., Limited, our wholly owned subsidiary, was incorporated in the Hong Kong Special Administrative Region, China. The subsidiary primarily focuses on development of business and investment for us.

In June 2020, we announced our strategic plan to complete a listing of shares of our principal operating subsidiary, Xinjiang Daqo, on the Shanghai Stock Exchange's Sci-Tech innovation board, known as the STAR Market. STAR Market listing requires Xinjiang Daqo to have multiple shareholders. As a result, we sold 4.4% of Xinjiang Daqo's shares at the aggregate consideration of RMB199.05 million to Mr. Guangfu Xu, Mr. Xiang Xu, Mr. Dafeng Shi and Mr. Longgen Zhang, respectively. Following the transaction, we beneficially owned 95.6% of equity interest in Xinjiang Daqo. In July 2021, Xinjiang Daqo completed its initial public offering and listing on the STAR Market and raised net proceeds of approximate RMB6.07 billion in this offering. In February 2022, Xinjiang Daqo applied with the Shanghai Stock Exchange to conduct a private offering to qualified institutional investors, intending to raise up to RMB11 billion from this private offering for our 100,000 metric tons of polysilicon expansion project in Baotou, Inner Mongolia, China, and to supplement our working capital. As of the date of this annual report, we beneficially own a 72.7% equity interest in Xinjiang Daqo.

On November 17, 2020, we effected a change of the ADS-to-ordinary-share ratio from one (1) ADS representing twenty-five (25) ordinary shares to one (1) ADS representing five (5) ordinary shares.

In February 2022, Inner Mongolia Daqo New Energy Co., Ltd., which is 100% owned by Xinjiang Daqo, was incorporated in Inner Mongolia Autonomous Region, China. The subsidiary primarily focuses on manufacturing of polysilicon.

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Our principal executive offices are located at Unit 29, Huadu Mansion, 838 Zhangyang Road, Shanghai, People's Republic of China, and our telephone number at that location is +86-21-5075-2918. Our registered office in the Cayman Islands is located at the offices of International Corporation Services Ltd., P.O. Box 472, 2nd Floor Harbor Place, Grand Cayman KY1-1106, Cayman Islands. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 801 2nd Avenue, Suite 403, New York, NY 10017. SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding us that file electronically with the SEC. Our website is <http://www.dqsolar.com>.

See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures" for a discussion of our capital expenditures.

### **B. Business Overview**

Photovoltaics is one of the proven and most rapidly growing renewable energy sources in the world. Energy from the sun is converted into electricity primarily through the photovoltaic effect and, to a lesser extent, through concentrated solar thermal technologies.

We are a leading high-purity polysilicon manufacturer based in China. We utilize the chemical vapor deposition process, or the "modified Siemens process," with upgraded Hydrochlorination technology, to produce polysilicon, and have fully implemented the closed loop system to produce high-quality polysilicon cost-effectively. We manufacture and sell high-purity polysilicon to photovoltaic product manufacturers, who further process our polysilicon into ingots, wafers, cells and modules for solar power solutions. Currently, our annual production capacity for polysilicon is 205,000 MT, including 105,000 MT produced in Xinjiang and 100,000 MT produced in Inner Mongolia, and by the end of 2023 we expect to have an additional annual production capacity for polysilicon of 100,000 MT in Inner Mongolia. We improve our production efficiency and increase our output through technological improvements, adoption of process innovation and refinement as well as equipment enhancement. Actual production volume may exceed the production capacity due to operational improvements we may implement at our facilities in response to market conditions.

We commenced commercial production of wafers using our own polysilicon in July 2011. Following our discontinuation in September 2018 of our wafer manufacturing operations in Chongqing, we focused on our operations in Xinjiang in northwestern China and then gradually expanded to Inner Mongolia. The cost of doing business in western and northern China is generally lower than the coastal areas of China. Specifically, in Xinjiang and Inner Mongolia where currently our polysilicon facilities are located, the electricity rate is much lower than the coastal areas. Because of our strategic location, we have experienced advantages in electricity and raw material costs over our competitors that are based in developed countries or in the coastal areas of China.

We impose rigorous quality control standards at various stages of our manufacturing process. We systematically test raw materials from our suppliers and test our inputs at each stage of our manufacturing process to ensure that they meet all technical specifications. With our strict quality control measures in our manufacturing and facility construction processes, we are able to produce high-quality polysilicon consistently at our facilities. We currently sell polysilicon to China-based photovoltaic product manufacturers. The majority of our sales are made under framework contracts, with the prices to be determined at the time when specific sales orders are made. As of December 31, 2022, our major polysilicon customers included operating entities of Longi, Shangji Automation and Gokin Solar.

#### **Quarterly sales volume for polysilicon in 2022:**

|                     | <b>First<br/>Quarter</b> | <b>Second<br/>Quarter</b> | <b>Third<br/>Quarter</b> | <b>Fourth<br/>Quarter</b> | <b>FY 2022</b> |
|---------------------|--------------------------|---------------------------|--------------------------|---------------------------|----------------|
| <b>Sales Volume</b> |                          |                           |                          |                           |                |
| Polysilicon (MT)    | 38,838                   | 37,545                    | 33,126                   | 23,400                    | 132,909        |

#### **Our Products**

We manufacture and sell high-purity polysilicon to photovoltaic product manufactures, who further process the polysilicon into ingots, wafers, cells and modules for solar power solutions. We offer ready-to-use polysilicon, packaged to meet crucible stacking, pulling, and solidification needs. Our annual production capacity for polysilicon increased from 35,000 MT to 70,000 MT in December 2019 and further increased to 105,000 MT in January 2022. Our actual production volume of polysilicon in 2021 and 2022 was 86,587 MT and 133,812 MT, respectively. We are one of the best-quality polysilicon makers in China. In 2022, over 99% of our polysilicon was sold to mono-wafer applications which require higher quality as compared to multi-wafer applications.



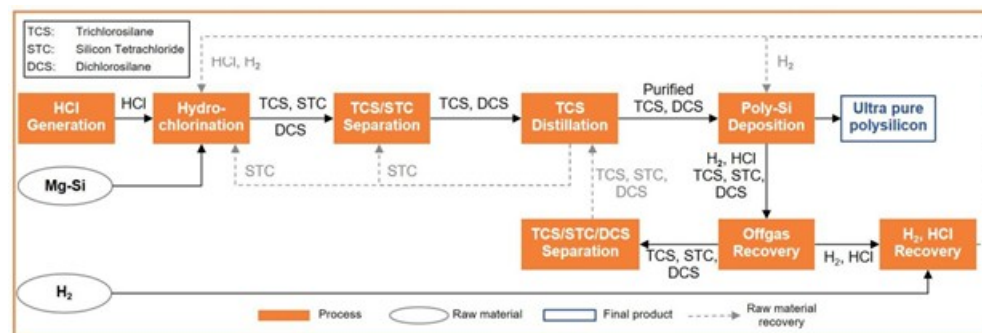
See “Item 5. Operating and Financial Review and Prospects-A. Operating Results-Components of Results of Operations-Revenues” for a breakdown of our net revenues by category of activity.

## Polysilicon Manufacturing Process

### Modified Siemens Process

Three main technologies are used in polysilicon production: the modified Siemens process, the fluidized bed reactor process and the upgraded metallurgical grade silicon process. The Siemens process is a mature and well-proven process technology predominantly used in high purity silicon feedstock production in the solar industry. The two other technologies, the fluidized bed reactor process and the upgraded metallurgical grade silicon process, have the potential for lower cost production but are less proven and the quality of products made by these two processes is currently lower than modified Siemens process.

We use the modified Siemens process to produce polysilicon. The modified Siemens process includes three distinct steps: (1) TCS production; (2) distillation; and (3) deposition. In addition, we recover and recycle exhaust gas throughout the process in our closed loop manufacturing system. The diagram below describes our current general manufacturing process:



**TCS production.** The first step of the manufacturing process is to produce TCS from two widely available industrial raw materials: MG-Si and liquid chlorine. We generate TCS in-house through our integrated manufacturing process. TCS production includes two steps: hydrogen chloride synthesis, or HCl synthesis, and TCS synthesis. At the HCl synthesis step, liquid chlorine from a chlorine tank is vaporized to chlorine gas and sent to the HCl synthesis furnace, where it reacts with hydrogen to generate HCl. At the TCS synthesis step that follows, MG-Si powder is then sent to Hydrochlorination unit and reacted with HCl gas.

**Distillation.** Distillation is a method of separating mixtures based on differences in their boiling points. Raw TCS is purified through distillation to produce high purity TCS feedstock. The difference in boiling points of TCS and impurities such as boron, phosphorous, and metal halides allow for purification of TCS. It is critical to remove these impurities in this process to eliminate the possible causes of low performance in solar cells. In the distillation process, all by-product chemicals from vent gases are separated and further purified before being sent back to our production areas.

**Deposition.** The purified TCS from the distillation process is vaporized, mixed with hydrogen gas, and then fed into the deposition reactor. The mixed gas passes over heated silicon slim rods inside the deposition reactor. In the reactor, multiple pair slim rods are heated up to approximately 1,100°C and high purity silicon is deposited on the rods surface. The constant feeding of TCS and hydrogen gas allows for continuous silicon deposition until 150-200mm in diameter is achieved. At this point the deposition cycle is completed and the ultra-pure silicon is harvested.

### *Closed Loop Manufacturing System*

We have implemented the modified Siemens process in a completely closed loop system. The closed loop system is an advanced polysilicon manufacturing process widely used by leading international polysilicon manufacturers. Compared to the open loop system, the closed loop system uses raw materials more efficiently, requires less electricity and produces less pollution. Manufacturing polysilicon generates an exhaust gas primarily consisting of hydrogen, HCl, and chlorosilanes. Using the vent gas recovery system, which combines condensers, distillation towers, adsorption beds and compressors, we are able to separate the exhaust stream from our manufacturing process into individual components that can be reused after further purification. For instance, a by-product of the deposition step is STC, which is a toxic chemical. Through a separate hydrochlorination process, we convert STC to TCS, so that we eliminate the costs related to STC disposal and reduce operational risks of STC treatment. Mixed chlorosilanes are recovered as a liquid stream suitable for separation where we can directly reuse TCS. Anhydrous HCl is recovered with high purity, suitable for use in TCS production. Recovered hydrogen typically contains contaminants of fewer than 10 parts per million and is recycled to the deposition reactors. Recycling significantly reduces costs related to waste disposal and the amount of raw materials we need to purchase for production.

Although the closed loop system has lower manufacturing costs than the open loop system, manufacturing facilities based on the open loop system can be built within a shorter period of time with less initial capital investment for equipment. Most of polysilicon manufacturing facilities in China were traditionally built based on the open loop system. However, as the polysilicon market may face downward pricing pressure from time to time, we believe that an increasing number of China-based manufacturers are converting their open loop system to the closed loop system and many of them have completed such conversion. The full implementation of the closed loop system by other polysilicon manufacturers has diminished our competitive advantages provided by this system. Nevertheless, in August 2011, Chongqing Daqo entered into a Technology License and Transfer Agreement with GTAT Corporation, a Delaware company, under which GTAT granted us a license to use, in both our Chongqing and Xinjiang facilities, its Hydrochlorination TCS Production Technology and Chlorosilane Recovery/Waste Neutralization Technology.

We have successfully adopted in our Xinjiang polysilicon manufacturing facilities Hydrochlorination technology, a process which has seen increasing application in polysilicon manufacturing in recent years. It converts STC to TCS by reacting with metallurgical grade silicon powder. Using Hydrochlorination technology, chemical reactions take place under much higher pressure and at lower temperatures in comparison to the traditional hydrogenation process. As a result, it consumes less electricity and offers a higher STC/TCS conversion rate. In addition, the Hydrochlorination process also does not require fresh TCS production, which further reduces production costs.

To achieve higher efficiency in our manufacturing process, we have also installed a distribution control system and a thermal energy recycling mechanism. The distribution control system enables tight quality control, reduces process related variations, and improves productivity. Our thermal energy recycling system allocates heat generated from our deposition reactors and hydrogenation reactors to many other production areas, such as distillation facilities for TCS purification and our refrigeration station to support a large number of condensers.



## Manufacturing Capacity

The following table sets forth our major installed, approximate annual production capacity objectives as of the dates indicated and includes the expected date of initial commercial operation and fully ramped-up production of each expansion phase.

|  | Approximate<br>Annual<br>Production<br>Capacity | Construction<br>Period                           | Commercial<br>Production<br>Period | Fully<br>Ramped-up<br>Production |
|--|---|--|------------------------------------|----------------------------------|
| Phase 2A facilities                            | 5,000 MT  | Second quarter of 2011 – September 2012          | First quarter of 2013 – Present    | March 2013                       |
| Capacity enhancement of Phase 2A facilities    | 1,150 MT  | July 2013 – January 2014                         | January 2014 – Present             | First quarter of 2014            |
| Phase 2B facilities                            | 6,000 MT  | April 2014 – June 2015                           | July 2015 – Present                | Third quarter of 2015            |
| Phase 3A facilities                            | 5,850 MT  | July 2015 – December 2016                        | First quarter of 2017 – Present    | First quarter of 2017            |
| Phase 3B facilities                            | 12,000 MT                                       | January 2018 – October 2018                      | December 2018 – Present            | December 2018                    |
| Debottlenecking project of Phase 3B facilities | 5,000 MT  | April 2019 – June 2019                           | June 2019 – Present                | Second quarter of 2019           |
| Phase 4A facilities                            | 35,000 MT                                       | May 2018 – September 2019                        | September 2019 – Present           | December 2019                    |
| Phase 4B facilities                            | 35,000 MT                                       | March – December 2021                            | December 2021 – Present            | February 2022                    |
| Phase 5A facilities                            | 100,000 MT                                      | March 2022 – April 2023                          | April 2023 – Present               | Expected in June 2023            |
| Polysilicon for semiconductor                  | 1,000 MT  | March 2022 – September or fourth quarter of 2023 | —                                  | —                                |

We completed the construction and installation of Phase 3A at the end of 2016 and commenced initial production in the first quarter of 2017. By the end of February 2017, we achieved full production capacity of 18,000 MT per annum. In August 2017, our Board of Directors approved the Phase 3B expansion project. We completed the construction and installation of Phase 3B and commenced pilot production by October 2018. The Phase 3B facility ramped up to full production capacity and increased our total production capacity to 30,000 MT in December 2018. In addition, we completed a debottlenecking project and increased our total production capacity to 35,000 MT in June 2019. Our Phase 4 expansion plan comprises Phase 4A and Phase 4B, which each increased our production capacity by 35,000 MT. We completed the Phase 4A project and began pilot production in September 2019. We reached full capacity of 35,000 MT in December 2019, which increased our total production capacity to 70,000 MT. Following the full operation of our Phase 4A expansion project, we further reduced our production cost to \$6.38/kg in the fourth quarter of 2019, benefiting from low cost of electricity, new production processes and equipment with higher efficiencies, and greater economies of scale. We began our Phase 4B project in March 2021 and completed the construction of the project in December 2021. We ramped it up to its full capacity of 35,000 MT and increased our total annual production capacity to 105,000 MT in January 2022. We also plan to build polysilicon projects for the solar industry with a total annual production capacity of 200,000 MT (i.e., our Phase 5 expansion project) and for the semiconductor industry with a total annual capacity of 21,000 MT and silicon metal projects with a total annual capacity of 300,000 in Baotou. We began the construction of our Phase 5A project (an 100,000 MT polysilicon project for the solar industry) and an 1,000 MT polysilicon project for the semiconductor industry in March 2022. We completed the construction of the Phase 5A project in April 2023 and expect to complete the construction of the 1,000 MT polysilicon project in September or the fourth quarter of 2023. We began the construction of our Phase 5B project (a 100,000 MT polysilicon project for the solar industry) in March 2023 and expect to complete it by the end of 2023. Our capacity expansion plan and technology improvement plan are preliminary and subject to risks and uncertainties that may be out of our control. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—Our future success depends substantially on our ability to significantly expand our polysilicon production capacity and output, which exposes us to a number of risks and uncertainties” and “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—If we are unable to manage our expansion effectively, our business and financial results may be adversely affected.”

## **Materials and Inputs Used in Production**

### ***Polysilicon***

Raw materials required for our polysilicon manufacturing process primarily include metallurgical grade silicon, which is silicon of 95% to 99% purity, and liquid chlorine, two widely available industrial raw materials used in our in-house production of TCS, electricity and other utilities, and other significant inputs for production, such as argon gas, caustic soda and graphite parts. We produce liquid chlorine in our in-house facilities. This provides us with a reliable supply of liquid chlorine and also helps us to further reduce material costs.

The costs of electricity are significant in the production of polysilicon. The electricity costs in Xinjiang and Inner Mongolia are significantly lower than those in coastal areas of China and in developed countries due to their abundant coal resources. Shihezi, where our Xinjiang polysilicon facilities are located, enjoys additional advantages in the costs of electricity due to the independent regional electricity grid. We also use other utilities, such as steam, water and natural gas, for our manufacturing process. Steam supply is important to the production of polysilicon. We use both a local supplier and our in-house capabilities to produce steam.

### ***Equipment***

The major polysilicon production equipment includes hydroelectrolysis devices, hydrochlorination synthesis furnaces, TCS synthesis furnaces, distillation towers, polysilicon deposition reactors, hydrogenation reactors, exhaust gas recovery units and distribution control systems.

We have close relationships with several of the world's leading equipment manufacturers and work closely with selected equipment manufacturers to develop and build our production lines. In addition, we developed technical specifications for the design of our power supply systems and reactors and have engaged manufacturers to construct the equipment in accordance with our specifications. Our engineers work closely with our equipment suppliers to design our production facilities. Furthermore, to lower costs, we have purchased and will continue to purchase equipment that can be appropriately designed and manufactured by China-based suppliers. Our technical team is responsible for overseeing the installation of our manufacturing lines to optimize the interaction between the various individual components of the entire production process. They work together with our equipment suppliers' technical teams on site at the time of installation.

### ***Quality Assurance***

We apply our quality control system at each stage of our manufacturing process, from raw materials procurement to production and delivery, in order to ensure consistent quality of our products. We systematically inspect raw materials from our suppliers, such as MG-Si, liquid chlorine and various consumables for our polysilicon business. We also test our inputs in each stage of our production process to ensure the inputs meet all technical specifications.

We sample each lot of polysilicon harvested from the deposition reactors and keep the samples for product quality tracking purpose. We also set up a product tracking system to trace back all shipped products to the samples we keep and to our database, which contains detailed information of each shipment. We received the ISO 9001:2008 certification for our quality assurance system for our Xinjiang plant, which we believe demonstrates our technological capabilities and inspires customer confidence. In 2014, Xinjiang Science and Technology Commission issued a three-year certificate to recognize our polysilicon as a high and new technology product. We have successfully renewed the certificate for Xinjiang Daqo to August 2020 and will continue to apply for renewal of the certificate upon its expiration. In addition, in 2014, Xinjiang Daqo was recognized for its compliance with the "Photovoltaic Manufacture Industry Standard" issued by the Ministry of Industry and Information Technology of the PRC.

In order to facilitate our production of photovoltaic products and ensure the quality of the finished product, we conduct analysis for raw materials, in-process products and finished products and monitor the environmental impact and safety throughout the production process.

### ***Customers and Sales***

We currently sell polysilicon to China-based photovoltaic product manufacturers. As of December 31, 2022, our major polysilicon customers included operating entities of Longi, Shangji Automation and Gokin Solar.



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We sell a substantial portion of our polysilicon to a limited number of customers. Our top three customers in aggregate accounted for 83.4%, 61.4% and 54.7% of our continuing operations' total revenues in 2020, 2021 and 2022, respectively.

The majority of our polysilicon sales are made under framework contracts. The framework contracts typically provide binding terms for the sales volumes of our polysilicon. The pricing terms are typically agreed upon between us and our customers based on the prevailing market prices when specific sales orders are made.

We have established nationwide marketing capability through our sales team in China. Each member of our sales team is dedicated to a particular region. Our sales team attends domestic and international industrial conferences and trade fairs and organizes advertising and public relations events. Our sales and marketing team works closely with both our research and development team and our production team to coordinate our ongoing supply and demand planning.

### **Research and Development**

We believe that the continual development of our technology will be vital to maintaining our long-term competitiveness. We have one of the leading research and development teams among polysilicon manufacturers in China. Our research and development team consists of 449 experienced researchers and engineers. Our senior management team spearheads our research and development efforts and sets strategic directions for the advancement of our products and production processes, focusing on efforts to improve product quality, reduce manufacturing costs and broaden our product markets. In 2022, we completed 36 research and technology or process improvement projects to enhance our polysilicon manufacturing process, and successfully registered 71 patents with the State Intellectual Property Office of the PRC.

### **Intellectual Property**

Our intellectual property is an essential element of our business. We rely on patents, copyrights, trademarks, trade secrets and other intellectual property laws, as well as non-competition and confidentiality agreements with our employees, business partners and others, to protect our intellectual property rights.

As of the date of this annual report, we hold 259 patents and have 37 additional pending patent applications covering different aspects of the polysilicon and wafer manufacturing process. We also rely heavily on a combination of proprietary process engineering, trade secrets and employee contractual protections to establish and protect our intellectual property, as we believe that many crucial elements of our production processes involve proprietary know-how, technology or data that are not covered by patents or patent applications, including technical processes, equipment designs, algorithms and procedures. We have taken security measures to protect these elements. All of our research and development personnel have entered into confidentiality and proprietary information agreements with us. These agreements address intellectual property protection issues and require our employees to assign to us all of the inventions, designs and technologies that they develop when primarily utilizing our resources or when performing their duties during their employment.

While we continue to develop and pursue patent protection for our own technologies, we expect to continue implementing third party license arrangements on certain key aspects of our operation. In August 2011, Chongqing Daqo entered into a Technology License and Transfer Agreement with GTAT Corporation, a Delaware company, under which GTAT granted us a license to use its Hydrochlorination TCS Production Technology and Chlorosilane Recovery/Waste Neutralization Technology for our current polysilicon production and future polysilicon production expansions. We had paid off the consideration for the transfer of this technology in January 2016. Most of our equipment supply contracts with international suppliers include an indemnification provision under which the supplier undertakes to indemnify us against actions, claims, demands, costs, charges, and expenses arising from or incurred by reason of any infringement or alleged infringement of patent, copyright, trade mark or trade name by the use of the equipment provided by the supplier. However, it is unclear whether we will be entitled to such indemnification in the event that we use the equipment supplied by such supplier in conjunction with other equipment not supplied by such supplier. In addition, many of our equipment supply contracts with China-based suppliers do not provide any intellectual property indemnification provisions. See "Item 3. Key Information-D. Risk Factors-Risks Related to Our Business-We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards."

### **Competition**

We face competition in China and in the international markets in which we have sales. The photovoltaic market is dominated by a few major manufacturers with a large number of small manufacturers competing for the remaining small portion of the market. We face competition mainly from top manufacturers who have succeeded in establishing a strong brand name with solar companies.

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For our polysilicon business, our major international competitors include Wacker, OCI, Hemlock, REC and Chinese domestic polysilicon manufacturers, such as GCL-Poly, Xinte Energy Co., Ltd., Yongxiang Co., Ltd., Asia Silicon Co., Ltd., Xinjiang East Hope New Energy Ltd. and China Silicon Corporation. There are also likely new entrants into the polysilicon manufacturing market in China, such as Lihao Semiconductor and Jiangsu Runergy. In addition, some solar cell and module manufacturers might have the intention of establishing polysilicon production or affiliate relationships with manufacturers of polysilicon. We compete with these in-house capabilities, which could limit our ability to expand our sales. Furthermore, the demand for our polysilicon may be adversely affected by alternative technologies in cell manufacturing. The vast majority of silicon-based photovoltaic cell manufacturers currently use chunk or granular polysilicon. However, alternative technologies are being developed in cell manufacturing. For example, one such technology, thin-film cell production, uses little to no silicon in the production of solar cells. We believe that the solar cells made using thin-film technologies generally tend to have lower energy conversion efficiency than silicon-based solar cells. In addition, the manufacturing cost of silicon-based cells has been significantly reduced recently, which largely reduces or eliminates the historical cost advantage of thin-film cells. Based on our management's industry knowledge, we believe silicon-based cells will remain the most widely used solar photovoltaic cells in the near future.

We believe that the key competitive factors in the market for photovoltaic products include:

- product quality;
- price and cost competitiveness;
- manufacturing technologies and efficiency;
- manufacturing reliability;
- economies of scale; and
- reputation.

We believe we differentiate ourselves from our competitors and capture market share in the polysilicon markets through our cost and price competitiveness, product quality, and manufacturing technologies and efficiency.

## **Regulation**

This section sets forth a summary of the most significant regulations or requirements that affect our business activities in China.

### ***Renewable Energy Law and Other Government Directives***

China enacted the Renewable Energy Law in February 2005 and amended the law in December 2009. The amended Renewable Energy Law sets forth the national policy to encourage and support the development and use of solar and other renewable energy and its use for on-grid generation. The law also sets forth the national policy to encourage the installation and use of solar technologies in water-heating systems, heating and cooling systems, power generation systems and other energy utilization systems. In addition, the law provides financial incentives, such as national funding, preferential loans and tax preferences for the development of renewable energy projects.

In January 2006, the National Development and Reform Commission, or the NDRC issued two implementing rules relating to the Renewable Energy Law and the Price Law that, among other things, provide general policies regarding the pricing of on-grid power generated by solar and other renewable energy.

In September 2006, the Ministry of Housing and Urban-Rural Development (formerly the Ministry of Construction) and the Ministry of Finance also promulgated the Circular of the Ministry of Finance, the Ministry of Construction, on Printing and Issuing the Interim Measures for Administration of Special Fund for Construction Applied Renewable Energy Resources, which also emphasize the use and administration of the special fund for supporting renewable energies in construction industry. On March 8, 2011, the Ministry of Finance and Ministry of Housing and Urban-Rural Development jointly promulgated the Notice on Further Application of Renewable Energy in Building Construction, which aims to raise the percentage of renewable energy used in buildings.

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In August 2007, the NDRC promulgated the Medium and Long-Term Development Plan for the Renewable Energy Industry. This plan sets forth national policy to provide financial allowance and preferential tax regulations for the renewable energy industry. A similar demonstration of the PRC government's commitment to renewable energy was also set forth in the Thirteenth Five-Year Plan for Renewable Energy Development, which was promulgated by the NDRC in December 2016. The Outline of the Thirteenth Five-Year Plan for National Economic and Social Development of the PRC, which was approved by the National People's Congress in March 2016, also demonstrates a commitment to promote the development of renewable energy to enhance the competitiveness of the renewable energy industry.

On July 24, 2011, the NDRC issued the Circular on Improving the On-Grid Price Policy for Photovoltaic Power, which aims to stimulate the photovoltaic power industry by regulating the price of photovoltaic power.

On July 4, 2013, the General Office of the State Council of China issued "Several opinions on promoting healthy development of Solar PV industry" which increased the aggregated target for PV installations as of 2015 from the previously announced 21 GW to 35 GW.

On September 16, 2013, the Ministry of Industry and Information Technology issued "Regulatory Requirements For the Solar PV Manufacturing Industry" and amended the Regulatory Requirements in March 2015, in January 2018 and in February 2021, respectively. The latest Regulatory Requirements require PV manufacturing enterprises and projects should comply with the national resource development and utilization, environmental protection, energy conservation management and other laws and regulations, comply with the national industrial policy and relevant industrial planning. The latest Regulatory Requirements also provide that PV enterprises must further strengthen technology innovation, improve product quality and reduce production costs.

In January 2014, the National Energy Administration of China, or the NEA, announced the PV installation target for 2014 to be 14 GW, which includes 8 GW for distributed PV systems and 6 GW for large scale PV power plants.

In March 2015, the NEA announced the PV installation target for 2015 to be 17.8 GW. In December 2015, the NDRC announced that it would cut the solar power tariffs in resource zones I, II and III to RMB 0.80/kWh, RMB 0.88/kWh and RMB 0.98/kWh from current RMB 0.90/kWh, RMB 0.95/kWh and RMB 1.00/kWh, respectively, representing reductions of 2% to 11%, effective January 1, 2016. At the same time, China Renewable Energy Fund surcharge fee increased from RMB 15/MWh to RMB 19/MWh.

On June 1, 2015, the National Energy Administration, Ministry of Industry and Information Technology, State Supervisory Commission of China issued "Opinions on Promoting the Application and Industrial Upgrade of Advanced Photovoltaic Technology Products," which accelerated the elimination of backward technologies and supported products with advanced technologies to expand their market shares.

In December 2016, the NDRC announced the solar power tariff revisions for 2017 as follows. First, in 2017, for solar power plants in resource zones I, II and III, the benchmark FIT will be lowered from RMB0.80/0.88/0.98/kWh in 2016 to RMB0.65/0.75/0.85/kWh, or by 19%/15%/13%. Second, the subsidy for distributed-generation solar power projects will remain unchanged at RMB0.42/kWh. Third, for solar power projects registered prior to 2017 and eligible for fiscal subsidies, the FIT at the 2016 level will remain applicable if they are connected to the grid and in operation by June 30, 2017. Fourth, future solar power tariffs will be revised annually based on cost changes.

In December 2017, the NDRC announced the solar power tariff revisions for 2018. In 2018, for solar power plants in resource zones I, II and III, the benchmark FIT will be lowered from RMB0.65/0.75/0.85/kWh in 2017 to RMB0.55/0.65/0.75/kWh, or by 15%/13%/12%. The new rate for distributed-generation solar power projects will be RMB0.37/kWh, which is about RMB 0.05/kWh lower than in 2017. However, the FIT rate will remain the same for all solar projects built under the Chinese government's program to alleviate poverty in rural areas, at RMB0.42/kWh.

On April 2, 2018, the NEA issued the Circular on Matters Concerning Easing the Burden of Enterprises in Renewable Energy Sector, which emphasized the strict implementation of the Renewable Energy Law to ensure the sound development of the renewable energy sector and promote the optimization of investment environment to reduce costs of renewable energy exploitation.



On May 31, 2018, the NDRC, the NEA and the Ministry of Finance jointly promulgated the Circular on Relevant Matters Concerning Photovoltaic Power Generation in 2018, or the Circular 823. The Circular 823 stipulates that there will be no arrangement on the installation target of ordinary solar power plants for 2018 on a temporary basis, and the installation target of distributed-generation solar power projects for 2018 is 10GW. In addition, starting from May 31, 2018, for solar power plants newly put into operation in resource zones I, II and III, the benchmark FIT will be lowered from RMB0.55/0.65/0.75/kWh in 2017 to RMB0.5/0.6/0.7/kWh, or by 9%/8%/7%, and the new rate for distributed-generation solar power projects will be lowered from RMB0.37/kWh to RMB0.32/kWh. The FIT rate will remain the same for all solar projects built under the Chinese government's program to alleviate poverty in rural areas, at RMB0.42/kWh. However, for ordinary solar power projects registered in or prior to 2017, the FIT at the 2017 level will remain applicable if they are connected to the grid and in operation by June 30, 2018, according to a following notice promulgated by the NDRC, the NEA and the Ministry of Finance effective on October 10, 2018.

On January 7, 2019, the NDRC and the NEA jointly promulgated the Circular on Actively Promoting Subsidy-free Grid Price Parity for Wind Power and PV Power, which set forth several measures regarding project organization, construction, operation and supervision to promote PV power generation power projects with grid price equivalent to or below the benchmark grid price of coal-fired power units.

On April 28, 2019, the NDRC promulgated the Notice on Improving Several Issues of the On-grid Price Mechanism for PV Power Generation, or Notice 761, which aims to improve the grid-price mechanism for centralized PV projects and changes the on-grid electricity price for centralized PV power plants from benchmark prices to guidance prices. Notice 761 stipulates that the guidance prices for new centralized PV power plants in resource zones I, II and III that are included in the scope of national financial subsidies are determined as RMB0.40/0.45/0.55/kWh, while for the village-level PV poverty alleviation power stations included in the national renewable-energy-electricity-price additional funds subsidy catalog, the corresponding I-III resource area on-grid electricity prices remain unchanged as RMB0.65/0.75/0.85/kWh.

