**Operator**

Good day, and welcome to the Daqo New Energy Second Quarter 2023 Results Conference Call. [Operator Instructions].

I'd like to turn the call over to Ms. [indiscernible], Investor Relations Director. Please go ahead.

**Unidentified Company Representative**

Hello, everyone. I'm , the Investor Relations of Daqo New Energy. Thank you for joining our conference call today. Daqo New Energy just issued its financial results for the second quarter of 2023, which can be found on our website at www.dqsolar.com.

So today, attending the conference call, we have our new Chairman and CEO, Mr. Xiang Xu; our former CEO, Longgen Zhang; CFO, Mr. Ming Yang and myself.

So the call today will begin with an update from Mr. Zhang and our new Chairman and CEO, followed by his comments on market and operations, and then Mr. Yang will discuss the company's financial performance for the quarter and the year. And after that, we'll open the floor to Q&A from the audience.

So before we begin the formal remarks, I would like to remind you that certain statements on today's call, including expected future operational and financial performance and industry growth are forward-looking statements that are made under the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995.

These statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statements. Further information regarding these and other risks is included in the reports or documents we have filed with or furnished to the Securities and Exchange Commission.

These statements only reflect our current and preliminary view as of today and may be subject to change. Our ability to achieve these projections is subject to risks and uncertainties. All information provided in today's call is as of today, and we undertake no duty to update such information, except as required under applicable law.

Also during the call, we'll occasionally reference monetary amounts in U.S. dollar terms. Please keep in mind that our functional currency is the Chinese RMB. We offer these translations into U.S. dollars solely for the convenience of the audience.

So now I'll pass it on to Mr. Zhang.

**Longgen Zhang**

Thank you, . Good morning, good evening. Efficient operation of our polysilicon facilities in the second quarter of 2023 resulted in the production volume of 45,306 metric tons, representing an increase of 11,458 metric tons as compared to the previous quarter.

As our Phase 5A 100,000 metric tons polysilicon project in Inner Mongolia reached full production capacity in June. Our production cost decreased by 8.3% from Q1 to $6.92 per kg, primarily due to improvements in manufacturing efficiency as well as a reduction in the cost of metallurgical grade silicon.

For the quarter, we generated $230 million in EBITDA with strong operating cash flow and continued to maintain a strong balance sheet with no financial debt. At the end of the quarter, the company had a cash balance of $3.2 billion and a combined cash and banking notes receivable balance of USD 4 billion.

With an addition of our new Inner Mongolia Phase 5A facility, our total annual polysilicon nameplate capacity has expanded to 205,000 metric tons. For the third quarter, we expect our total polysilicon production volume to be approximately 55,000 metric tons to 57,000 metric tons, representing an increase of 21% to 26% as compared to Q2 2023. Full year production is expected to be approximately 193,000 metric tons to 198,000 metric tons of polysilicon, representing an increase of 44% to 48% as compared to 2022.

In addition, based on our [Technical Difficulty] figure, our new semiconductor grade polysilicon project with 1,000 metric tons annual capacity is expected to start pilot production by the end of September of this year. With our fully digitized and highly automated production system that optimizes operational efficiency, improves cost structure and further enhances production product quality for the N-type polysilicon product. We are confident that our Inner Mongolia project will further enhance the company's competitive edge.

The polysilicon industry experienced increased challenges and substantial price volatility during the second quarter. Several new polysilicon facilities and new entrants finally started production with some reaching full capacity -- production capacity in the first half of this year. The shortage of polysilicon of the past 2 years came to an end. The increased supply ultimately led to relatively oversupply and excess industry inventory.

In an effort to gain market shares with inferior quality products, new entrants and some established industry players engaged in aggressive pricing, expectations of lower future pricing in the market led to delays and reductions of downstream customer orders, as well as aggressive pricing required by customers.

The situation wasn't significantly in the second half of May, as inventory reduction efforts by leading producers led to race to the bottom that saw polysilicon prices decline by approximately 70% at the end of the second quarter compared to Q1 levels. In the second half of June, polysilicon prices reached bottom and customers began ordering aggressively at the lower prices.

By middle of July, we saw an approximately 15% to 20% price recovery compared to the bottom reached in June. Recently, we have also seen an increase in the ASP premium for N-type polysilicon with a meaningful increase in demand volume. We expect that this trend will further benefit us as the industry transitions to next-generation N-type technology.

We shipped 53,502 metric tons of polysilicon in Q2, meaningfully more than our production level and a substantial increase over Q1 shipments. Polysilicon inventory at our original Xinjiang facility decreased to less than a week's production volume, as our facility in Inner Mongolia is newly established its products require customer qualification before we can ship meaningful volumes to customers, and the qualification process took longer than anticipated due to market volatility during the period.

At the end of the quarter, with customer orders on hand that covered all our inventory, we had practically sold all shippable products, the customer qualification process for the products of our Inner Mongolia facility completed successfully in July. And at the end of July, with brisk customer orders and demand, we had further reduced our polysilicon inventory to a very healthy level of approximately 1-week of production across our 2 facilities.

For the second quarter, we recorded approximately USD 19.7 million in foreign exchange loss, or approximately $0.26 per ADS. Near the end of April, the company received approximately RMB 4.96 billion in cash dividends from its subsidiary Xinjiang Daqo, which was approximately USD 716.7 million based on the exchange rate on the date the dividend funds were received.

During the quarter, the company converted approximately RMB 1.85 billion to U.S. dollar to fund our share repurchase program, as the USD to Renminbi currency -- Chinese currency exchange rate fluctuated significantly during the month of May and June. And as required by accounting standards, we recorded an unrealized foreign exchange loss, primarily related to our quarter end cash balance of RMB 3.1 billion held by the company in an offshore accounts.

Regarding the company's share buyback program. At the end of July, the company had already repurchased 4.16 million ADS for approximately USD 188.7 million under the current program with average cost of approximately USD 45.32 per ADS combined with the program completed in 2022. In aggregate, the company has already repurchased 6 million ADS for approximately USD 308.6 million.

The continuous cost reduction in solar PV products and the associated reduction in solar energy generation costs are expected to create substantial additional green energy demand, which is likely to exceed most analysis expectations. It is generally expected that solar PV will eventually become one of the most important energies to power the world.

In addition, as the solar PV technology keeps evolving, we believe that the increasing needs for polysilicon of very high purity, such as N-type polysilicon will help differentiate us from our competitors, while most of our competitors will likely struggle with the current market environment. Daqo New Energy has one of the best balance sheets in the industry with no financial debt, and this will help us with the current market environment successfully.

We are optimistic that as the solar end market continues to grow and as our customers continue to expand capacity, particularly for N-type solar products, prices will improve. We will continue to maintain solid growth and capture the long-term benefits of growing global solar PV market.

Moving to outlook and guidance. The company expects to produce approximately 55,000 metric tons to 57,000 metric tons of polysilicon during the third quarter of 2023. The company expects to produce approximately 193,000 metric tons to 198,000 metric tons of polysilicon for the full year of 2023, inclusive of the impact of the company's annual facility maintenance.

This outlook reflects Daqo New Energy's current and preliminary view as of the date and this press release and may be subject to change. The company's ability to achieve these projections is subject to risks and uncertainties. See safe harbor statement at the end of this press release.

Now I will turn to -- the call to our CFO, Ming. Please go ahead.

**Ming Yang**

Thank you, Longgen, and hello, everyone. Thank you for joining our earnings conference call today.

Now I will discuss our financial results for the second quarter of 2023. Revenues were $636.7 million compared to $709.8 million in the first quarter of 2023 and $1.24 billion in the second quarter of 2022. The decrease in revenue compared to the first quarter of 2023 was primarily due to a decrease in average selling prices, mitigated by increase in sold volume.

Gross profit was $258.9 million compared to $506.7 million in the first quarter of 2023 and $947 million in the second quarter of 2022. Gross margin was 40.7% compared to 71.4% in the first quarter of 2023 and 76% in the second quarter of 2022. The decrease in gross margin compared to the first quarter of 2023 was primarily due to lower average selling prices, which was partially mitigated by lower production costs.

Selling, general and administrative expenses were $43.3 million compared to $41.3 million in the first quarter of 2023 and $14.4 million in the second quarter of 2022. The slightly higher SG&A expenses compared to the previous quarter was due to higher shipment volume that resulted in higher shipping expenses.