On May 10, 2019, the NDRC and the NEA jointly promulgated the Notice on Establishing and Perfecting Renewable-Energy-Power Consumption Guarantee Mechanism, and decided to set the weight of renewable-energy-power consumption responsibility for each provincial administrative region, and establish and improve the renewable energy power consumption guarantee mechanism, with an effective period of 5 years.

On May 28, 2019, the NEA issued the Notification on Matters Regarding the Construction of Wind and PV Power Generation Projects in 2019, in order to further lower the benchmark of the FIT for electricity generated by PV plants, and further promote the construction of PV power generation projects, by launching a construction work plan in 2019.

On January 20, 2020, the NDRC, the NEA and the Ministry of Finance jointly issued the Notice on Printing and Distributing the Measures for the Administration of Additional Funds for Renewable Energy Electricity Prices, which aims to promote the development and utilization of renewable energy, to standardize the management of additional funds for renewable energy electricity prices and to improve the efficiency of capital use. On the same day, the NDRC, the NEA and the Ministry of Finance jointly issued the Several Opinions on Promoting the Healthy Development of Non-aqueous Renewable Energy Power Generation, or the Opinion, in order to promote the healthy and stable development of non-aqueous renewable-energy power generation. On September 29, 2020, the NDRC, the NEA and the Ministry of Finance jointly issued the supplementary Notice to the Opinion, which provides the subsidy criteria when settle the government subsidies for the renewable energy power price.

On March 31, 2020, the NDRC issued the Circular on Matters Concerning the On-Grid Price Policies for Photovoltaic Power Generation, which became effective on June 1, 2020, providing the guide price and the subsidy criteria for the photovoltaic power in 2020.

On June 12, 2020, the Ministry of Finance issued the Interim Administrative Measures for Special Funds for the Development of Clean Energy, or the Interim Measure, replacing the Interim Measures for Administration of Special Fund for the Development of Renewable Energies and its supplementary notice. According to the Interim Measures, the Chinese government will provide certain government subsidies and financial incentives to support the development of the clean energy industry, including the solar energy industry.

On February 23, 2021, the Ministry of Industry and Information Technology issued "Regulatory Requirements for the Solar PV Manufacturing Industry." The latest Regulatory Requirements require strict control of new PV manufacturing projects that solely expand production capacity and provide adjustments on industrial regulatory requirements of several PV projects and products in order to guide PV enterprises to further strengthen technology innovation, improve product quality and reduce production costs.

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On May 31, 2021, the General Office of the National Development and Reform Commission and the General Department of the National Energy Administration issued the “Notice on Doing a Good Job in the Investment and Construction of New Energy Supporting Projects,” emphasizing the impact of power supply projects on new energy.

### ***Environmental and Safety Regulations***

We use, generate and discharge toxic, volatile or otherwise hazardous chemicals and wastes in our research and development and manufacturing activities. China enacted the Environmental Protection Law effective December 1989, which was also amended in 2014. In addition to the Environmental Protection Law, we are subject to a variety of specific laws and regulations in China related to the storage, use and disposal of hazardous materials, including laws and regulations governing water pollution, air pollution, solid waste pollution, noise pollution, hazardous chemicals, pollutant discharge fees and environmental impact appraisals. We are also subject to laws and regulations governing worker safety, work safety permits and occupational disease prevention. Our operation is subject to regulation and periodic monitoring by local environmental protection and work safety authorities.

### ***Foreign Currency Exchange***

Under various rules and regulations issued by SAFE and other relevant PRC government authorities, the RMB is convertible for current account items, such as trade related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from SAFE or its local counterpart for conversion of RMB into a foreign currency, such as U.S. dollars, and remittance of the foreign currency outside the PRC.

Payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local counterpart. Unless otherwise approved, domestic enterprises must convert all of their foreign currency receipts into RMB. Recently, China is strengthening the supervision on foreign currency exchange control.

### ***Admission of Foreign Investment***

On March 15, 2019, the Foreign Investment Law of the PRC was issued by the National People’s Representative Meeting and took effect on January 1, 2020, pursuant to which the foreign investments in industries outside the Negative List, or the Special Administrative Measures on the Access of Foreign Investment (Negative List) jointly issued by the NDRC and the Ministry of Commerce of the PRC with the latest version amended on December 27, 2021 and enforced on January 1, 2022, are able to enjoy national treatment.

The principal regulation governing foreign ownership of solar power businesses in the PRC is Catalogue of Industries for Encouraged Foreign Investment (2022 Edition). Under the Encouraged Catalogue 2022, effective from January 1, 2023, the solar power related business is classified as an “encouraged foreign investment industry.” Companies that operate in encouraged foreign investment industries and satisfy applicable statutory requirements are eligible for preferential treatment, including tariff exemption on imported equipment, lower corporate income tax for foreign invested enterprises in encouraged industries in the western region and priority consideration in obtaining land use rights.

### ***Foreign Exchange Registration of Offshore Investment by PRC Residents***

Pursuant to SAFE Circular 75, issued in October 2005, and a series of implementation rules and guidance, including the circular relating to operating procedures that came into effect in July 2011, PRC residents, including PRC resident natural persons or PRC companies, must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, for the purposes of overseas equity financing activities, and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, on July 4, 2014, which replaced the SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE No. Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Pursuant to SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under the SAFE Circular 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration. The failure or inability of our PRC resident shareholders to comply with the registration procedures may subject the PRC resident shareholders to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiaries' ability to distribute dividends to or obtain foreign exchange-dominated loans from our company. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Chinese regulations relating to offshore investment activities by Chinese residents may increase the administrative burden we face and may subject our Chinese resident beneficial owners or employees to personal liabilities, limit our subsidiaries' ability to increase their registered capital or distribute profits to us, limit our ability to inject capital into our Chinese subsidiaries, or may otherwise expose us to liability under PRC laws."

### ***Regulations on Employee Stock Options Plans***

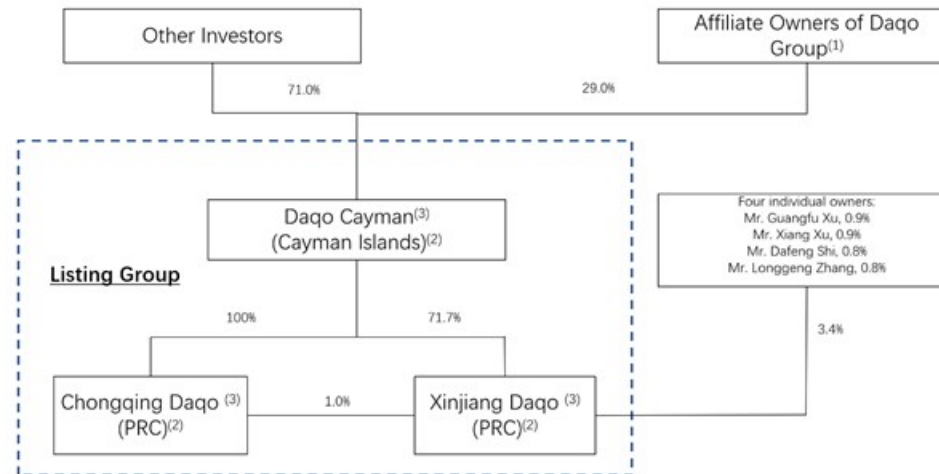
In February 2012, SAFE promulgated the Notice on the Administration of Foreign Exchange Matters for Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies, or the Stock Option Notice. According to the Stock Option Notice, a PRC domestic qualified agent or the PRC subsidiary of such overseas listed company must file an application with SAFE or its local counterpart on behalf of PRC resident individuals who participate in stock incentive plans of overseas publicly-listed companies to obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the stock holding or share option exercises. Our company is an "overseas publicly-listed company," and therefore, we and participants of our share incentive plan who are PRC individuals are subject to these regulations. We have completed the registration for the options granted as of the date of this annual report.

### ***Seasonality***

Due to our limited size, we do not expect our operating results and operating cash flows to be subject to seasonal variations. This pattern may change, however, as a result of growth, new market opportunities or new product introductions.

### C. Organizational Structure

The following diagram illustrates our corporate structure, including our principal subsidiaries, as of the date of this annual report.



#### Notes:

- (1) As of the date of this annual report, individual owners of Daqo Group that are affiliated to us, including Messrs. Guangfu Xu, Xiang Xu and Dafeng Shi, beneficially hold equity interests in Daqo Cayman through four personal holding companies incorporated in the British Virgin Islands. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”
- (2) Indicates jurisdiction of incorporation.
- (3) Indicates companies within the listing group.

### D. Property, Plants and Equipment

Our Phase 2A, Phase 2B, Phase 3A, Phase 3B, Phase 4A and Phase 4B production facilities in Shihezi Xinjiang had approximately 416,633 square meters of office and manufacturing space in total as of December 31, 2022. As of the same date, we had been granted land use rights to approximately 1,396,643 square meters of land where our plants and offices are situated. These land use rights are usually valid for a period of fifty years, starting from the date of grant from the local government in Xinjiang.

Our Phase 5A and Phase 5B facilities are located in Baotou, Inner Mongolia, with approximately 478,000 square meters of office and manufacturing space in total as of December 31, 2022. As of the same date, we had been granted land use rights to approximately 1,098,950 square meters of land where our plants and offices are situated. These land use rights are usually valid for a period of fifty years, starting from the date of grant from the local government in Baotou.

We also own several buildings in Wanzhou, Chongqing, China, which had approximately 23,128 square meters of office and manufacturing space in total as of December 31, 2022. We currently do not have operational activities in Wanzhou.

We believe that our existing facilities, together with our facilities under construction, are adequate for our current and foreseeable requirements. See “Item 5.

Operating and Financial Review and Prospects-B. Liquidity and Capital Resources-Capital Expenditures” for a discussion of our capital expenditures.

## **Environmental and Safety Matters**

Our manufacturing processes generate noise, waste water, gaseous wastes and other industrial wastes. We believe we are in compliance with all present national and local environmental protection requirements in all material respects and have all the necessary environmental permits to conduct our business in China. We process all our waste water and waste gas through various treatments so that they meet the respective national discharge standard. In addition, most of our solid waste can be reused and does not contain poisonous materials. We have established a pollution control system and installed various types of anti-pollution equipment in our facilities to reduce, treat, and where feasible, recycle the waste generated in our manufacturing process. However, we cannot assure you that our pollution controls will always be effective. See “Item 3. Key Information-D. Risk Factors-Risks related to Our Business-Compliance with environmental regulations can be expensive, and non-compliance with these regulations may result in adverse publicity and potentially significant monetary damages and fines.”

We are required to undergo environmental protection and work safety acceptance inspections and obtain approval from relevant governmental authorities before our manufacturing lines are permitted to commence full production. Our production facilities are subject to various pollution control regulations with respect to noise and air pollution and the disposal of waste and other hazardous materials. We have obtained a pollutant discharge permit, a work safety permit for storage and use of hazardous chemicals and a permit for the use of atmospheric pressure containers we have installed.

## **Insurance**

We maintain various insurance policies to safeguard against risks and unexpected events. We purchased property insurance and project construction insurance policies covering our inventory, equipment, vehicles, facilities, buildings and buildings under construction. These insurance policies cover losses due to fire, explosion and a wide range of human accidents. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. We do not maintain business interruption insurance or general third-party liability insurance. We also do not have product liability insurance or key-man life insurance. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business—We have limited insurance coverage. In particular, we do not have any product liability insurance or business interruption insurance.” We consider our insurance coverage to be in line with that of other manufacturing companies of similar size in China.

## **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the historical consolidated financial statements of our company for the years ended December 31, 2020, 2021 and 2022 and related notes included elsewhere in this annual report on Form 20-F. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this annual report.

## A. OPERATING RESULTS

*This annual report on Form 20-F contains forward-looking statements. These statements are made under the “safe harbor” provisions of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “may,” “intend,” “it is possible” “subject to” and similar statements. Among other things, the sections titled “Item 3. Key Information-D. Risk Factors” “Item 4. Information on the Company,” and “Item 5. Operating and Financial Review and Prospects,” as well as our strategic and operational plans, contain forward-looking statements. We may also make written or oral forward-looking statements in our filings with the Securities and Exchange Commission, in our annual report to shareholders, in press releases and other written materials and in oral statements made by our officers, directors or employees to third parties. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements and are subject to change, and such change may be material and may have a material adverse effect on our financial condition and results of operations for one or more prior periods. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained, either expressly or impliedly, in any forward-looking statement in this annual report on Form 20-F, including the following: the demand for photovoltaic products and the development of photovoltaic technologies; global supply and demand for polysilicon; alternative technologies in cell manufacturing; our ability to significantly expand our polysilicon production capacity and output; the reduction in or elimination of government subsidies and economic incentives for solar energy applications; our ability to lower our production costs; changes in the political and regulatory environment; and the duration of COVID-19 outbreaks in China and many other countries and the impact of the outbreaks and the quarantines and travel restrictions instituted by relevant governments on economic and market conditions, including potentially weaker global demand for solar PV installations that could adversely affect the Company’s business and financial performance. All information provided in this annual report on Form 20-F and in the exhibits is as of the date of this annual report on Form 20-F, and we do not undertake any obligation to update any such information, except as required under applicable law.*

### Overview

We are a leading high-purity polysilicon manufacturer based in China with a nameplate annual production capacity of 105,000 MT, which is expected to be increased to 305,000 MT by the end of 2023. We believe our production cost for polysilicon is one of the lowest and our product quality is one of the best in China.

We strive to improve our polysilicon production efficiency and to increase our output through technological improvements, adoption of process innovation and refinement, as well as equipment enhancement. As a result of these initiatives, we produced 4,524 MT polysilicon in 2011. In 2012, our polysilicon output was 3,349 MT(1), which was less than 2011 due to the suspension of the Phase 1 polysilicon facilities and less than normal output in our Xinjiang facilities during the pilot production period in the fourth quarter of 2012. In 2013, we produced 4,805 MT polysilicon which was all contributed by our Xinjiang facilities. We conducted a “debottlenecking” project for our Xinjiang facilities and successfully completed the project and started pilot production in December 2013. We fully realized capacity of 6,150 MT and lowered production costs to the level of \$14 per kg in the first quarter of 2014. We fully ramped up our Phase 2B project to further increase the polysilicon production capacity in our Xinjiang facilities to 12,150 MT at the end of the third quarter of 2015. We have also successfully upgraded our off-gas treatment process from traditional Hydrogenation technology to Hydrochlorination technology. In 2015, we produced 9,771 MT polysilicon at an annual average production cost of \$11.23/kg (including depreciation). In 2016, we produced 13,068 MT polysilicon at an annual average production cost of \$9.38/kg (including depreciation). We completed the construction and installation of Phase 3A at the end of 2016 and commenced initial production in the first quarter of 2017. By the end of February 2017, we have achieved full production capacity of 18,000 MT per annum. In 2017, we produced 20,200 MT polysilicon at an annually average production cost of US\$8.84/kg (including depreciation). In 2018, we produced 23,351 MT polysilicon at an annually average production cost of US\$8.71/kg (including depreciation). In August 2017, our Board of Directors approved Phase 3B expansion project. We completed the construction and installation of Phase 3B and commenced pilot production by October 2018. The Phase 3B facility ramped up to full production capacity and increased our total production capacity to 30,000 MT in December 2018. In addition, we completed a debottlenecking project and increased our total production capacity to 35,000 MT by the end of June 2019. Our Phase 4 expansion plan comprises Phase 4A and Phase 4B, which would each increase our production capacity by 35,000 MT expanded manufacturing capacity. We completed the Phase 4A project and began pilot production September 2019 and reached full capacity of 35,000 MT in December 2019, which increased our total production capacity to 70,000 MT. In 2020, we produced 77,288 MT of polysilicon with an average production cost of \$5.85/kg. We began our Phase 4B project in March 2021 and completed the construction of the project in December 2021. We ramped it up to its full capacity of 35,000 MT and increased our total annual production capacity to 105,000 MT in January 2022. Our Phase 5A and 5B expansion projects in Inner Mongolia are expected to further increase our annual production capacity for polysilicon to 305,000 MT by the end of 2023.



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We currently sell polysilicon to China-based photovoltaic product manufacturers. The majority of our sales are made under framework contracts, with the prices to be determined at the time when specific sales orders are made. As of December 31, 2022, our major polysilicon customers included operating entities of Longi, Shangji Automation JA Solar and Gokin Solar.

We expanded to the downstream photovoltaic manufacturing business by commencing commercial production of wafers in July 2011. In September 2018, we decided to discontinue our operations in Chongqing, including wafer manufacturing, which have since been recognized as our discontinued operations. By the end of 2020, Chongqing Daqo had completely ceased operations. Therefore, the discontinued operation had no impact on our consolidated financial statements for the year ended December 31, 2022.

We have achieved substantial growth since we commenced commercial production of polysilicon in July 2008. We produced 77,288 MT, 86,587MT and 133,812 MT of polysilicon and sold 74,812 MT, 75,356 MT and 132,909 MT in 2020, 2021 and 2022, respectively. We generated revenues of \$675.6 million, \$1,678.8 million and \$4,608.4 million in 2020, 2021 and 2022, respectively. We had a gross profit of \$234.0 million, \$1,097.2 million and \$3,407.9 million in 2020, 2021 and 2022, respectively. Our gross margin was 34.6%, 65.4% and 74.0% in 2020, 2021 and 2022, respectively. We achieved net income attributable to Daqo New Energy Corp. shareholders of \$129.2 million, \$748.9 million and \$1,819.8 million in 2020, 2021 and 2022, respectively.

### **Key Factors Affecting Our Results of Operations**

The following are key factors that affect our financial condition and results of operations and are important to understand our business:

- demand for photovoltaic products, including government incentives to promote the usage of solar energy;
- product prices;
- our product mix;
- our production capacity and utilization; and
- our production costs, in particular the cost of electricity.

### ***Demand for photovoltaic products***

Our business and revenue growth are, in part, dependent on the demand for photovoltaic products. The photovoltaic industry remains at a relatively early stage of development and it is uncertain whether solar energy will be widely adopted. Although demand for photovoltaic products has grown significantly in recent years, the global economic slowdown and turmoil in the global financial markets, including the European sovereign debt crisis that unfolded in 2010, impact of COVID-19, slowdown of the Chinese economy, and the Russia-Ukraine war and related sanctions and other conflicts between Russia and Western countries, have made solar energy less cost competitive and less attractive as an alternative source of energy.

Demand for photovoltaic products is driven, in part, by government incentives that make the economic cost of solar power competitive with the cost of traditional and other forms of energy. We believe that the near-term growth of the market for solar energy applications depends in large part on the availability and size of government subsidies and economic incentives. Reduction in or elimination of government subsidies and economic incentives may hinder the growth of this market or result in lower sales prices for solar energy products, which could cause our revenues to decline.

Global solar PV installations in 2022 totaled approximately 268 GW, representing a 53% increase from 175 GW in 2021. The annual newly added solar PV installations in China were estimated to be approximately 87 GW in 2022, compared to 55 GW in 2021 and 48 GW in China in 2020. China continued to rank as the largest solar PV market globally, with the United States and India ranking the top three globally in 2022. According to several solar PV market reports and our estimation, we expect global solar installations in 2023 to be approximately 380 to 420 GW.

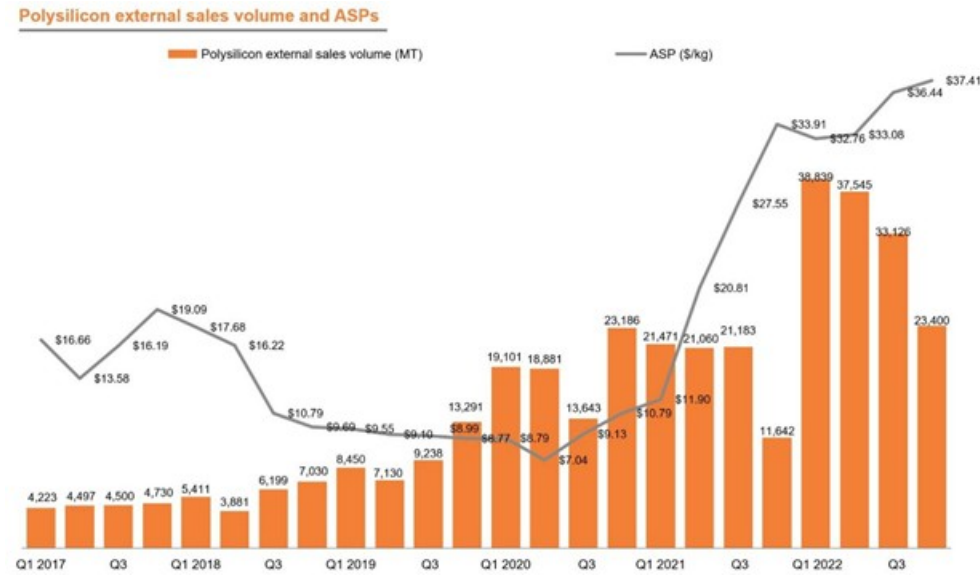
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### **Product prices**

The sales prices of our photovoltaic products are volatile and cannot always be predicted with certainty. Our sales prices declined from mid-2008 to the middle of 2010 due to industry-wide excess supply but stabilized in the third quarter of 2010 and increased marginally in the fourth quarter of 2010 due to end market demand. In 2011, our sales prices declined rapidly in the fourth quarter primarily due to excess supply in the market. The decline in sales prices continued throughout 2012. Our sales prices started to recover through 2013 due to improved demand and reduced inventory levels. The decline in the market price of polysilicon resulted in an approximately 7% decrease in the average selling price of our polysilicon from 2010 to 2011, a further 59.3% decrease from 2011 to 2012 and a further 23.3% decrease from 2012 to 2013. The market prices for polysilicon have improved significantly through 2013, albeit not sufficient to reverse the year-on-year average decrease. In 2014, the average selling prices for polysilicon fluctuated in the range from approximately \$20/kg to \$22/kg. In 2015, our quarterly average selling prices for polysilicon decreased by 23.4% from \$18.09/kg in the first quarter to \$13.86/kg in the fourth quarter of 2015. In 2016, our gross margin for our continuing operation was 39.7% primarily due to significant cost reduction in polysilicon. In 2017, our gross margin for our continuing operations was 44.6% primarily due to continuously significant cost reduction in polysilicon along with increasing of selling prices. In 2018, our gross margin from our continuing operations decreased to 32.5%, primarily due to lower selling prices impacted by the unfavorable solar policy announced by Chinese government on May 31, 2018. In 2019, our gross margin for our continuing operations was 22.9%, primarily due to lower selling prices impacted by delayed installations in China. In 2020, our gross margin for our continuing operations was 34.6%. The increase as compared to 2019 was primarily due to reduced production cost. Our gross margin increased from 34.6% in 2020 to 65.4% in 2021, primarily due to higher average selling prices (ASPs). Our gross margin increased from 65.4% in 2021 to 74.0% in 2022, primarily due to higher ASPs.

On September 1, 2014, the Chinese government suspended the review of applications for importing solar grade polysilicon in the processing trade, according to an announcement jointly made by the Ministry of Commerce and the General Administration of Customs, or GAC, of the PRC in August 2014. All existing agreements approved prior to September 1, 2014 can continue to be performed until the contract terms expire. In addition, certain enterprises in the processing business that have been included in the supervisory network of the GAC were allowed to continue to import before the end of 2014. As a result, in the third and fourth quarters of 2014, foreign polysilicon manufacturers increased their supply of polysilicon into China to take advantage of the grace period before the suspension fully kicked in and exerted pressure on the average selling prices of polysilicon. Although we did see the polysilicon import volume directly from the United States to decline after the Chinese government's suspension policy took effect, Taiwan became a transshipment hub for the United States made polysilicon. The import volume from Germany and South Korea, the two largest countries in terms of China's polysilicon import volume in 2018, has not been materially impacted due to a price commitment agreement between Wacker (a polysilicon manufacturer in Germany) and the Chinese government, and low AD tariffs imposed on major South Korean polysilicon manufacturers. In November 2017, China raised the AD tariffs of polysilicon imported from many companies in South Korea. However, the impact was very limited. For instance, the biggest polysilicon exporter from South Korea, OCI Company Ltd.'s tariff rate raised from 2.4 percent to 4.4 percent.

**Company's quarterly polysilicon external sales volume and ASPs from 2017 to 2022 (VAT excluded):**



**Product mix**

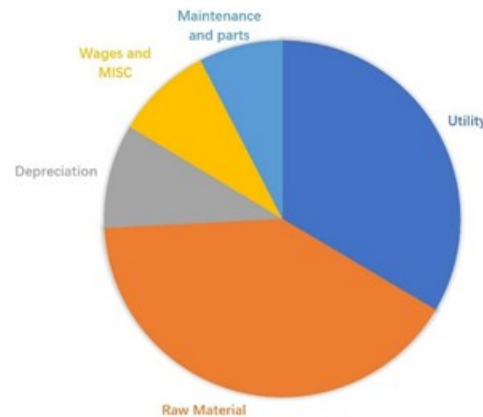
The proportion of our revenues that are generated from the sales of other photovoltaic products, also referred to as product mix, affects our revenues and profitability. In addition to the revenues generated from sales of polysilicon, we also historically generated revenues from other products. We generated revenue from sales of modules for the first three quarters of 2012 before we sold 100% of our equity interests of Nanjing Daqo in September 2012. We also generated revenue from sales of wafers produced in our facilities in Chongqing from 2011 to 2018, when we decided to discontinue our wafer manufacturing business. Since our discontinuation of the wafer manufacturing business, we have focused on our core business of polysilicon manufacturing, which is the only segment to generate revenue.

### ***Our production capacity and utilization***

We focus on our core businesses and are committed to expanding our capacity and further improving our operation efficiency, cost structure and product quality by adopting new technologies and optimizing the manufacturing processes. In September 2012, we successfully completed our Xinjiang Phase 2A facilities. At the end of 2016, we completed the construction and installation of Phase 3A and commenced initial production in the first quarter of 2017. By the end of the second quarter of 2017, Phase 3A facilities reached full production capacity. In August 2017, our Board of Directors approved the Phase 3B expansion project. We completed the construction and installation of Phase 3B and commenced pilot production by October 2018. The Phase 3B facility ramped up to full production capacity and increased our total production capacity to 30,000 MT in December 2018. In addition, we completed a debottlenecking project and increased our total production capacity to 35,000 MT by the end of June 2019. Our Phase 4 expansion plan comprises Phase 4A and Phase 4B, which each increased our production capacity by 35,000 MT. We completed the Phase 4A project and begin pilot production in September 2019 and reached full capacity of 35,000 MT in December 2019, which increased our total production capacity to 70,000MT. We began our Phase 4B project in March 2021 and completed the construction of the project in December 2021. We ramped it up to its full capacity of 35,000 MT and increased our total annual production capacity to 105,000 MT in January 2022. We also plan to build polysilicon projects for the solar industry with a total annual production capacity of 200,000 MT (i.e., our Phase 5 expansion project) and for the semiconductor industry with a total annual capacity of 21,000 MT and silicon metal projects with a total annual capacity of 300,000 MT in Baotou. In the first phase, we began the construction of our Phase 5A project (an 100,000 MT polysilicon project for the solar industry) and an 1,000 MT polysilicon project for the semiconductor industry in March 2022. We completed the construction of the Phase 5A project in April 2023 and expect to complete the 1,000 MT polysilicon project in September or the fourth quarter of 2023. We began the construction of our Phase 5B project (a 100,000 MT polysilicon project for the solar industry) in March 2023 and expect to complete it by the end of 2023.

Our polysilicon production costs consist primarily of the costs of electricity and other utilities, raw materials, labor and depreciation. In our polysilicon manufacturing facilities in Xinjiang, because of the abundant coal resources, the local electricity rate is much lower than that in most areas in China. This cost advantage, along with our operational expertise, enables us to become one of the lowest cost producers around the globe. We have implemented additional measures to reduce our production costs through technology, process and equipment improvement. For example, in 2016, we continued our efforts to improve manufacturing efficiency and optimize production processes through several R&D and technology improvement projects in our Xinjiang polysilicon facilities. As a result of our continuous cost reduction efforts, we successfully reduced our annual average polysilicon production cost (including depreciation) by 5.8% from \$9.38/kg in 2016 to \$8.84/kg in 2017. We fully ramped up our Phase 3B facilities in December 2018 and further reduced our production cost to \$7.94/kg in the fourth quarter of 2018. Following the full operation of our Phase 4A expansion project, we further reduced our production cost to \$6.38/kg in the fourth quarter of 2019, benefiting from low cost of electricity, new production processes and equipment with higher efficiencies, and greater economies of scale. During 2020, we continued to successfully lower our production cost by scaling up our capacity and improving efficiency. During 2021, our production cost increased as compared to 2020, primarily due to increasing cost of raw materials. However, if the impact of higher raw material cost is excluded, we still achieved lower production cost, primarily due to our efforts in additional energy savings and improvement on manufacturing efficiency. During 2022, our production cost decreased as compared to 2021, primarily due to lower raw material cost and improved operational efficiency. Effective cost-reduction measures will have a direct impact on our financial condition and results of operations.

**Indicative polysilicon production cost breakdown in Q4 2022:**



**Components of Results of Operations**

**Revenues**

Our revenues are derived from the sale of polysilicon. We plan to continue to focus on our current polysilicon production business to further improve operation efficiency, cost structure and product quality. If we are successful in executing our expansion plans, we expect our polysilicon revenue to continue to grow.

We commenced polysilicon production in 2008. We produced 77,288 MT, 86,587 MT and 133,812 MT of polysilicon and sold 74,812 MT, 75,356 MT and 132,909 MT of polysilicon in 2020, 2021 and 2022, respectively. Our polysilicon selling prices are directly affected by global supply and demand conditions. In 2020, the annual average selling price decreased by 1.2% as compared to 2019. In 2021, the annual average selling price increased by 147.2% as compared to 2020. In 2022, the annual average selling price increased by 49.5% as compared to 2021, primarily due to the robust global demand for solar PV products and a relative shortage in polysilicon supply. We generated revenues of \$675.6 million, \$1,678.8 million and \$4,608.4 million in 2020, 2021 and 2022, respectively. We achieved net income attributable to our shareholders of \$129.2 million, \$748.9 million and \$1,819.8 million in 2020, 2021 and 2022, respectively.

We have entered into framework agreements with some of our customers. These contracts typically contain binding terms related to the sales volume of our polysilicon during the contract term. The pricing terms are typically agreed upon between us and our customers based on the prevailing market prices when specific sales orders are placed. Such pricing determination method has caused, and is expected to continue to cause, fluctuations in our revenues and results of operations. In 2020, our top three customers, Longi, Jinko Solar and Shangji Automation, accounted for approximately 54.7%, 18.8% and 10.0% of our revenues from continuing operations, respectively, and the three customers in aggregate accounted for approximately 83.4% of our revenues from continuing operations. In 2021, our top three customers, Longi, JA solar and Shangji Automation, accounted for approximately 31.7%, 16.0% and 13.7% of our revenues, respectively, and the three customers in aggregate accounted for approximately 61.4% of our revenues. In 2022, our top three customers, Longi, Shangji Automation and Gokin Solar, accounted for approximately 29.9%, 13.3% and 11.5% of our revenues, respectively, and the three customers in aggregate accounted for approximately 54.7% of our revenues.

**Cost of revenues**

Our cost of revenues primarily consists of:

- depreciation of property, plant and equipment;
- electricity and other utilities, such as steam, water and natural gas;

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- raw materials, including metallurgical grade silicon, liquid chlorine, nitrogen, calcium oxide and hydrogen; and
- direct labor, including salaries and benefits for personnel directly involved in production activities.