SG&A expenses during the second quarter also includes $27.5 million in noncash share-based compensation costs related to the company's share incentive plans compared to $28 million in the first quarter of 2023.

R&D expenses were $2.2 million compared to $1.9 million in the first quarter of 2023 and $2.7 million in the second quarter of 2022. R&D expenses vary from period to period and reflect R&D activities that take place during the quarter. And most of our R&D activities for the quarter related to product purity improvement-related activities.

Foreign exchange losses were $19.7 million compared to 0 in the first quarter of 2023 and also in the second quarter of 2022. The significant volatility and fluctuation in the U.S. dollar to Chinese New Year exchange rate during this quarter resulted in primarily an unrealized foreign exchange loss related to our quarter end cash balance of RMB 3.1 billion held by the company in an offshore account.

And as a result of the above mentioned, income from operation was $214 million compared to $463.8 million in the first quarter of 2023 and $927.6 million in the second quarter of 2022. Operating margin was 33.6% compared to 65.3% in the first quarter of 2023 and 74.6% in the second quarter of 2022.

Net income attributable to Daqo New Energy shareholders was $103.7 million compared to $278.8 million in the first quarter of 2023 and $627.8 million in the second quarter of 2022. Earnings per basic ADS was $1.35 compared to $3.56 in the first quarter of 2023 and $8.36 in the second quarter of 2022.

Adjusted net income, non-GAAP attributable to the Daqo New Energy shareholders, including noncash share-based compensation costs, was $134.5 million compared to $310 million in the first quarter of 2023 and $630 million in the second quarter of 2022. Adjusted earnings per basic ADS was $1.75 compared to $3.96 in the first quarter of 2023 and $8.39 in the second quarter of 2022.

EBITDA was $230 million for the quarter compared to $490 million in the first quarter of 2023 and $955 million in the second quarter of 2022. EBITDA margin was 36% compared to 69% in the first quarter of 2023 and 76.8% in the second quarter of 2022.

Now on the company's financial condition. As of the June 30, 2023, the company had $3.169 billion in cash, cash equivalents and restricted cash compared to $4.1 billion as of March 31, 2023, and $3.3 billion as of June 30, 2022. As of June 30, 2023, the noticeable balance was $798.5 million compared to $791 million as of March 31, 2023, and $1.27 billion as of June 30, 2022. Notes receivables represent bank notes with maturity within 6 months.

And now on the company's cash flow. For the 6 months ended June 30, 2023, net cash provided by operating activities was $786 million compared to $1.13 billion in the same period of last year. And for the 6 months ended June 30, 2023, net cash used in investing activities was $495.7 million compared to net cash used in investment activities was $80 million in the same period of 2022.

Net cash used in investment activities in the first half of 2023 was primarily related to the capital expenditures on the company's polysilicon project in Baotou City, Inner Mongolia. And for the 6 months ended June 30, 2023, net cash using finance activities was $477.5 million compared to net cash provided by financing activities was $1.58 billion in the same period of 2022.

The net cash used in financing activity in the first half of 2023 was primarily related to $174 million in the company's share repurchases and $306.6 million in dividend payments made by the company Xinjiang Daqo subsidiary to its minority shareholders.

And that concludes our prepared remarks. And operator, we will now open the floor for questions.

**Question-and-Answer Session**

**Operator**

[Operator Instructions]. First question will be from Philip Shen of ROTH MKM.

**Philip Shen**

Longgen, sorry to see you leave. And I was wondering if you could touch on your personal situation and give us some color as to timing and detail around what you might do next? It sounds like from the release that you're leaving effective immediately, but you're on the call today. So just curious, if there's anything you can share?

**Longgen Zhang**

Thank you, Philip. I think I'm working for the company more than 5 years, and I know everybody well. And -- then also, remember, our new CEO and Chairman, his stay in Daqo is longer than me. Basically, he also knows this industry very well. Even during the past 5 years, we were working together. And so I think giving personal -- I think family personal reason, I'm leaving, but I think still I turn over the control to Mr. Xu. I think -- I hope -- I think he will direct the company to the next high step.

Did I answer your question, Philip?

**Philip Shen**

Yes. Shifting over to pricing. You talked about the dynamics of how pricing fell in Q2, and then there was a bit of a recovery. Can you talk about what you see for polysilicon pricing in Q3, Q4 and also 2024? How much higher or lower could poly pricing go in 2024?