Due to our capacity expansion, depreciation in absolute terms increased significantly prior to 2014. Depreciation in absolute terms decreased significantly in 2014, primarily as a result of our revision to the expected useful lives of fixed assets during the first quarter of 2014 and the deconsolidation of our former variable interest entity as of December 30, 2013. Along with the full ramp-up of Phase 2B polysilicon expansion project since August 2015, the depreciation in absolute terms increased significantly in 2015 and 2016 due to higher production volume. Depreciation in absolute terms continued to increase in 2017 and 2018 as we fully ramped up Phase 3A and 3B polysilicon expansion projects in the first quarter of 2017 and December 2018, respectively. Depreciation in absolute terms continued to increase in 2019 and 2020 as we were running the Phase 3B project in full capacity throughout the year and fully ramped up Phase 4A project in December 2019. We began our Phase 4B project in March 2021 and completed the construction of the project in December 2021. We ramped it up to its full capacity of 35,000 MT and increased our total production capacity to 105,000 MT in January 2022. Our Phase 5A and 5B expansion projects in Inner Mongolia are expected to increase our annual production capacity for polysilicon to 305,000 MT by the end of 2023. Depreciation would resume its upward trend if we were to further expand our polysilicon production capacity or conduct technology improvement. We also expect our total cost of revenues to increase as we increase our sales volume.

### ***Operating expenses/income***

Our operating expenses include selling, general and administrative expenses and research and development expenses, which are partially offset by other operating income as described below.

#### ***Selling, general and administrative expenses***

Our selling, general and administrative expenses consist primarily of share-based compensation, salaries and benefits for our administrative, finance and sales personnel, packaging and shipping costs, consulting fee and taxes. We expect that the amount of our selling, general and administrative expenses will increase as we expand our polysilicon production capacity, increase our sales efforts, hire additional personnel, and incur professional expenses to support our operations as a listed company in the United States.

#### ***Research and development expenses***

Our research and development expenses consist primarily of costs of raw materials used in research and development activities, salaries and employee benefits for research and development personnel, and equipment costs relating to the design, development, testing and enhancement of our production process. We expect our research and development expenses to increase in the future as we continue to hire additional research and development personnel and focus on improvement of process technologies for our products, and expand our polysilicon manufacturing business. Our research and development expenses from continuing operations in 2020, 2021 and 2022 primarily resulted from continuous technology improvement projects for polysilicon production.

#### ***Other operating income***

Our other operating income reflects unrestricted government subsidies that we receive from time to time, including financial incentives from the Xinjiang and Inner Mongolia local governments, which are unrestricted as to use and can be utilized by us in any manner we deem appropriate. We have utilized, and expect to continue to utilize, these subsidies to fund general operating expenses. We record unrestricted government subsidies as other operating income when we receive them. The amount and timing of subsidies cannot be predicted with certainty.

#### ***Interest income and expense***

Our interest income represents interest on our cash balances. Our interest expenses relate primarily to our short-term and long-term borrowings from banks, less capitalized interest expenses to the extent they relate to our capital expenditures.

#### ***Taxation***

We are an exempted company incorporated in the Cayman Islands and are not subject to tax in this jurisdiction.

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Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiary domiciled in Hong Kong has applied a two-tiered profits tax rate regime which is applicable to any year of assessment commencing on or after April 1, 2018. The profits tax rate for the first HK\$2 million of profits of corporations will be lowered to 8.25%, while profits above that amount will continue to be subject to the tax rate of 16.5%.

Our Chinese subsidiaries are foreign invested enterprises in China. Under the EIT Law amended in December 2018 and its implementation rules, the Chinese enterprise income tax rate is 25%. However, qualified foreign invested enterprises located in central or western China may enjoy preferential tax rate under a series of national policies adopted to encourage investment in central and western China.

Under the EIT Law, an enterprise established outside of China with its "de facto management bodies" within China may be considered a resident enterprise for Chinese tax purposes and be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules of the EIT Law provide that the term "de facto management bodies" refers to management bodies which have material management and control over all aspects of the business, including production, operations, personnel, finance, and assets. It is unclear whether Chinese tax authorities would determine that, notwithstanding our status as the Cayman Islands holding company of our operating business in China, we should be classified as a resident enterprise. Currently, substantially all of our income is already China-source income subject to Chinese taxes. However, a portion of the net proceeds received from our initial public offering were deposited into interest bearing bank accounts.

Xinjiang Daqo is a foreign-invested enterprise established on February 22, 2011, located in Shihezi Economic Development Area in Xinjiang Autonomous Region. Inner Mongolia Daqo New Energy is a subsidiary of Xinjiang Daqo established on October 25, 2021, located in Baotou in Inner Mongolia Autonomous Region. According to Announcement No.23 [2020] of the Ministry of Finance, State Taxation Administration and National Development and Reform Commission, Xinjiang Daqo and Inner Mongolia Daqo New Energy were established in western China and meet certain requirements for a preferential tax rate under the announcement, and therefore are entitled to a preferential tax rate of 15% until December 31, 2030. During the years ended December 31, 2021 and 2022, Xinjiang Daqo and Inner Mongolia Daqo New Energy were entitled to a preferential tax rate of 15%. Other PRC subsidiaries are subject to the statutory rate of 25%.

Under the current EIT Law and implementation regulations issued by the PRC State Council, an income tax rate of 10% is applicable to interest and dividends payable to investors that are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. In accordance with applicable accounting principles of ASC 740-30, a deferred tax liability shall be recorded for taxable temporary differences attributable to the excess of financial reporting basis over tax basis of an investment in a foreign subsidiary, except for the indefinite reinvestment exception. Before Xinjiang Daqo's initial public offering in China in 2021, we determined that the undistributed earnings of Xinjiang Daqo had been and would be indefinitely reinvested, and no deferred tax liability was recognized on the undistributed earnings of Xinjiang Daqo. Upon the completion of Xinjiang Daqo's IPO in 2021, Xinjiang Daqo's dividends distribution policy was changed to be that, its accumulated dividends distributed in cash in the recent three years shall not be less than 30% of its average annual distributable profits in the past three years, to be compliant/comply with PRC listing rules. That means, no less than 10% of its annual attributable profit will be distributed during the recent three years since 2021. Therefore, we recorded a deferred tax liability of \$14.5 million as of December 31, 2021 based on the fact that 20.18% of distributable profit from Xinjiang Daqo and its subsidiaries ("PRC listed group") for the year ended December 31, 2021 would be distributed in the future. We recorded a deferred tax liability of \$79.9 million as of December 31, 2022 based on an estimate that 40.2% of distributable profit from PRC listed group for the year ended December 31, 2022 will be distributed in 2023.

Pursuant to the Interim Regulations on Value Added Tax and their implementation rules, starting from May 1, 2018, all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services or the importation of goods in China are generally required to pay value-added tax, or VAT, at a rate of 16% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. On March 20, 2019, the Ministry of Finance, SAT and the General Administration of Customs jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform, pursuant to which, gross proceeds from the sale of goods, the provision of repairs and replacement services or the importation of goods are generally subject to a VAT rate of 13% effective from April 1, 2019. When exporting certain goods, excluding polysilicon currently, the exporter is entitled to VAT refund, which amount will be a portion of or all of the VAT that it has already paid or borne. For our sales of polysilicon products, we are subject to the 13% VAT without any VAT refunds for such sales after April 1, 2019.

## Results of Operations

The following table sets forth a summary of our consolidated statements of operations for the periods. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

|  | Year Ended December 31, |                           |             |
|--|-------------------------|---------------------------|-------------|
|  | 2020                    | 2021<br>US\$ in thousands | 2022        |
| Revenues   | 675,602                 | 1,678,793                 | 4,608,350   |
| Cost of revenues   | (441,610)               | (581,585)                 | (1,200,428) |
| Gross profit   | 233,992                 | 1,097,208                 | 3,407,922   |
| Operating (expenses) income:   |                         |                           |             |
| Selling, general and administrative expenses                             | (39,472)                | (39,904)                  | (354,074)   |
| Research and development expenses  | (6,856)                 | (6,495)                   | (10,041)    |
| Other operating income (expenses), net                                   | 191                     | 609                       | (3,181)     |
| Total operating expenses, net  | (46,137)                | (45,790)                  | (367,296)   |
| Income from operations   | 187,855                 | 1,051,418                 | 3,040,626   |
| Interest expense, net  | (25,725)                | (20,482)                  | 14,473      |
| Exchange gain  | —                       | —                         | 680         |
| Investment income  | —                       | 4,012                     | 1,110       |
| Income before income taxes   | 162,130                 | 1,034,948                 | 3,056,889   |
| Income tax expense   | (28,182)                | (170,101)                 | (577,247)   |
| Net income from continuing operations                                    | 133,948                 | 864,847                   | 2,479,642   |
| (Loss) from discontinued operations, net of tax                          | (141)                   | —                         | —           |
| Net income   | 133,807                 | 864,847                   | 2,479,642   |
| Net income attributable to non-controlling interest                      | 4,612                   | 115,923                   | 659,841     |
| Net income attributable to Daqo New Energy Corp.'s ordinary shareholders | 129,195                 | 748,924                   | 1,819,801   |

Note: "0" in above table means less than U.S.\$1,000.

### Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

**Revenue.** The revenue was \$4,608.4 million in 2022, representing an increase of 174.5% from \$1,678.8 million in 2021, primarily due to higher polysilicon ASPs and higher sales volume. All of the polysilicon sold in 2022 and 2021 was manufactured in our Xinjiang facilities. Our external sales volume increased by 76.4% from 75,356 MT in 2021 to 132,909 MT in 2022. Our annual average selling prices increased by 55.3% from \$22.19/kg in 2021 to \$34.47/kg in 2022.

**Cost of revenue.** The cost of revenue was \$1,200.4 million in 2022, representing an increase of 106.4% from 581.6 million in 2021. The increase in cost of revenue from product sales was attributable primarily to increased sales volume.

**Gross profit.** We had a gross profit of \$3,407.9 million in 2022, representing an increase of 210.6% from \$1,097.2 million in 2021.

**Selling, general and administrative expenses.** Our selling, general and administrative expenses for continuing operations increased to \$354.1 million in 2022, compared to \$39.9 million in 2021, primarily due to non-cash share-based compensation cost related to the Company's 2022 share incentive plan, which was \$299.3 million and \$8.4 million in 2022 and 2021, respectively.

**Research and development expenses.** Our research and development expenses were \$10.0 million in 2022, compared to \$6.5 million in 2021. The research and development expenses vary from period to period reflecting the R&D activities that occur in such period.

**Other operating income (expenses), net.** Other operating expenses were \$3.2 million in 2022, compared to other operating income of \$0.6 million in 2021. Our

other operating expenses were primarily attributable to our loss on disposal of fixed assets. Our other operating income mainly consisted of unrestricted cash subsidies that we received from local government authorities, which vary from period to period at the discretion of the corresponding local government authorities.

**Interest expense, net.** Our net interest income was \$14.5 million in 2022, compared to net interest expenses of \$20.5 million in 2021. The increase in interest income was primarily due to higher cash at banks balance.

**Income tax expense.** Income tax expenses were \$577.2 million in 2022, compared to \$170.1 million in 2021, primarily due to higher income before income taxes.

**Net income.** As a result of the foregoing, net income was \$2,479.6 million, compared to \$864.8 million in 2021.

**Net income attributable to our shareholders.** As a result of the factors described above, we had net profit attributable to our shareholders of \$1,819.8 million in 2022, a 143.0% increase from \$748.9 million in 2021.

#### **Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

**Revenue.** The revenue from continuing operations was \$1,678.8 million in 2021, representing an increase of 148.5% from \$675.6 million in 2020. All of the polysilicon sold in 2021 and 2020 was manufactured in our Xinjiang facilities. Our external sales volume increased by 0.7% from 74,812 MT in 2020 to 75,356 MT in 2021. Our annual average selling prices increased by 147.2% from \$8.98/kg in 2020 to \$22.19/kg in 2021.

**Cost of revenue.** The cost of revenue for continuing operations was \$581.6 million in 2021, representing an increase of 31.7% from 441.6 million in 2020. The increase in cost of revenue from product sales was attributable primarily to the increase of production volume.

**Gross profit.** We had a gross profit of \$1,097.2 million for continuing operations in 2021, representing an increase of 368.9% from 234.0 million in 2020.

**Selling, general and administrative expenses.** Our selling, general and administrative expenses for continuing operations were \$39.9 million in 2021, compared to \$39.5 million in 2020.

**Research and development expenses.** Our research and development expenses for continuing operations were \$6.5 million in 2021, compared to \$6.9 million in 2020. The research and development expenses vary from period to period reflecting the R&D activities that occur in such period.

**Other operating income, net.** Other operating income from continuing operations was \$0.6 million in 2021, compared to \$0.2 million in 2020, and mainly consisted of unrestricted cash subsidies that we received from local government authorities, which vary from period to period at the discretion of the corresponding local government authorities.

**Interest expense, net.** Our net interest expenses for continuing operations were \$20.5 million in 2021, compared to \$25.7 million in 2020. The decrease was primarily due to lower balance of bank loans.

**Income tax expense.** Income tax expenses for continuing operations were \$170.1 million in 2021, compared to \$28.2 million in 2020. The increase was primarily due to higher income before income taxes.

**Net income from continuing operations.** Net income from continuing operations was \$864.8 million, compared to \$133.8 million in 2020.

**Net income attributable to our shareholders.** As a result of the factors described above, we had net profit attributable to our shareholders of \$748.9 million in 2021, a 479.7% increase from \$129.2 million in 2020.

#### **B. Liquidity and Capital Resources**

##### **Liquidity**

Our cash, cash equivalents and restricted cash increased by \$3.1 million, \$605.6 million and \$2,796.4 million during 2020, 2021 and 2022, respectively. Net cash provided by operating activities was \$209.7 million, \$639.0 million and \$2,462.7 million in 2020, 2021 and 2022, respectively. Net cash used in investing activities was \$118.5 million, \$781.9 million and \$998.4 million in 2020, 2021 and 2022, respectively. Net cash used in financing activities was \$95.5 million in 2020, net cash provided by financing activities was \$736.2 million in 2021 and net cash provided by financing activities was \$1,472.1 million in 2022.

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We believe that our cash, cash equivalents, cash flows from operating activities and our subsidiary Xinjiang Daqo's equity offerings will be sufficient to meet our working capital, capital expenditure needs that will arise in 2023 and beyond.

The following significant developments in 2022 and the first quarter of 2023 have impacted our liquidity or are expected to impact our liquidity:

- As of December 31, 2022, our current assets exceeded our current liabilities by \$4,152.6 million, and our amounts due to related parties of \$8.4 million were included in our current and non-current liabilities. As of December 31, 2022, we had cash, cash equivalents and restricted cash of \$3,520.4 million. We did not have any bank borrowings as of the same date. We had capital commitments of \$414.3 million as of December 31, 2022 relating to the purchase of property, plant and equipment to be fulfilled in the next twelve months.
- In December 2021, we entered into a strategic cooperation framework agreement with Baotou City to build polysilicon projects for the solar industry with a total annual production capacity of 200,000 MT (i.e. our Phase 5 expansion project) and for the semiconductor industry with a total annual capacity of 21,000 MT, silicon metal projects with a total annual capacity of 300,000 MT and silicone projects with a total annual capacity of 200,000 MT in Baotou City, Inner Mongolia. These projects will be conducted in several phases. In the first phase, we began the construction of our Phase 5A project (an 100,000 MT polysilicon project for the solar industry) and an 1,000 MT polysilicon project for the semiconductor industry in March 2022. We completed the construction of the Phase 5A project in April 2023 and expect to complete the construction of the 1,000 MT polysilicon project in September or the fourth quarter of 2023. In the second phase, we began the construction of our Phase 5B project (a 100,000 MT polysilicon project for the solar industry) in March 2023 and expect to complete it by the end of 2023. We estimate our total investments for the above projects of the first and second phases in Baotou City to be approximately RMB17.19 billion (\$2.49 billion). The plan and timetable for the following phases of projects will be determined later according to market conditions. Capital expenditures related to our Baotou projects were not included in the capital commitments of \$397.1 million as of December 31, 2022 disclosed in the sub-paragraph above.
- In March 2023, the Board of Directors of Xinjiang Daqo approved the Profit Distribution Plan of 2022 (the "2022 Distribution Plan"), which proposed to distribute cash dividends inclusive of taxes of RMB7,694.6 million (equivalent to approximately \$1,115.6 million). As a result, approximately 40.2% of Xinjiang Daqo's distributable profit in 2022 will be distributed in 2023. The 2022 Distribution Plan was approved by the annual shareholders' meeting of Xinjiang Daqo on April 6, 2023.

We have taken or plan to take the following actions to effectively manage our liquidity:

- Our subsidiary Xinjiang Daqo completed its private offering of ordinary shares of approximately RMB11 billion in July 2022. The majority of the funds so raised has been used for our Phase 5A polysilicon expansion project in Baotou City, Inner Mongolia.
- Our Phase 4B project increased our nameplate production capacity for polysilicon from 70,000 MT per annum to 105,000 MT per annum starting from January 2022. Our Phase 5A project increased our annual production capacity for polysilicon to 205,000 MT in April 2023, and our Phase 5B project is expected to further increase our annual production capacity for polysilicon to 305,000 MT by the end of 2023. These new projects are expected to increase our operating cash inflow and reduce our average unit cost.

Based on the above factors, we believe that adequate sources of liquidity will exist to fund our working capital and capital expenditure requirements, and other liabilities as they become due during the twelve-month period after the date of this annual report and in the long term.



### Cash Flows and Working Capital

Polysilicon production requires intensive capital investment. Due to our relatively short operating history, our financing has been primarily through sales of polysilicon, bank borrowings, advances from customers and equity offerings. The following table sets forth a summary of our cash flows for the periods indicated:

|   | Year Ended December 31, |           |           |
|---|-------------------------|-----------|-----------|
|   | 2020                    | 2021      | 2022      |
|   | (in thousands of US\$)  |           |           |
| Net cash provided by operating activities from continuing operation                                       | 209,753                 | 638,989   | 2,462,652 |
| Net cash used in operating activities from discontinued operation   | (50)                    | —         | —         |
| Net cash provided by operating activities   | 209,703                 | 638,989   | 2,462,652 |
| Net cash used in investing activities from continuing operation   | (118,292)               | (781,894) | (998,416) |
| Net cash used in investing activities from discontinued operation   | (195)                   | —         | —         |
| Net cash used in investing activities   | (118,487)               | (781,894) | (998,416) |
| Net cash (used in) provided by financing activities from continuing operation                             | (95,471)                | 736,225   | 1,472,091 |
| Net cash used in financing activities from discontinued operation   | —                       | —         | —         |
| Net cash (used in) provided by financing activities   | (95,471)                | 736,225   | 1,472,091 |
| Effect of exchange rate changes   | 7,365                   | 12,242    | (139,942) |
| Net increase in cash, cash equivalents and restricted cash  | 3,110                   | 605,562   | 2,796,385 |
| Cash, cash equivalents and restricted cash, at the beginning of the year                                  | 115,294                 | 118,404   | 723,966   |
| Cash, cash equivalents and restricted cash, at the end of the year  | 118,404                 | 723,966   | 3,520,351 |
| Supplemental disclosure of cash flow information:   |                         |           |           |
| Interest paid   | 24,696                  | 21,158    | 7,926     |
| Income taxes paid   | 12,808                  | 108,099   | 350,583   |
| <b>Supplemental schedule of non-cash investing activities:</b>  |                         |           |           |
| Purchases of property, plant and equipment included in payables   | 73,148                  | 142,937   | 251,127   |
| Purchases of property, plant and equipment included in amount due to related parties - short-term portion | 198                     | 5,979     | 4,082     |

Our cash, cash equivalents and restricted cash increased by \$3.1 million, \$605.6 million and \$2,796.4 million during 2020, 2021 and 2022, respectively. As of December 31, 2022, we had \$3,499.5 million in cash and cash equivalents and \$20.9 million in restricted cash. Restricted cash was primarily composed of cash that we placed in our bank accounts as guarantee deposits for the banks' issuance of short-term letters of credit, bank notes. Cash and cash equivalents consisted of cash on hand and demand deposits, which were unrestricted as to withdrawal and use and had maturity of three months or less.

As of December 31, 2022, we had a positive working capital (total current assets in excess of total current liabilities) of \$4,152.6 million. We had cash, cash equivalents and restricted cash of \$3,520.4 million and short-term and long-term bank borrowings of nil, as of December 31, 2022. We had total capital commitments of \$414.3 million as of the same date.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash needs. Current PRC regulations restrict the ability of our subsidiaries to pay dividends to us. See "Item 3. Key Information—D. Risk Factors-Risks Related to Doing Business in China—We may rely on dividends and other distributions on equity paid by our wholly owned operating subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to borrow money or pay dividends" and "Item 8. Financial Information—Dividend Policy" for more information.

### Operating Activities

Net cash provided by operating activities for the year ended December 31, 2022 was \$2,462.7 million, primarily resulting from \$4,423.6 million of cash received from the sales of our products, partially offset by our payments for raw materials and utilities of \$982.7 million, tax paid of \$871.8 million, employee salaries and welfare payment of \$98.5 million and interest payment of \$7.9 million. We generated positive operating cash flow in 2022. The fluctuation was primarily due to higher revenues and gross margin.

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Net cash provided by operating activities from continuing operations for the year ended December 31, 2021 was \$639.0 million, primarily resulting from \$1,784.0 million of cash received from the sales of our products, partially offset by our payments for raw materials and utilities of \$835.0 million, tax paid of \$237.0 million, employee salaries and welfare payment of \$51.8 million and interest payment of \$21.2 million. We generated positive operating cash flow in 2021. The fluctuation was primarily due to higher revenues and gross margin.

Net cash provided by operating activities from continuing operations for the year ended December 31, 2020 was \$209.8 million, primarily resulting from \$775.0 million of cash received from the sales of our products, partially offset by our payments for raw materials and utilities of \$482.3 million, tax paid of \$20.8 million, employee salaries and welfare payment of \$37.0 million and interest payment of \$25.1 million. We generated positive operating cash flow in 2020. The fluctuation was primarily due to the increases in sales volume and gross margin.

### ***Investing Activities***

Net cash used in investing activities for the year ended December 31, 2022 was \$998.4 million, primarily resulting from payments for the purchase of property, plant and equipment in a total amount of \$1,205.3 million and purchase and offset by redemption of short-term investments of \$298.3 million.

Net cash used in investing activities from continuing operation for the year ended December 31, 2021 was \$781.9 million, primarily resulting from payments for the purchase of property, plant and equipment in a total amount of \$498.5 million and purchase and redemption of short-term investments of \$273.6 million.

Net cash used in investing activities from continuing operation for the year ended December 31, 2020 was \$118.3 million, primarily resulting from payments for the purchase of property, plant and equipment in a total amount of \$118.3 million.

### ***Financing Activities***

Net cash provided by financing activities from continuing operation for the year ended December 31, 2022 was \$1,472.1 million, primarily resulting from the net proceeds of \$1,630.6 million from Xinjiang Daqo's private offering in China, which was partially offset by repurchase of shares in the amount of \$124.9 million.

Net cash provided by financing activities from continuing operation for the year ended December 31, 2021 was \$736.2 million, primarily resulting from cash received from Xinjiang Daqo's IPO in the amount of \$935.0 million, which was partially offset by the repayment of bank loans in the amount of \$244.8 million.

Net cash used in financing activities from continuing operation for the year ended December 31, 2020 was \$95.5 million, primarily resulting from the repayment of bank borrowings in the amount of \$198.0 million, which was partially offset by proceeds received from bank borrowings in the amount of \$98.6 million, as well as proceeds from non-controlling interests in the amount of \$28.1 million.

### ***Capital Expenditures***

In 2020, we incurred capital expenditure of \$117.0 million for our Phase 4A expansion project. In 2021, we incurred capital expenditure of \$451.0 million for our Phase 4B expansion project. In 2022, we incurred capital expenditure of \$1,030.0 million for our Phase 4B and Phase 5A expansion projects. The capital expenditure per unit in Phase 1, Phase 2A, Phase 2B, Phase 3A, Phase 3B, Phase 4A, Phase 4B, Phase 5A and Phase 5B was \$114.0/kg, \$56.8/kg, \$26.7/kg, \$16.5/kg, \$14.2/kg, \$13.0/kg, \$18.4/kg, \$11.60/kg and \$13.32/kg, respectively, as of December 31, 2022. For additional information, see also "—B. Liquidity and Capital Resources" and "Item 4. Information on the Company—B. Business Overview—Manufacturing Capacity" in this annual report.

Our capital expenditures are expected to remain at a relatively high level in the foreseeable future. The total capital expenditures for our Phase 5A and Phase 5B expansion projects are approximately \$1,160.3 million and \$1,331.6 million, respectively, of which an aggregate of \$1,024.2 million had been spent as of December 31, 2022. We intend to use cash generated from operating activities and take other actions to obtain alternative sources of financing, such as obtaining loan facilities from financial institutions, raising funds from the capital markets or entering into capital arrangements to meet our capital expenditure requirements.

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**C. Research and Development, Patents and Licenses, etc.**

See “Item 4. Information on the Company—B. Business Overview—Research and Development.” See “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

**D. Trend Information**

***Market Trends***

Global solar PV installations in 2022 totaled approximately 268 GW, representing a 53% increase from 175 GW in 2021. In 2022, the annual newly added solar PV installations in China were approximately 87 GW, which were significantly higher than 55 GW in 2021. According to several solar PV market reports and our estimation, we expect global solar installations in 2023 to be approximately 380 to 420 GW.

***Operational Trends***

We successfully completed the construction of our Phase 2A facilities in Xinjiang in September 2012 and fully ramped up capacity to 5,000 MT at our Phase 2A facilities prior to the end of March 2013. We also completed a “debottlenecking” project prior to the end of 2013, which increased our annual capacity to 6,150 MT. We fully ramped up capacity of our Phase 2B expansion project and expanded the production capacity at our Xinjiang polysilicon facilities to 12,150 MT. We have also successfully upgraded our off-gas treatment process from traditional Hydrogenation technology to Hydrochlorination technology. As a result, we lowered our production cost of polysilicon (including depreciation) and cash cost (excluding depreciation) to \$9.74/kg and \$7.69/kg, respectively, in the fourth quarter of 2015. In 2016, we continued to focus on polysilicon manufacturing improvement to further lower our cost structure. We achieved our record low cost structure in the third quarter of 2016, with production cost (including depreciation) and cash cost (excluding depreciation) of \$8.66/kg and \$6.88/kg, respectively. We completed the construction and installation of Phase 3A by the end of 2016 and commenced initial production in the first quarter of 2017. By the end of February 2017, we achieved full production capacity of 18,000 MT per annum. In August 2017, our board of directors approved the Phase 3B expansion project. The Phase 3B facility was ramped up to full production capacity and increased our total production capacity to 30,000 MT in December 2018. In addition, we completed a debottlenecking project and increased our total production capacity to 35,000 MT by the end of June 2019. Our Phase 4 expansion plan comprises Phase 4A and Phase 4B, which each increased our production capacity by 35,000 MT. We completed the Phase 4A project and began pilot production in September of 2019 and ramped up Phase 4A to full production capacity in December 2019, which increased our total production capacity to 70,000 MT. Following the full operation of our Phase 4A expansion project, we further reduced our production cost to \$6.38/kg in the fourth quarter of 2019, benefiting from lower unit cost of electricity, new production processes and equipment with higher efficiencies, and greater economies of scale. We began our Phase 4B project in March 2021 and completed the construction of the project in December 2021. We ramped it up to its full capacity of 35,000 MT and increased our total production capacity to 105,000 MT in January 2022. We also plan to build polysilicon projects for the solar industry with a total annual production capacity of 200,000 MT (i.e. our Phase 5 expansion project) and for the semiconductor industry with a total annual capacity of 21,000 MT and silicon metal projects with a total annual capacity of 300,000 MT in Baotou. We completed the construction of the Phase 5A project in April 2023, which increased our annual production capacity for polysilicon to 205,000 MT. Our Phase 5B project is expected to further increase our annual production capacity for polysilicon to 305,000 MT by the end of 2023. The plan and timetable for the following phases will be determined later according to market conditions.

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since the beginning of our fiscal year 2022 that are reasonably likely to have a material effect on our net revenues, income from operations, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

## **E. Critical Accounting Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect (1) the reported amounts of assets and liabilities, (2) disclosure of contingent assets and liabilities at the end of each reporting period, and (3) the reported amounts of revenues and expenses during each reporting period. We continually evaluate these estimates and assumptions based on historical experience, knowledge and assessment of current business and other conditions, and expectations regarding the future based on available information and reasonable assumptions, which together form a basis for making judgments about matters not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. When reviewing our financial statements, you should consider (1) our selection of critical accounting policies, (2) the judgment and other uncertainties affecting the application of such policies, and (3) the sensitivity of reported results to changes in conditions and assumptions. We made the following critical accounting estimates to prepare our financial statements.

### ***Property, plant and equipment***

Our property, plant and equipment consist primarily of buildings, plants, machinery and equipment used in our operations. Those fixed assets are carried at cost and are depreciated over their estimated useful lives, ranging from 15 to 30 years, using the straight-line method for both financial reporting purposes and tax reporting purposes. The carrying value of our long-lived assets is evaluated periodically based on utilization of the asset and physical condition of the asset, as well as the useful life of the asset to determine if adjustment to the depreciation period or the carrying value is warranted.

Estimated lives of the above mentioned depreciable fixed assets may vary over time due to the assets' conditions, current technologies, market, and future plan of usage and the useful lives of major competitors. We are not aware of any specific factors that are reasonably likely to significantly change the estimated service lives of our assets. Actual use and retirement of our assets may vary from our current estimates, which would impact the amount of depreciation expense recognized in future periods.

We have compared the useful lives and residual value of each asset category with the comparable companies in the industry, and we are not aware of any significant variances. Changes in estimated useful lives of our assets could significantly impact future periods' depreciation expense and have a material impact on our Consolidated Financial Statements. If the estimated useful lives of all depreciable assets were increased by five years, annual depreciation expense would decrease by approximately \$16.5 million. If the estimated useful lives of all depreciable assets were decreased by five years, annual depreciation expense would increase by approximately \$31.8 million. We are projecting an increase in our depreciation expense in 2023 versus 2022 which is mainly driven by an increase in our projected depreciable asset base.

## Recent Accounting Pronouncements

There is no recently issued accounting pronouncement or accounting pronouncement not yet adopted that has or would have material impact on our consolidated financial statements.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

| Name          | Age | Position/Title                          |
|---------------|-----|---|
| Guangfu Xu    | 80  | Chairman of the board of directors      |
| Longgen Zhang | 58  | Chief executive officer and director    |
| Xiang Xu      | 52  | Vice Chairman of the board of directors |
| Dafeng Shi    | 50  | Director                                |
| Fumin Zhuo    | 71  | Independent director                    |
| Rongling Chen | 81  | Independent director                    |
| Minsong Liang | 54  | Independent director                    |
| Shuming Zhao  | 70  | Independent director                    |
| Arthur Wong   | 63  | Independent director                    |
| Ming Yang     | 48  | Chief financial officer                 |
| Fei Ge        | 59  | Director                                |

*Mr. Guangfu Xu* is the chairman of our Board of Directors. Mr. Xu is principally responsible for formulating our strategic development objectives. Mr. Xu has been the chairman of Daqo Group since January 1984 and currently holds directorship positions with 30 subsidiaries and affiliated entities of Daqo Group. Mr. Xu has served as chairman of our board of directors since our incorporation in November 2007. Mr. Xu joined Xinba General Company, the predecessor entity of Daqo Group, in 1966 and has been instrumental in building Daqo Group from a small township and village enterprise to a leading manufacturer of electrical systems in China. Mr. Xu is a member of the Ninth People's Congress of Jiangsu Province and the vice chairman of the Standing Committee of the Ninth Yangzhong City People's Congress. Mr. Xu was named a National Township and Village Entrepreneur by the Ministry of Agriculture of China in 2001 and 2002 and a Pioneer in Electricity Industry in 2012. Mr. Xu graduated from secondary school in 1960.