**Longgen Zhang**

I think in last year Q4, during the seasonal and also some downstream clients, I think they're planning to stop demand, shut down the capacity. So almost the 5 bigger polysilicon plants have the inventory by the end of last year. And -- but as the Q1, when -- because Chinese New Year is coming in February, so demand immediately come up.

So in Q1, the price continue to go up back from, I think, Q4, the bottom almost RMB 80 per kg to 240, but really, because I think new entrants, the inventory, I think, digested. So in Italy, I think to buy, I think in May and June, the price continue go down. especially, I think in June, the price almost go down to the bottom.

Basically, I think breakeven even, I can call. RMB go to like RMB 55 to RMB 60. Then for some reason, as you know that, by the end of last month, I think 2 companies, I'm not mentioning, okay, they have -- I think the facilities have some sparing the bomb you see, almost one of the big players, almost stop Xinjiang all production.

So I think right now, besides I think the market come back, the order is coming, I think, in the pipeline, especially some order in [indiscernible] is continuing, we see in Q3, Q4. So the demand right now is a little high. So the price right now back like N-type is around RMB 83 to RMB 85 per kg. The P-type, I think, is around like RMB 65 -- RMB 63, RMB 65 per kg.

So we think in Q3, we see is very profitable. I think in this situation will continue lasting to October. Then during November and December, another, I think, seasonal come up, the winter is coming. The Western country maybe the Christmas Day, then Chinese New Year is coming. So I think during November, December or January and February, the price definitely go to deep again.

Also, I think as other, if you like -- like Daqo Mongolia, we have full capacity running. Then like TBEA, they also -- the first project in Mongolia is not very successful, okay? Last year, they started trial production, still not full capacity running. But they will now tell the market, they were capacity running by next month.

So we see the supply has continued to go up. So I think the next year, the polysilicon price, even next 2 years, especially, I think very clear, the polysilicon produced in China right now, is a different price from polysilicon produced outside of China. For example, like Wacker, OCI because they can easily to traceability to export use their silicon produce final products export to U.S.

Right now, I think next 2 years, Chinese polysilicon maybe were stable, maybe between, I think, around RMB 60 to around RMB 70 -- between RMB 75, I think like that channel. That's what I'm thinking, okay. Then I think this also will push, I think, some Chinese producer -- silicone producer will move outside to China to other locations outside of China to produce silicon.

As you can see that like in U.S. IRA already attract a lot of company, right now Chinese company to do the module, I think, sell even waiver. So I think that tendency will continue to come in. So I think globally, I think after 2 to 3 years, I think the Chinese maybe [indiscernible] the capacity is not only silicon, maybe wafer cell always oversupply right now.

So that's why cost of module price right now from RMB 2 per watt down to like near RMB 1.4 per watt. Definitely the good thing because returns on projects is higher. But that may be stimulate the installation, but also a lot of installation continue going on the market demand and in-store, then go to grid also have come -- have problems, especially in China.

So it's all trade-off. You're thinking you see the module price go down, maybe you will increase II on the project. But in the meantime, you see the connect to the grid delay also will affect the returns on II. So -- but China right now, the market is so hot, we think the rooftop, the SOE , I think it's all going on.

So I don't think any problem. Within 2 years, I think Europeans continue to go -- I think continue to grow. The only thing the over-label force action in Europe is starting 2025 Q2. So I think that's give time to the Chinese producer to move the production outside of China. So I think that's -- you see my -- what I'm thinking to the whole market in the future.

But remember, Daqo is the only one in China right now, know that produce high-quality products can compete with Wacker. So especially, I think as the N-type silicon continue to grow, we already see the price difference between N-type and P is around right now RMB 8 to RMB 10 per kg. So our advantage is very clear. If you look at our Q2, I think the gross margin is almost more than 50%. I think we still can keep our gross margin even, let's say, in Q3, Q4, still above -- even Q4 still above 30%. I think 20% is our premium compared with other players, competitors based on the quality and the cost effective and the scale.

**Philip Shen**

Great. That was a lot of color. You said something very interesting just now about how China -- Chinese producers could launch and ramp capacity outside of China to serve the U.S. and other -- maybe even Europe.

**Longgen Zhang**

Middle East.