*Mr. Longgen Zhang* is our chief executive officer. He has strong expertise across the global solar industry and financial markets. Mr. Zhang was appointed as an independent director of X Financial (NYSE: XYF), a leading technology-driven personal finance company in China, effective as of September, 2018. From 2008 to 2014, Mr. Zhang served as the chief financial officer of Jinko Solar (NYSE: JKS), a global leader in the solar industry that distributes solar products and sells solutions and services to a diversified international utility, commercial, and residential customers. Prior to that, Mr. Zhang served as a director and the chief financial officer of Xinyuan Real Estate (NYSE: XIN) from 2006 to 2008. Mr. Zhang served as the chief financial officer at Crystal Window and Door Systems, Ltd. in New York from 2002 to 2006. Currently, Mr. Zhang serves as an independent non-executive director of Qingci Games Inc. (HKSE: 06633). Mr. Zhang received a master's degrees in professional accounting and in business administration from West Texas A&M University and a bachelor's degree in economic management from Nanjing University in China. Mr. Zhang is a member of American Institute of Certified Public Accountants.

*Mr. Xiang Xu* is the vice chairman of our Board of Directors. He is also the president of Daqo Group and currently holds directorship positions with 25 subsidiaries of Daqo Group. Mr. Xu has served as a director of our Company since our incorporation in November 2007. Mr. Xu served as the general manager of Jiangsu Changjiang Electric Co., Ltd., a subsidiary of Daqo Group, from January 2000 through May 2006. Mr. Xu received his EMBA degree from Nanjing University in 2004. Mr. Xiang Xu is the son of Mr. Guangfu Xu.

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*Mr. Dafeng Shi* is one of our directors. Mr. Shi had served as a director of our company since its initial public offering until October 2011 and was appointed again to be our director in February 2013. Mr. Shi has been the vice president for finance of Daqo Group since January 2006 and currently holds directorship positions with four subsidiaries and affiliated entities of Daqo Group. Prior to joining Daqo Group, Mr. Shi served as the vice president of Yangzhong Tianyuan Accounting Firm from 2000 to 2001. Mr. Shi received his bachelor's degree in economic management from the Correspondence Institute of the Central Party School in 1997 and his associate degree in accounting from Nanjing University of Finance & Economics in 1992. Mr. Shi received his master degree of professional accountancy from The Chinese University of Hong Kong. Mr. Shi is a Certified Public Accountant in China.

*Mr. Fumin Zhuo* is one of our independent directors. Mr. Zhuo has served as our director since November 2009. He currently also serves as an independent director of two Hong Kong Stock Exchange-listed companies, including SRE Group Ltd. and Sinopharm Group Co. Ltd., and of one Shanghai Stock Exchange-listed company, Dazhong Transportation (Group) Co., Ltd. Mr. Zhuo has also served as non-executive director of Besunyen Holdings Company Limited, a company listed on the Hong Kong Stock Exchange. Mr. Zhuo has over 45 years of experience in investment and corporate management. Mr. Zhuo is currently a managing partner and the chairman of V Star Capital. Since 2002, Mr. Zhuo has served as the chairman and chief executive officer of Vertex China Investment Company, the chairman of Venture Star Investment (HK) Limited and a managing partner of GGV Capital respectively. From 1995 to July 2002, Mr. Zhuo was the chief executive officer of Shanghai Industrial Holding Ltd. and the chairman of SIIC Medical Science & Technology (Group). Prior to that, starting in 1987, Mr. Zhuo served as chief assistant officer of the Shanghai Economic System Reform Committee. Mr. Zhuo has extensive experience in venture capital fund formation, mergers and acquisitions, and investment management. Mr. Zhuo graduated from Shanghai Jiaotong University's Electrical Engineering School in 1983 and then received his master's degree in economics from Fudan University in 1997.

*Mr. Rongling Chen* is one of our independent directors. Mr. Chen has served as our director since October 2010. He served as Senior Advisor for ASML China from May 2015 to December 2021. He is also an independent director to Tianjin Zhonghuan Semiconductor Co., Ltd., a company listed on Shenzhen Stock Exchange. Between 2010 and 2012 Mr. Chen was a vice president of Applied Materials and chief administration officer of Applied Materials China. Mr. Chen was an executive advisor of IMEC, a leading advanced semiconductor R&D center based in Belgium, and also a senior advisor and chairman of China advisory board to SEMI, a global industry association serving the manufacturing supply chains for the microelectronic, display and photovoltaic industries. Mr. Chen started working for Applied Materials in 1984, and has served in various senior positions, including vice president, chairman of Applied Materials China and head of China marketing and corporate affairs, before retiring in 2012. Mr. Chen received his bachelor's degree in semiconductor devices and materials from Zhejiang University.

*Dr. Minsong Liang* is one of our independent directors. Dr. Liang has served as our director since October 2011. Dr. Liang is currently a co-managing partner of CLA Partners, a boutique investment banking firm in China. Dr. Liang serves as an independent director to Yunnan International Trust & Investment Co., Ltd., a financial services company in China. Prior to joining CLA Partners, Dr. Liang has held various advisory positions at China Securities Regulatory Commission and State-owned Assets Management Commission of Yunnan Province. Dr. Liang received his Ph.D. in economics from the University of Michigan at Ann Arbor and J.D. from New York University School of Law. He received his bachelor's degree in economics from Beijing University.

*Mr. Shuming Zhao* is one of our independent directors. Mr. Zhao has served as our director since October 2011. Mr. Zhao is senior professor and honorary dean of the School of Business, Nanjing University, China. In addition, Mr. Zhao is a distinguished visiting professor at the College of Business, the University of Missouri-St. Louis, USA; and visiting professor at Peter Drucker Graduate School of Management, Claremont Graduate University, USA. Mr. Zhao serves as independent directors of Scully Royalty Ltd, a NYSE-listed company. Mr. Zhao received his bachelor's degree in English language and literature from Nanjing University and a master's degree in education and a Ph.D. in management, both from Claremont Graduate University, USA.

*Mr. Arthur Wong* is one of our independent directors. Mr. Wong has been serving as our director since December 2012. Mr. Wong currently serves as an independent director and Chairman of the Audit Committee of Canadian Solar Inc. (NASDAQ: CSIQ) and Microvast Holdings Inc (NASDAQ: MVST). From 2008 to 2018, Mr. Wong served as Chief Financial Officer for Asia New-Energy, Nobao Renewable Energy, GreenTree Inns Hotel Management Group and Beijing Radio Cultural Transmission Company Limited sequentially. From 1982 to 2008, Mr. Wong worked for Deloitte Touche Tohmatsu, in Hong Kong, San Jose and Beijing over various periods of time, with his last position as a partner in the Beijing office. Mr. Wong received a bachelor's degree in applied economics from the University of San Francisco and a higher diploma of accountancy from Hong Kong Polytechnic University. He is a member of the American Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

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*Mr. Ming Yang* is our chief financial officer. Mr. Yang has served as our chief financial officer since July 2015. Prior to joining us, Mr. Yang served as a management consultant at McKinsey & Company since May 2012, where he specialized in the cleantech and solar sectors and focused on such areas as corporate strategy, market strategy, performance management, and risk management. Prior to McKinsey & Company, Mr. Yang was vice president of business development and corporate communications at JA Solar Holdings Co., Ltd., a leading manufacturer of solar products based in China from 2009 to 2012, where he was responsible for corporate strategy, business development, strategic partnerships and investor relations. Prior to JA Solar, Mr. Yang was an analyst covering the renewable energy sector at Coatue Management, a multi-billion dollar hedge fund based in New York in 2008. From 2004 to 2007, Mr. Yang served as vice president and senior China analyst at Piper Jaffray, where he was a core member of the global cleantech team and covered the solar energy and semiconductor materials sectors. Mr. Yang holds an MBA degree from Cornell University and a bachelor's degree in electrical engineering and computer science from the University of California, Berkeley.

*Mr. Fei Ge* is one of our directors. Mr. Ge has served as our director since June 8, 2022. He is also the executive president of Daqo Group responsible for technology innovation and digitalized manufacturing. Mr. Ge served as a director of our company from our initial public offering in 2010 until February 2013. Mr. Ge holds an MBA degree from Nanjing University.

### **Composition of Board of Directors**

Our board of directors consists of ten directors. A director is not required to hold any shares in our company by way of qualification. A director may vote with respect to any contract or transaction in which he or she is materially interested provided the nature of the interest is disclosed prior to its consideration. Subject to our Fourth Amended and Restated Memorandum and Articles of Association, the directors may exercise all the powers of our company to borrow money, mortgage his or her undertaking, property and uncalled capital, and issue debentures or other securities whether outright or as security for any debt, liability or obligation of our company or of any third party. We have majority-independent compensation committee and nominating and corporate governance committee and a fully independent audit committee.

### **B. Compensation**

In 2022, our aggregate payment of cash to directors or executive officers was approximately \$1.7 million. See “—Share Incentive Plans.” Our PRC subsidiaries are and were required, as the case may be, by PRC law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, housing fund, unemployment and other statutory benefits. We did not accrue or set aside any pension or similar retirement benefits for our executive officers and directors for the fiscal year ended December 31, 2022. Other than the aforementioned statutorily required contributions, we have not set aside or accrued any other amount to provide pension, retirement or other similar benefits to our executive officers and directors.

### **Share Incentive Plans**

#### **2009 Share Incentive Plan**

In August 2009, we adopted the 2009 share incentive plan, or the 2009 Plan, to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants, and promote the success of our business. Our Board of Directors has authorized the issuance of up to 15,000,000 ordinary shares upon the exercise of awards granted under the 2009 Plan. The following paragraphs summarize the terms of the 2009 Plan.

**Plan Administration.** Our Board of Directors, or a committee designated by our board or directors, will administer the plan. The committee or the full Board of Directors, as appropriate, will determine the provisions and terms and conditions of each award and may delegate their authorities to one or more officers of the Company.

**Types of Awards.** The 2009 Plan provides for the grant of stock options, restricted shares and restricted share units to a participant pursuant to the Plan.

**Award Agreement.** Options and other stock purchase rights granted under our plan are evidenced by an award agreement, as applicable, that sets forth the terms, conditions and limitations for each grant.

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**Exercise Price.** The exercise price subject to an option shall be determined by the plan administrator and set forth in the award agreement. The exercise price may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive. To the extent not prohibited by applicable laws or any exchange rule, a downward adjustment of the exercise prices of options shall be effective without the approval of the shareholders or the approval of the affected participants.

**Eligibility.** We may grant awards to our employees, directors and consultants or those of any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest.

**Term of the Options.** The term of each option grant shall be stated in the award agreement, provided that the term shall not exceed 10 years from the date of the grant.

**Vesting Schedule.** In general, the plan administrator determines, or the award agreement specifies, the vesting schedule.

**Transfer Restrictions.** Awards to purchase our ordinary shares may not be transferred in any manner by the participant other than by will or the laws of succession. An option award may be exercised during the lifetime of the optionee only by the optionee.

**Termination of the Plan.** Unless terminated earlier, the plan will terminate automatically in 2019. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary to comply with applicable law. However, no such action may (i) impair the rights of any participant unless agreed by the participant and the plan administrator or (ii) affect the plan administrator's ability to exercise the powers granted to it under our plan.

#### **2014 Share Incentive Plan**

In December 2014, our shareholders adopted the 2014 share incentive plan, or the 2014 Plan, at our annual general meeting of the shareholders. Our shareholders have authorized the issuance of up to 21,000,000 ordinary shares underlying all options (including incentive share options, or ISOs), restricted shares and restricted share units granted to a participant under the plan, or the awards.

The following paragraphs summarize the terms of our 2014 Plan.

**Plan Administration.** Our Board of Directors, or a committee designated by our Board of Directors, will administer the plan. The committee or the full Board of Directors, as appropriate, will determine the provisions and terms and conditions of each award and may delegate their authorities to one or more officers of the Company. Any grant or amendment of awards to any committee member requires an affirmative vote of a majority of the board members who are not on the committee.

**Award Agreement.** Awards granted under our 2014 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the participant's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

**Eligibility.** We may grant awards to our employees, consultants, members of our Board of Directors and other individuals as determined, authorized and approved by the Board of Directors or the committee.

**Acceleration of Awards upon Corporate Transactions.** The outstanding awards will accelerate upon occurrence of a change-of-control corporate transaction in which the successor entity does not assume our outstanding awards under our 2014 Plan, provided that the plan participant remains an employee, consultant or member of our Board of Directors on the effective date of the corporate transaction. In such event, each outstanding award will become fully exercisable and all forfeiture restrictions on such award will lapse immediately prior to the specified effective date of the corporate transaction.

If the successor entity assumes our outstanding awards and later terminates the grantee's employment or service without cause, the outstanding awards automatically will become fully vested and exercisable. The compensation committee may also, in its sole discretion, upon or in anticipation of a corporate transaction, accelerate awards, purchase the awards from the plan participants, replace the awards, or provide for the payment of the awards in cash.

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**Exercise Price and Term of Options Other than ISOs** . Our Board of Directors, or a committee designated by our Board of Directors, will determine, amend or adjust the exercise price of options other than the ISOs, and determine the time or times at which, and the conditions to be satisfied before, such options may be exercised in whole or in part. Subject to any future amendment or modification to the plan, the term of any option other than an ISO granted under the 2014 Plan may not exceed ten years, subject to any amendment or modification of the plan.

**Exercise Price and Term of ISOs** . The exercise price per share of an ISO shall be equal to the fair market value on the date of grant. If, however, we grant an ISO to an individual, who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of grant. The board or the committee will determine the time or times at which an ISO may be exercised in whole or in part, including exercise prior to vesting. The term may not exceed the earlier of ten years from the date of the grant, three months after a participant's termination of employment as an employee, or one year after the date of a participant's termination of employment or service on account of death or disability, except that five years is the maximum term of an ISO granted to an employee who holds more than 10% of the voting power of our share capital.

**Restricted Shares and Restricted Share Unites** . The board or the committee is also authorized to make awards of restricted shares and restricted share units. Except as otherwise determined by the board or the committee at the time of the grant of an award or thereafter, upon termination of employment or service during the applicable restriction period, restricted shares that are at the time subject to restrictions shall be forfeited or repurchased in accordance with the respective award agreements. At the time of grant for restricted share units, the board or the committee shall specify the date on which the restricted share units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate.

**Amendment and Termination** . The board or the committee may at any time amend, suspend or terminate our 2014 Plan. Amendments to our 2014 Plan are subject to shareholder approval, to the extent required by law, or by stock exchange rules or regulations. Unless terminated earlier, our 2014 Plan shall continue in effect for a term of ten years from the date of adoption.

### **2018 Share Incentive Plan**

In April 2018, our Board of Directors adopted the 2018 share incentive plan, or the 2018 Plan. Our Board of Directors has authorized the issuance of up to 38,600,000 ordinary shares underlying all options (including incentive share options, or ISOs, and options other than ISOs), restricted shares and restricted share units granted to a participant under the plan, or the awards.

The following paragraphs summarize the terms of our 2018 Plan.

**Plan Administration** . Our Board of Directors, or a committee designated by our Board of Directors, will administer the plan. The committee or the full Board of Directors, as appropriate, will determine the provisions and terms and conditions of each award and may delegate their authorities to one or more officers of the Company. Any grant or amendment of awards to any committee member requires an affirmative vote of a majority of the board members who are not on the committee. The chief executive officer of our company is delegated with the exclusive power, authority and discretion of the committee or Board to determine the grantees and certain terms of the awards; *provided, however, that* such delegation shall be limited to awards granted to, or held by, any participants other than the directors and senior executives of our company (including the chief executive officer himself).

**Award Agreement** . Awards granted under our 2018 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the participant's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

**Eligibility** . We may grant awards to our employees, consultants, members of our Board of Directors and other individuals as determined, authorized and approved by the committee designated by our Board of Directors or our chief executive officer, as appropriate.

***Acceleration of Awards upon Corporate Transactions***. The outstanding awards will accelerate upon occurrence of a change-of-control corporate transaction in which the successor entity does not assume our outstanding awards under our 2018 Plan, provided that the plan participant remains an employee, consultant or member of our Board of Directors on the effective date of the corporate transaction. In such event, each outstanding award will become fully exercisable and all forfeiture restrictions on such award will lapse immediately prior to the specified effective date of the corporate transaction.

If the successor entity assumes our outstanding awards and later terminates the grantee's employment or service without cause, the outstanding awards automatically will become fully vested and exercisable. The committee designated by our Board of Directors may also, in its sole discretion, upon or in anticipation of a corporate transaction, accelerate awards, purchase the awards from the plan participants, replace the awards, or provide for the payment of the awards in cash.

***Exercise Price and Term of Options Other than ISOs***. The committee designated by our Board of Directors will determine, amend or adjust the exercise price of options other than the ISOs, and determine the time or times at which, and the conditions to be satisfied before, such options may be exercised in whole or in part. Subject to any future amendment or modification to the plan, the term of any option other than an ISO granted under the 2018 Plan may not exceed fifteen years, subject to any amendment or modification of the plan.

***Exercise Price and Term of ISOs***. The exercise price per share of an ISO shall be equal to the fair market value on the date of grant. If, however, we grant an ISO to an individual, who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of grant. The committee designated by our Board of Directors will determine the time or times at which an ISO may be exercised in whole or in part, including exercise prior to vesting. The term may not exceed the earlier of fifteen years from the date of the grant, three months after a participant's termination of employment as an employee, or one year after the date of a participant's termination of employment or service on account of death or disability, except that five years is the maximum term of an ISO granted to an employee who holds more than 10% of the voting power of our share capital.

***Restricted Shares and Restricted Share Unites***. The committee designated by our Board of Directors is also authorized to make awards of restricted shares and restricted share units. Except as otherwise determined by the board or the committee at the time of the grant of an award or thereafter, upon termination of employment or service during the applicable restriction period, restricted shares that are at the time subject to restrictions shall be forfeited or repurchased in accordance with the respective award agreements. At the time of grant for restricted share units, the committee shall specify the date on which the restricted share units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate.

***Amendment and Termination***. Our Board of Directors or the committee designated by it may at any time amend, suspend or terminate our 2018 Plan. Amendments to our 2018 Plan are subject to shareholder approval, to the extent required by law, or by stock exchange rules or regulations. Unless terminated earlier, our 2018 Plan shall continue in effect for a term of fifteen years from the date of adoption.

## ***2022 Share Incentive Plan***

In August 2022, our Board of Directors adopted the 2022 share incentive plan, or the 2022 Plan. Our Board of Directors has authorized the issuance of up to 37,253,465 ordinary shares underlying all options (including incentive share options, or ISOs, and options other than ISOs), restricted shares and restricted share units granted to a participant under the plan, or the awards.

The following paragraphs summarize the terms of our 2022 Plan.

***Plan Administration***. Our Board of Directors, or a committee designated by our Board of Directors, will administer the plan. The committee or the full Board of Directors, as appropriate, will determine the provisions and terms and conditions of each award and may delegate their authorities to one or more officers of the Company. Any grant or amendment of awards to any committee member requires an affirmative vote of a majority of the board members who are not on the committee. The chief executive officer of our company is delegated with the exclusive power, authority and discretion of the committee or Board to determine the grantees and certain terms of the awards; *provided, however, that* such delegation shall be limited to awards granted to, or held by, any participants other than the directors and senior executives of our company (including the chief executive officer himself).



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**Award Agreement.** Awards granted under our 2022 Plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award which may include the term of an award, the provisions applicable in the event the participant's employment or service terminates, and our authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

**Eligibility.** We may grant awards to our employees, consultants, members of our Board of Directors and other individuals as determined, authorized and approved by the committee designated by our Board of Directors or our chief executive officer, as appropriate.

**Acceleration of Awards upon Corporate Transactions.** The outstanding awards will accelerate upon occurrence of a change-of-control corporate transaction in which the successor entity does not assume our outstanding awards under our 2022 Plan, provided that the plan participant remains an employee, consultant or member of our Board of Directors on the effective date of the corporate transaction. In such event, each outstanding award will become fully exercisable and all forfeiture restrictions on such award will lapse immediately prior to the specified effective date of the corporate transaction.

If the successor entity assumes our outstanding awards and later terminates the grantee's employment or service without cause, the outstanding awards automatically will become fully vested and exercisable. The committee designated by our Board of Directors may also, in its sole discretion, upon or in anticipation of a corporate transaction, accelerate awards, purchase the awards from the plan participants, replace the awards, or provide for the payment of the awards in cash.

In the event that our company does not survive, or does not survive as a public company, the committee may make a provision for a cash payment in settlement or exchange of any outstanding awards, or provide for the accelerated vesting of any awards.

**Exercise Price and Term of Options Other than ISOs.** The committee designated by our Board of Directors will determine, amend or adjust the exercise price of options other than the ISOs, and determine the time or times at which, and the conditions to be satisfied before, such options may be exercised in whole or in part. Subject to any future amendment or modification to the plan, the term of any option other than an ISO granted under the 2022 Plan may not exceed fifteen years, subject to any amendment or modification of the plan.

**Exercise Price and Term of ISOs.** The exercise price per share of an ISO shall be equal to the fair market value on the date of grant. If, however, we grant an ISO to an individual, who, at the time of that grant, owns shares representing more than 10% of the voting power of all classes of our share capital, the exercise price cannot be less than 110% of the fair market value of our ordinary shares on the date of grant. The committee designated by our Board of Directors will determine the time or times at which an ISO may be exercised in whole or in part, including exercise prior to vesting. The term may not exceed the earlier of ten years from the date of the grant, three months after a participant's termination of employment as an employee, or one year after the date of a participant's termination of employment or service on account of death or disability, except that five years is the maximum term of an ISO granted to an employee who holds more than 10% of the voting power of our share capital.

**Restricted Shares and Restricted Share Units.** The committee designated by our Board of Directors is also authorized to make awards of restricted shares and restricted share units. Except as otherwise determined by the board or the committee at the time of the grant of an award or thereafter, upon termination of employment or service during the applicable restriction period, restricted shares that are at the time subject to restrictions shall be forfeited or repurchased in accordance with the respective award agreements. At the time of grant for restricted share units, the committee shall specify the date on which the restricted share units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate.

**Amendment and Termination.** Our Board of Directors or the committee designated by it may at any time amend, suspend or terminate our 2022 Plan. Amendments to our 2022 Plan are subject to shareholder approval, to the extent required by law, or by stock exchange rules or regulations. Unless terminated earlier, our 2022 Plan shall continue in effect for a term of fifteen years from the date of adoption.

As of the date of this annual report, excluding the expired and cancelled options, we have granted options to purchase a total of 23,393,525 of our ordinary shares and 94,293,015 restricted share units under our share incentive plans, of which options to purchase a total of 95,775 ordinary shares and 17,527,550 restricted share units were outstanding.

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The following table summarizes the options and restricted share units granted as of the date of this annual report to our senior executive officers, directors and to other individuals as a group since 2014, without giving effect to the options that were exercised or terminated, if any.

| Name                              | Number of Shares*  | Exercise Price (\$/Share) | Date of Grant     | Date of Expiration |
|-----------------------------------|--------------------|---------------------------|-------------------|--------------------|
| Directors and officers as a group | 4,504,166          | 0.59                      | January 28, 2014  | January 27, 2024   |
|                                   | 5,791,875          | 0.59                      | January 12, 2015  | January 11, 2025   |
|                                   | 1,000,000          | 0.59                      | July 6, 2015      | July 5, 2025       |
|                                   | 9,079,992          | N/A                       | February 3, 2017  | February 2, 2027   |
|                                   | 27,665,641         | N/A                       | June 6, 2018      | June 5, 2033       |
|                                   | 4,512,500          | N/A                       | December 21, 2018 | December 20, 2033  |
| Other individuals as a group      | 36,575,000         | N/A                       | August 10, 2022   | August 9, 2037     |
|                                   | 1,680,000          | 0.59                      | January 28, 2014  | January 27, 2024   |
|                                   | 1,342,500          | 0.59                      | January 12, 2015  | January 11, 2025   |
|                                   | 3,574,000          | N/A                       | February 3, 2017  | February 2, 2027   |
|                                   | 8,690,000          | N/A                       | June 6, 2018      | June 5, 2033       |
|                                   | 3,592,500          | N/A                       | December 21, 2018 | December 20, 2033  |
| <b>Total</b>                      | <b>108,686,639</b> |                           | August 10, 2022   | August 9, 2037     |

\* “Number of Shares” refers to the number of ordinary shares that can be acquired upon exercise of the options; in the case of restricted share units, “Number of Shares” refers to the number of restricted share units and “Exercise Price” is marked as not application (N/A). “Number of Shares” includes options and restricted share units that were exercised or terminated, if any.

### C. Board Practices

#### Code of Business Conduct and Ethics

Our code of business conduct and ethics provides that our directors and officers are expected to avoid any action, position or interest that conflicts with the interests of our company or gives the appearance of a conflict. Directors and officers have an obligation under our code of business conduct and ethics to advance our company’s interests when the opportunity to do so arises.

#### Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly, in good faith and with a view to our best interests. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than that may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care, and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our Board of Directors include, among other things:

- convening shareholders’ annual general meetings and reporting its work to shareholders at such meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;

- subject to our Fourth Amended and Restated Memorandum and Articles of Association, exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our share register.

## **Terms of Directors and Executive Officers**

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until such time as they are removed from office in accordance with our Fourth Amended and Restated Memorandum and Articles of Association. A director will be removed from office automatically if, among other things, the director (1) becomes bankrupt or makes any arrangement or composition with his creditors; or (2) dies or becomes of unsound mind.

## **Committees of the Board of Directors**

### ***Audit Committee***

Our Audit Committee consists of Mr. Arthur Wong, Mr. Rongling Chen and Dr. Minsong Liang, and is chaired by Mr. Wong. All of our Audit Committee members satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE and meet the independence standards under Rule 10A-3 under the Securities Exchange Act of 1934, as amended. We have determined that Mr. Wong qualifies as an “audit committee financial expert.” The Audit Committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The Audit Committee is responsible for, among other things:

- selecting our independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors;
- reviewing with our independent auditors any audit problems or difficulties and management’s response to such audit problems or difficulties;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- discussing the annual audited financial statements with management and our independent auditors;
- reviewing major issues as to the adequacy of our internal controls and any special audit steps adopted in light of material control deficiencies;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately and periodically with management and our internal and independent auditors; and
- reporting regularly to the full Board of Directors

In 2022, our audit committee held meetings five times and passed resolutions by unanimous written consent four times.

### ***Compensation Committee***

Our Compensation Committee consists of Mr. Dafeng Shi, Mr. Shuming Zhao and Mr. Fumin Zhuo, and is chaired by Mr. Shi. Mr. Shuming Zhao and Mr. Fumin Zhuo satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE. Our Compensation Committee assists the board in reviewing and approving the compensation structure of our directors and executive officers, including all forms of compensation to be provided to our directors and executive officers. Members of the Compensation Committee are not prohibited from direct involvement in determining their own compensation. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The Compensation Committee is responsible for, among other things:

- approving and overseeing the compensation package for our executive officers;
- reviewing and making recommendations to the board with respect to the compensation of our directors;

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- reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer, evaluating the performance of our chief executive officer in light of those goals and objectives, and setting the compensation level of our chief executive officer based on this evaluation; and
- reviewing periodically and making recommendations to the board regarding any long-term incentive compensation or equity plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

In 2022, our Compensation Committee passed resolutions by unanimous written consent once.

#### ***Corporate Governance and Nominating Committee***

Our Corporate Governance and Nominating Committee consists of Mr. Xiang Xu, Mr. Shuming Zhao and Mr. Rongling Chen, and is chaired by Mr. Xu. Mr. Shuming Zhao and Mr. Rongling Chen satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE. The Corporate Governance and Nominating Committee assists the board of directors in identifying individuals qualified to become our directors and in determining the composition of the board and its committees. The Corporate Governance and Nominating Committee is responsible for, among other things:

- identifying and recommending to the board nominees for election or re-election to the board, or for appointment to fill any vacancy;
- reviewing annually with the board the current composition of the board in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to the board the directors to serve as members of the board’s committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

In 2022, our Corporate Governance and Nominating Committee passed resolutions by unanimous written consent once.

#### **Interested Transactions**

A director may vote in respect of any contract or transaction in which he or she is interested, provided that the nature of the interest of any directors in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote on that matter.

#### **Remuneration and Borrowing**

The directors may determine remuneration to be paid to the directors. The compensation committee will assist the directors in reviewing and approving the compensation structure for the directors. Subject to our Fourth Amended and Restated Memorandum and Articles of Association, the directors may exercise all the powers of our company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures or other securities whether outright or as security for any debt obligations of our company or of any third party.

#### **Qualification**

There is no shareholding qualification for directors.



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## **Employment Agreements**

We have entered into an employment agreement with each of our executive officers. The terms of the employment agreements are substantially similar for each executive officer, except as noted below. We may terminate an executive officer's employment for cause, at any time, without notice or remuneration, for certain acts of the officer including, but not limited to, a serious criminal act, willful misconduct to our detriment or a failure to perform agreed duties. We may terminate employment at any time without cause upon advance written notice to the executive. The executive may resign at any time if such resignation is approved by the board or an alternative arrangement with respect to the employment is agreed by the board.

Each executive officer has agreed to hold, both during and after the termination of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or as compelled by law, any of our or our customers' confidential information or trade secrets. Each executive officer also agrees to comply with all material applicable laws and regulations related to his or her responsibilities at our company as well as all material written corporate and business policies and procedures of our company.

Each executive officer has agreed to be bound by non-competition restrictions during the term of his or her employment and for two years following the termination of such employment agreement. Specifically, each executive officer has agreed not to (1) assume employment with or provide services as a director for any of our competitors who operate in a restricted area; (2) solicit or seek any business orders from our customers; or (3) seek directly or indirectly, to solicit the services of any of our employees.

## **D. Employees**

As of December 31, 2022, we employed 4,099 employees, including 3,142 in manufacturing and quality assurance, 29 in purchasing, 449 in research and development, 10 in sales and marketing and 469 in general and administrative. In addition, we engaged independent contractors and temporary personnel from time to time. All of these employees and independent contractors are located at our facilities in Chongqing, Shanghai, Xinjiang and Inner Mongolia, China. We had a total of 1,896, 2,399 and 4,099 employees as of December 31, 2020, 2021 and 2022, respectively.

As required by regulations in China, we participate in various employee social security plans that are administered by municipal and provincial governments, including housing, pension, medical insurance and unemployment insurance. We are required under Chinese law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowance of our employees, up to a maximum amount specified by the local government from time to time.

We typically enter into a standard confidentiality and employment agreement with our research and development personnel. These contracts involve a covenant that prohibits them from engaging in any activities that compete with our business within certain agreed period after the termination of their employment with us, and during such non-competition period.

We believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes or any difficulty in recruiting staff for our operations.

## **E. Share Ownership**

The following table sets forth information with respect to the beneficial ownership of our ordinary shares, as of the date of this annual report, by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5.0% of our ordinary shares.

The calculations in the table below are based on 386,330,402 ordinary shares outstanding as of the date of this annual report.