**Philip Shen**

So I was wondering if you could highlight -- right. So can you talk about -- like do you guys have plans to ramp up facilities outside of China? And then how many metric tons do you see? Are there announcements already of who could be ramping? And which countries and what's the timing of when those things -- when those facilities could ramp?

And then also, you talked about this price delta between Chinese and non-Chinese polysilicon pricing. Can you talk about what the magnitude of that premium is? A few -- a couple of months ago, I think it was something around $10 delta. What is the non-China poly price now? And do you expect that difference to maintain? Or do you think that could get closer over time?

**Longgen Zhang**

Basically, if you look at the figure today, outside of China silicon, majority is Wacker, OCI and Hemlock. I think add together, it's around 80,000 tons. That cannot meet, I think, even U.S. market, 50 GW, let's say, 50 GW, I think, needed at least, I think, 120,000 metric tons, right? Of course, I think the U.S. is not only just polysilicon module. There may be also same thing in other stuff.

So we see, basically, I think Europe, U.S. U.S. is a typical market is not only besides you see the -- I think I stimulus because also the political issues. For example, the antidumping, the tariff, all the stuff, CBD, AD and plus, I think, over-label force that reaction. All these, I think, you can see today, for example, like Trina, I think they use Wacker materials produced in Vietnam from wafer cell module. This can easily selling, I think the module to U.S. around $0.40 per watt.

Also, I think [indiscernible] do the same thing. So I think in the U.S. market right now, the market can absorb high module price. It's already there, I think. Then as I think the U.S. market continue asking for -- from I think model to cell and wafer step-by-step required localization materials, I think that will push the capacity from module, cell and silicon.

The same situation, I think, will happen in Europe. So Europe, I think from you have to -- I think in the future, I think -- I'm not remember that maybe 85% or 65%, you have localization. So that's why I think a lot of Chinese single player will move to Europe.

But today, you see I think the production ecosystem, I think the environmental, I think Middle East, Southern Asia, maybe same as China, I think it can produce, I think, the lowest cost the effective module products. So it's a lot of right now, company right now because I think go to the Middle East, like Saudi, UAE and Oman, Qatar because they have 20, 30 versions in the Middle East and also the strong relationship right now political relations with China.

So we see a lot of China -- you see also a lot of news come out. You can see CECL the news with the industry, right? You can see that. And also U.S., you also can see, I think, LONGi, Jinko expansion in U.S. and Europe, then a lot of right now, I think, not only module, but also, I think the wafer capacity right now is moving to Europe.

So I think this has happened. I think, become global production, global products. That's a good thing. I think -- that's also very easy. I think the market demand and supply become more healthy.

**Philip Shen**

Great. Just a follow-up...

**Longgen Zhang**

Yes.

**Philip Shen**

Sorry to interrupt you. Just to kind of focus the conversation a little bit. Just I thought you were referring to Chinese polysilicon producers ramping facilities in the -- outside of China. Do you -- are you aware of any of those activities? And do you think you might ramp polysilicon production facilities outside of China? And if so, where would that still be the Middle East and maybe Southeast Asia or would that be some other locations?

**Longgen Zhang**

I think it definitely is, I think, a very -- I think the economic stimulus to attract Chinese producer to move outside of China to produce the silicon. But if you remember that silicon plant is capital-intensive, also environmental, and also in the chemical industry. So the design, the permits, all this, I think, is very high.

Daqo also did a lot of research. For example, if we go to U.S., maybe taking 5 years to finish the construction, then 10x the total investment. So it's impossible for us to set the plants in any Chinese, I think, producer to set the plants in U.S. Then if you go to other places like Middle East, you have considering.

If you set up plants in outside of China, what's the competitive edge, right? If the cost of the final product is still used in the local, then it's no competitive edge. The only chance is traceability the products can go to Europe, go to the U.S. than meeting some.

Today, if you look at the PV link, I think last week, I think, Wacker, I think international polysilicon $27 to, I think, $35 whatever. And China right now is around like $10 to $11. So the difference is there. I think that will continue to exist the reason because the -- I just mentioned that outside of China, silicon only 80,000 tons.

There's no way within 2 years can increase. We also didn't see any existing player, for example, OCI, Wacker, Hemlock, their expansion. So we also didn't see any Chinese producer is going to -- planning to set plants outside of China. At least right now, we didn't see any news.