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Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of the date of this annual report, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

|   | Ordinary Shares<br>Beneficially Owned |      |
|---|---------------------------------------|------|
|   | Number                                | %    |
| <b>Directors and Executive Officers:</b>        |                                       |      |
| Guangfu Xu <sup>(1)</sup>                       | 54,517,670                            | 13.6 |
| Xiang Xu <sup>(2)</sup>                         | 36,796,813                            | 9.4  |
| Dafeng Shi <sup>(3)</sup>                       | 9,954,866                             | 2.6  |
| Fei Ge <sup>(4)</sup>                           | 10,704,709                            | 2.8  |
| Longgen Zhang <sup>(5)</sup>                    | 11,190,192                            | 2.8  |
| Fumin Zhuo <sup>(6)</sup>                       | *                                     | *    |
| Rongling Chen <sup>(7)</sup>                    | *                                     | *    |
| Minsong Liang <sup>(8)</sup>                    | *                                     | *    |
| Shuming Zhao <sup>(9)</sup>                     | *                                     | *    |
| Arthur Wong <sup>(10)</sup>                     | *                                     | *    |
| Ming Yang <sup>(11)</sup>                       | *                                     | *    |
| All directors and executive officers as a group | 125,599,907                           | 32.5 |
| <b>Principal Shareholders:</b>                  |                                       |      |
| Gold Intellect Limited <sup>(12)</sup>          | 39,000,000                            | 10.1 |
| Duke Elite Limited <sup>(13)</sup>              | 15,923,750                            | 4.1  |
| Plenty China Limited <sup>(14)</sup>            | 14,820,000                            | 3.8  |

\*Beneficially owns less than 1% of our ordinary shares

Notes:

- (1) Consists of (i) 39,000,000 ordinary shares held by Gold Intellect Limited, a British Virgin Islands company wholly owned and controlled by Mr. Guangfu Xu and (ii) 15,517,670 ordinary shares issuable upon exercise of restricted share units held by Mr. Xu that are exercisable within 60 days of the date of this annual report. Mr. Guangfu Xu's business address is c/o No. 11, Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Guangfu Xu is the chairman of the board of directors of our company and he is the father of Mr. Xiang Xu.
- (2) Consists of (i) 3,184,750 ADSs, representing 15,923,750 ordinary shares, beneficially owned by Duke Elite Limited, a British Virgin Islands company wholly owned and controlled by Mr. Xiang Xu, (ii) 14,820,000 shares held by Plenty China Limited, a British Virgin Islands company wholly owned and controlled by Mr. Xiang Xu, and (iii) 6,053,063 ordinary shares issuable upon exercise of restricted share units held by Mr. Xu that are exercisable within 60 days of the date of this annual report. Mr. Xiang Xu's business address is c/o No. 11, Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Xiang Xu is a director of our company and he is the son of Mr. Guangfu Xu.
- (3) Consists of (i) 5,449,584 ordinary shares held by Lucky Prosper Investments Limited, a British Virgin Islands company wholly owned and controlled by Mr. Dafeng Shi, (ii) 120,000 ADSs, representing 600,000 ordinary shares owned by Mr. Dafeng Shi as a result of cash exercise of options, and (iii) 3,905,282 ordinary shares issuable upon exercise of restricted share units held by Mr. Shi that are exercisable within 60 days of the date of this annual report. Mr. Dafeng Shi's business address is c/o No. 11, Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Shi is a director of our company.
- (4) Consists of (i) 1,959,205 ADSs, representing 9,796,025 ordinary shares owned by Mr. Fei Ge, and (ii) 908,684 ordinary shares issuable upon exercise of restricted share units held by Mr. Ge that are exercisable within 60 days of the date of this annual report. Mr. Fei Ge's business address is c/o No. 66, Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Ge is a director of our company.

(5) The business address of Mr. Zhang is Unit 29, Huadu Mansion, 838 Zhangyang Road, Shanghai, PRC.

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- (6) The business address of Mr. Zhuo is Unit 3501, Two IFC, 8 Century Avenue, Pudong District, Shanghai, China.
- (7) The business address of Mr. Chen is No.585, Jianguoxi Road, Shanghai, PRC.
- (8) The business address of Mr. Liang is Room 806, Tower C, Vantone Center, No. 6 Chaoyangmenwai Street, Chaoyang District, Beijing, PRC.
- (9) The business address of Mr. Zhao is 2002 Anzhong Building, School of Business, Nanjing University, 16 Jinyin Jie, Nanjing, PRC.
- (10) The business address of Mr. Wong is Unit 29, Huadu Mansion, 838 Zhangyang Road, Shanghai, PRC.
- (11) The business address of Mr. Yang is Unit 29, Huadu Mansion, 838 Zhangyang Road, Shanghai, PRC.
- (12) Gold Intellect Limited is a company incorporated in the British Virgin Islands wholly owned by Mr. Guangfu Xu. Its principal office is at c/o 11 Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Guangfu Xu has the sole voting and dispositive power over the shares of our company held by Gold Intellect Limited.
- (13) Duke Elite Limited is a company incorporated in the British Virgin Islands wholly owned by Mr. Xiang Xu. Its principal office is at c/o 11 Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Xiang Xu has the sole voting and dispositive power over the shares of our company represented by ADSs held by Duke Elite Limited.
- (14) Plenty China Limited is a company incorporated in the British Virgin Islands wholly owned by Mr. Xiang Xu. Its principal office is at c/o 11 Daquan Road, Xinba, Yangzhong, Jiangsu Province, PRC. Mr. Xiang Xu has the sole voting and dispositive power over the shares of our company held by Plenty China Limited.

To our knowledge, as of the date of this annual report, 370,207,325 ordinary shares, representing approximately 95.8% of our total outstanding shares (including 20,480,840 ordinary shares issued to JPMorgan Chase Bank, N.A. for bulk issuance of ADSs reserved for future issuances upon the exercise or vesting of awards granted under our Share Incentive Plans), were held by one record holder in the United States, which was JPMorgan Chase Bank, N.A., the depository of our ADS program. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States. None of our directors or executive officers that are shareholders or principal shareholders has different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

### **B. Related Party Transactions**

#### ***Related party transaction with Nanjing Daqo Transformer Systems Co., Ltd.***

In 2022, we purchased fixed assets in the amount of \$29.9 million from Nanjing Daqo Transformer Systems Co., Ltd.

In 2022, we purchased raw material in the amount of \$39.0 thousand from Nanjing Daqo Transformer Systems Co., Ltd.

#### ***Related party transactions with Chongqing Daqo Tailai Electric Co., Ltd.***

In 2022, we purchased fixed assets and raw materials in the amount of \$22.5 million from Chongqing Daqo Tailai Electric Co., Ltd.

#### ***Related party transactions with Zhenjiang Daqo Intelligent Electric Co., Ltd***

In 2022, we purchased fixed assets in the amount of \$6.3 million from Zhenjiang Daqo Intelligent Electric Co., Ltd.

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***Related party transactions with Zhenjiang Moeller Electric Appliance Co., Ltd.***

In 2022, we purchased fixed assets in the amount of \$9.3 million from Zhenjiang Moeller Electric Appliance Co., Ltd., which is a company controlled by Daqo Group.

***Related party transactions with Nanjing Daqo Electric Co., Ltd.***

In 2022, we purchased fixed assets in the amount of \$8.2 million from Nanjing Daqo Electric Co., Ltd.

***Related party transactions with Zhenjiang Electric Equipment Co., Ltd.***

In 2022, we purchased raw materials in the amount of \$4.2 million from Zhenjiang Electric Equipment Co., Ltd.

**Employment Agreements**

See “Item 6. Directors, Senior Management and Employees—C. Board Practices-Employment Agreements.”

**Share Incentives**

See “Item 6. Directors, Senior Management and Employees—B. Compensation-Share Incentive Plans” for a description of stock options and other stock purchase rights we have granted to our directors, officers and other individuals as a group.

**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and Other Financial Information**

See “Item 18. Financial Statements.”

**Legal Proceedings**

We are currently not a party to any material legal or administrative proceedings and we are not aware of any material legal or administrative proceedings threatened against us. We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business.

**Dividend Policy**

We have not declared or paid any dividends on our ordinary shares or ADSs. We have no present plan to declare and pay any dividends on our shares or ADSs in the near future. Xinjiang Daqo may declare and distribute dividends from time to time to its shareholders including our company, subject to the discretion of its board of directors and approval by its shareholders’ meetings. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Components of Results of Operations—Taxation” for the dividends declared by Xinjiang Daqo historically. We currently intend to retain our available funds and any future undistributed earnings to operate and expand our business, except to execute our share repurchase program approved by our board.

We are a holding company incorporated in the Cayman Islands. We may rely on dividends from our subsidiaries in China for our cash needs. Current PRC regulations restrict the ability of our subsidiaries to pay dividends to us. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—We may rely on dividends and other distributions on equity paid by our wholly owned operating subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to borrow money or pay dividends.”





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Subject to our Fourth Amended and Restated Memorandum and Articles of Association and applicable laws, our board of directors has complete discretion as to whether to recommend a distribution of dividends to shareholders, and any distribution is further subject to the approval of our shareholders. Even if our board of directors decides to recommend dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our board of directors may deem relevant. If we pay dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. Cash dividends on our ADSs and ordinary shares, if any, will be paid in U.S. dollars.

**B. Significant Changes**

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

**ITEM 9. THE OFFER AND LISTING**

**A. Offering and Listing Details**

Our ADSs, each representing five ordinary shares, have been listed on the NYSE since October 7, 2010 and trade under the symbol “DQ.” Prior to November 17, 2020, each of our ADS represented 25 ordinary shares. We effected a change of the ADS to ordinary share ratio on November 17, 2020 from one ADS representing 25 ordinary shares to one ADS representing five ordinary shares. The ratio change had the same effect as a 1-for-5 ADS split.

**B. Plan of Distribution**

Not applicable.

**C. Markets**

See “— A. Offering and Listing Details.”

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. Share Capital**

Not applicable.

**B. Memorandum and Articles of Association**

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association, as amended from time to time, and the Companies Act of the Cayman Islands, as amended from time to time, which is referred to as the Companies Act below. The following are summaries of material provisions of our

Fourth Amended and Restated Memorandum and Articles of Association in effect as of the date of this annual report insofar as they relate to the material terms of our ordinary shares.

## **Board of Directors**

We are managed by a Board of Directors which shall consist of no less than five members. Our Board of Directors currently consists of ten members. An appointment of a director may be in terms that the director shall automatically retire at the next or a subsequent annual general meeting.

Meetings of the Board of Directors may be convened at any time deemed necessary by any members of the board of directors in accordance with our Fourth Amended and Restated Memorandum and Articles of Association.

A meeting of the Board of Directors shall be competent to make lawful and binding decisions if a quorum is present. Under our Fourth Amended and Restated Memorandum and Articles of Association, the quorum necessary for the transaction of the business of our Board of Directors may be fixed by the Board of Directors and unless so fixed shall be a majority of the directors then in office. At any meeting of the directors, each director, be it by his presence or by his alternate, is entitled to one vote.

Questions arising at a meeting of the Board of Directors are required to be decided by simple majority votes of the members of the Board of Directors present or represented at the meeting. In the case of a tie vote, the chairman shall have a second or casting vote. Our Board of Directors may also pass resolutions without a meeting by unanimous written consent.

See also “Item 6. Directors, Senior Management and Employees—C. Board Practices—Duties of Directors” and “—Terms of Directors and Executive Officers.”

## **Ordinary Shares**

### ***General***

All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

### ***Dividend Rights***

The holders of our ordinary shares are entitled to such dividends as may be declared by our Board of Directors subject to the Companies Act.

### ***Voting Rights***

Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by any one or more shareholders holding at least ten percent of the shares given a right to vote at the meeting, present in person or by proxy.

A quorum required for a meeting of shareholders consists of at least shareholders holding not less than an aggregate of one-third of all voting share capital of our company in issue present in person or by proxy and entitled to vote. Shareholders’ meetings may be held annually and may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate not less than one third of our share capital as at that date carries the right of voting at general meeting of our company. Advance notice of at least seven calendar days is required for the convening of our annual general meeting and other shareholders meetings.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes cast attaching to the ordinary shares. A special resolution is required for important matters such as a change of name. Holders of the ordinary shares may effect certain changes by ordinary resolution, including alter the amount of our authorized share capital, consolidate and divide all or any of our share capital into shares of larger amount than our existing share capital, and cancel any shares.

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### ***Transfer of Shares***

Subject to the restrictions of our Fourth Amended and Restated Memorandum and Articles of Association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board.

Our Board of Directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any ordinary share unless (a) the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our Board of Directors may reasonably require to show the right of the transferor to make the transfer; (b) the shares conceded are free of any lien in favor of us; or (c) a fee of such maximum sum as the NYSE may determine to be payable, or such lesser sum as our board of directors may from time to time require, is paid to us in respect thereof.

If our directors refuse to register a transfer, they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days.

### ***Liquidation***

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

### ***Redemption of Shares***

Subject to the provisions of the Companies Act, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as may be determined by special resolution.

### ***Variations of Rights of Shares***

All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

### ***Inspection of Books and Records***

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “— H. Documents on Display.”

### ***Limitations on the Right to Own Shares***

There are no limitations on the right to own our shares.

### ***Disclosure of Shareholder Ownership***

There are no provisions in our amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

### ***Demand Registration Rights and Form F-3 Registration Rights***

When we are eligible for registration on Form F-3, holders of at least 10% of our outstanding registrable securities have the right to request that we file registration statements under Form F-3 covering the offer and sale of their securities.

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We, however, are not obligated to effect a demand registration or a Form F-3 registration if, among other things, (1) we notify the requesting holder of the registrable securities of our intention to make a public offering within 180 days, (2) the dollar amount of securities to be sold is of an aggregate price to the public of less than \$5,000,000, or (3) we provide the requesting holders a certificate signed by our chief executive officer stating that in the good faith judgment of the board of directors the filing of such a registration statement will be materially detrimental to us and our shareholders. In the case of (3), we cannot exercise the deferral right more than once in any 12-month period.

***No Sinking Fund***

Our ordinary shares are not subject to sinking fund provisions.

**C. Material Contracts**

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company—B. Business Overview” or elsewhere in this annual report.

**D. Exchange Controls**

See “Item 4. Information on the Company—B. Business Overview—Regulation—Foreign Currency Exchange.”

**E. Taxation**

**Cayman Islands Taxation**

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

**Chinese Taxation**

Under the PRC Enterprise Income Tax Law amended in December 2018 and its implementation rules, all domestic and foreign-invested companies in China are subject to a uniform enterprise income tax at the rate of 25% and dividends from a PRC subsidiary to its foreign parent company are subject to a withholding tax at the rate of 10%, unless such foreign parent company’s jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax, or the tax is otherwise exempted or reduced pursuant to the PRC tax laws.

Under the EIT Law, enterprises organized under the laws of jurisdictions outside China with their “de facto management bodies” located within China are considered PRC resident enterprises and therefore are subject to PRC enterprise income tax at the rate of 25% on their worldwide income. Under the implementation rules of the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management and control over the business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. In addition, a circular issued by SAT on April 22, 2009 provides that a “foreign enterprise controlled by a PRC company or a PRC company group” will be classified as a “resident enterprise” with its “de facto management bodies” located within China if the following requirements are satisfied: (i) the senior management and core management departments in charge of its daily operations function mainly in the PRC; (ii) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (iv) more than half of the enterprise’s directors or senior management with voting rights reside in the PRC. However, it remains unclear how PRC tax authority will treat an overseas company controlled by PRC natural persons rather than PRC enterprises such as Daqo Cayman. The criteria set forth above do not apply to Daqo Cayman directly because Daqo Cayman is currently beneficially owned by Chinese individuals and is not a “foreign enterprise controlled by a PRC company or a PRC company group” and accordingly, we do not believe that Daqo Cayman should be treated as a PRC resident enterprise under the relevant requirements. However, such criteria may be considered relevant in determining Daqo Cayman’s residence. Therefore, we cannot assure you that Daqo Cayman will not be deemed a PRC resident enterprise.



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If Daqo Cayman were classified as a PRC resident enterprise under the EIT Law, ADS holders who are not Chinese residents may be subject to a 10% withholding tax (20% in the case of individual ADS holders who are not Chinese residents) upon dividends payable by Daqo Cayman, and 10% tax on gains realized upon the sale or other disposition of our ADSs (20% in the case of individual ADS holders who are not Chinese residents). In addition, the EIT Law and regulations also provide that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested resident enterprise are exempted from income tax, subject to certain conditions. Therefore, if Daqo Cayman is classified as resident enterprise under the EIT Law, the dividends we receive from our Chinese subsidiaries may be exempted from withholding tax. On October 17, 2017, SAT promulgated the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source, which specifies deduction of withholding tax for non-resident shareholders.

### **United States Federal Income Tax Considerations**

The following discussion is a summary of United States federal income tax considerations relating to the ownership and disposition of our ADSs or ordinary shares by U.S. Holders (as defined below) that hold ADSs or ordinary shares as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based upon existing U.S. federal income tax law as in effect on the date of this annual report, which is subject to differing interpretations or change, possibly with retroactive effect. This discussion does not address all aspects of United States federal income taxation that may be relevant to particular holders in light of their individual investment circumstances, including holders subject to special tax rules that differ significantly from those discussed below (for example, financial institutions, insurance companies, regulated investment companies, real estate investment trusts, broker-dealers, cooperatives, pension plans, entities taxed as partnerships and their partners, tax-exempt organizations (including private foundations), holders who are not U.S. Holders, holders who own (directly, indirectly, or constructively) 10% or more of our stock (by vote or value), holders that hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for United States federal income tax purposes, holders that are traders in securities that have elected the mark-to-market method of accounting, or holders that have a functional currency other than the United States dollar). In addition, this discussion does not address U.S. federal estate, gift, Medicare taxes on net investment income, or alternative minimum taxes, or any non-United States, state, or local tax considerations relating to the ownership and disposition of our ADSs or ordinary shares. Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations with respect to the ownership and disposition of our ADSs or ordinary shares.

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is a citizen or resident of the United States or a United States domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of such ADSs or ordinary shares.

For United States federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of ordinary shares for ADSs will generally not be subject to United States federal income tax.

## ***Dividends***

Subject to the PFIC rules discussed below under “Passive Foreign Investment Company Considerations,” the gross amount of any cash or property distribution (including the amount of any taxes withheld) paid on ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the depositary in the case of ADSs or by a U.S. Holder in the case of ordinary shares. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution paid will generally be reported as a “dividend” for United States federal income tax purposes. A non-corporate recipient will be subject to tax at the lower capital gain tax rate applicable to “qualified dividend income,” provided that certain conditions are satisfied, including that (1) the ADSs or ordinary shares, as applicable, are readily tradable on an established securities market in the United States, or we are eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States has determined is satisfactory for purposes of this condition and which includes an exchange of information program, (2) we are neither a passive foreign investment company nor treated as such with respect to the recipient (as discussed below) for the taxable year in which the dividend was paid or the preceding taxable year, and (3) certain holding period requirements are met. Based on our income and assets, we do not believe that we were a PFIC for the taxable year ended December 31, 2022. See below under “Passive Foreign Investment Company Considerations” for a more detailed discussion of the PFIC rules. Our ADSs are listed on the NYSE, which is an established securities market in the United States, and will be considered readily tradable on an established securities market for as long as the ADSs continue to be listed on the NYSE. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in the United States in later years. Since our ordinary shares are not listed on an established securities market in the United States, it is unclear whether the dividends that we pay on our ordinary shares that are not backed by ADSs currently meet the conditions required for the reduced tax rate. However, in the event our company is deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “Chinese Taxation,” above), we may be eligible for the benefits of the United States-PRC income tax treaty (the “Treaty”), which the Secretary of the Treasury of the United States has determined is satisfactory for purposes of qualified dividend income treatment, in which case dividends paid with respect to our ADSs or ordinary shares, regardless of whether the ordinary shares are backed by our ADSs, may be treated as qualified dividend income. U.S. Holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends with respect to our ADSs or ordinary shares in their particular circumstances. Dividends received on the ADSs or ordinary shares are not expected to be eligible for the dividends-received deduction allowed to corporations.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law (see “Chinese Taxation,” above), a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares. Subject to generally applicable limitations and conditions, PRC dividend withholding tax paid at the appropriate rate applicable to the U.S. Holder may be eligible for a credit against such U.S. Holder’s U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements recently adopted by the U.S. Internal Revenue Service (“IRS”) and any PRC tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. Holder. In the case of a U.S. Holder that is eligible for, and properly elects, the benefits of the Treaty, the PRC tax on dividends will be treated as meeting the new requirements and therefore as a creditable tax. In the case of all other U.S. Holders, the application of these requirements to the PRC tax on dividends is uncertain and we have not determined whether these requirements have been met. If the PRC dividend tax is not a creditable tax for a U.S. Holder or the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year, the U.S. Holder may be able to deduct the PRC tax in computing such U.S. Holder’s taxable income for United States federal income tax purposes. Dividend distributions will constitute income from sources without the United States and, for U.S. Holders that elect to claim foreign tax credits, generally will constitute “passive category” income for foreign tax credit purposes.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend on a U.S. Holder’s particular circumstances and involve the application of complex rules to those circumstances. U.S. Holders should consult their own tax advisors regarding the application of these rules to their particular circumstances.

### ***Sale or Other Disposition of ADSs or Ordinary Shares***

Subject to the PFIC rules discussed below under “Passive Foreign Investment Company Considerations,” a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the U.S. Holder’s adjusted tax basis in such ADSs or ordinary shares. Any such capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year. Long-term capital gain of non-corporate U.S. Holders is generally eligible for a reduced rate of tax. The deductibility of a capital loss may be subject to limitations.

In the event that we are treated as a PRC resident enterprise under the PRC EIT Law, gain from the disposition of ADSs or ordinary shares may be subject to the tax in the PRC (see “Chinese Taxation,” above). In that case, a U.S. Holder’s amount realized would include the gross amount of the proceeds from the sale or disposition before deduction for the PRC tax. Although capital gain or loss recognized by a U.S. Holder on the sale or other disposition of the ADSs or ordinary shares generally will be U.S. source gain or loss, a U.S. Holder that is eligible for, and properly elects to claim, the benefits of the Treaty, may be entitled to elect to treat the gain as foreign source income for U.S. foreign tax credit purposes. Under the new foreign tax credit requirements recently adopted by the IRS, any such PRC tax imposed generally will not be treated as a creditable tax for U.S. foreign tax credit purposes except in the case of a U.S. Holder that is eligible for, and properly elects to claim, the benefits of the Treaty. If the PRC tax is not a creditable tax or claimed as a credit by the U.S. Holder pursuant to the Treaty, the tax would reduce the amount realized on the sale or other disposition of the ADSs or ordinary shares even though the U.S. Holder has elected to claim a foreign tax credit for other taxes in the same year. U.S. Holders should consult their tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of our ADSs or ordinary shares and any PRC tax imposed on such sale or disposition.

### ***Passive Foreign Investment Company Considerations***

A non-United States corporation, such as our company, will be classified as a PFIC for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the average value of its assets (generally determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the company’s goodwill and other intangible assets are generally taken into account for determining the value of its assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Based on our income and assets, we do not believe that we were a PFIC for the taxable year ended December 31, 2022. The determination of whether we are a PFIC is made annually after the close of each taxable year. This determination is based on the facts and circumstances at the time, some of which may be beyond our control, such as the amount and composition of our income and the valuation and composition of our assets, including goodwill and other intangible assets, as implied by the market price of our ordinary shares. In particular, recent declines in the market price of our ADSs and/or ordinary shares significantly increased our risk of becoming a PFIC for the current taxable year. The market price of our ADSs and/or ordinary shares may continue to fluctuate considerably and, consequently, we cannot assure you of our PFIC status for any taxable year. In addition, the composition of our income and assets will also be affected by how, and how quickly, we use our liquid assets. If we determine not to deploy significant amounts of cash for active purposes or if it were determined that we do not own the stock of the consolidated affiliated entities for United States federal income tax purposes, our risk of being a PFIC may substantially increase.

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder’s holding period for the ADSs) or ordinary shares and (ii) any gain realized on the sale or other disposition, including a pledge, of ADSs or ordinary shares. Under these PFIC rules:

- such excess distribution or gain will be allocated ratably over the U.S. Holder’s holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year, and any taxable years in the U.S. Holder’s holding period prior to the first taxable year in which we were a PFIC (a “pre-PFIC year”), will be taxable as ordinary income;

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- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect applicable to the U.S. Holder for each such year; and
- an additional tax equal to the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.
- If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. Each U.S. Holder is advised to consult its tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

If we were a PFIC for any taxable year, in lieu of being subject to the general rules discussed above, a U.S. Holder may make a mark-to-market election with respect to our ADSs (but not ordinary shares) to elect out of the tax treatment discussed above, provided that the ADSs are regularly traded on a qualified exchange (such as the NYSE). We anticipate that the ADSs would be treated as being regularly traded on the NYSE, but no assurances may be given in this regard. If a U.S. Holder makes a mark-to-market election for the ADSs, such U.S. Holder will include in income for each year that we are treated as a PFIC with respect to such U.S. Holder an amount equal to the excess, if any, of the fair market value of the ADSs as of the close of the U.S. Holder's taxable year over the U.S. Holder's adjusted basis in such ADSs. A U.S. Holder will be allowed a deduction for the excess, if any, of the adjusted basis of the ADSs over their fair market value as of the close of the taxable year. Amounts included in a U.S. Holder's income under a mark-to-market election, as well as gain on the actual sale or other disposition of the ADSs, will be treated as ordinary income. Ordinary loss treatment will also apply to the deductible portion of any mark-to-market loss on the ADSs, as well as to any loss realized on the actual sale or disposition of the ADSs, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such ADSs. A U.S. Holder's basis in the ADSs will be adjusted to reflect any such income or loss amounts resulting from the mark-to-market election.

Because a mark-to-market election cannot be made for equity interests in any lower-tier PFICs that we own, a U.S. Holder may continue to be subject to the PFIC rules with respect to its indirect interest in any investments or subsidiaries held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

Further, we do not intend to prepare or provide the information that would enable a U.S. Holder to make a qualified electing fund election ("QEF Election"), which, if available, would result in tax treatment different from the general tax treatment for PFICs described above. Accordingly, each U.S. Holder should assume that the QEF Election will not be available.

If a U.S. Holder holds ADSs or ordinary shares in any year in which we are treated as a PFIC with respect to such U.S. Holder, the U.S. Holder would generally be required to file IRS Form 8621 (or a successor form). U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to their investment in ADSs or ordinary shares.

### ***Foreign Financial Asset Reporting***

U.S. Holders who hold "specified foreign financial assets," including any financial accounts held at a non-U.S. "financial institution," as well as stock of a non-U.S. corporation that is not held in an account maintained by a "financial institution," and whose aggregate value of all foreign financial assets exceeds \$50,000 (or a higher dollar amount prescribed by the IRS) on the last day of the taxable year or \$75,000 at any time during the taxable year may be required to attach to their tax return for the year certain information relating to such specified foreign financial assets as required by the IRS, currently on IRS Form 8938. Regulations extend this reporting requirement to certain entities that are treated as formed or availed to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. A U.S. Holder who fails to timely furnish the required information may be subject to penalties. Each U.S. Holder is advised to consult its tax advisor regarding its reporting obligations under this rule.

### ***Backup Withholding and Information Reporting***

U.S. Holders may be subject to information reporting to the IRS with respect to dividends on and proceeds from the sale or other disposition of our ADSs or ordinary shares. Each U.S. Holder is advised to consult its tax advisor regarding the application of the United States information reporting rules and backup withholding rules to its particular circumstances. In addition, certain U.S. Holders may be subject to backup withholding in respect of such amounts if they do not provide to the relevant payer or paying agent their taxpayer identification numbers, make any other required certification, or otherwise establish an exemption. Non-U.S. Holders may be required to comply with applicable certification and identification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a U.S. or non-U.S. Holder will be allowed as a credit against the Holder's U.S. federal income tax liability and may entitle the Holder to a refund, provided that the required information is timely furnished to the IRS.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

#### **H. Documents on Display**

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934 or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. Copies of reports and other information, when filed, may also be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

We will furnish JP Morgan Chase Bank, N.A., the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

#### **I. Subsidiary Information**

For a listing of our subsidiaries, see "Item 4. Information on the Company—C. Organizational Structure."

### **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### ***Foreign Exchange Risk***

Substantially all of our revenues and most of our expenses are denominated in RMB. Our exposure to foreign exchange risk primarily relates to (1) the Euro or U.S. dollar income or that we may generate in the future for sale of our photovoltaic products in the international market most or substantially all of and (2) the U.S. dollar and Euro denominated equipment purchase prices that we need to pay from time to time. We believe the impact of foreign currency risk is not material and we have not used any forward contracts, currency borrowings or derivative instruments to hedge our exposure to foreign currency exchange risk. Although in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the foreign exchange rate between U.S. dollars and RMB because the value of our business is effectively denominated in RMB, while we use the U.S. dollar as our functional and reporting currency and the ADSs will be traded in U.S. dollars. The value of the RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies.

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To the extent that we need to convert U.S. dollars into RMB for our operations, acquisitions or other uses within China, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. To the extent that we seek to convert RMB into U.S. dollars, depreciation of the RMB against the U.S. dollar would have an adverse effect on the U.S. dollar amount we receive from the conversion. As of December 31, 2022, we had RMB-denominated cash and cash equivalents of RMB24,265.2 million and U.S. dollar-denominated cash and cash equivalents of \$2.4 million. Assuming that we had converted the U.S. dollar-denominated cash and cash equivalents of \$2.4 million into RMB at the exchange rate of \$1.00 for RMB6.8972 as of December 30, 2022, this cash and cash equivalents would have been RMB16.4 million. Assuming a 10% appreciation of the RMB against the U.S. dollar, these cash and cash equivalents would have decreased to RMB14.9 million.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

### **A. Debt Securities**

Not applicable.

### **B. Warrants and Rights**

Not applicable.

### **C. Other Securities**

Not applicable.

### **D. American Depositary Shares**

#### **Fees and Charges Our ADS Holders May Have to Pay**

As an ADS holder, you will be required to pay the following service fees to the depositary bank:

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADSs are cancelled or reduced for any other reason, \$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADS holders, by any party depositing or withdrawing shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of \$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to \$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to \$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);

- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);

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- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid. The charges described above may be amended from time to time by agreement between us and the depositary.

### **Fees and Other Payments Made by the Depositary to Us**

The depositary bank may reimburse us for certain expenses incurred by us in respect of the ADS program established pursuant to the deposit agreement, by making available a set amount or a portion of the depositary fees charged in respect of the ADS program or otherwise, upon such terms and conditions as we and the depositary bank may agree from time to time. In November 2020, we instructed the depositary bank to change the ratio of shares of our company by each ADS from twenty five shares to five shares per ADS. For the year ended December 31, 2022, we received \$1.6 million from the depositary as reimbursement for our expenses incurred in connection with the establishment and maintenance of the ADS program.

## **Part II**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

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## **ITEM 15. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized and reported within the specified time periods and accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15I or 15d-15(e) promulgated under the Exchange Act, as of December 31, 2022. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of that date, our disclosure controls and procedures required by Rules 13a-15(b) or 15d-15(b) were effective as of December 31, 2022.

### **Management's Report On Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with U.S. GAAP. Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, it used the criteria established within the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 framework). Based on this assessment, our management has concluded that, as of December 31, 2022, our internal control over financial reporting was effective.

Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm, who audited our consolidated financial statements for the year ended December 31, 2022, has also audited the effectiveness of internal control over financial reporting as of December 31, 2022.

### **Attestation Report of Independent Registered Public Accounting Firm**

The attestation report on our management's assessment of our company's internal control over financial reporting issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, our independent registered public accounting firm, appears on page F-4 of this annual report.

### **Changes in Internal Control over Financial Reporting**

There have not been any changes in our internal control over financial reporting in the year ended December 31, 2022, which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Board of Directors has determined that Mr. Arthur Wong, an independent director (under the standards set forth in Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Exchange Act), and the chairman of our Audit Committee, is our Audit Committee financial expert.

## **ITEM 16B. CODE OF ETHICS**

Our Board of Directors has adopted a code of ethics that applies to our directors, officers, employees and agents, including certain provisions that specifically apply to our chief executive officer, chief financial officer, chief marketing officer, chief operating officer, chief technology officer, vice presidents and any other persons who perform similar functions for us. We have posted a copy of our code of business conduct and ethics on our website at <http://dqsolar.investorroom.com/>.

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# ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP (PACOB ID: No. 1113), the member firms of Deloitte Touche Tohmatsu Limited, and their respective affiliates (collectively, the “Deloitte Entities”), for the periods indicated. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

|                           | Years Ended December 31, |       |
|---------------------------|--------------------------|-------|
|                           | 2021                     | 2022  |
|                           | (in US\$thousands)       |       |
| Audit fees <sup>(1)</sup> | 1,077                    | 1,080 |
| Total:                    | 1,077                    | 1,080 |

Note:

(1) “Audit fees” refer to the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of the annual financial statements of the Company and Xinjiang Daqo and the review of our comparative interim financial statements.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by Deloitte Entities, including audit services, audit-related services and other services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

# ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

# ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table provides information about purchases by us in 2022 of ADSs that are registered by us pursuant to Section 12 of the Exchange Act:

| Month          | Total Number of ADSs Purchased | Average Price Paid per ADS (\$) <sup>(1)</sup> | Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of ADSs that May Yet Be Purchased Under the Plans or Programs (\$in millions) <sup>(2)</sup> |
|----------------|--------------------------------|--|--|---|
| June 2022      | 331,313                        | 67.24  | 331,313  | 97.72   |
| July 2022      | 378,582                        | 62.55  | 709,805  | 74.03   |
| August 2022    | 661,728                        | 64.97  | 1,371,623  | 31.02   |
| September 2022 | 509,745                        | 60.71  | 1,881,368  | 0.07  |
| October 2022   | —                              | —  | 1,881,368  | 0.07  |
| November 2022  | —                              | —  | 1,881,368  | 700.07  |
| December 2022  | 109,405                        | 45.63  | 1,990,863  | 695.07  |
| <b>Total</b>   | <b>1,990,863</b>               | <b>62.73</b>                                   | <b>1,990,863</b>   | <b>695.07</b>   |

(1) Excluding broker and transaction fees.