Daqo is a little different because we right now, I think, a list in U.S. then also listing Asia. So for a U.S. company, we cannot compete business with, I think, Asia company. So the silicon we only can do the Asia. So that's we'll be careful. I think with the new Chairman and CEO, I think Mr. Xu, I think he has the future planning. I think yes, we are looking at a study anytime if possible.

**Philip Shen**

Okay. That's really very good color. One last question for me. We recently wrote that LONGi's the tained product in the U.S. using Tongwei poly from maybe 4 or 5 months ago, that was the tained was denied entry into the U.S. I know you're ramping your Inner Mongolia facilities now.

What is your -- what do you think your ability is to import your poly through Southeast Asia into the U.S. now? Are you a little bit more pessimistic given the LONGi's situation? Or are you still optimistic because you have traceability to the port site?

**Longgen Zhang**

Frankly speaking, I'm very pessimistic. The reason is because Tongwei -- of course, Tongwei's situation is may be a little different. At least they are, I think, have different locations. I think the U.S. customer, I think depend LONGi the reason because as Tongwei on the whole global, they maybe use Xinjiang silicon store. They cannot improve they didn't use, right?

So yes, we have to see because at this moment, because of critical, I think, conflict, I think, what I want to say is difficult to clear any player right now can be traceability. Any silicon produced in China can be pass the traceability to export to U.S. But -- if we can do to show in Mongolia, starting from all to industry silicon to silicon powder to silicon producer, the whole value chain to show, I think we don't know, right? We have to try it, right? So I can tell you, but we will make our efforts.

**Operator**

Our next question will be from Alan Lau, Jefferies.

**Alan Lau**

Happy to hear Longgen is moving on. And thanks for the contribution to the company as well in the past year. So my first question is what is the CapEx plan for the remaining of this year and next year?

**Ming Yang**

Okay. So if you look at the CapEx plan, okay, so I would say in the first half, right, so I think for -- from our financial statements, are approximately $495.7 million was used in investing activities, and that's pretty much used for CapEx, mostly related to our Inner Mongolia Phase 2. And some of it is [indiscernible] Mongolia Phase 1.

And then for the second half, we're currently planning an additional $750 million in CapEx. In aggregate, this is mostly used for Inner Mongolia Phase 2, which is under construction, right, now. And then less than $100 million will be in the final payments to Inner Mongolia Phase 1.

So I think in aggregate, for the full year, we were planning roughly $1.25 billion in CapEx. So that's the current CapExn plan right now.

**Alan Lau**

So another question is, since the average selling pol price in Q2 is lower than the average market price in the market, so I would like to ask how -- is the company selling more in July -- June instead of April? And what is this -- what is the split between the different months because the prices have been declining also?

**Longgen Zhang**

First of all, I don't know where you got the ASP -- market ASP, then you can make a decision we are below ASP. But I can tell you because we are as a company digest all the inventory. So basically, yes, we're sliding -- our price is very competitive, but compare our quality, I still think is challengeable. We still is very profitable.

So if you look at Tongwei, I think their whole industry together, I think the increase -- the profit in the second quarter almost cutting half less than half. We still have more than 50% increase hail -- couple of half, more than high than the half. So I don't think you -- it's apple-to-apple. I still think we're selling pretty good, I think, ASP to the good clients, yes.

**Alan Lau**

Because they are guiding that they are selling at around RMB 120 per kilogram, so I saw our numbers around 97 or 98, including tax. So that's why that's a question. Maybe there's some timing difference. I'm not sure.

**Longgen Zhang**

Yes. It's maybe not apple-to-apple. Really, we're not to comment another company, but that's a factor. We are -- I think the figure we tell you.

**Alan Lau**

Understand. So how about the share buyback pace because -- since the buyback in Q2 was not very aggressive. So can I assume the company will accelerate the buyback in Q3 because you have more than $500 million left?

**Ming Yang**

So yes, I think we still have $500 million -- more than $500 million left on the company's -- the parent company's balance sheet in the offshore account, which we will use for the share buyback program. And the share buyback program continues to be in place and has not been changed.

And certainly, we will look forward to support the share price especially now with the new Chairman and CEO onboard. And I think as well our new plans for the company. And certainly, I think and obviously subject to for some market conditions, our share price and other factors, things like that, but we will continue to execute on our share buyback program.

**Longgen Zhang**

But we assure I think we're going to finish the $700 million purchase program, right, by the end of the year.

**Ming Yang**

That's the current expectation.

**Longgen Zhang**

I think that's right.

**Alan Lau**

So yes, that's quite positive. And my last question is -- what is the view on aggressive expansion by others? Because some of the peers are actually having concrete due diligence in Saudi. So I wonder if we are also investigating the expansion plan in Saudi or other places where we see more relevant or more feasible for us?

**Ming Yang**

Okay. We did investigate in overseas expansion in the past, actually quite actively, and we did actually even sent our teams overseas to do due diligence. And we continue to think and there are a lot of challenges to overseas expansion, particularly, for example, around the higher production costs and the sustainability of the price premium and as well as the market opportunities. So we certainly are continuing to monitor the various opportunities, but I think as of now, the company has no plan to do overseas expansion right now.

**Operator**

The next question will come from Ji Chao of Goldman Sachs.

**Ji Chao**

Can I ask what's the portion of the N-type poly for the first half this year? And how -- what kind of a portion would you expect for the full year? And also, we note that the second quarter operating cash flow is actually negative. Can you also share why is that?

**Ming Yang**

Okay. Ji Chao, thank you very much for your questions.

So with regard to N-type, so the percentage keeps improving. So in Q1, it was roughly in the range of 10% to 20%. And actually, for Q2, we've already increased it to the range of 20% to 30%, I think based on the company's, both in the market conditions and the market demand from the customers and also the price premium and that's afforded in the market.

So I think towards the end of Q2, now that price premium is in RMB 10 to RMB 15 per kilogram range for N-type relative P-type, we are actually modifying our process and optimizing our process to produce more N-type. I think in the second half, right now, our expectation is that N-type will constitute somewhere between 30% to 50% of our production.

So obviously, Xinjiang is a more mature process and -- but the equipment has a little bit more limitation on the entire percentage, but we think we can improve it further. But Inner Mongolia is in the process of improving its quality and ramping up. So we're very optimistic that over time, the Inner Mongolia N-type percentage will increase meaningfully.

Let me follow-up on the second question. Can you repeat your second question again?

**Ji Chao**

Sure. The second quarter operating cash flow seems to be negative. Can I ask why is that?

**Ming Yang**

The negative is -- for the 6 months, we had $786 million, I think the operating cash flow.

**Ji Chao**

Right, right. But it seems that the first quarter cash flow is like more than $800 million. So it seems like the second quarter is slightly negative?

**Ming Yang**

It's probably related to our bank note sales. Let me follow-up with you on the topic.

**Operator**

Next question will be from [indiscernible].

**Unidentified Analyst**

So my question is, so we have changes in our management team. And I want to ask due to our [indiscernible] management, do we have plan to launch new business or do new investments?

**Longgen Zhang**

I think the change of the new management team, I think Mr. Xu is the Chairman and CEO new. I think he's also the biggest shareholder and the controller -- and the Asia controller. I think yes, maybe I think in the future, definitely, we were looking to do some study. But we still, I think we're focused on our existing business.

And as we lay down 3- to 5-year strategy, you see extremely do in the industry silicon metal, then also we were the poly, I think 1,000 semiconductor products is welcome our -- are start production starting, I think, Q3. So our strategy didn't change. Of course, we are looking at other opportunities, maybe overseas, maybe downstream. But right now, we will announce there really.

**Unidentified Analyst**

Okay. And my next question is do we consider to go in private because we have a lot of cash and this cash maybe somehow cover our market cap. So do you consider to go private?

**Longgen Zhang**

I think privatization -- with going to privatization is not management team to make decision and we have to go through the whole shareholders. But definitely, one thing is clear, I think the valuation between Asia and U.S. share is -- the difference is higher.

So right now, we only have a channel is going to throw Asia to declare dividends to buyback the U.S. shares. So it's anti-diluted. As you can see, right? So I think we think that the price can continue as the variation in U.S. market can continue to go up.

But I want to remind you, by the June 23 -- July 23 next year does mean after we IPO in Asia after 3 years, the U.S. company holding 73% of Asia, we can sell it, start reselling. So that means we have another channel. We can sell the Asia to get the money then back to U.S. market to buyback the U.S. shares.