(2) On June 1, 2022, we announced a one-year share repurchase program approved by our board of directors to repurchase up to \$120 million worth of our ordinary shares or ADSs on the open market, in negotiated transactions off the market, in block trades or through other legally permissible means in accordance with applicable U.S. securities laws. We completed this repurchase program by the end of September 2022 by spending \$119.9 million to repurchase approximately 1.88 million ADSs.

On November 7, 2022, we announced another share repurchase program approved by our board of directors to repurchase up to \$700 million worth of our ordinary shares or ADSs on the open market, in negotiated transactions off the market, in block trades or through other legally permissible means in accordance with applicable U.S. securities laws from November 7, 2022 to December 31, 2023. By the end of December 2022, we had spent \$5.0 million to repurchase approximately 109.4 thousand ADSs.

This share repurchase program does not obligate us to acquire any particular number of ADSs or ordinary shares and may be suspended or discontinued at any time.



**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from the NYSE corporate governance listing standards. For example, neither the Companies Act of the Cayman Islands nor our memorandum and articles of association requires a majority of our directors to be independent and we could include non-independent directors as members of our compensation committee and nominating committee, independent directors would not necessarily hold regularly scheduled meetings at which only independent directors are present, and we are not required to hold annual general meetings. If we choose to follow home country practice, our shareholders may be afforded less protection than they otherwise would under the NYSE corporate governance listing standards applicable to U.S. domestic issuers.

Section 303A.08 and Section 312.03(a) of the Corporate Governance Rules of the NYSE that shareholder approval will be required for all equity compensation plans and material revisions to these plans. Section 312.03(b) of the Corporate Governance Rules of the NYSE requires shareholder approval for the issuance of common stock, or of securities convertible into common stock, in any transaction or series of transactions to a "related party" (which term is defined as a director, officer or substantial security holder), a subsidiary, affiliate or other closely related person of such related party, or any company or entity in which a related party has a substantial direct or indirect interest, if the number of shares to be issued exceeds one percent of the number of shares outstanding prior to the issuance. Under the laws of our jurisdiction of incorporation or home country, the Cayman Islands, and our currently effective memorandum and articles of association, we are not required to obtain shareholder approval for equity compensation plans or before issuing ordinary shares to a related party. In February 2015, we followed home country practice in connection with the offer and sale of 1,025,641 ADSs, representing 25,641,025 ordinary shares, to Duke Elite Limited, an affiliate of Mr. Xiang Xu, a director of ours and president of Daqo Group, pursuant to an underwritten follow-on offering, and at the same price and on the same terms as other ADSs offered and sold in the offering, without shareholder approval.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

On May 4, 2022, we were conclusively listed by the SEC as a Commission-Identified Issuer under the HFCA Act following the filing of our annual report for the fiscal year ended December 31, 2021. Our auditor, a registered public accounting firm that the PCAOB was not able to inspect or investigate completely in 2021 according to the PCAOB's December 16, 2021 determinations, issued the audit report for us for the fiscal year ended December 31, 2021. On December 15, 2022, the PCAOB issued a report that vacated its December 16, 2021 determinations and removed mainland China and Hong Kong from the list of jurisdictions where it is unable to completely inspect or investigate the registered public accounting firms. For this reason, we do not expect to be identified as a Commission-Identified Issuer under the HFCA Act after we file this annual report.

As of the date of this annual report, to our best knowledge:

- (i) none of our shares or the shares of our subsidiaries is owned by governmental entities in the jurisdictions in which we or such subsidiaries are incorporated;
- (ii) none of the PRC governmental entities has a controlling financial interest in us or any of our subsidiaries;
- (iii) none of the members of our board of directors or the board of directors of our subsidiaries is an official of the Chinese Communist Party; and
- (iv) none of our or our subsidiaries' articles of incorporation contain any charter of the Chinese Communist Party.

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**Part III**

**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to “Item 18. Financial Statements.”

**ITEM 18. FINANCIAL STATEMENTS**

The consolidated financial statements of Daqo New Energy Corp. are included at the end of this annual report.

**ITEM 19. EXHIBITS**

| <b>Exhibit Number</b> | <b>Description of Document</b>   |
|-----------------------|--|
| 1.1                   | <a href="#"><u>Fourth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 1.1 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on March 31, 2017 (File No. 001-34602))</u></a>   |
| 2.1                   | <a href="#"><u>Amended and Restated Deposit Agreement among the Registrant, JPMorgan Chase Bank, N.A. as depositary, and holders and beneficial owners of American Depositary Shares evidenced by American Depositary Receipts issued thereunder dated October 26, 2020 (incorporated herein by reference to Exhibit (a) to the Post-Effective Amendment No. 3 to Form F-6 Registration Statement filed with the Securities and Exchange Commission on October 26, 2020 (File No. 333-164310))</u></a> |
| 2.2*                  | <a href="#"><u>Description of the Rights of Ordinary Shares and ADSs</u></a>   |
| 4.1                   | <a href="#"><u>2009 Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1, as amended (File No. 333-164307))</u></a>  |
| 4.2                   | <a href="#"><u>Form of Indemnification Agreement with the Registrant's directors and officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1, as amended (File No. 333-164307))</u></a>   |
| 4.3                   | <a href="#"><u>Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1, as amended (File No. 333-164307))</u></a>   |
| 4.4                   | <a href="#"><u>English translation of the Trademark License Agreement among Daqo Group, Chongqing Daqo and Nanjing Daqo dated as of May 8, 2009 (incorporated herein by reference to Exhibit 10.27 to the registration statement on Form F-1, as amended (File No. 333-164307))</u></a>  |
| 4.5                   | <a href="#"><u>Non-Competition Agreement among Daqo Group, Daqo Cayman (formerly known as Mega Stand International Limited) and Chongqing Daqo dated as of July 1, 2008 (incorporated herein by reference to Exhibit 10.28 to the registration statement on Form F-1, as amended (File No. 333-164307))</u></a>  |
| 4.6                   | <a href="#"><u>2014 Share Incentive Plan (incorporated herein by reference to Exhibit 4.16 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2015 (File No. 001-34602))</u></a>   |
| 4.7                   | <a href="#"><u>2018 Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 of our Form S-8 filed with the Securities and Exchange Commission on May 11, 2018 (File No. 333-224865))</u></a>  |
| 4.8                   | <a href="#"><u>English translation of Letter of Undertaking on the Authenticity, Accuracy, and Completeness of the Prospectus, effective as of September 8, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.1 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>  |
| 4.9                   | <a href="#"><u>English translation of Letter of Undertaking on Stabilizing the Company's Stock Price, effective as of September 7, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.2 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>   |
| 4.10                  | <a href="#"><u>English translation of Letter of Undertaking on the Resale Restriction and Voluntary Lock-Up of the Shares Held, effective as of September 7, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.3 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>   |
| 4.11                  | <a href="#"><u>English translation of Letter of Undertaking on the Intent to Reduce Shareholding, effective as of September 7, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.4 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>   |
| 4.12                  | <a href="#"><u>English translation of Letter of Undertaking on Avoiding Horizontal Competition, effective as of September 7, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.5 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>   |
| 4.13                  | <a href="#"><u>English translation of Letter of Undertaking on Regulating Related Party Transactions, effective as of September 7, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.6 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>   |
| 4.14                  | <a href="#"><u>English translation of Letter of Undertaking on Not Occupying Funds, effective as of September 7, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.7 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>   |
| 4.15                  | <a href="#"><u>English translation of Letter of Undertaking on Protecting the Independence of the Company, effective as of September 7, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.8 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>  |
| 4.16                  | <a href="#"><u>English translation of Letter of Undertaking Regarding the Restraint Measures for Failure to Fulfill the Undertakings, effective as of September 8, 2020, of Daqo New Energy Corp. (incorporated herein by reference to Exhibit 10.9 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</u></a>   |

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|          |   |
|----------|---|
| 4.17     | <a href="#">English translation of Letter of Undertaking on Remedial Measures for Diluting Current Returns, effective as of September 7, 2020, of Dago New Energy Corp. (incorporated herein by reference to Exhibit 10.10 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</a>                           |
| 4.18     | <a href="#">English translation of Letter of Undertaking Regarding Xinjiang Dago New Energy Co., Ltd.'s Dividend Policy, effective as of September 7, 2020, of Xinjiang Dago New Energy Co., Ltd. (incorporated herein by reference to Exhibit 10.11 of our Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020)</a> |
| 4.19     | <a href="#">English summary of the Project Investment Agreement between Xinjiang Dago New Energy Co., Ltd. and the Government of Jiuyuan District, Baotou City on December 18, 2021 (incorporated herein by reference to Exhibit 4.19 of our Form 20-F furnished with the Securities and Exchange Commission on March 30, 2022)</a>                   |
| 4.20     | <a href="#">English summary of the Letter of Project Investment Intent between Xinjiang Dago New Energy Co., Ltd. and the Government of Guyang County, Baotou City on December 18, 2021 (incorporated herein by reference to Exhibit 4.20 of our Form 20-F furnished with the Securities and Exchange Commission on March 30, 2022)</a>               |
| 4.21     | <a href="#">2022 Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 of our Form S-8 filed with the Securities and Exchange Commission on August 5, 2022 (File No. 333-224865))</a>  |
| 4.22*†   | <a href="#">Facility Agreement between Dago New Energy Corp. and China Merchants Bank Co., Ltd., dated February 22, 2023</a>  |
| 8.1*     | <a href="#">Subsidiaries of the Registrant</a>  |
| 11.1     | <a href="#">Code of Business Conduct and Ethics of the Registrant dated March 26, 2019 (incorporated herein by reference to Exhibit 11.1 of our Annual Report on Form 20-F filed with the Securities and Exchange Commission on April 17, 2019 (File No. 001-34602))</a>  |
| 12.1*    | <a href="#">CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>   |
| 12.2*    | <a href="#">CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>   |
| 13.1**   | <a href="#">CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>   |
| 13.2**   | <a href="#">CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>   |
| 15.1*    | <a href="#">Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP</a>  |
| 101.INS* | iXBRL Instance Document   |
| 101.SCH* | iXBRL Taxonomy Extension Schema Document  |
| 101.CAL* | iXBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF* | iXBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB* | iXBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE* | iXBRL Taxonomy Extension Presentation Linkbase Document   |
| 104      | Cover Page Interactive Data File (embedded within the Inline XBRL document).  |

\* Filed with this annual report on Form 20-F

\*\* Furnished with this annual report on Form 20-F

† Certain information (indicated by "[\*\*\*]") has been omitted from this exhibit as it is not material and is likely to cause competitive harm to the registrant if publicly disclosed.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

DAQO NEW ENERGY CORP

By: /s/ Longgen Zhang

Name: Longgen Zhang

Title: Chief Executive Officer and Director

Date: April 27, 2023

**DAQO NEW ENERGY CORP.**  
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF  
DAQO NEW ENERGY CORP.:

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Daqo New Energy Corp. and its subsidiaries (the “Company”) as of December 31, 2021 and 2022, the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and schedule listed in the Schedule I (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control —Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 27, 2023 expressed an unqualified opinion on the Company’s internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Revenue recognition for polysilicon sales - Refer to Note 2(m) to the financial statements***

*Critical Audit Matter Description*

The Company generated revenues from polysilicon sales of US\$4,581.6 million for the year ended December 31, 2022. The Company's revenues from contracts with its customers are recognized at a point in time following the transfer of control of its products to the customers, which occurs upon acceptance by the customers according to the terms of the underlying contracts. The Company's standalone selling prices are based on the prices charged to the customers for the single performance obligation, which is the transfer of control upon acceptance of products by its customers. We identified revenue recognition for polysilicon sales as a critical audit matter, because the amounts of the revenue are material and are expected to have a significant impact on investors' decision-making. This required extensive audit effort and a high degree of auditor judgment when performing audit procedures to audit the revenue.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the revenue recognition of polysilicon sales including the following, among others:

- We evaluated whether the revenue contracts are appropriately recognized in accordance with ASC 606 based on terms and conditions of each contract.
- We tested the effectiveness of key controls over the Company's revenue recognition process.
- We selected a sample of revenue transactions from the sales records during the reporting period and performed detail transaction testing by agreeing the amounts recognized to source documents.
- We performed analytical procedures over revenue and gross profit, identified whether there are unusual fluctuations in revenue during the reporting period, understood the reasons for the change and evaluate the rationality.
- We sent confirmations to selected customers of the year ended December 31, 2022 by confirming both the sales amount recorded and the balances of the advanced payments from the customers.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP  
Shanghai, China

April 27, 2023

We have served as the Company's auditor since 2008.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF DAQO NEW ENERGY CORP.:

#### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Daqo New Energy Corp and its subsidiaries (the “Company”) as of December 31, 2022, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022 of the Company and our report dated April 27, 2023, expressed an unqualified opinion on those consolidated financial statements.

#### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinion.

#### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China  
April 27, 2023

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**DAQO NEW ENERGY CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data)**

|   | <b>December 31,</b> |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2022</b>         |
| <b>ASSETS:</b>  |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents                               | \$ 723,775          | \$ 3,499,488        |
| Restricted cash   | 191                 | 20,863              |
| Notes receivable  | 365,911             | 1,131,566           |
| Short-term investments                                  | 280,251             | 13,927              |
| Prepaid expenses and other current assets               | 41,684              | 52,932              |
| Advances to suppliers                                   | 3,397               | 852                 |
| Inventories   | 327,771             | 169,517             |
| Amounts due from related parties- short-term portion    | —                   | 18                  |
| Total current assets                                    | 1,742,980           | 4,889,163           |
| Property, plant and equipment, net                      | 1,559,110           | 2,605,195           |
| Prepaid land use rights, net                            | 40,741              | 80,330              |
| Deferred tax assets                                     | —                   | 1,809               |
| Amounts due from related parties- long-term portion     | —                   | 16,864              |
| Other non-current assets                                | 820                 | 735                 |
| <b>TOTAL ASSETS</b>                                     | <b>\$ 3,343,651</b> | <b>\$ 7,594,096</b> |
| <b>LIABILITIES AND EQUITY:</b>                          |                     |                     |
| Current liabilities:                                    |                     |                     |
| Accounts payable  | 81,469              | 81,875              |
| Notes payable   | —                   | 20,687              |
| Advances from customers - short-term portion            | 202,958             | 121,992             |
| Payables for purchases of property, plant and equipment | 142,937             | 230,440             |
| Accrued expenses and other current liabilities          | 40,848              | 51,497              |
| Amounts due to related parties - short-term portion     | 10,815              | 8,417               |
| Income tax payable                                      | 71,472              | 221,634             |
| Total current liabilities                               | 550,499             | 736,542             |
| Advances from customers - long-term portion             | 90,661              | 153,176             |
| Deferred government subsidies                           | 21,935              | 19,232              |
| Deferred tax liabilities                                | 16,726              | 80,540              |
| <b>Total liabilities</b>                                | <b>679,821</b>      | <b>989,490</b>      |

Commitments and contingencies (Note 14)

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**DAQO NEW ENERGY CORP.**  
**CONSOLIDATED BALANCE SHEETS—(Continued)**  
**DECEMBER 31, 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data)**

|   | <b>December 31,</b> |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2022</b>         |
| Shareholders' Equity:   |                     |                     |
| Ordinary shares   |                     |                     |
| \$0.0001 par value 500,000,000 shares authorized as of December 31, 2021 and 2022; 377,177,802 shares issued and 372,534,652 shares outstanding as of December 31, 2021; 405,620,792 shares issued and 391,023,327 shares outstanding as of December 31, 2022 | 38                  | 40                  |
| Additional paid-in capital  | 1,016,855           | 2,211,203           |
| Retained earnings   | 1,079,042           | 2,898,843           |
| Accumulated other comprehensive income (loss)   | 67,773              | (176,032)           |
| Treasury shares, at cost (4,643,150 shares as of December 31, 2021; 14,597,465 shares as of December 31, 2022)  | (1,749)             | (126,678)           |
| Total Daqo New Energy Corp. shareholders' equity  | 2,161,959           | 4,807,376           |
| Non-controlling interest  | 501,871             | 1,797,230           |
| <b>Total shareholders' equity</b>   | <b>2,663,830</b>    | <b>6,604,606</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <b>\$ 3,343,651</b> | <b>\$ 7,594,096</b> |

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

**DAQO NEW ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data)**

|   | Year ended December 31, |                |                  |
|---|-------------------------|----------------|------------------|
|   | 2020                    | 2021           | 2022             |
| Revenues  | 675,602                 | 1,678,793      | 4,608,350        |
| Cost of revenues  | (441,610)               | (581,585)      | (1,200,428)      |
| Gross profit  | 233,992                 | 1,097,208      | 3,407,922        |
| Operating (expenses) income:  |                         |                |                  |
| Selling, general and administrative expenses                                  | (39,472)                | (39,904)       | (354,074)        |
| Research and development expenses   | (6,856)                 | (6,495)        | (10,041)         |
| Other operating income (expense), net   | 191                     | 609            | (3,181)          |
| Total operating expenses, net   | (46,137)                | (45,790)       | (367,296)        |
| Income from operations  | 187,855                 | 1,051,418      | 3,040,626        |
| Interest (expense) income, net  | (25,725)                | (20,482)       | 14,473           |
| Exchange gain   | —                       | —              | 680              |
| Investment income, net  | —                       | 4,012          | 1,110            |
| Income before income taxes  | 162,130                 | 1,034,948      | 3,056,889        |
| Income tax expense  | (28,182)                | (170,101)      | (577,247)        |
| Net income from continuing operations   | 133,948                 | 864,847        | 2,479,642        |
| Loss from discontinued operations, net of tax                                 | (141)                   | —              | —                |
| Net income  | 133,807                 | 864,847        | 2,479,642        |
| Net income attributable to non-controlling interest                           | 4,612                   | 115,923        | 659,841          |
| <b>Net income attributable to Daqo New Energy Corp. ordinary shareholders</b> | <b>129,195</b>          | <b>748,924</b> | <b>1,819,801</b> |
| Net earnings per ordinary share   |                         |                |                  |
| Continuing operations   | \$ 0.36                 | \$ 2.03        | \$ 4.80          |
| Discontinued operations   | \$ 0.00                 | \$ —           | \$ —             |
| Basic—ordinary shares   | \$ 0.36                 | \$ 2.03        | \$ 4.80          |
| Continuing operations   | \$ 0.34                 | \$ 1.95        | \$ 4.67          |
| Discontinued operations   | \$ 0.00                 | \$ —           | \$ —             |
| Diluted—ordinary shares   | \$ 0.34                 | \$ 1.95        | \$ 4.67          |
| Ordinary shares used in calculating earnings per ordinary share               |                         |                |                  |
| Basic—ordinary shares   | 355,087,013             | 369,341,105    | 379,365,310      |
| Diluted—ordinary shares   | 375,017,150             | 383,766,406    | 386,459,841      |

Note: “0” in above table means less than 1,000 U.S. dollars.

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



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**DAQO NEW ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data)**

|   | Year ended December 31, |            |              |
|---|-------------------------|------------|--------------|
|   | 2020                    | 2021       | 2022         |
| Net income  | \$ 133,807              | \$ 864,847 | \$ 2,479,642 |
| Other comprehensive income:   |                         |            |              |
| Foreign currency translation adjustments, net of tax of nil             | 48,438                  | 55,045     | (325,930)    |
| Total other comprehensive (loss)income                                  | 48,438                  | 55,045     | (325,930)    |
| Comprehensive income  | 182,245                 | 919,892    | 2,153,712    |
| Comprehensive income attributable to non-controlling interest           | 6,846                   | 125,808    | 586,711      |
| Comprehensive income attributable to Daqo New Energy Corp. shareholders | \$ 175,399              | \$ 794,084 | \$ 1,567,001 |

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

**DAQO NEW ENERGY CORP.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SAHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022  
(U.S. dollars in thousands, except share and per share data)**

|   | Ordinary shares  |       | Treasury shares  |            | Additional paid-in capital | Retained earnings | Accumulated other comprehensive (loss) income | Non-controlling interest | Total        |
|---|------------------|-------|------------------|------------|----------------------------|-------------------|---|--------------------------|--------------|
|   | Number of shares | \$    | Number of shares | \$         |                            |                   |   |                          |              |
| Balance at January 1, 2020  | 347,419,152      | \$ 35 | 4,643,150        | \$ (1,749) | 387,371                    | \$ 200,923        | \$ (19,937)                                   | \$ 515                   | \$ 567,158   |
| Net income  | —                | —     | —                | —          | —                          | 129,195           | —   | 4,612                    | 133,807      |
| Other comprehensive income  | —                | —     | —                | —          | —                          | —                 | 46,204  | 2,234                    | 48,438       |
| Share-based compensation  | —                | —     | —                | —          | 17,908                     | —                 | —   | —                        | 17,908       |
| Options exercised   | 4,916,850        | 1     | —                | —          | 2,676                      | —                 | —   | —                        | 2,677        |
| Restricted shares vested  | 12,899,400       | 1     | —                | —          | (1)                        | —                 | —   | —                        | —            |
| Contribution from related parties                                     | —                | —     | —                | —          | 839                        | —                 | —   | —                        | 839          |
| Proceeds from sale of non-controlling interest                        | —                | —     | —                | —          | 3,657                      | —                 | —   | 24,431                   | 28,088       |
| Balance at December 31, 2020  | 365,235,402      | \$ 37 | 4,643,150        | \$ (1,749) | \$ 412,450                 | \$ 330,118        | \$ 26,267                                     | \$ 31,792                | \$ 798,915   |
| Net income  | —                | —     | —                | —          | —                          | 748,924           | —   | 115,923                  | 864,847      |
| Other comprehensive income  | —                | —     | —                | —          | —                          | —                 | 45,160  | 9,885                    | 55,045       |
| Subsidiary's offering of its equity interests (see Note 10)           | —                | —     | —                | —          | 594,301                    | —                 | (3,654)                                       | 344,271                  | 934,918      |
| Share-based compensation  | —                | —     | —                | —          | 10,077                     | —                 | —   | —                        | 10,077       |
| Options exercised   | 47,000           | —     | —                | —          | 28                         | —                 | —   | —                        | 28           |
| Restricted shares vested  | 7,252,250        | 1     | —                | —          | (1)                        | —                 | —   | —                        | —            |
| Balance at December 31, 2021  | 372,534,652      | \$ 38 | 4,643,150        | \$ (1,749) | 1,016,855                  | \$ 1,079,042      | \$ 67,773                                     | \$ 501,871               | \$ 2,663,830 |
| Net income  | —                | —     | —                | —          | —                          | 1,819,801         | —   | 659,841                  | 2,479,642    |
| Other comprehensive income  | —                | —     | —                | —          | —                          | —                 | (252,800)                                     | (73,130)                 | (325,930)    |
| Share-based compensation  | —                | —     | —                | —          | 314,973                    | —                 | —   | —                        | 314,973      |
| Options exercised   | 1,672,350        | —     | —                | —          | 995                        | —                 | —   | —                        | 995          |
| Restricted shares vested  | 26,770,640       | 2     | —                | —          | (2)                        | —                 | —   | —                        | —            |
| Repurchase stock  | (9,954,315)      | —     | 9,954,315        | (124,929)  | —                          | —                 | —   | —                        | (124,929)    |
| Subsidiary's dividend payment   | —                | —     | —                | —          | —                          | —                 | —   | (33,762)                 | (33,762)     |
| Acquisition of non-controlling interests                              | —                | —     | —                | —          | (386)                      | —                 | 44  | (435)                    | (777)        |
| Subsidiary's follow-on offering of its equity interests (see Note 10) | —                | —     | —                | —          | 878,768                    | —                 | 8,951   | 742,845                  | 1,630,564    |
| Balance at December 31, 2022  | 391,023,327      | 40    | 14,597,465       | (126,678)  | 2,211,203                  | 2,898,843         | (176,032)                                     | 1,797,230                | 6,604,606    |

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

**DAQO NEW ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data)**

|  | Year ended December 31, |            |              |
|--|-------------------------|------------|--------------|
|  | 2020                    | 2021       | 2022         |
| <b>Operating activities:</b>   |                         |            |              |
| Net income   | \$ 133,807              | \$ 864,847 | \$ 2,479,642 |
| Less: Loss from discontinued operations, net of tax  | (141)                   | —          | —            |
| Net income from continuing operations  | 133,948                 | 864,847    | 2,479,642    |
| Adjustments to reconcile net income to net cash provided by operating activities:                                  |                         |            |              |
| Share-based compensation   | 17,908                  | 10,077     | 307,447      |
| Depreciation of property, plant and equipment  | 68,686                  | 77,366     | 107,097      |
| Prepaid land use rights  | 693                     | 821        | 1,220        |
| Loss on disposal of property plant and equipment   | 1,103                   | 2,749      | 8,904        |
| Inventory write-down   | 1,956                   | —          | —            |
| Fair value change of short-term investments  | —                       | (2,407)    | (1,110)      |
| Others   | 616                     | 4,378      | 8,407        |
| Changes in operating assets and liabilities:   |                         |            |              |
| Accounts receivable  | 13                      | —          | —            |
| Notes receivable   | 5,553                   | (360,259)  | (816,238)    |
| Prepaid expenses and other current assets  | 6,689                   | (31,556)   | (14,923)     |
| Advances to suppliers  | (6,018)                 | 4,755      | 2,341        |
| Inventories  | (5,125)                 | (280,187)  | 138,258      |
| Amounts due from related parties   | (94)                    | 118        | (4)          |
| Operating lease right-of-use assets  | 65                      | —          | —            |
| Other non-current assets   | (145)                   | 62         | —            |
| Accounts payable   | 4,556                   | 61,067     | 6,999        |
| Notes payable  | (54,345)                | (26,068)   | —            |
| Accrued expenses and other current liabilities   | 16,138                  | 9,727      | 14,241       |
| Income tax payable   | 16,629                  | 47,451     | 160,058      |
| Advances from customers  | 3,335                   | 243,695    | (3,616)      |
| Amounts due to related parties   | (38)                    | 25         | (124)        |
| Deferred government subsidies  | (497)                   | (562)      | (1,005)      |
| Lease liability  | (86)                    | (83)       | —            |
| Deferred taxes   | (1,787)                 | 12,973     | 65,058       |
| Net cash provided by operating activities-continuing operations  | 209,753                 | 638,989    | 2,462,652    |
| Net cash used in operating activities-discontinued operations  | (50)                    | —          | —            |
| Net cash provided by operating activities  | 209,703                 | 638,989    | 2,462,652    |
| <b>Investing activities:</b>   |                         |            |              |
| Purchases of property, plant and equipment   | (118,292)               | (498,505)  | (1,205,330)  |
| Purchases of land use rights   | —                       | (9,755)    | (45,188)     |
| Purchase of short-term investments   | —                       | (501,441)  | (46,192)     |
| Redemption of short-term investments   | —                       | 227,807    | 298,294      |
| Net cash used in investing activities-continuing operations  | (118,292)               | (781,894)  | (998,416)    |
| Net cash used in investing activities-discontinued operations  | (195)                   | —          | —            |
| Net cash used in investing activities  | (118,487)               | (781,894)  | (998,416)    |
| <b>Financing activities:</b>   |                         |            |              |
| Proceeds from related parties loans  | 22,869                  | 13,213     | —            |
| Repayment of related parties loans   | (47,538)                | (18,133)   | —            |
| Proceeds from bank borrowings  | 98,573                  | 48,822     | 178,752      |
| Repayment of bank borrowings   | (198,043)               | (244,776)  | (178,752)    |
| Proceeds from options exercised  | 580                     | 2,139      | 995          |
| Proceeds from sales of equity interest in the Group's subsidiary   | 28,088                  | —          | —            |
| Acquisition of minority interest of a subsidiary   | —                       | —          | (776)        |
| Proceeds from subsidiary's public offering of ordinary shares, net of issuance costs paid of \$59 million          | —                       | 934,960    | —            |
| Payments for repurchase of common shares   | —                       | —          | (124,929)    |
| Subsidiary's dividend payment  | —                       | —          | (33,762)     |
| Proceeds from Subsidiary's follow-on offering of its equity interests, net of issuance costs paid of \$9.4 million | —                       | —          | 1,630,563    |
| Net cash (used in) provided by financing activities-continuing operations  | (95,471)                | 736,225    | 1,472,091    |
| Net cash used in financing activities-discontinued operations  | —                       | —          | —            |

|   |                   |                   |                     |
|---|-------------------|-------------------|---------------------|
| Net cash (used in) provided by financing activities   | (95,471)          | 736,225           | 1,472,091           |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash   | 7,365             | 12,242            | (139,942)           |
| Net increase in cash, cash equivalents and restricted cash  | 3,110             | 605,562           | 2,796,385           |
| Cash, cash equivalents and restricted cash at the beginning of the year (includes \$845,199, nil and nil of cash, cash equivalents and restricted cash in current assets associated with discontinued operations on December 31, 2020, 2021 and 2022) | 115,294           | 118,404           | 723,966             |
| <b>Cash, cash equivalents and restricted cash at the end of the year</b>  | <b>\$ 118,404</b> | <b>\$ 723,966</b> | <b>\$ 3,520,351</b> |

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

**DAQO NEW ENERGY CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data)**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

|   | <b>Year ended December 31,</b> |                   |                     |
|---|--------------------------------|-------------------|---------------------|
|   | <b>2020</b>                    | <b>2021</b>       | <b>2022</b>         |
| Cash and cash equivalents   | \$ 76,596                      | \$ 723,775        | \$ 3,499,488        |
| Restricted cash   | \$ 41,808                      | \$ 191            | \$ 20,863           |
| Total cash, cash equivalents, and restricted cash shown in the statements of cash flows | <u>\$ 118,404</u>              | <u>\$ 723,966</u> | <u>\$ 3,520,351</u> |

|   | <b>Year ended December 31,</b> |             |             |
|---|--------------------------------|-------------|-------------|
|   | <b>2020</b>                    | <b>2021</b> | <b>2022</b> |
| <b>Supplemental disclosure of cash flow information:</b>  |                                |             |             |
| Interest paid, net of capitalized interest  | \$ 24,696                      | \$ 21,158   | \$ 7,926    |
| Income taxes paid   | \$ 12,808                      | \$ 108,099  | \$ 350,583  |
| <b>Supplemental schedule of non-cash investing activities:</b>  |                                |             |             |
| Purchases of property, plant and equipment included in payables   | \$ 73,148                      | \$ 142,937  | \$ 251,127  |
| Purchase of property, plant and equipment included in amounts due to related parties – short-term portion | \$ 198                         | \$ 5,979    | \$ 4,082    |

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

**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022**

**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

**1. ORGANIZATION AND PRINCIPAL ACTIVITIES**

Daqo New Energy Corp. (the “Company”) and its subsidiaries are collectively referred to as the Group, which is a manufacturer of high-purity polysilicon for the global solar PV industry. Founded in 2007, the Company manufactures and sells high-purity polysilicon to photovoltaic product manufacturers.

The Group’s major operational subsidiary Xinjiang Daqo completed the initial public offering (“IPO”) on the Shanghai Stock Exchange’s Sci-Tech Innovation Board on July 22, 2021, and raised net proceeds of approximately \$935.0 million, to fund its business operations. Following the IPO, the Company holds approximately a total ownership of 80.7% of Xinjiang Daqo, directly and indirectly.

In June 2022, Xinjiang Daqo, received the total gross proceeds of approximately RMB11 billion (an equivalence of \$1,640 million) from its private offering on the Shanghai Stock Exchange. Upon completion of the private offering, the Company beneficially owns approximately 72.68% of Xinjiang Daqo. Proceeds from the offering were primarily used for Phase 5A polysilicon project of 100,000 MT in Inner Mongolia.

**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

**2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES**

***(a) Basis of presentation***

The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”).

***(b) Basis of consolidations***

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

***(c) Use of estimates***

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Areas where management uses subjective judgment include, but not limited to, useful lives and residual values of long-lived assets, valuation allowances for deferred tax assets and grant-date fair value of share-based award. The Group bases its estimates on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

***(d) Concentration of credit risk***

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, short-term investments and notes receivable.

As of December 31, 2021 and 2022, all of the Group’s cash, cash equivalents, restricted cash and short-term investments were held by major financial institutions in the PRC and international institutions outside of the PRC which management believes are of high credit ratings and no significant credit risk exists for these accounts.

As of December 31, 2021 and 2022, notes receivable represents bank acceptance drafts that are non-interest bearing and due within three to twelve months. During the year ended December 31, 2021 and 2022, bank’s acceptance notes were used to collect the payment or settle the payable based on an administrative convenience, given these notes are readily convertible to known amounts of cash. In accordance with the procurement agreements, whether cash or bank acceptance notes to settle the payables is at the Group’s discretion, and this selection does not impact the agreed contractual purchase prices. The Group accounts for the transfer of bank acceptance notes, including endorsing bank’s acceptance notes to suppliers and discounting the notes to other banks, as a sale of financial instrument, and derecognizes the notes receivables accordingly. The Group is not directly involved in the cash exchange based on convenience; therefore the Group still reports corresponding constructive receipts and disbursements as cash flows from operating activities on the consolidated statements of cash flows.

***(e) Cash, cash equivalents and restricted cash***

Cash and cash equivalents consist of cash on hand and demand deposits, which are unrestricted as to withdrawal and use, and which have maturities of three months or less when purchased.



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**DAQO NEW ENERGY CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022  
(U.S. dollars in thousands, except share and per share data or otherwise stated)**

Restricted cash of \$0.2 million and \$20.9 million as of December 31, 2021 and 2022, respectively, are restricted bank deposits for notes issued by several banks mainly for the Group's purchases of raw materials, and plant and equipment, etc. These restricted bank deposits carry fixed interest rates and will be released when the related notes or debts are settled by the Group.

***(f) Short-term investments***

Short-term investments consist of financial products of the following types:

***Structured financial products***

The structured financial products are mainly deposits due within 6 months with secured principal and variable interest rates and are restricted as to withdrawal before maturity. The Company elects to adopt the fair value option in accordance with ASC 825 Financial Instruments for such financial products. Changes in the fair value of the investments are recorded as investment income in the consolidated statements of operations.

***Wealth management products***

The wealth management products are mainly deposits with unsecured principal and variable interest rates placed with financial institutions and are not restricted as to withdrawal before maturity. These products were bought and held principally for the purpose of selling them in the near term, so the Company classified them as trading securities. Unrealized holding gains/losses and realized gains/losses for trading securities are recorded as investment income in the consolidated statements of operations.

***(g) Allowance for credit losses***

After the adoption of ASU 2016-13 Financial instruments- credit losses on January 1, 2020, the Group applied a current expected credit losses ("CECL") model for financial instruments measured at amortized cost, including notes receivable, amount due from related parties and other receivable. The Group establishes CECL for pools of assets with similar risk characteristics by evaluating aging trends. According to historical levels of credit losses and current economic conditions, no allowance for credit losses was provided on the aforementioned financial instruments outstanding as of December 31, 2021 and 2022.

***(h) Property, plant and equipment***

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is recognized on a straight-line basis over the following estimated useful lives:

|                                   |            |
|-----------------------------------|------------|
| Buildings and plant               | 30 years   |
| Machinery and equipment           | 15 years   |
| Furniture, fixtures and equipment | 3-10 years |
| Motor vehicles                    | 6 years    |

The Group reassesses the reasonableness of the estimates of useful lives and residual values of long-lived assets when events or changes in circumstances indicate that the useful lives and residual values of a major asset or a major category of assets may not be reasonable. Factors that the Group considers in deciding when to perform an analysis of useful lives and residual values of long-lived assets include, but are not limited to, significant variance of a business or product line in relation to expectations, significant deviation from industry or economic trends, and significant changes or planned changes in the use of the assets. The analysis will be performed at the asset or asset category with the reference to the assets' conditions, current technologies, market, and future plan of usage and the useful lives of major competitors.

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**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

Costs incurred on construction are capitalized and transferred to property, plant and equipment upon completion, at which time depreciation commences.

Interest expense incurred for construction of property, plant, and equipment is capitalized as part of the costs of such assets. The Group capitalizes interest to the extent that expenditures to construct an asset have occurred and interest costs have been incurred. Interest expense capitalized for the years ended December 31, 2020, 2021 and 2022 was \$0.3 million, nil and nil, respectively.

***(i) Inventories***

Inventories are stated at lower of cost or net realizable value. Costs are determined using weighted average costs. Costs comprise direct materials, direct labor and overhead costs incurred in bringing the inventories to their present location and condition. The Group writes down the cost of excess inventories to the estimated net realizable value based on historical and forecasted demand. Estimated net realizable value is measured as the estimated selling price of each class of inventory in the ordinary course of business less estimated costs of completion and disposal. The write-down to inventories was \$2.0 million for the year ended December 31, 2020, and nil for the years ended December 31, 2021 and 2022.

***(j) Prepaid land use rights***

All land in the PRC is owned by the PRC government. The PRC government, according to PRC law, may sell the land use rights for a specified period of time. The purchase price of land use right represents the operating lease prepayments for the rights to use the land in the PRC under ASC 842 and is amortized over the remaining lease term. The Group recorded lease expenses of \$0.7 million, \$0.8 million and \$1.2 million, for the years ended December 31, 2020, 2021 and 2022, respectively.

***(k) Impairment of long-lived assets***

The Group evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Factors that the Group considers in deciding when performing an impairment review include, but are not limited to, significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. An impairment analysis is performed at the lowest level of identifiable independent cash flows for an asset or asset group. The Group makes subjective judgments in determining the independent cash flows that's related to a specific asset group based on the asset usage model and manufacturing capabilities. The Group measures the recoverability of assets that will continue to be used in the operations by comparing the carrying value of the asset group to the estimate of the related total future undiscounted cash flows. If an asset group's carrying value is not recoverable through the related undiscounted cash flows, the impairment loss is measured by comparing the difference between the asset group's carrying value and its fair value. The Group determines the fair value of an asset or asset group utilizing estimated future discounted cash flows and incorporates assumptions that it believes marketplace participants would utilize.

The Group did not recognize any impairment losses for the years ended December 31, 2020, 2021 and 2022 respectively.

**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

***(l) Lease***

The Group adopted ASC 842, Lease on January 1, 2019. As of December 31, 2021 and 2022, the Group only has lease for its corporate and administrative office located in Shanghai. At the commencement of the lease, management determines its classification as an operating lease. The Group recognizes the associated lease expense on a straight-line basis over the term of the lease beginning on the date of initial possession, which is generally when the Group enters the leased premises and begins to make improvements in preparation for its intended use.

At the commencement date of a lease, the Group recognizes a lease liability for future fixed lease payments and a right-of-use (“ROU”) asset representing the right to use the underlying asset during the lease term. The future fixed lease payments are discounted using the incremental borrowing rate, as the rate implicit in the lease is not readily determinable.

Given the Group has only one leased property, the financial impact in the consolidated balance sheet and statement of operations is immaterial.

***(m) Revenue recognition***

The Group recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers.

Substantially all of the Group’s revenue is generated from sales of polysilicon to customers in the PRC. The Group recognizes sales of polysilicon at a point in time following the transfer of control of its products to the customers, which occurs upon delivery according to the terms of the underlying contracts. The Group’s standalone selling prices are based on the prices charged to customers for the single performance obligation which is transfer of control of polysilicon upon acceptance by the customers.

Variable consideration that could affect the Group’s reported revenues is sales returns, which is recorded as a reduction of revenues. Return rights of defective products are typically contractually limited within a period ranging from 3 to 30 days upon acceptance. There were no sales returns occurred for each reporting period presented. No warranties, incentives, or rebates arrangements has been offered to the customers.

For a majority of the sales arrangements, the Group requires advanced payments prior to shipments. For customers with trade credit granted on a short-term basis within 30 days, the Group records accounts receivable at the invoiced amount, net of an estimated allowance for credit losses. As of both December 31, 2021 and 2022, accounts receivable was nil. Advances from customers are to secure polysilicon supply, which are applied against future purchases and deducted according to the agreed proportion. Contract liabilities represent the obligations to transfer polysilicon for which the Group has received considerations from customers. The Group refers to contract liabilities as “advances from customers” on the consolidated financial statements and the related disclosures. The balance of advances from customers inclusive of the short-term and long-term portion was \$293.6 million and \$275.2 million as of December 31, 2021 and 2022, respectively. Revenue recognized from the beginning advances from customers balance as of January 1, 2021 and January 1, 2022 during the years ended December 31, 2021 and 2022 was \$37.8 million and \$203.0 million, respectively. The ending balance of advances from customers was \$122.0 million as of December 31, 2022, expected to be recognized in revenue within one year.

The Group receives long-term advance payments from some customers according to the contracts. The Group determines if there is a significant financing component for these contracts considering the length of time between the customers’ payment and the transfer of control of the goods. When a significant financing component has been identified, the transaction price for these contracts is discounted, using the rate that would be reflected in a separate financing transaction at contract inception.

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**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

*Practical Expedients and Exemptions*

The Company applies the practical expedient for short-term advances received from customers and long-term advance payments - short term portion. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

The Company elects not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

***(n) Cost of revenues***

Cost of revenues consists of production related costs including costs of silicon raw materials, electricity and other utilities, consumables, direct labor, overhead costs, depreciation of property, plant and equipment, and manufacturing waste treatment processing fees. Cost of revenues does not include shipping and handling expenses, therefore the Group's cost of revenues may not be comparable to other companies which include such expenses in their cost of revenues.

***(o) Shipping and handling***

Costs to ship products to customers are recorded as selling, general and administrative expenses in the consolidated statements of operations, which amounted to \$8.6 million, \$8.3 million and \$15.9 million, for the years ended December 31, 2020, 2021 and 2022, respectively.

***(p) Research and development expenses***

Research and development expenses include materials, low-value consumption goods and utilities consumed in research and development activities, payroll and related costs and depreciation of property and equipment associated with the research and development activities, which are expensed when incurred. The Group's research and development activities are mainly focused on technical improvements to increase production volume and efficiency, and to lower unit cost.

***(q) Government subsidies***

The Group receives unrestricted cash subsidies from local government agencies. The government agencies, at their discretion, determine the amount of the subsidies with reference to fixed assets and land use right payments, value-added tax and income taxes paid, bank loan interest expenses paid or electricity consumed by the Group. The subsidies are unrestricted as to use and can be utilized by the Group in any manner it deems appropriate. The Group has utilized, and expects to continue to utilize, these subsidies to fund general operating expenses. The Group records unrestricted cash government subsidies as other operating income in the consolidated statements of operations. Unrestricted cash government subsidies received for the years ended December 31, 2020, 2021 and 2022 were \$0.5 million, \$1.1 million and \$3.2 million respectively. Government subsidies related to funding purchase of fixed assets are recorded as long term liabilities and amortized on a straight-line basis over the useful life of the associated asset in other operating income, net. Government grants related to fixed assets received were \$0.4 million for the year ended December 31, 2020, and were nil for the years ended December 31, 2021 and 2022.

**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

***(r) Income taxes***

Deferred income taxes are recognized for temporary differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements, net operating loss carry-forwards and credits by applying enacted tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Current income taxes are provided in accordance with the laws of the relevant taxing authorities. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in which temporary differences are expected to be realized or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the statement of operations in the period of the enactment of the change.

***(s) Share-based compensation***

The Group recognizes share-based compensation in the consolidated statements of operations based on the fair value of equity awards at the date of the grant, with compensation expense recognized over the period in which the grantee is required to provide service to the Group in exchange for the equity award. The share-based compensation expense related to an award that contains both service-based and performance-based vesting condition will be recognized when it is probable that the performance-based condition will be met. The share-based compensation expense related to the award with performance-based vesting condition is recognized on an accelerated basis as though each separately vesting portion of the award was, in substance, a separate award.

The fair value of share options is determined using the Binomial option pricing model and the fair value of restricted share units (“RSUs”) is determined with reference to the fair value of the underlying equity share at the grant date. The probability of the performance condition to be met is not reflected when determining the fair value of the award. The Group has made an estimate of expected forfeiture based on historical experience of forfeiture and is recognizing compensation costs only for those equity awards expected to vest.

The share-based compensation expenses are categorized as either selling, general and administrative expenses, cost of sales, or research and development expenses depending on the job functions of the grantees. The compensation cost arising from share-based payment awards may be capitalized as part of an asset, if a grantee’s compensation is included in the cost of acquiring or constructing an asset, in the same manner as cash compensation.

In September 2022, Xinjiang Daqo adopted its 2022 Restricted Stock Incentive Plan (2022 PRC Incentive Plan) and granted stock options of Xinjiang Daqo to its directors, senior executives and other personnel deemed necessary by the board of directors of Xinjiang Daqo to purchase Xinjiang Daqo's shares. The fair value of such stock options is determined using Black-Scholes option-pricing model based on the estimated fair value of the ordinary share of Xinjiang Daqo on the grant date.

A change in any of the terms or conditions of share options is accounted for as a modification of stock options. The Company calculates the incremental compensation cost of a modification as the excess of the fair value of the modified option over the fair value of the original option immediately before its terms are modified, measured based on the share price and other pertinent factors at the modification date. For vested options, the Company recognizes incremental compensation cost in the period the modification occurred. For unvested options, the Company recognizes, over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date.



**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

For the years ended December 31, 2020, 2021 and 2022, the Group recognized share-based compensation cost of \$17.9 million, \$10.1 million and \$315.0 million, respectively. The following table presents the amounts recognized as expenses in the statements of operations and the amounts capitalized as part of an asset on balance sheets:

|  | Year ended December 31, |                  |                   |
|--|-------------------------|------------------|-------------------|
|  | 2020                    | 2021             | 2022              |
| Selling, general and administrative expenses | \$ 15,929               | \$ 8,389         | \$ 299,346        |
| Cost of revenues                             | 1,857                   | 1,586            | 7,739             |
| Property, plant and equipment, net           | —                       | —                | 5,383             |
| Inventories                                  | —                       | —                | 2,143             |
| Research and development expenses            | 122                     | 102              | 362               |
| <b>Total</b>                                 | <b>\$ 17,908</b>        | <b>\$ 10,077</b> | <b>\$ 314,973</b> |

**(t) Earnings (loss) per ordinary share**

Basic earnings (loss) per ordinary share is computed by dividing the net income attributable to ordinary shares holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings (loss) per ordinary share is calculated by dividing net income attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during the year. Diluted earnings per share is computed using the treasury stock method.

**(u) Foreign currency translation**

The reporting currency of the Group is the United States dollar (“U.S. dollar”). The functional currency of the Company is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollar at the rates of exchange in effect at the balance sheet dates. Transactions dominated in currencies other than the U.S. dollar during the year are converted into U.S. dollar at the applicable rates of exchange prevailing when the transactions occur. Transaction gains and losses are recorded in the statements of operations.

The financial records of the Company’s subsidiaries in the PRC are maintained in Chinese Renminbi (“RMB”), which is their functional currency. Assets and liabilities are translated at the exchange rates at the balance sheet date. Equity accounts (other than earnings generated in the current period) are translated at historical exchange rates. Revenues, expenses, gains and losses are translated at average rate of exchange prevailing during the periods presented. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive income in the statement of changes in equity and comprehensive income.

The RMB is not a freely convertible currency. The State Administration for Foreign Exchange of People’s Republic of China, under the authority of the People’s Bank of China, controls the conversion of RMB into foreign currencies. The value of the RMB is subject to changes in central government policies and to international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Group’s aggregate amount of cash, cash equivalents, restricted cash and short-term investment denominated in RMB amounted to \$1,002.0 million and \$3,531.9 million as of December 31, 2021 and 2022, respectively.

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**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**

**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

***(v) Comprehensive (loss) income***

Comprehensive (loss) income includes all changes in equity except those resulting from investments by owners and distributions to owners, and included net income and foreign currency translation adjustments. As of December 31, 2020, 2021 and 2022, accumulated other comprehensive (loss) income was comprised entirely of foreign currency translation adjustments, net of tax.

***(w) Fair value of financial instruments***

The Group estimates fair value of financial assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price). The fair value measurement guidance establishes a hierarchy for inputs used in measuring fair value that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. Valuation techniques used to measure fair value shall maximize the use of observable inputs.

- Level 1—Valuation techniques in which all significant inputs are unadjusted quoted prices from active markets for assets or liabilities that are identical to the assets or liabilities being measured.
- Level 2—Valuation techniques in which significant inputs include quoted prices from active markets for assets or liabilities that are similar to the assets or liabilities being measured and/or quoted prices for assets or liabilities that are identical or similar to the assets or liabilities being measured from markets that are not active. Also, model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 valuation techniques.
- Level 3—Valuation techniques in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are valuation technique inputs that reflect the Group's own assumptions about the assumptions that market participants would use to price an asset or liability.

When available, the Group measures the fair value of financial instruments based on quoted market prices in active markets, valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. Pricing information the Group obtains from third parties is internally validated for reasonableness prior to use in the consolidated financial statements. When observable market prices are not readily available, the Group generally estimates fair value using valuation techniques that rely on alternate market data or inputs that are generally less readily observable from objective sources and are estimated based on pertinent information available at the time of the applicable reporting periods. In certain cases, fair values are not subject to precise quantification or verification and may fluctuate as economic and market factors vary and the Group's evaluation of those factors changes. Although the Group uses its best judgment in estimating the fair value of these financial instruments, there are inherent limitations in any estimation technique. In these cases, a minor change in an assumption could result in a significant change in its estimate of fair value, thereby increasing or decreasing the amounts of the Group's consolidated assets, liabilities, shareholders' equity and net income or loss.

The Group's financial instruments include cash and cash equivalents, restricted cash, short-term investments, notes receivable, amount due from related parties, accounts payable, notes payable, payables for purchase of property, plant and equipment and amounts due to related parties. The carrying amounts of these short-term financial instruments, other than short-term investments which is subject to recurring fair value measurement, approximate their fair values due to the short-term maturity of these instruments.

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**DAQO NEW ENERGY CORP.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)****FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022  
(U.S. dollars in thousands, except share and per share data or otherwise stated)*****(x) Non-controlling interest***

The Group classified the ownership interest in the consolidated entity held by a party other than the Group to non-controlling interest in the consolidated financial statements. It also reported the consolidated net income at amounts that include the amounts attributable to both the parent and the non-controlling interest on the face of the consolidated statements of operations.

***(y) Treasury shares***

Treasury shares represent ordinary shares repurchased by the Company that are no longer outstanding and are held by the Company. The repurchase of ordinary shares is accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. When treasury stock is retired, treasury stock is reduced by the cost of such stock on the first-in, first-out basis and an excess of repurchase price over par or stated value is allocated between additional paid-in capital and retained earnings.

**3. EXIT AND DISPOSAL ACTIVITIES**

In 2018, the Company decided to discontinue the operation in Chongqing Daqo, including wafer manufacturing, and presented it as discontinued operation. The discontinued operation was completely terminated as of the end of 2020. Therefore, it has no impact on the consolidated financial statements for the years ended December 31, 2021 and 2022.

**4. INVENTORIES**

Inventories consist of the following:

|                 | <b>December 31,</b> |                   |
|-----------------|---------------------|-------------------|
|                 | <b>2021</b>         | <b>2022</b>       |
| Raw materials   | \$ 108,925          | \$ 59,780         |
| Work-in-process | 20,593              | 12,531            |
| Finished goods  | 198,253             | 97,206            |
| <b>Total</b>    | <b>\$ 327,771</b>   | <b>\$ 169,517</b> |

Inventory write-down was \$2.0 million, nil and nil for the years ended December 31, 2020, 2021 and 2022.

**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

**5. PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment, net, consist of the following:

|                                    | <b>December 31,</b> |                     |
|------------------------------------|---------------------|---------------------|
|                                    | <b>2021</b>         | <b>2022</b>         |
| Cost                               |                     |                     |
| Buildings and plant                | \$ 468,309          | \$ 555,712          |
| Machinery and equipment            | 910,070             | 1,094,834           |
| Furniture, fixtures and equipment  | 59,549              | 79,593              |
| Motor vehicles                     | 1,176               | 2,140               |
| Less: Accumulated depreciation     | 466,549             | 405,412             |
| Property, plant and equipment, net | \$ 972,555          | \$ 1,326,867        |
| Construction in process            | 586,555             | 1,278,328           |
| <b>Total</b>                       | <b>\$ 1,559,110</b> | <b>\$ 2,605,195</b> |

Depreciation expense was \$68.7 million, \$77.4 million and \$107.1 million for the years ended December 31, 2020, 2021 and 2022, respectively.

**6. ADVANCES FROM CUSTOMERS**

Advances from customers represent prepayments from customers and are recognized as revenue in accordance with the Group's revenue recognition policy.

Advances from customers consist of the following and is analyzed as long-term and short-term portion respectively:

|  | <b>December 31,</b> |                   |
|--|---------------------|-------------------|
|  | <b>2021</b>         | <b>2022</b>       |
| Customer B   | 67,026              | 35,040            |
| Customer D   | 28,813              | 37,331            |
| Customer E   | 18,379              | 76,393            |
| Others   | 179,401             | 126,404           |
| <b>Total</b>                                       | <b>\$ 293,619</b>   | <b>\$ 275,168</b> |
| Less: Advances from customers - short-term portion | \$ 202,958          | \$ 121,992        |
| Advances from customers - long-term portion        | \$ 90,661           | \$ 153,176        |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
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**7. FAIR VALUE MEASUREMENTS**

**Recurring Fair Value Measurements**

As of December 31, 2021 and 2022, short-term investments are measured and recorded at fair value initially and on a recurring basis in periods subsequent to their initial recognition and are as follows:

| <b>Fair Value Measurement As of December 31, 2022</b> |  |  |  |                  |
|---|--|--|--|------------------|
|   | Quoted Prices in<br>Active Market for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total            |
| Short-term investments                                |  |  |  |                  |
| - Wealth management products                          | \$ —   | \$ 13,927  | \$ —   | \$ 13,927        |
| Total   | <u>\$ —</u>  | <u>\$ 13,927</u>                                       | <u>\$ —</u>  | <u>\$ 13,927</u> |

| <b>Fair Value Measurement As of December 31, 2021</b> |  |  |  |                   |
|---|--|--|--|-------------------|
|   | Quoted Prices in<br>Active Market for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Total             |
| Short-term investments                                |  |  |  |                   |
| - Structured financial products                       | \$ —   | \$ 269,946   | \$ —   | \$ 269,946        |
| - Wealth management products                          | 10,305   | —  | —  | 10,305            |
| Total   | <u>\$ 10,305</u>   | <u>\$ 269,946</u>                                      | <u>\$ —</u>  | <u>\$ 280,251</u> |

The fair value of structured financial products is determined based on the investment principal and historical spot exchange rate. As the significant inputs are observable in active markets over the terms of the instruments the Group holds, the fair value of such financial products is classified within Level 2 measurement.

The wealth management products purchased in 2022 are measured at fair value which is based on current redemption price quoted by the selling bank. As such, the fair value of such financial products is classified within Level 2 measurement.

**Nonrecurring Fair Value Measurements**

The Group measures long-lived assets at fair value on a nonrecurring basis only if an impairment is recognized in the current period. There is no impairment losses recorded on its long-lived assets for the years ended December 31, 2020, 2021 and 2022.

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**8. MAINLAND CHINA CONTRIBUTION PLAN AND PROFIT APPROPRIATION**

***(a) China Contribution Plan***

Full time employees of the Group in the PRC participate in a government-mandated, multi-employer, defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. PRC labor regulations require the Group to accrue for these benefits based on a certain percentage of the employees' salaries. Contributions to defined contribution plans are expensed as incurred. During the years ended December 31, 2020, 2021 and 2022, the Group recognized expenses relating to its contribution to the government sponsored defined contribution plans of \$3.7 million, \$5.7 million and \$10.0 million, respectively.

***(b) Statutory Reserves and Restricted Assets***

PRC entities are required under PRC laws to distribute its after-tax profits of the current year and draw 10 percent of the profits as the company's statutory common reserve. The Company may stop drawing the profits if the aggregate balance of the common reserves has already accounted for over 50 percent of the company's registered capital. The common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company. As of December 31, 2020, 2021 and 2022, the Group's aggregate balance of the statutory common reserves was \$58.2 million, \$149.5 million and \$171.7 million, respectively.

In accordance with relevant PRC laws and regulations, the Group's PRC subsidiaries are prohibited to make distribution of their registered capital, statutory reserves and the proceeds received from the IPO in STAR market in the form of cash dividends, loans or advances and the related restricted portion amounted to \$3,090.3 million as of December 31, 2022.

**9. INCOME TAXES**

The Company was incorporated in the Cayman Islands and is not subject to tax in this jurisdiction.

Under the current Hong Kong Inland Revenue Ordinance, the Company's subsidiary domiciled in Hong Kong has applied a two-tiered profits tax rate regime which is applicable to any year of assessment commencing on or after April 1, 2018. The profits tax rate for the first HK\$2 million of profits of corporations is 8.25%, while profits above that amount is subject to the tax rate of 16.5%.

The Company's subsidiaries are registered in the PRC as foreign invested enterprises. Under the Laws of the People's Republic of China on Enterprise Income Tax (the "EIT Law") which are effective January 1, 2008, the statutory enterprise income tax rate is 25%.

Xinjiang Daqo is a foreign-invested enterprise established on February 22, 2011 located in Shihezi Economic Development Area in Xinjiang Autonomous Region. Inner Mongolia Daqo New Energy is a subsidiary of Xinjiang Daqo established on October 25, 2021 located in Baotou in Inner Mongolia Autonomous Region. According to Announcement [2020] No.23 of the Ministry of Finance, State Taxation Administration and National Development and Reform Commission, Xinjiang Daqo and Inner Mongolia Daqo New Energy were established in western China and meets certain requirements under the announcement and therefore is entitled to a preferential tax rate of 15% until December 31, 2030. During the years ended December 31, 2021 and 2022, Xinjiang Daqo and Inner Mongolia Daqo New Energy were entitled to a preferential tax rate of 15%. Other PRC subsidiaries are subject to statutory rate of 25%.



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Under the current EIT Law and implementation regulations issued by the PRC State Council, an income tax rate of 10% is applicable to interest and dividends payable to investors that are “non-resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. In accordance with applicable accounting principles of ASC 740-30, a deferred tax liability shall be recorded for taxable temporary differences attributable to the excess of financial reporting basis over tax basis of an investment in a foreign subsidiary, except for the indefinite reinvestment exception. Before Xinjiang Daqo’s initial public offering in China in 2021, the Company determined that the undistributed earnings of Xinjiang Daqo had been and would be indefinitely reinvested, and no deferred tax liability was recognized on the undistributed earnings of Xinjiang Daqo. Upon the completion of Xinjiang Daqo’s IPO in 2021, Xinjiang Daqo’s dividends distribution policy was changed to be that, its accumulated dividends distributed in cash in the recent three years shall not be less than 30% of its average annual distributable profits in the past three years, to be in compliance with the PRC listing rules. That means, no less than 10% of its annual attributable profit shall be distributed during the recent three years since 2021. Therefore, the Company recorded a deferred tax liability of \$14.5 million as of December 31, 2021 based on an estimate that 20.18% of distributable profit from Xinjiang Daqo and its subsidiaries (“PRC listed group”) for the year ended December 31, 2021 would be distributed in 2022. The Company recorded a deferred tax liability of \$79.9 million as of December 31, 2022 based on an estimate that 40.24% of distributable profit from Xinjiang Daqo and its subsidiaries (“PRC listed group”) for the year ended December 31, 2022 will be distributed in 2023 (refer to Note 17). The remaining undistributed profit will be indefinitely reinvested in the PRC.

Uncertainties exist with respect to how the current income tax law in the PRC applies to the Group’s overall operations, and more specifically, with regard to tax residency status. The EIT Law includes a provision specifying that legal entities organized outside of the PRC will be considered residents for Chinese Income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting and properties, occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Group does not believe that the legal entities organized outside of the PRC within the Group should be treated as residents for EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC should be deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income taxes, at a statutory income tax rate of 25%. The Group is not subject to any other uncertain tax position.

According to PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or withholding agent. The statute of limitations will be extended for five years under special circumstances, which are not clearly defined (but an underpayment of tax liability exceeding RMB0.1 million is specifically listed as a special circumstance). In the case of a related party transaction, the statute of limitations is ten years. There is no statute of limitations in the case of tax evasion. From inception to 2022, the Group’s PRC subsidiaries were subject to examination of the PRC tax authorities. The Company classifies interest and penalties associated with taxes as income tax expense. Such charges were immaterial in the years ended December 31, 2020, 2021 and 2022, respectively.

Income before income taxes from the PRC was \$179.6 million, \$1,046.2 million and \$3,214.4 million for the years ended December 31, 2020, 2021 and 2022, respectively. Loss before income taxes from outside the PRC was \$17.5 million, \$11.3 million and \$157.5 million for the years ended December 31, 2020, 2021 and 2022, respectively.

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Income tax expenses comprise:

|                                 | <b>Year ended December 31,</b> |                   |                   |
|---------------------------------|--------------------------------|-------------------|-------------------|
|                                 | <b>2020</b>                    | <b>2021</b>       | <b>2022</b>       |
| Current tax expenses            | \$ 29,436                      | \$ 156,894        | \$ 500,743        |
| Deferred tax (benefit) expenses | (1,254)                        | 13,207            | 76,504            |
| <b>Total</b>                    | <b>\$ 28,182</b>               | <b>\$ 170,101</b> | <b>\$ 577,247</b> |

The principal components of deferred income tax assets and liabilities from continuing operations are as follows:

|                                       | <b>December 31,</b> |                    |
|---------------------------------------|---------------------|--------------------|
|                                       | <b>2021</b>         | <b>2022</b>        |
| <b>Deferred tax assets:</b>           |                     |                    |
| Long-lived assets depreciation        | \$ 1,546            | \$ 2,068           |
| Deferred government subsidies         | 68                  | —                  |
| Share-based compensation              | —                   | 1,781              |
| Donation expenses                     | —                   | 66                 |
| Net operating loss carried forward    | 816                 | 1,690              |
| Sub-total                             | \$ 2,430            | \$ 5,605           |
| Valuation Allowance                   | (816)               | (1,060)            |
| <b>Total deferred tax assets</b>      | <b>\$ 1,614</b>     | <b>\$ 4,545</b>    |
| <b>Deferred tax liabilities:</b>      |                     |                    |
| Long-lived assets depreciation        | \$ (3,258)          | \$ (2,736)         |
|                                       | (621)               | (595)              |
| Difference in basis of buildings      |                     |                    |
| Dividend withholding tax              | (14,461)            | (79,945)           |
| <b>Total deferred tax liabilities</b> | <b>\$ (18,340)</b>  | <b>\$ (83,276)</b> |
| <b>Deferred tax assets, net</b>       | <b>—</b>            | <b>1,809</b>       |
| <b>Deferred tax liabilities, net</b>  | <b>\$ (16,726)</b>  | <b>\$ (80,540)</b> |

The changes of valuation allowance from continuing operation are as follows:

|                         | <b>Year ended December 31,</b> |               |              |
|-------------------------|--------------------------------|---------------|--------------|
|                         | <b>2020</b>                    | <b>2021</b>   | <b>2022</b>  |
| Beginning balance       | \$ 729                         | \$ 709        | 816          |
| Addition (Reversal)     | (65)                           | 87            | 316          |
| Foreign exchange effect | 45                             | 20            | (72)         |
| <b>Ending Balance</b>   | <b>\$ 709</b>                  | <b>\$ 816</b> | <b>1,060</b> |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

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The Group uses the asset and liability method to record related deferred tax assets and liabilities. The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more likely than not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgement and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying businesses. Valuation allowances are established for deferred tax assets based on a more likely than not threshold. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the carry forward periods provided for in the tax law. The Group provided a full valuation allowance for the deferred tax assets relating to its PRC subsidiaries from continuing operation other than Xinjiang Daqo as of December 31, 2020, 2021 and 2022 in the amount of \$0.7 million, \$0.8million and \$1.1 million, respectively, as management is not able to conclude that the future realization of those net operating loss carry forwards and other deferred tax assets are more likely than not. The Group also provided a full valuation allowance for the deferred tax assets relating to Chongqing Daqo's historical operation amounted to \$24.3 million, \$20.5 million and \$19.2 million as of December 31, 2020, 2021 and 2022, respectively.