So basically, we think in the future, if the valuation is so different, you see, we can sell that to [indiscernible] definitely we will reduce the circulating shares, you see. And that's, I think, to push in the market, right? But with privatization, I don't think so for long-term because we also want to U.S. shareholders to get -- to share our benefits.

**Operator**

Our next question will be from Leo Ho [indiscernible].

**Unidentified Analyst**

This is Leo Ho from Daiwa Capital Markets. A couple of questions. I would like to ask one by one if I may.

The first question is regarding share buyback. I just would like to confirm that, so our current plan is that we are going to spend the entirety of the USD 700 million within this year. Am I correct?

**Ming Yang**

I would say -- let me just say that I think with some $700 million program is in place. And I think there has been no changes to that. I think certainly, the company and the management team will continue to monitor the market and repurchase the shares. Yes. I think based on the share repurchase program, yes.

**Unidentified Analyst**

My second question is regarding the second quarter production number. I noticed that we have produced 45,000 tons eventually. But according to your first quarter guidance, we should be producing around 55,000 tons in the second quarter. May I know what is the reason behind the 10,000-ton discrepancy? Are we doing like any retrofit for our old or new capacity? What's the reason behind? And if we are doing retrofit, can you briefly tell us what capacity or which -- in which provinces that we are doing?

**Ming Yang**

I think I'm just looking at our previous guidance. I think we guided to 44,000 to 46,000 tons of production for Q2. So we actually produced more -- pretty much in line with our previous guidance. So it is basically in line. I think as we ramp up our Inner Mongolia as we expected. And then it's for the Q2 that was not what we're expecting, in, I think, 55,000 to 57,000 metric tons. So that's reflecting the full ramp-up of the Inner Mongolia facility.

**Unidentified Analyst**

So are we doing any like retrofit in the second quarter?

**Longgen Zhang**

I think if you look at the end of Q1, we have inventory almost, I think tons. So in Q2, we produced 45,000 tons. So then we're selling 51,000 tons, almost 52,000 tons. So we still have some -- an inventory in Q2. It's 10,000, 450,000 -- yes, it's a 10,550 tons. So I think the figure is correct.

**Unidentified Analyst**

Okay. Okay. Just a few more question. I just want to know; do we have any forecast for the N-type product within our total production mix for 2024? And also, I would like to know at this point in time, aside from us how many producers in the market do you see are capable manufacturing N-type polysilicon at large scale?

**Ming Yang**

So I think for 2024, we expect N-type to be greater than 50%. I think, in fact, I think once we'll fully ramp up in terms of our updates to our optimization of our process, we should have N-type in the range of 70% to 90% for the company, especially for next year.

The internal number of producers, I think right now, we are one of the largest producer of N-type and supplier of N-type producers in the market. I think the other main producers include Wacker and then some from Asia silicon and then some from [indiscernible], but I think they are the main ones.

**Unidentified Analyst**

My last question is on joint ventures. I think for amongst large polysilicon producers in China, it seems like we are the only one without any joint venture with downstream customers. Are we planning to form any joint venture in the future? And why we didn't form any of them in the past?

**Ming Yang**

I mean we won't roll this possibility out. I think in the past, we want to be kind of a pure play and really the primary merchant supplier of polysilicon. And I think that benefited us very well, especially last year, where I think some of our peers have had a JV partners or minority investors have to where we have shared a lot of their offshore income with the shareholders.

So obviously, I think with the recent market trends, actually, a number of customers have approached us and indicated the interest in doing minority or JV investments. So that is something that we are in discussion, but there's nothing in concrete to report.

**Operator**

[Operator Instructions]. Our next question comes from [indiscernible] with Nomura.

**Unidentified Analyst**

My question actually was raised earlier, is about the privatization comment. So no further questions from me.

**Ming Yang**

Great. Great. Thank you. Thanks for joining our call.

**Operator**

This concludes our question-and-answer session. I'd like to turn the conference back over to for closing remarks.

**Unidentified Company Representative**

Yes. Thank you, everyone, again for participating in today's conference call. Should you have any further questions, please don't hesitate to contact us. Thank you and have an awesome day. Goodbye.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.