The effective income tax rate from continuing operation is different from the expected PRC statutory rate as a result of the following items:

|  | <b>Year ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2020</b>                    | <b>2021</b> | <b>2022</b> |
| PRC Enterprise Income Tax                    | 25 %                           | 25 %        | 25 %        |
| Preferential income tax rate of a subsidiary | (11)%                          | (10)%       | (10)%       |
| R&D super deduction                          | (1)%                           | — %         | — %         |
| Different tax rate in other jurisdictions    | 4 %                            | — %         | 1 %         |
| Dividend withholding tax                     | — %                            | 1 %         | 3 %         |
| Effective tax rate                           | <u>17 %</u>                    | <u>16 %</u> | <u>19 %</u> |

Xinjiang Daqo and Inner Mongolia Daqo New Energy enjoy the preferential tax rate of 15% until December 31, 2030 if the requirements of Western (Region) Development Enterprise are satisfied. The impact of the preferential tax rates decreased income taxes by \$17.4 million, \$104.3 million and \$300.4 million for the years of 2020, 2021 and 2022, respectively. The benefit on net income per share was \$0.05, \$0.28 and \$0.77 for the years of 2020, 2021 and 2022, respectively.

## **10. NON-CONTROLLING INTERESTS**

In July 2021, the Group's major operational subsidiary Xinjiang Daqo completed its IPO in China and started trading on the Shanghai Stock Exchange's Sci-Tech Innovation Board. The IPO raised net proceeds of approximately \$935.0 million, of which, \$344.3 million was recorded in non-controlling interest and \$590.7 million was recorded in additional paid-in capital. Following the IPO, the Company holds approximately a total ownership of 80.7% of Xinjiang Daqo, directly and indirectly. Xinjiang Daqo's non-controlling interests' ownership of the subsidiary changed from 4.40% to 19.30% due to the IPO.

In June 2022, the Company's major operational subsidiary Xinjiang Daqo completed its follow-on private offering in China and. The offering raised net proceeds of \$1.63 billion, of which, \$742.8 million was recorded in the non-controlling interest and \$878.8 million was recorded in the additional paid in capital. Following the private offering, the Company holds approximately a total ownership of 72.68% of Xinjiang Daqo, directly and indirectly. The non-controlling interests' ownership of the subsidiary changed to 27.32% due to the private offering.

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The following schedule shows the effects of changes in the Company's ownership interest in less than wholly owned subsidiaries on equity attributable to Daqo New Energy Corp. shareholders:

|  | Year ended December 31, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2020                    | 2021             | 2022             |
| Net income attributable to Daqo New Energy Corp. shareholders  | \$ 129,195              | \$ 748,924       | \$ 1,819,801     |
| Transfers from the non-controlling interests:  |                         |                  |                  |
| Increase in the Company's paid-in capital from sale of non-controlling interest  | 3,658                   | —                | —                |
| Decrease in the Company's paid-in capital from acquisition of non-controlling interest                                 | —                       | —                | (386)            |
| Increase in the Company's paid-in capital from subsidiary's offering of its equity interests to third parties          | —                       | 594,301          | 878,768          |
| Net transfers from non-controlling interests   | 3,658                   | 594,301          | 878,382          |
| Change from net income attributable to Daqo New Energy Corp. shareholders and transfers from non-controlling interests | <u>132,853</u>          | <u>1,343,225</u> | <u>2,698,183</u> |

**11. SHARE BASED COMPENSATION**

In December 2014, The Company's shareholders adopted the 2014 share incentive plan. The Company's shareholders have authorized the issuance of up to 21,000,000 ordinary shares underlying all options (including incentive share options, or ISOs), restricted shares and restricted share units ("RSUs") granted to a participant under the plan, or the awards.

In April 2018, The Company's shareholders adopted the 2018 share incentive plan. The Company's shareholders have authorized the issuance of up to 38,600,000 ordinary shares underlying all options (including incentive share options, or ISOs), restricted shares and RSUs granted to a participant under the plan, or the awards.

In September 2022, the Company's shareholders adopted the 2022 share incentive plan. The Company's shareholders have authorized the issuance of up to 37,253,465 ordinary shares underlying all restricted shares and RSUs granted to a participant under the plan, or the awards.

The Company granted share options to certain officers, directors and employees in 2015, and didn't grant any during the years ended December 31, 2020, 2021 and 2022.

The Company utilized the Binomial option pricing model to evaluate the fair value of the stock options with reference to the closing price of the Company on the measurement dates.

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A summary of the aggregate option activity and information regarding options outstanding as of December 31, 2022 is as follows:

|  | <b>Number of<br/>Options</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contract Life</b> | <b>Weighted<br/>Average<br/>Grant Date<br/>Fair Value</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
|--|------------------------------|--|---|---|--|
| Options outstanding on January 1, 2022   | 1,775,417                    | 0.59   | 2.74  | 0.73  | 13,261                                   |
| Granted                                  | —                            | —  | —   | —   | —  |
| Forfeited                                | —                            | —  | —   | —   | —  |
| Expired                                  | —                            | —  | —   | —   | —  |
| Exercised                                | (1,672,350)                  | 0.59   | —   | 0.74  | 19,410                                   |
| Options outstanding on December 31, 2022 | 103,067                      | 0.59   | 2.08  | 0.58  | 735                                      |
| Options exercisable on December 31, 2022 | 103,067                      | 0.59   | 2.08  | 0.58  | 735                                      |

Note: All the Company's options have been vested as of December 31, 2022.

The share-based compensation expense related to stock options were nil for the years ended December 31, 2020, 2021 and 2022, respectively. The total intrinsic value of options exercised during the years ended December 31, 2020, 2021, and 2022, was \$44.1 million, \$0.7 million, and \$19.4 million, respectively.

The Company granted non-vested RSUs to certain directors, executive officers and employees in 2017, 2018 and 2022. The Company recorded compensation expenses based on the fair value of RSUs on the grant dates over the requisite service period of award using the straight-line vesting attribution method.

On February 3, 2017, the Company granted restricted share units ("RSUs") to acquire 12,653,992 ordinary shares to certain directors, executive officers and employees pursuant to the Daqo New Energy Corp. 2014 Share Incentive Plan. The RSUs will be vested quarterly in each of the next four years starting from May 6, 2017.

On June 6, 2018, the Company granted RSUs to acquire 10,984,761 ordinary shares to chief executive officer pursuant to the Daqo New Energy Corp. 2018 Share Incentive Plan, where 1/6 of the RSUs will be vested on the grant date and the remaining 5/6 of the RSUs will be vested on each of the monthly anniversary from July 6, 2018 for thirty months. In addition, on June 6, 2018, the Company granted RSUs to acquire 25,275,880 ordinary shares to certain directors, executive officers other than the chief executive officer and employees pursuant to the Daqo New Energy Corp. 2018 Share Incentive Plan, where the RSUs will be vested monthly in each of the next five years starting from June 6, 2018.

On December 21, 2018, the Company granted RSUs to acquire 8,105,000 ordinary shares to certain directors, executive officers and employees pursuant to the Daqo New Energy Corp. 2014 and 2018 Share Incentive Plan. The RSUs will be vested monthly in each of the next five years starting from January 6, 2019.

On September 6, 2022, the Company granted RSUs to acquire 37,253,465 ordinary shares to certain directors, executive officers and employees pursuant to the Daqo New Energy Corp. 2022 Share Incentive Plan, where 1/2 of the total awarded RSUs will be vested on September 6, 2022, and 1/72 of the total awarded RSUs will be vested on the 6th day of each month on average in the three years commencing on September 6, 2022.



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A summary of the non-vested RSU activity in 2022 is as follows:

|                                      | Number of<br>RSUs | Weighted<br>Average<br>Grant Date<br>Fair Value |
|--------------------------------------|-------------------|---|
| Non-vested RSUs on January 1, 2022   | 10,289,352        | 1.38  |
| Granted                              | 37,253,465        | 14.14   |
| Vested                               | (26,770,640)      | 11.01   |
| Forfeited                            | (14,000)          | 1.61  |
| Non-vested RSUs on December 31, 2022 | <u>20,758,177</u> | <u>11.86</u>                                    |

The share-based compensation expense related to RSUs of \$17.9 million, \$10.1 million and \$294.8 were recognized by the Group for the years ended December 31, 2020, 2021 and 2022. The total fair value of RSUs vested during the years ended December 31, 2020, 2021, and 2022, was \$17.9 million, \$10.1 million, and \$294.8 million, respectively.

As of December 31, 2022, there was \$244.1 million in total unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a weighted-average period of 2.70 years.

In September 2022, Xinjiang Daqo adopted its 2022 Restricted Stock Incentive Plan (2022 PRC Incentive Plan). Under the 2022 PRC Incentive Plan, Xinjiang Daqo may grant stock options of Xinjiang Daqo (2022 PRC stock options) to its directors, senior executives and other personnel deemed necessary by the board of directors of Xinjiang Daqo to purchase Xinjiang Daqo's common stock at the agreed price after meeting the vesting conditions. The total number of stock options granted is 23,660,000 shares, which will vest over four years starting from the first date of the 13rd month since the grant date at a rate of 40%, 30% and 30% upon the second, third and fourth anniversary of the grant date. The vesting is subject to both the operational performance of Xinjiang Daqo and the grantees personal performance. The Company concluded that the achievement of the performance targets over the next three vesting periods is probable at the initial grant date in September 2022.

The Company recorded stock-based compensation expense for 2022 PRC stock options based on the estimated fair value of those stock options on the date of the grant using the Black-Scholes option-pricing model.

A summary of the aggregate 2022 PRC stock options activity and information regarding those stock options outstanding as of December 31, 2022 is as follows:

|   | Number of<br>2022 PRC stock options | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contract Life | Weighted<br>Average<br>Grant Date<br>Fair Value | Aggregate<br>Intrinsic<br>Value |
|---|-------------------------------------|--|---|---|---------------------------------|
| 2022 PRC stock options outstanding on January 1, 2022   | —                                   | —  | —   | —   | —                               |
| Granted   | 23,660,000                          | 4.76                                     | —   | 3.94  | —                               |
| Forfeited   | (100,000)                           | 4.76                                     | —   | 3.94  | —                               |
| Expired   | —                                   | —  | —   | —   | —                               |
| Exercised   | —                                   | —  | —   | —   | —                               |
| 2022 PRC stock options outstanding on December 31, 2022 | <u>23,560,000</u>                   | <u>4.76</u>                              | <u>2.59</u>                                       | <u>3.94</u>                                     | <u>50,143</u>                   |

|   |            |      |      |      |        |
|---|------------|------|------|------|--------|
| 2022 PRC stock options exercisable on December 31, 2022 | 23,560,000 | 4.76 | 2.59 | 3.94 | 50,143 |
|---|------------|------|------|------|--------|

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The share-based compensation expense related to 2022 PRC stock options of nil, nil and \$20.1 million were recognized by the Group for the years ended December 31, 2020, 2021 and 2022.

As of December 31, 2022, there was \$75.6 million in total unrecognized compensation cost related to non-vested 2022 PRC stock options, which is expected to be recognized over a weighted-average period of 2.59 years.

The assumptions in the Black-Scholes option-pricing models used to determine the fair value of 2022 PRC stock options granted during the years ended December 31, 2022 were as follows:

|                                 | <b>Year Ended December 31, 2022</b>          |
|---------------------------------|--|
| Expected term (months)          | 24, 36, and 48 months from the date of grant |
| Expected dividends              | 0.96 %                                       |
| Expected volatility             | 51.86%-54.00 %                               |
| Risk-free interest rate         | 1.76%-2.18 %                                 |
| Fair value of common stock      | \$ 8.15                                      |
| Weighted average exercise price | \$ 4.76                                      |

The risk-free interest rate is based on the China Treasury Bond yield with a maturity equal to the expected term of the option in effect at the time of grant. The expected volatility was determined by using an average of historical volatilities of selected industry peers deemed to be comparable to the Company's business corresponding to the expected term of the awards. An analysis of historical dividend yield was used to develop the estimate of expected dividend yield. The expected term is calculated based on the contractual term.

## **12. RELATED PARTY TRANSACTIONS AND BALANCES**

(1) The relationships between the Group and major related parties are as follows:

| <b>Name of the related party</b>   | <b>Relationship</b>   |
|--|---|
| Daqo Group Co., Ltd. ("Daqo Group")  | Daqo Group and the Group are controlled by same group of shareholders |
| Zhenjiang Daqo Solar Co. Ltd. ("Zhenjiang Daqo")                             | An affiliated company controlled by Daqo Group                        |
| Daqo Solar Co. Ltd. ("Daqo Solar")   | An affiliated company controlled by Daqo Group                        |
| Daqo New Material Co., Ltd. ("Daqo New Material")                            | An affiliated company controlled by Daqo Group                        |
| Chongqing Daqo Tailai Electric Co., Ltd. ("Chongqing Daqo Tailai")           | An affiliated company controlled by Daqo Group                        |
| Nanjing Daqo Transformer Systems Co., Ltd. ("Nanjing Daqo Transformer")      | An affiliated company controlled by Daqo Group                        |
| Jiangsu Daqo Changjiang Electric Co., Ltd. ("Jiangsu Daqo")                  | An affiliated company controlled by Daqo Group                        |
| Nanjing Daqo Electric Co., Ltd. ("Nanjing Daqo Electric")                    | An affiliated company controlled by Daqo Group                        |
| Zhenjiang Electric Equipment Co., Ltd. ("Zhenjiang Electric")                | An affiliated company controlled by Daqo Group                        |
| Daqo Investment Co., Ltd. ("Daqo Investment")                                | An affiliated company controlled by Daqo Group                        |
| Zhenjiang Moeller Electric Appliance Co., Ltd. ("Zhenjiang Moeller")         | An affiliated company controlled by Daqo Group                        |
| Zhenjiang Daqo Intelligent Electric Co., Ltd. ("Zhenjiang Daqo Intelligent") | An affiliated company controlled by Daqo Group                        |

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**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

(2) Related party balances:

The balances due from related parties- short term portion of continuing and discontinued operations are as follows:

|   | <b>December 31,</b> |              |
|---|---------------------|--------------|
|   | <b>2021</b>         | <b>2022</b>  |
| Amounts due from related parties-short term |                     |              |
| Nanjing Daqo Transformer                    | \$ —                | \$ 14        |
| Others                                      | —                   | 4            |
| Total                                       | <u>\$ —</u>         | <u>\$ 18</u> |

The balances due from related parties- long-term portion of continuing and discontinued operations are as follows:

|  | <b>December 31,</b> |                  |
|--|---------------------|------------------|
|  | <b>2021</b>         | <b>2022</b>      |
| Amounts due from related parties-long term |                     |                  |
| Chongqing Daqo Tailai                      | \$ —                | \$ 9,588         |
| Nanjing Daqo Electric                      | —                   | 2,739            |
| Zhenjiang Moeller                          | —                   | 1,181            |
| Zhenjiang Daqo Intelligent                 | —                   | 793              |
| Others                                     | —                   | 2,563            |
| Total                                      | <u>\$ —</u>         | <u>\$ 16,864</u> |

The balances due to related parties - short-term portion of continuing operations are as follows:

|   | <b>December 31,</b> |                 |
|---|---------------------|-----------------|
|   | <b>2021</b>         | <b>2022</b>     |
| Amounts due to related parties - short term portion |                     |                 |
| Nanjing Daqo Transformer                            | \$ 1,729            | \$ 3,429        |
| Chongqing Daqo Tailai                               | 2,085               | 80              |
| Daqo New Material                                   | 4,673               | 4,161           |
| Nanjing Daqo Electric                               | 981                 | —               |
| Jiangsu Daqo  | 612                 | 4               |
| Zhenjiang Electric                                  | 231                 | 613             |
| Others  | 504                 | 130             |
| Total   | <u>\$ 10,815</u>    | <u>\$ 8,417</u> |

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**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

(3) Related party transactions:

The material transactions with the Group's related parties were as follows:

| Name of Related parties    | Transaction Nature                  | Year Ended December 31, |           |           |
|----------------------------|-------------------------------------|-------------------------|-----------|-----------|
|                            |                                     | 2020                    | 2021      | 2022      |
| Daqo Group                 | Repayment of interest free loans    | \$ 11,597               | \$ 4,650  | \$ —      |
| Zhenjiang Daqo             | Proceeds from interest free loans   | 4,349                   | —         | —         |
|                            | Repayment of interest free loans    | 4,349                   | —         | —         |
| Zhenjiang Daqo Intelligent | Purchase-Fixed assets               | —                       | —         | 6,271     |
| Daqo Solar                 | Proceeds from interest free loans   | 18,520                  | 13,213    | —         |
|                            | Repayment of interest free loans    | 18,412                  | 13,483    | —         |
| Nanjing Daqo Transformer   | Purchase-fixed assets               | 40                      | 12,913    | 29,874    |
|                            | Purchase-raw material               | —                       | —         | 39        |
|                            | Repayment of interest free loans    | 8,131                   | —         | —         |
| Chongqing Daqo Tailai      | Purchase-fixed assets               | 111                     | 17,812    | 22,511    |
|                            | Repayment of interest free loans    | 5,049                   | —         | —         |
| Jiangsu Daqo               | Purchase-fixed assets               | —                       | 5,299     | —         |
| Nanjing Daqo Electric      | Purchase-fixed assets               | 45                      | 8,553     | 8,209     |
| Zhenjiang Electric         | Purchase-raw material               | —                       | 1,967     | 4,241     |
| Zhenjiang Moeller          | Purchase-fixed assets               | —                       | —         | 9,331     |
| Total                      | Purchase-fixed assets               | \$ 196                  | \$ 44,577 | \$ 76,196 |
|                            | Purchase-raw material               | \$ —                    | \$ 1,967  | \$ 4,280  |
|                            | Proceeds from related parties loans | \$ 22,869               | \$ 13,213 | \$ —      |
|                            | Repayment of related parties loans  | \$ 47,538               | \$ 18,133 | \$ —      |

Note: The Group's transactions with related parties were carried out on an arm's-length basis.



**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

**13. EARNINGS PER SHARE**

The calculation of earnings per share is as follows:

|   | <b>Year ended December 31,</b> |             |              |
|---|--------------------------------|-------------|--------------|
|   | <b>2020</b>                    | <b>2021</b> | <b>2022</b>  |
| <b>Numerator used in basic and diluted earnings per share:</b>  |                                |             |              |
| Net income attributable to Daqo New Energy Corp. ordinary shareholders from continuing operations—basic   | \$ 129,336                     | \$ 748,924  | \$ 1,819,801 |
| Loss attributable to Daqo New Energy Corp. ordinary shareholders from discontinued operations, net of tax | (141)                          | —           | —            |
| Net income attributable to Daqo New Energy Corp. ordinary shareholders—basic                              | \$ 129,195                     | \$ 748,924  | \$ 1,819,801 |
| Diluted earnings from the subsidiary  | —                              | —           | (15,432)     |
| Net income attributable to Daqo New Energy Corp. ordinary shareholders—diluted                            | \$ 129,195                     | \$ 748,924  | \$ 1,804,369 |
| <b>Denominator used in diluted earnings per share:</b>  |                                |             |              |
| Weighted average number of ordinary shares outstanding used in computing earnings per share-basic         | 355,087,013                    | 369,341,105 | 379,365,310  |
| Plus: Dilutive effects of share options   | 4,421,397                      | 1,735,798   | 885,140      |
| Dilutive effects of RSUs  | 15,508,740                     | 12,689,503  | 6,209,391    |
| Weighted average number of ordinary shares outstanding used in computing earnings per share—diluted       | 375,017,150                    | 383,766,406 | 386,459,841  |
| Basic earnings per share-continuing operations  | \$ 0.36                        | \$ 2.03     | \$ 4.80      |
| Basic earnings per share-discontinued operations  | \$ 0.00                        | \$ —        | \$ —         |
| Net income attributable to Daqo New Energy Corp. per ordinary share—basic                                 | \$ 0.36                        | \$ 2.03     | \$ 4.80      |
| Diluted earnings per share-continuing operations  | \$ 0.34                        | \$ 1.95     | \$ 4.67      |
| Diluted earnings per share-discontinued operations  | \$ 0.00                        | \$ —        | \$ —         |
| Net income attributable to Daqo New Energy Corp. per ordinary share—diluted                               | \$ 0.34                        | \$ 1.95     | \$ 4.67      |

**14. COMMITMENTS AND CONTINGENCIES**

***Capital commitments***

As of December 31, 2022, commitments outstanding for the purchases of property, plant and equipment approximated \$414.3 million, which will be due subsequent to receipt of the purchases.

In December 2021, Xinjiang Daqo, the Company's subsidiary, signed the framework agreement with the government of Baotou city that, the Company plans to build polysilicon projects for the solar industry with a total annual production capacity of 200,000 metric tons("MT"), polysilicon projects for the semiconductor industry with a total annual capacity of 21,000 MT, silicon metal projects with a total annual capacity of 300,000 MT and silicone projects with a total annual capacity of 200,000 MT in Baotou city.

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**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

Regarding the polysilicon project for the solar and semiconductor industries, the Company plans to invest in two phases. The first phase is to build 100,000 MT polysilicon project for the solar industry and a 1,000 MT polysilicon project for the semiconductor industry with an estimated investment of about RMB8.55 billion. The Phase 5A project (a 100,000 MT polysilicon project for the solar industry) started in March 2022 and completed in April 2023. The 1,000 MT polysilicon project for the semiconductor industry started in March 2022 and expect to be completed in September or the fourth quarter of 2023. The Company began the construction of Phase 5B project (a 100,000 MT polysilicon project for the solar industry) in March 2023 and expect to complete it by the end of 2023.

***Repurchase of common stock***

On June 1, 2022, the Company announced a one-year share repurchase program approved by the board of directors to repurchase up to \$120 million worth of ordinary shares or ADSs on the open market, in negotiated transactions off the market, in block trades or through other legally permissible means in accordance with applicable U.S. securities laws. The Company completed this repurchase program by the end of September 2022 by spending \$119.9 million to repurchase 1,881,368 ADSs.

On November 7, 2022, the Company announced another share repurchase program approved by the board of directors to repurchase up to \$700 million worth of ordinary shares or ADSs on the open market, in negotiated transactions off the market, in block trades or through other legally permissible means in accordance with applicable U.S. securities laws from November 7, 2022 to December 31, 2023. During the year ended December 31, 2022, the Company repurchased 109,495 ADSs for a total of \$5.0 million under this share repurchase program.

**15. SEGMENT INFORMATION**

The Group's chief operating decision maker has been identified as the chief executive officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group. The chief operation decision makes reviews the consolidated results when making decision about allocating resources and assessing performance of the Group as a whole and hence, the Company has only one reportable segment - Polysilicon. Although Xinjiang Daqo got listed in the PRC in 2021, considering the PRC listed group generates all the revenues and possesses substantially all the assets of the Group, the chief operating decision maker does not change the way he reviews the consolidated results.

All of the Group's revenues are derived in the PRC. The Group's long-lived assets and operations are all located in the PRC and no geographical information is presented.

**16. CONCENTRATION AND RISKS**

The following customers individually accounted for 10% or more of revenues:

|            | Year ended December 31, |            |              |
|------------|-------------------------|------------|--------------|
|            | 2020                    | 2021       | 2022         |
| Customer A | \$ 369,333              | \$ 532,129 | \$ 1,379,796 |
| Customer B | 67,431                  | 230,088    | 614,698      |
| Customer C | *                       | *          | 529,037      |
| Customer D | *                       | 268,466    | 516,634      |

\* Represents less than 10%

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**DAQO NEW ENERGY CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**FOR THE YEARS ENDED DECEMBER 31, 2020 2021 AND 2022**  
**(U.S. dollars in thousands, except share and per share data or otherwise stated)**

Total sales to the Group's large customers whose sales constitute over 10% of revenue accounted for approximately 83%, 75% and 66% of revenues for the years ended December 31, 2020, 2021 and 2022, respectively. The Group is substantially dependent upon the continued participation of these customers in order to maintain its revenues. Significant reduction in the Group's dependence on these customers is likely to take time and there can be no assurance that the Group will succeed in reducing such dependence.

The Group's polysilicon manufacturing facilities are located in Xinjiang to be close to sources of raw materials and energy for polysilicon production. Raw materials required for the Group's polysilicon manufacturing process primarily include metallurgical grade silicon, electricity and other utilities, and other significant inputs for production, such as argon gas, caustic soda and graphite parts. The Group purchased most of its metallurgical grade silicon from two suppliers in Xinjiang. Most of the electricity and other utilities like steam are purchased from one supplier in Xinjiang. Although there are a limited number of manufacturers of the particular metallurgical grade silicon, electricity and other utilities, management believes that other suppliers could provide similar inputs on comparable terms. A change in suppliers, however, could cause a delay in manufacturing and a possible loss of sales, which would affect operating results adversely.

**17. SUBSEQUENT EVENTS**

***Xinjiang Daqo's 2022 Profit Distribution Plan***

The Board of Xinjiang Daqo has approved the Profit Distribution Plan of 2022("2022 Distribution Plan") which decides to distribute cash dividends inclusive of taxes of RMB 7,694,626,374.0 (an approximate equivalence of USD 1,115,566,931.7). As such, an estimation of 40.24% of distributable profit from PRC listed group will be distributed in 2023. The 2022 Distribution Plan was approved by the annual shareholders' meeting of Xinjiang Daqo on April 6, 2023.

***Facility Agreement***

In February 2023, the Company entered into a facility agreement with China Merchants Bank Co., Ltd., Hong Kong Branch for US\$140 million facility, of which US\$100 million and US\$40 million was drawn on February 28, 2023 and March 27, 2023, respectively, and the entire principal amount is due to be repaid in 6 months. The interest rate is the sum of the margin 0.85% and the term SOFR (referred as "secured overnight financing rate") reference rate. Under the terms of the facility agreement, the Company is required to comply with certain financial covenant that the market value of the Company's investment in Xinjiang Daqo shall be not less than five times of the sum of the outstanding principal and any accrued but unpaid interest, fees and expenses. As of date of this report, the Company is in compliance of the financial covenant. The purpose of the loan was for stock repurchase.

**FINANCIAL STATEMENT SCHEDULE I  
DAQO NEW ENERGY CORP.**

**FINANCIAL INFORMATION OF PARENT COMPANY  
CONDENSED BALANCE SHEETS**

**DECEMBER 31, 2021 AND 2022  
(U.S. dollars in thousands, except share and per share data)**

|   | <b>December 31,</b> |                     |
|---|---------------------|---------------------|
|   | <b>2021</b>         | <b>2022</b>         |
| <b>ASSETS</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 2,263            | \$ 2,377            |
| Prepaid expenses and other current assets   | 379                 | 371                 |
| Total current assets  | 2,642               | 2,748               |
| Investments in subsidiaries   | 2,159,482           | 4,884,756           |
| <b>TOTAL ASSETS</b>   | <b>\$ 2,162,124</b> | <b>\$ 4,887,504</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                     |                     |
| Current liabilities:  |                     |                     |
| Accrued expenses and other current liabilities  | \$ 165              | \$ 80,128           |
| Total current liabilities   | 165                 | 80,128              |
| Equity:   |                     |                     |
| Ordinary shares (\$0.0001 par value 500,000,000 shares authorized as of December 31, 2021 and 2022; 377,177,802 shares issued and 372,534,652 shares outstanding as of December 31, 2021, 405,620,792 shares issued and 391,023,327 shares outstanding as of December 31, 2022) | 38                  | 40                  |
| Additional paid-in capital  | 1,016,855           | 2,211,203           |
| Retained earnings   | 1,079,042           | 2,898,843           |
| Accumulated other comprehensive income (loss)   | 67,773              | (176,032)           |
| Treasury shares, at cost (4,643,150 shares as of December 31, 2021; 14,597,465 shares as of December 31, 2022)  | (1,749)             | (126,678)           |
| Total shareholders' equity  | 2,161,959           | 4,807,376           |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>\$ 2,162,124</b> | <b>\$ 4,887,504</b> |

**FINANCIAL STATEMENT SCHEDULE I  
DAQO NEW ENERGY CORP.**

**FINANCIAL INFORMATION OF PARENT COMPANY  
CONDENSED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022  
(U.S. dollars in thousands)**

|  | Year ended December 31, |             |              |
|--|-------------------------|-------------|--------------|
|  | 2020                    | 2021        | 2022         |
| Operating expenses:  |                         |             |              |
| General and administrative   | \$ (12,728)             | \$ (11,292) | \$ (295,431) |
| Total operating expenses   | (12,728)                | (11,292)    | (295,431)    |
| Loss from operations   | (12,728)                | (11,292)    | (295,431)    |
| Interest income  | 7                       | —           | 144          |
| Income tax expense   | (2,391)                 | —           | (79,945)     |
| Net loss before share of results of subsidiaries                       | (15,112)                | (11,292)    | (375,232)    |
| Equity in earnings of subsidiaries                                     | 144,307                 | 760,216     | 2,195,033    |
| Net income attributable to Daqo New Energy Corp. ordinary shareholders | \$ 129,195              | \$ 748,924  | \$ 1,819,801 |
| Other comprehensive (loss) income:                                     |                         |             |              |
| Foreign currency translation adjustments, net of tax of nil            | 46,204                  | 45,160      | (252,800)    |
| Total other comprehensive income (loss):                               | 46,204                  | 45,160      | (252,800)    |
| Comprehensive income   | \$ 175,399              | \$ 794,084  | \$ 1,567,001 |

**FINANCIAL STATEMENT SCHEDULE I  
DAQO NEW ENERGY CORP.**

**FINANCIAL INFORMATION OF PARENT COMPANY  
CONDENSED STATEMENT OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2020, 2021 AND 2022  
(U.S. dollars in thousands)**

|  | Year ended December 31, |                 |                 |
|--|-------------------------|-----------------|-----------------|
|  | 2020                    | 2021            | 2022            |
| OPERATING ACTIVITIES                                 |                         |                 |                 |
| Net cash provided by (used in) operating activities  | (1,066)                 | (736)           | 124,048         |
| FINANCING ACTIVITIES                                 |                         |                 |                 |
| Proceeds from options exercised                      | 580                     | 2,139           | 995             |
| Repurchase of ordinary shares                        | —                       | —               | (124,929)       |
| Net cash provided by (used in) financing activities  | 580                     | 2,139           | (123,934)       |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (486)                   | 1,403           | 114             |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR   | 1,346                   | 860             | 2,263           |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR         | <u>\$ 860</u>           | <u>\$ 2,263</u> | <u>\$ 2,377</u> |



**FINANCIAL STATEMENT SCHEDULE I**

**DAQO NEW ENERGY CORP.**

**Notes**

1. Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 5-04(c) of Regulation S-X, which require condensed financial information as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.
2. The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries. For the parent company, Daqo New Energy Corp records its investments in subsidiaries under the equity method of accounting as prescribed in ASC 323, Investments-Equity Method and Joint Ventures. Such investments are presented on the Condensed Balance Sheets as "Investment in subsidiaries". Ordinarily under the equity, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this Schedule I, the parent company will continue to reflect its share, based on its proportionate interest, of the losses of subsidiaries regardless of the carrying value of the investment even though the parent company is not obligated to provide continuing support or fund losses.
3. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The footnote disclosures provide certain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the accompanying consolidated financial statements.
4. As of December 31, 2021 and 2022, there were no material contingencies, significant provisions of long-term obligations of the Company, except for those which have been disclosed separately in the consolidated financial statements.